

CONTINUING CARE DISCLOSURE STATEMENT

June 1, 2019

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
(SHARON TOWERS)
5100 SHARON ROAD
CHARLOTTE, NORTH CAROLINA 28210
704/553-1670

CHAPTER 58, ARTICLE 64 OF THE NORTH CAROLINA GENERAL STATUTES, ENTITLED "CONTINUING CARE RETIREMENT COMMUNITIES" REQUIRES DELIVERY OF A CURRENT CONTINUING CARE DISCLOSURE STATEMENT PRIOR TO THE SIGNING OF A RESIDENT'S AGREEMENT PROVIDING FOR CONTINUING CARE. THIS CONTINUING CARE DISCLOSURE STATEMENT SHALL BE CONSIDERED CURRENT AND MAY BE DELIVERED BY SHARON TOWERS ANYTIME PRIOR TO OCTOBER 28, 2020, UNLESS SHARON TOWERS DETERMINES THAT A REVISION IS NECESSARY BEFORE THAT DATE. THIS CONTINUING CARE DISCLOSURE STATEMENT HAS NOT BEEN REVIEWED OR APPROVED BY ANY GOVERNMENT AGENCY OR REPRESENTATIVE TO ENSURE THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET OUT.

(SHARON TOWERS)

CONTINUING CARE DISCLOSURE STATEMENT

Table of Contents

<u>Item</u>	<u>Page</u>
I. Organization Introduction and Information.....	1
II. Facility Introduction and Information	1
A. Directors/Officers of Sharon Towers	2
B. Description of Physical Property.....	5
C. Number of Residents	5
III. Policies, Admission.....	6
A. Health Criteria	6
B. Financial Criteria; Financial Assistance.....	6
C. Age Criteria	6
D. The Admissions Process	6
1. Application and Approval.....	7
2. Future Residency Program List	7
3. Orientation Visit and Signing Resident’s Agreement.....	7
4. Date of Availability.....	7
5. Date of Occupancy.....	8
E. Changes of Condition Prior to Occupancy.....	8
1. One of a Couple Fails to Meet Admissions Criteria	8
2. Delayed Occupancy	8
3. Changes in Unit Selection.....	8
F. Living Accommodations Made Available to Others Prior to Death	8
G. Refunds.....	9
H. Moves	9
1. Moves to and from Health Care Center	9
2. Moves to Larger Living Accommodations	9
3. Move to Smaller Living Accommodations.....	9
4. Initial Joint Residents – Pro-ration of Entry Fee and Monthly Service Fee When Residency Changes	10
5. No Right That Resident Move to Another Living Accommodation: Other Cases.....	10
I. Marriage.....	10
1. Marriage of Resident to Another Resident	10
2. Marriage of Resident to Nonresident	11
J. Financial Difficulty	11

IV. Services	11
A. Living Accommodation	11
B. Standard Services and Amenities	12
1. Common Areas; Smoking and Drinking Policies	12
2. Utilities	12
3. Telephone	12
4. Cablevision.....	12
5. Wi-Fi	12
6. Housekeeping Service; Linens.....	12
7. Laundry; Dry Cleaning	13
8. Maintenance, Repairs, and Accommodations with Appliances	13
9. Grounds	13
10. Meals	13
11. Guest Meals.....	13
12. Parking	14
13. Library.....	14
14. Convenience Store.....	14
15. Storage.....	14
C. Services Available at an Extra Charge	14
1. Prescriptions.....	14
2. Medical Transportation/Emergencies	14
3. Barber, Beauty Shop	14
4. Covered Parking Spaces.....	15
5. Chore Services	15
6. Concierge Service West Suite.....	15
7. Guest Room.....	15
8. Companion Services.....	15
9. Structural Change	15
10. Redecoration.....	15
D. Health Care Center and Home Care Services	15
1. Health Care Center.....	15
2. Domiciliary Care/Home for the Aged Facility	16
3. Home Care Services.....	16
4. Personal Assistants.....	16
E. Handling Complaints	16
V. Fees.....	17
A. Summary of Fees.....	17
B. Application Fee and Future Residency Program Deposit	17
C. Ten Percent Reservation Deposit	17
D. Entry Fee	18
E. Transfer Fee.....	18

F. Refund Provisions.....	18
G. 90-Day Trial Period.....	19
H. Termination	19
1. Refund Schedule, Terms	20
I. Monthly Service Fee.....	21
J. Health Care Center Fees	22
K. Ninety Day Health Care Center Rule.....	23
VI. Financial Information	23
VII. Actuarial Study.....	24
VIII. Reserves, Escrow and Trusts.....	24
A. Trust & Gift Assets	24
B. Conger C. Stroupe and Dortha B. Stroupe Resident’s Assistance Fund....	24
C. Rosebro Foundation.....	25
D. Operating Reserves Requirement.....	25
E. Investment of Liquid Assets	25
IX. Facility Development/Expansion.....	26
X. Resident’s Agreement	27
XI. Occupancy.....	27
EXHIBIT A	Independent Auditor’s Report, Balance Sheet as of December 31, 2018 and Statements of Support and Operating Revenues, Expenses and Fund Balances, and Cash Flows for the Year Ended December 31, 2018.
EXHIBIT B	Material Differences of Financial Statement versus Forecast.
EXHIBIT C	Interim, Unaudited Statement of Assets and Liabilities as of February 28, 2019, Statement of Support, Operating Revenues and Expenses for the year through February 28, 2019, and Statement of Cash Flow for the year through February 28, 2019.
EXHIBIT D	Five-Year Forecasted Statements of Support, Operating Revenues, Expenses, and fund Balances for the Calendar Years 2019 to 2023.
EXHIBIT E	Resident’s Agreement
EXHIBIT F	Reservation Agreement

I. ORGANIZATION INTRODUCTION AND INFORMATION

The Presbyterian Home at Charlotte, Inc., a not-for-profit corporation organized in 1964 under the laws of the state of North Carolina, owns and operates a continuing care facility and currently provides health-related services to approximately 356 persons aged 60 or over. Its facilities are known as "Sharon Towers," and in the remainder of this Disclosure Statement, The Presbyterian Home at Charlotte, Inc. and the facilities owned and operated by it are referred to as "Sharon Towers." Sharon Towers does not discriminate based on gender, race or religion.

Sharon Towers is governed by an 18 to 24-person Board of Directors, divided into three classes and elected for three-year terms by the Presbytery of Charlotte. The Presbytery of Charlotte is organized and exists under the authority of the constitution of the Presbyterian Church (U.S.A.). Nevertheless, neither the Presbyterian Church (U.S.A.), the Presbytery of Charlotte (or its successor) nor any general assembly, board, synod, presbytery, session, church, congregation or agency thereof has any financial or managerial responsibility for the business or affairs of Sharon Towers other than the election of its directors as described above.

Sharon Towers, a charitable and religious organization, is exempt from federal income taxes pursuant to Section 501(c) (3) of the Internal Revenue Code of 1986.

Sharon Towers is a member of Leading Age, the Presbyterian Association of Homes and Services for the Aging, Leading Age North Carolina, and the North Carolina Health Care Facilities Association.

II. FACILITY INTRODUCTION AND INFORMATION

Sharon Towers maintains one ten-story, three six-story, and two three-story residential towers surrounded by 34 freestanding or paired cottages on approximately 28 wooded acres in southeast Charlotte. SouthPark shopping mall, bus routes to downtown Charlotte, and Sharon Presbyterian Church are nearby.

Sharon Towers is known for its financial stability, excellent location, and quality of care. Sharon Towers opened the East Tower and 22-bed Health Care Center in 1969. West Tower and South Wing and additional nursing beds were added in 1974 and 1985; cottages have been added over the years; the North Terrace opened in 1999 and South Terrace opened in 2003. The North Terrace and South Terrace were financed with tax-exempt bonds issued by the North Carolina Medical Care Commission. The first of two Magnolia Villas opened in January of 2017 with the second Villa opening in February of 2018. Both Villas were financed by first generation Entry Fees and operating income. As of April 30, 2018 no debt related to Villa construction is outstanding.

Sharon Towers initiated a cottage renewal program in 2004 where vacated cottages are extensively renovated and or expanded. In some cases, old cottages are torn down and rebuilt in order to provide cottages with larger square footage and enhanced floor plans.

Since 1994, many small single residences have been combined to create the larger floor plans that are in greater demand. Two 20-bed assisted living units, licensed as "Adult Care," were opened

in November 1994, and May, 1996, respectively in the West Tower. Together, the two assisted living units are known as Azalea West. Third Floor Azalea West, licensed as adult care, is secured with magnetic locks to prevent wandering. Concierge services are available for residents of the West Suite, located on the 4th floor of the West Tower.

Sharon Towers expanded its Certificate of Need for Health Care Beds and now maintains an open certificate of need for 62 Health Care beds, allowing direct admission to those beds. Its remaining 34 Health Care beds are closed to direct admissions and must follow the admission policy stated in Section III.E.

A. Directors/Officers of Sharon Towers: As of June 1, 2018, the following persons were either directors or officers of Sharon Towers responsible for development of policy and providing direction to management. Some Directors who are also Residents of Sharon Towers are elected by the Residents with the election ratified by the Charlotte Presbytery. Neither the CEO nor any member of the Board of Directors has been convicted of a felony or pleaded nolo contendere to a felony charge or judgment, or a felony or civil action involved in fraud, embezzlement, fraudulent conversion, or misappropriation of property; or is subject to a currently effective injunction or restrictive court order, or within the past five years has had any State or federal license or permit suspended or revoked as a result of any action brought by a governmental agency or department, arising out of or relative to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, Home for the Aged or facility subject to the North Carolina G.S.58-64 or similar law in another state.

EDWARD S. BOOHER is a member of the Board of Directors and serves on the Finance and Investments Committee. He is an attorney with Moore & Van Allen and a member of First Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

DOUGLAS K. BRADLEY is Chair-elect of the Board of Directors and serves on the Executive Committee and the Facilities and Programs Committee. He is Managing Principle of Landover Development and a member of Trinity Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

JOHN E. BURTON, Jr. is a member of the Board of Directors and serves on the Executive Committee and as Chair of the Planning and Governance Committee. He is a marketing consultant for the Burton Group and is a member of First Baptist Church West. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

JOHN J. CARPENTER is a member of the Board of Directors and serves on the Finance and Investments Committee. He is an attorney with Culp, Elliott & Carpenter, PLLC and is a member of Myers Park United Methodist Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

ADELAIDE A. DAVIS is a member of the Board of Directors and serves on the Fundraising and Community Outreach Committee. She is Associate Vice President of Alumni Relations and Planned Giving at Queens College and is a member of Covenant Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

MICHAEL W. FISCHER is Chair of the Board of Directors and serves on the Executive Committee. He is Managing Director of Bank of America and a member of First Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

MILDRED P. FOLK is a member of the Board of Directors and serves on the Planning and Governance Committee. She is a past Residents' Council President and a member of Covenant Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

SUSAN M. GOODMAN is a member of the Board of Directors and serves on the Fundraising and Community Outreach Committee. She is a professional artist and attends Myers Park Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210

ROBERTA L. HARPER is a member of the Board of Directors and serves on the Executive Committee and as Chair of the Fundraising and Community Outreach Committee. She is CEO of Hugaroo, Inc. and a member of St. Matthew Catholic Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

TIMOTHY J. IGNASHER is a member of the Board of Directors and serves on the Finance and Investments Committee. He is President of New Dominion Bank and a member of Covenant Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

ROBERT A. JONES is Treasurer of the Board of Directors and serves on the Executive Committee and as Chair of the Finance and Investments Committee. He is Senior Vice President at CapTrust Advisors and a member of Myers Park Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

VIRGINIA L. KELLY is a member of the Board of Directors and serves on the Fundraising and Community Outreach Committee. She is a member of Myers Park Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210

E. JUDSON MCADAMS is a member of the Board of Directors and serves on the Facilities and Programs Committee. He is a partner with Real Estate Development Partners and a member of Christ Episcopal Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

RHONDA R. MCCLAIN is a member of the Board of Directors and serves on the Planning and Governance Committee. She is an Educator in the Charlotte-Mecklenburg Schools and a member of Sharon Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

V. HAYDEN MCMAHON, JR. is a member of the Board of Directors and serves on the Facilities and Programs Committee. He is President of McMahon Development and a member of Trinity Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

ANNE O. MOFFAT, President and Chief Executive Officer, has worked in long Term Care in nursing and administration for 34 years having started as a Registered Nurse after receiving her

BSN degree from Rush University. She earned her Masters of Business Administration from Queens University and is a licensed healthcare administrator. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

RICHARD L. NICHOLS, JR. is a member of the Board of Directors and serves on the Facilities and Programs Committee. He is Managing Director of Bank of America and a member of The Park Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

FREDA H. NICHOLSON is a member of the Board of Directors and serves on the Facilities and Programs Committee. She is retired founder, President/CEO of Discovery Place and a member of Myers Park United Methodist Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

KATHERINE K. RICHARDS is a member of the Board of Directors and serves on the Finance and Investments Committee. She is a retired Associate Vice President with the firm of Morgan Stanley Smith Barney and is a member of Myers Park United Methodist Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

RANDAL L. RIPPLE is Secretary of the Board of Directors and serves on the Executive Committee and the Planning and Governance Committee. He is managing partner of Antaeon Solutions LLC and a member of Covenant Presbyterian Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

THECKLA D. STERRETT is a member of the Board of Directors and serves on the Planning and Governance Committee. She is retired President and Executive Director of Account Services at Saturday Brand Communication and a member of St. Peters Episcopal Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

R. CHRISTOPHER THOMAS is a member of the Board of Directors and serves on the Executive Committee and as Chair of the Facilities and Programs Committee. He is a partner with Childress Klein and a member of Carmel Baptist Church. His contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

VELVA W. WOOLLEN is a member of the Board of Directors and serves on the Fundraising and Community Outreach Committee. She is a former Charlotte city council member, Woman of the Year recipient and a member of Covenant Presbyterian Church. Her contact address is 5100 Sharon Road, Charlotte, North Carolina 28210.

Officers and Directors serve as volunteers and have no professional experience in the operation and management of facilities similar to The Presbyterian Home at Charlotte, Inc.

There is no professional service firm, association, trust, partnership or corporation in which the President/CEO (who will manage the facility on a day to day basis) or any member of the Board of Directors has, or which has in such persons, a ten percent or greater interest and which it is presently intended shall currently or in the future provide goods, leases or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more

within any year.

B. Description of Physical Property

East Tower: This tower, closest to Sharon Road, serves as the entrance to the facility. The administrative offices, Conference Room, Harris Towne Center, Library, Development and Marketing offices, Arts and Crafts rooms and sitting rooms for the convenience of Residents and guests are located on the first floor. Floors two through six have Resident apartments, with a kitchenette and laundry room available on each floor. The Lower Level area of the East Tower houses the Beauty Shop, Treasure Chest, Facilities offices and Residents' storage.

North Terrace: Joined to the East Tower at the North is a six-story building that opened in mid-1999. These 25 spacious terrace apartments have access to all amenities of the Towers building with under building parking.

South Terrace: Completed in January 2003, it joins the East Tower at its south end. These 49 terrace apartments similar to the North Terrace have access to all amenities of the Towers and have covered parking in the adjacent parking deck. A social room with a view of the Charlotte skyline is located on the 10th floor.

Core Building: The four-story Core Building connects East and West Towers lounges. The kitchen facilities are located on the Lower Level, Dining Venues on the main floor, and the Health Care Center on the upper two floors.

South Wing: Joined to the Core Building on the South side. The Exercise Room, Therapy Room, Wellness Clinic, Physician's Office, and Aquatics Center are on the Lower Level served by the South Wing elevator. On the first floor are recreation offices, the Sharon Room and Hunter Hall, which serves as a meeting room. A portion of the Health Care Center is located on the upper two floors.

The Dining Venues may be entered from East and West Towers. Along the corridor between the East and West Towers are The Reverend Dr. Eugene L. Daniel, Jr. Chapel, the Mail Room, and the Yandle Room, a private dining room. The Lemon Tree Shoppe, operated by Giant Genie Pharmacy provides prescription service, sells sundries, cards and gift items, and is on the first floor near the Bistro.

West Tower: First floor and floors four through six of the West Tower are residential areas with a kitchenette and a laundry room available on each floor. A game room area is located on the first floor between the lobby and dining areas. The second and third floors house Azalea West, an assisted living area adjacent to the Health Care Center. Azalea West Three is a secure unit. The West Suite, located on the Fourth Floor West Tower, offers concierge services.

Magnolia Villa I and Magnolia Villa II were completed in January 2017 and February 2018 consecutively. Each Villa houses eighteen residential apartments with underbuilding parking.

C. Number of Residents: Approximately 356 residents make their home at Sharon Towers.

III. POLICIES, ADMISSION

A. Health Criteria: With the exception referred to in Section III.E1 or as described herein, all Residents must be mobile, mentally alert, and able to live independently on the date the Resident occupies the Living Accommodation, as defined in the Resident's Agreement and for a reasonable time thereafter. The determination of whether a Resident satisfies these criteria is made within the discretion of Sharon Towers' management and as a result of the Resident's medical examination, through interviews and observations by the Sharon Towers staff prior to occupancy, and during the 90-day Trial Period. If at any time prior to the expiration of the 90-day Trial Period Sharon Towers determines that the Resident does not satisfy the physical and mental criteria for admission or violates the terms of the Resident's Agreement, Sharon Towers may terminate the Resident's Agreement. Notwithstanding the requirement above, a limited number of Applicants who can benefit from health care services may be admitted directly to assisted living, or the Health Care Center.

B. Financial Criteria; Financial Assistance: Except as provided herein, a Resident must have a net worth sufficient to pay the Entry Fee (also referred to as Entrance Fee), and in the opinion of the Admissions Committee, as determined on a case-by-case basis, have income sufficient to pay the Monthly Service Fee, Health Care Center Daily Rate and other incidental amounts.

It is, however, the policy of Sharon Towers, officially adopted as Article V, Section 1 of its Bylaws that financial assistance be made available to Residents who, because of their financial condition, are unable to pay the full cost of their care at Sharon Towers. Entry Fee and Monthly Service Fee assistance may also be provided at the sole discretion of Sharon Towers for a Resident upon admission, after proof of financial need. Sharon Towers strives to give financial assistance equal to five percent (5%) of annual revenue. Accordingly, persons should not be discouraged from applying for admission to Sharon Towers because of their inability to afford the Entry Fee or Monthly Service Fee. Nevertheless, while the above policies are the goals of Sharon Towers, implementation of the policies are specifically conditional upon the availability of resources for these purposes and the continued financial stability of Sharon Towers. Sharon Towers reserves the right to require periodic financial statements from Residents for the purpose of ascertaining future needs for assistance.

NOTE: The above-described admissions criteria may be modified at any time by the Board of Directors or their designated representative(s) of Sharon Towers, and all Residents should expect to pay the charges incurred for their care unless specifically waived by Sharon Towers at the time of admission.

C. Age Criteria: At the time a Resident moves to Sharon Towers, the Resident must be at least 60 years of age, except that in the case of a couple, only one of the couple must meet this requirement. Other extenuating circumstances may be considered.

D. The Admissions Process: A person who is interested in living at Sharon Towers contacts or visits Sharon Towers and receives certain preliminary information, which includes a brief information sheet, a price list and application forms. When the person is interested in continuing

the admissions process, the potential Resident receives a packet containing this Continuing Care Disclosure Statement and the Resident's Agreement.

1. Application and Approval: The prospective Resident completes the application form, which includes the confidential financial statement and returns these documents to Sharon Towers with the application fee (currently \$100 per person). The application fee is nonrefundable unless the applicant is not approved for financial reasons at the time of application. A \$1,000 Future Residency Program deposit is also required. The \$1,000 Future Residency Program deposit is refundable, without interest, upon the applicant's written request unless it is specified as a reasonable service charge should the prospective Resident cancel the Resident's Agreement after agreeing to occupy a specific residence at Sharon Towers. This \$1,000 deposit will be applied to the Entry Fee, without interest, upon admission. The Admissions Committee of Sharon Towers reviews the application and either grants preliminary approval of the application or rejects the application, based on the admissions policy then in effect.

At the point of preliminary approval, the Resident may (1) go on the Future Residency Program List for occupancy at a later time, or (2) reserve an available residence for occupancy in the near future.

2. Future Residency Program List: The prospective Resident's name is placed on the Sharon Towers Future Residency Program List in chronological order based on the day and time the application was received. The Admissions Committee will give approval of the application according to the terms of the admissions policy then in effect. The prospective Resident is notified in writing of his/her approval.

3. Orientation Visit and Signing Resident's Agreement: Members of the Future Residency Program who wish to reserve an available accommodation are expected to schedule an orientation visit, with complimentary guest room accommodation, if needed. Prospective Residents moving directly into Assisted Living or Health Care are required to have a medical examination at their expense prior to admission. At this time the incoming Resident may be asked to supplement the application with a current financial statement and other data.

When the prospective Resident wishes to select an available accommodation, he/she notifies Sharon Towers and is invited to select an accommodation according to his/her position on the Future Residency Program List. If there is competition for an accommodation, the Resident with the earlier date on the Future Residency Program List is given first choice. Payment of a reservation deposit equal to 10% of the Entry Fee is due at the time the offer of Sharon Towers is accepted in writing by the prospective Resident. Sharon Towers may, according to Section III. B., waive the Entry Fee for prospective Residents who qualify for financial assistance. If a prospective Resident pays the 10% reservation deposit and then cancels the Agreement before moving in (for any reason other than illness or death of the Resident or his/her spouse) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entry Fee and the non-standard costs to modify the Living Accommodation incurred by Sharon Towers at the request of said prospective Resident will be withheld.

4. Date of Availability: The Resident will be notified in writing of the date on which the

Resident can occupy his/her living accommodation. This date is referred to as the "Date of Availability." The Date of Availability will be determined by Sharon Towers, based on availability of the accommodation, and will be within a reasonable time following acceptance of the written offer.

The Resident is expected to occupy his/her living accommodation on the Date of Availability and in any circumstance agrees to occupy the living accommodation within 30 days of the Date of Availability. Payment of the Entry Fee is due on the Date of Availability, and the Monthly Service Fee begins to accrue as described below under "Delayed Occupancy."

If customized renovations are made to a living accommodation at the Resident's request, the Date of Availability shall remain the date by which the accommodation would have been ready had the extra work not been ordered.

5. Date of Occupancy: The "Date of Occupancy" is the date on which the Resident actually moves into Sharon Towers or the date on which he/she begins paying the Monthly Service Fee, whichever comes first.

E. Changes of Condition Prior to Occupancy:

1. One of a Couple Fails to Meet Admissions Criteria: All Residents must meet the physical and mental health requirements for admission set forth above under Section III. "Policies," except in the case of couples where one is in need of nursing care and the other is physically able to occupy a living accommodation. In this case, the person needing nursing care may be admitted directly to one of the Health Care Center beds. Separate Entry Fees are due in this circumstance. For purposes of this exception, couples are defined as co-applicants.

2. Delayed Occupancy: From time to time new Residents are not ready to move to Sharon Towers on the Date of Availability. In those instances, the Resident will be assessed an amount equal to one-half the Monthly Service Fee (without any reduction for meal credit) beginning 30 days after the Date of Availability. Sixty days after the Date of Availability, the full Monthly Service Fee is payable by the Resident regardless of the date of actual occupancy. Whenever the Resident actually occupies the living accommodation, the full Monthly Service Fee shall begin to accrue and be payable.

3. Changes in Unit Selection: Should Resident select an accommodation of different size after making payment, but before occupancy, the appropriate Entry Fee will be adjusted up or down to reflect the current price at Date of Occupancy and the Resident shall also pay the non-standard costs specifically incurred by Sharon Towers at the Request of Resident for each accommodation.

F. Living Accommodations Made Available to Others Prior to Death: In the event the Resident has been in the Health Care Center and it has been determined by Sharon Towers' Medical Director or the Resident's personal physician it is unlikely that the Resident will be physically or mentally able to reoccupy his/her Living Accommodation for the reasonably foreseeable future, Sharon Towers may remove, or cause to be removed within fourteen days, the Resident's personal

belongings from the Living Accommodation and make the Living Accommodation available to others.

G. Refunds: Refund of the Entry Fee following occupancy is described in detail under "Fees," Sections V.E. and F.

H. Moves:

1. Moves to and from Health Care Center

When a Resident moves temporarily from a regular Living Accommodation to the Health Care Center or from the Health Care Center to a regular Living Accommodation, the Resident's Monthly Service Fee, the meal plan fee and the Monthly Service Fee of any other person in the Resident's Living Accommodation shall not be affected, except that Residents in the Health Care Center must pay the Health Care Center Daily Rate in addition to the Monthly Service Fee. If a Resident moves to the Health Care Center on a permanent basis, the Resident's Monthly Service Fee shall be the Health Care Center Monthly Service fee in effect. If one of two Initial Joint Residents moves to the Health Care Center on a permanent basis, the Monthly Service Fee of the Resident remaining in the Living Accommodation shall be the single person rate. Moves to or from the Health Care Center shall not affect the allocation of the Entry Fee between the Residents who occupy a single Living Accommodation. If a Resident entered paying the semi-private Entrance Fee for Assisted Living and within the first 90 days moves permanently to the Health Care Center, a balance equal to the then-current Assisted Living Entrance Fee is due. If a resident entered paying the Health Care Center Entrance Fee and within the first 90 days moves permanently to Assisted Living, Resident shall owe only the Assisted Living Entrance Fee and Resident shall receive a credit for the Health Care Center Entrance Fee previously paid.

2. Move to Larger Living Accommodations

Unless otherwise specifically agreed upon and set forth in writing in an addendum to the Resident's Agreement, if the Resident, after obtaining the consent of Sharon Towers, moves at his/her request from one Living Accommodation to another, the Entry Fee for which is, at the time of the move, greater than the Entry Fee paid by the Resident, then at the time of move the Resident shall pay any fees provided in part III.H.5 below and the difference between the amount paid for the accommodation being vacated and the current Entry Fee for the accommodation to which the Resident moves. In addition, the Resident shall pay the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation.

3. Move to Smaller Living Accommodations

If the Resident moves at his/her request from one regular Living Accommodation to another, the Entry Fee for which is, at the time of the move, less than the Entry Fee paid by the Resident, the Resident shall not be entitled to any refund or abatement of the Entry Fee as a result of the move. The Resident shall pay any fees provided in part III.H.5 below and the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of

the day the Resident occupies the new Living Accommodation.

4. Initial Joint Residents – Pro-ration of Entry Fee and Monthly Service Fee When Residency Changes

The Entry Fee in the case of Initial Joint Residents shall be deemed paid by them in equal shares. This provision shall apply in case Initial Joint Residents are divorced or no longer wish to live together, regardless of the actual source of the funds used to pay the Entry Fee. If one Initial Joint Resident moves to a different Living Accommodation, the moving Initial Joint Resident and the Initial Joint Resident remaining in the Living Accommodation may be subject to the payment of additional Entry Fees based upon the equal pro-ration of the Entry Fee related to changes in type of Living Accommodations.

5. No Right That Resident Move to Another Living Accommodation; Other Cases

Unless otherwise specifically agreed and set forth in writing in an addendum to the Resident's Agreement, the Resident shall have no right to move from one Living Accommodation to another. Moreover, upon execution of the Resident's Agreement and payment of the Entry Fee, the Resident shall be entitled to occupy that type of Living Accommodation for the remainder of his/her life so long as his/her health permits, unless expressly provided otherwise in the Resident's Agreement. Sharon Towers reserves the right in its discretion to require the Resident to move from one Living Accommodation to another of the same type, the costs of which move shall be paid by Sharon Towers. If Sharon Towers initiates any such move, the Resident's Monthly Service Fee shall not be increased as a result of the move and the Resident shall not be required to pay any incremental Entry Fee.

Except for any move approved by Sharon Towers to accommodate a Resident's financial difficulty, a Resident requesting a move from one Living Accommodation to another which is approved by Sharon Towers shall pay to Sharon Towers the then current transfer fee plus any expenses incurred by Sharon Towers with respect to said move.

I. Marriage

1. Marriage of Two Residents

If one Resident marries another Resident and they desire to occupy a Living Accommodation currently occupied by one of them, no additional Entry Fee shall be due and the double occupancy Monthly Service Fee shall apply. Upon the subsequent death of either one of the Residents, it will not be necessary for the survivor to move from the Living Accommodation. The monthly fee will become the current single person fee for a unit of that size.

If Residents who marry desire to move to a type of Living Accommodation not previously occupied by one of them, no additional Entry Fee will be due from either of them if the Entry Fee deemed paid by each of them individually (excluding any amount attributable to a deceased Initial Joint Resident) equals or exceeds the then-applicable Entry Fee with respect to such Living Accommodation. If their combined Entry Fees, including any amount(s) attributable to a deceased

Initial Joint Resident(s), exceeds the then current Entry Fee for the new unit, no refund shall be made.

2. Marriage of a Resident to a Nonresident

If a Resident marries a nonresident, the nonresident shall not reside at Sharon Towers unless such person satisfies the then existing admissions criteria of Sharon Towers and until such person has been admitted through the normal application and admissions and orientation policies and procedures. In the event such person is admitted to Sharon Towers, such person shall pay the Entry Fee then applicable for a studio apartment plus the then current Second Person Entry Fee. Once the person is admitted and has paid the applicable Entry Fee and is permitted to occupy the spouse's Living Accommodation or another available residence, such person shall be treated as a Resident who marries another Resident.

J. Financial Difficulty

Residency at Sharon Towers shall not be terminated solely because of the Resident's financial inability to continue to pay all or part of the Monthly Service Fee or Health Care Center Daily Rate. Nevertheless, the Resident's acceptance into Sharon Towers has been based on the accuracy of the Resident's financial statements as updated prior to admission, and Sharon Towers may request Residents to file annually a financial statement with the management of Sharon Towers. *The Resident agrees not to pledge, divest or deplete his or her assets through gifts or other voluntary means to the extent that it might jeopardize his or her ability to pay for the cost of care at Sharon Towers.*

If the Resident has misrepresented information on a financial statement or has diminished his/her ability (or the ability of his/her personal estate) to satisfy financial obligations under the Resident's Agreement, by the making of gifts of real or personal property or entering into any financial transactions in bad faith or for reasons other than financial gain, AFTER submitting or supplementing the financial statement and AFTER acceptance into Sharon Towers, Sharon Towers reserves the right to terminate this Agreement, if as a result of such gifts or financial transaction the Resident is unable to pay and in fact does not pay the Monthly Service Fee or Health Care Center Daily Rate when due.

IV. SERVICES

- A. **Living Accommodations:** Within each independent living apartment and cottage Sharon Towers furnishes wall-to-wall carpeting and a private bathroom. Residential furnishings may be upgraded at the Resident's cost. Such furnishings, however, become part of the Living Accommodation and the property of Sharon Towers. Blinds are furnished in the living accommodations in the main towers building but are not furnished in the cottages or terrace apartments. Sharon Towers furnishes lodging to Residents in one of the types of Living Accommodations described below, as specified in the Resident's Agreement.

<u>Types of Living Accommodation</u>	<u>Square Feet</u>	<u>Number</u>	<u>Standard Entry Fee*</u>	<u>Standard Single Resident Monthly Service Fee 2019</u>	<u>Standard Double Residency Monthly Service Fee 2019</u>
Terrace Units	1050-1796	74	\$252,000-\$431,000	\$3,474-\$4,242	\$5,161-\$6,031
Cottages+	850-2299	29	\$228,000-\$574,000	\$3,495-\$4,937	\$5,190-\$6,694
Magnolia Villas	1365-1940	35	\$334,000-\$475,000	\$3,424-\$4,158	\$5,121-\$5,855
2 Bedroom	750-1000	10	\$128,000-\$204,000	\$3,398-\$3,470	\$5,097-\$5,220
1 Bedroom	480-1100	59	\$78,200-\$204,000	\$3,095-\$3,583	\$4,614-\$5,316
Studio	250-300	9	\$35,000-\$45,000	\$2,509-\$2,621	\$3,759-\$3,922
Assisted Living	250-480	40	\$26,200-\$39,300	\$4,942-\$7,391	N/A
Healthcare		96	\$8,200	\$7,291-\$10,061	N/A

Note: All monthly service fees for independent living include one meal per day. *Entrance Fee for double occupancy add \$16,500 (Second Person Fee)
 ** Entrance Fee add-ons may apply based on location and balcony (ies). + Reduced Entry Fee and Monthly Service Fee may apply.

B. Standard Services and Amenities:

1. Common Areas; Smoking and Drinking Policies: Subject to availability, the Resident may use, in common with all the other Residents, the dining facilities, lobby or lobbies, auditorium, lounges, patios, library, social and recreational rooms, and other common facilities furnished by Sharon Towers. The Resident shall not store personal belongings in the common areas. Residents and guests shall refrain from drinking alcoholic beverages in all common facilities, except when reserved for private use. Smoking is not permitted anywhere on campus including private residences.

2. Utilities: Sharon Towers will furnish water, light, heat, electricity, and air conditioning. Nothing in the Resident Agreement shall prohibit Sharon Towers from passing along these and other operating expenses to the Resident via the scheduled standard Monthly Service Fee.

3. Telephone: Sharon Towers currently provides one telephone per Living Accommodation. The services of the main Sharon Towers' switchboard and local telephone service are provided for all Residents of Sharon Towers. Residents furnish additional telephone instruments. Any additional expenses, including amplifiers, long distance calls, directory assistance, extra connections, and private lines, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue maintenance of a central switchboard and to discontinue providing local telephone service through the switchboard

4. Cablevision: Hookup for basic cable service is provided at no charge. Additional cable services, if available, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue providing cable service.

5. Wi-Fi: Sharon Towers provides wireless internet access throughout its facilities at no charge. Sharon Towers reserves the right to discontinue providing this service.

6. Housekeeping Service; Linens: The Resident shall maintain the Living

Accommodation in a clean, sanitary and orderly condition, and perform all usual light housekeeping tasks in connection therewith. Sharon Towers shall make available standard-sized bed linens, towels, toilet tissue and soap once per week as needed and shall provide housekeeping service in the Living Accommodation once per week.

7. Laundry; Dry Cleaning: Automatic washers and dryers for personal laundry are located within the community and are available for Residents' use. Residents must provide their own detergents and bleach. Laundry and dry cleaning services are available at a separate charge, except as otherwise provided in Sharon Towers Adult Care and Health Care Facilities.

8. Maintenance, Repairs, and Accommodations with Appliances: Repairs, maintenance and replacement of property and equipment owned by Sharon Towers will be performed and provided at such times as deemed necessary and appropriate by Sharon Towers. Repairs, maintenance, and replacement of property such as light bulbs will be the responsibility of the Resident. In accommodations with appliances, these appliances are provided and maintained by Sharon Towers. If a Resident brings his/her own appliances, Resident is responsible for their upkeep and any cost incurred due to damage caused by the malfunction of the appliance.

9. Grounds: Sharon Towers will furnish basic grounds care including lawn service. The Residents of detached cottages at their own expense may plant and maintain the area immediately adjacent to their Living Accommodations, subject to the prior written approval of Sharon Towers. All plants, trees and shrubs so planted shall immediately become and remain the permanent property of Sharon Towers, and Sharon Towers reserves the right to move or remove landscaping material as necessary.

10. Meals: Sharon Towers shall make available to the Resident three (3) meals a day, with the exception of Sunday evening meal, in the dining room. The number of meals per day included in the Monthly Service Fee is three for residents of Sharon Towers "Assisted Living Unit" and "Health Care Center." The meals will be nutritionally well-balanced and properly cooked. Reasonable special dietary needs will be accommodated if possible. Sharon Towers requires Independent Residents, defined as all Residents not living in the Health Care Center or the Assisted Living Unit, to participate in a flexible dollar meal plan which provides each Resident with a pre-set cash balance each quarter to purchase meals, snacks, limited convenience items, a la carte meals and guest meals. The flexible dollar plan does not apply to the purchase of alcohol or catering. The cash balance may be used at any time during the quarter, but **may not** be carried over from one quarter to another. Any purchases over the pre-set cash balance in the quarter, unless paid for in cash, will be charged to the Resident's account and billed the following month. The quarterly meal plan will be billed in advance in three equal monthly payments.

Meal plans are subject to change from time to time and will be published to those participating. In addition, Sharon Towers will make available in accordance with its scheduling policies, a private dining room for family gatherings or other special occasions of the Resident.

11. Guest Meals: Residents may have guests at any time, and the guests are welcome to join the Resident for meals in the Dining areas or private dining rooms. Advance reservations for guests may be required. A separate charge for guest meals and private dining room service will

be made according to the currently-established rate set by Sharon Towers, which may be modified from time to time. If the Resident desires special menu items, Sharon Towers has no obligation to provide these items, but if it does, an additional charge is made.

12. Parking: Each Independent Living Accommodation includes use of one assigned parking space. For Residents of the North Terrace, South Terrace and Magnolia Villa apartments, this space is covered. A second parking space (uncovered) may be assigned for a second car. A limited number of covered parking spaces are available at an additional charge for Residents and are made available on a first-come, first-served basis. Residents cannot sublet parking for space unused. When a Resident no longer drives, Sharon Towers reserves the right to require the Resident to have any vehicles removed from the premises.

13. Library: A library is available for use by the Residents.

14. Convenience Store: The Lemon Tree Shoppe sells gift items, toiletries and greeting cards and provides prescription service. Convenience grocery store items are for sale in the Bistro. Sharon Towers reserves the right to discontinue these services.

15. Storage: Each independent Resident of the East and West Towers is provided one storage bin and limited hanging space in the Sharon Towers storage area. Cottages and terrace apartments provide storage within the residence. Magnolia Villa residents are provided an unconditioned storage space located in the underbuilding parking area. Assisted Living and Health Care Residents are provided storage for hanging garments.

C. Services Available at an Extra Charge:

1. Prescriptions: Upon request by a Resident or his/her physician, the Sharon Towers Health Care Center will order prescriptions and refills from one or more pharmacies with which Sharon Towers maintains a contract. The cost of prescriptions will be billed to the Resident.

2. Medical Transportation/Emergencies: Sharon Towers shall arrange transportation to and from medical appointments in the Charlotte, North Carolina area via Sharon Towers' transportation or another transportation service. Reservations should be made in advance according to the transportation schedule then in effect. Sharon Towers charges a fee for transportation to and from medical appointments, which fee may vary depending upon the time of day and which fee may be changed from time to time at the discretion of Sharon Towers. Cost of other transportation service or emergency medical transportation will be charged to the Resident.

Sharon Towers follows established procedures in the case of medical emergencies. The Resident is responsible for familiarizing himself/herself with the established procedures prior to needing emergency care.

3. Barber, Beauty Shop: A complete beauty shop for use by Residents is available for a separate charge. A barber is available as scheduled and for a separate charge. Sharon Towers reserves the right to discontinue these services.

4. Covered Parking Spaces: Residents may sign up for a covered space for the then current monthly fee. Spaces are assigned on a first-come, first-served basis.

5. Chore Services: Chore services are available to assist Residents, according to the current fee schedule. Sharon Towers reserves the right to discontinue these services.

6. Concierge Service West Suite: Concierge services are available for an additional charge for Residents living in the area designated as the West Suite, currently Fourth Floor West. Sharon Towers reserves the right to discontinue these services.

7. Guest Room: A guest room is available at an additional charge on a first-come, first-served basis, for temporary guests.

8. Companion Services: Companion services are available at an additional charge. Sharon Towers reserves the right to discontinue these services.

9. Structural Changes: All structural or physical changes of any kind within or about the Living Accommodation (including blinds, window treatments, light fixtures, bathroom fixtures, appliances, shelves, framework, awnings, etc.) may be made by the Resident only after written approval by Sharon Towers and thereafter shall be subject to its supervision. The cost of any such change requested by the Resident shall be borne by the Resident, and all such changes shall immediately become and remain the permanent property of Sharon Towers unless otherwise agreed to in writing. If modifications or structural changes would render the residence unmarketable, Resident, or his or her estate, agrees to pay to have the unit restored to a standard marketable condition on termination of this Agreement.

10. Redecoration: Redecoration of the Living Accommodation, in addition to or other than that regularly provided by Sharon Towers, must be approved by Sharon Towers, in writing, in advance and will be at the Resident's expense. The Resident's choices may not render the residence unmarketable upon termination of this Agreement. Any change or replacement by the Resident with respect to either the Living Accommodation or any furnishings provided by Sharon Towers becomes the property of Sharon Towers unless otherwise provided by Sharon Towers in writing. If Resident selects an accommodation with upgrades provided by a former Resident, it is understood that Sharon Towers is not responsible for replacing those upgrades but will replace them with the standard furnishings. Sharon Towers will allow Resident to replace the upgraded furnishings at Resident's expense.

D. Health Care Center and Home Care Services:

1. Health Care Center: Sharon Towers provides a 96-bed Health Care Facility for the use of its Residents, which Sharon Towers calls its Health Care Center. 78 of the beds are licensed as Nursing Facility beds and 19 are Medicare certified Skilled Nursing beds available for short term rehabilitation. Admission to the Health Care Center is only upon doctor's orders. The Health Care Center equals or exceeds the staffing requirements for nursing facilities under North Carolina law. Sharon Towers Health Care Center is not Medicaid certified.

If the Resident requires temporary or permanent nursing care as determined by the Resident's physician or Sharon Towers' Medical Director, the Resident shall be admitted to the Health Care Center upon order of the physician. Upon admission to the Health Care Center, the Resident shall be, if applicable, responsible for an Entry Fee, Monthly Service Fee, the Health Care Center daily rate, and for all other costs incurred for services of all physicians, equipment, medical supplies, private duty personal nurses, and prescribed medicines. Sharon Towers shall furnish dietary services, nursing care and private-room accommodations with semi-private toilet rooms in the Sharon Towers' Health Care Center, the Home's licensed nursing facility; provided, however, Sharon Towers reserves the right to offer semi-private room accommodations if its nursing facility would otherwise be full.

2. Domiciliary Care/Home for the Aged Facility: Sharon Towers provides a Domiciliary Care/Adult Care Facility, which Sharon Towers calls Azalea West Assisted Living Unit (referred to herein as the "Assisted Living Unit"). The facility provides 40 domiciliary care beds in private rooms. Admission to the Assisted Living Unit is upon a doctor's order. The Assisted Living Unit equals or exceeds the staffing requirements for Domiciliary Care Units under North Carolina law. A licensed nurse is available for duties requiring a licensed nurse. The Entry Fee and the Monthly Service Fee for the Assisted Living Unit are shown on the current schedule of fees. Sharon Towers Adult Care beds are not Medicare or Medicaid certified.

3. Home Care Services: If approved by the Resident's physician, Sharon Towers can provide certain types of care for Residents in their Living Accommodation. This care is coordinated through the Wellness Clinic, and charges are at the current published rates. Daily medications may be administered according to a regular schedule in the Wellness Clinic to Residents requiring medication supervision. This service is provided as one of the Home Care services for which there is an additional charge. Sharon Towers' Home Care is not Medicare or Medicaid certified.

4. Personal Assistants: Personal assistants and companions along with companies providing personal assistants and companions must be disclosed and approved by Sharon Towers before they are allowed access to Sharon Towers' facilities. Sharon Towers may limit, terminate the services, or refuse access to its grounds or facilities by such companies or assistants. All assistants must satisfy Sharon Towers Pre-Employment Standards, including but not limited to a satisfactory criminal record check, and drug screening. The Resident is responsible for any injury to others or damage to the property of others or Sharon Towers by the Resident's assistant.

E. Handling Complaints:

Resident satisfaction is very important to Sharon Towers, and a number of avenues are readily available to each Resident to express opinions, to request services, or to improve services. All Residents have the right to express their concerns to Management without fear of retaliation. Management handles any grievance with sensitivity, compassion and confidentiality. Residents are asked to voice concerns to the appropriate manager at the time the concern arises. If the matter is not resolved at that level, it is to be brought to the attention of Management in the following sequence. In all cases the decision of the CEO is final.

A Resident or family member shall not directly reprimand any employee of Sharon Towers and must first bring their concern to the immediate supervisor in charge of the service area to which the concern relates.

If the concern persists, the Resident or family member next brings the matter to the attention of the supervisor's supervisor to resolve the concern.

If in Step 1, the immediate supervisor is a Department Head, the following meeting is to be scheduled with the Administrator, COO, CEO, or his/her designee.

Depending on the nature of the concern, the CEO may ask for a family conference. The family conference involves only the CEO, knowledgeable professional staff of Sharon Towers, the Resident, the Resident's physician and members of the Resident's immediate family.

The Resident will be presumed to represent his or her own interest in dealings with Sharon Towers. If the Resident is unable to do so the Resident's legal representative must name one family member as the person who speaks for the Resident and the family.

V. FEES

A. Summary of Fees: Each person desiring to occupy a residence at Sharon Towers is required to sign a Resident's Agreement, a copy of which is included with this Disclosure Statement as Exhibit E, and to pay certain deposits in the application process which are described in Sections V.B. and V.C. below. (A person who signs a Resident's Agreement is referred to herein as a "Resident," even before actually moving to Sharon Towers.) The Resident's Agreement specifies the services provided by Sharon Towers and the payments for those services to be made by the Resident. The discussion in this Disclosure Statement is qualified in its entirety by reference to the Resident's Agreement. In general, the payments consist of a one-time fee based on the type of Living Accommodation (the "Entry Fee" or the "Entrance Fee"), and a monthly charge based on the type of Living Accommodation, number of occupants, and the meal plan selected (the "Monthly Service Fee"). An additional payment, presently \$156.00 per day (the "Health Care Center Daily Rate"), is required if the Resident is temporarily in the Nursing Facility (which Sharon Towers refers to as its "Health Care Center"). The payments are described in more detail below. Unless otherwise indicated, the services described herein are provided without charge other than the Entry Fee, Monthly Service Fee and Health Care Center Daily Rate.

B. Application Fee and Future Residency Program Deposit: As discussed under Section III.D. "The Admissions Process," after the Resident completes the application, including the confidential financial statement, and returns these documents to Sharon Towers, the Resident pays a nonrefundable application fee of \$100 per person and a refundable Future Residency Program deposit of \$1,000 (the "Future Residency Program Deposit"), which amount is credited to the Entry Fee upon admission. Interest is not paid to depositors.

C. Ten Percent Reservation Deposit: At the time a Resident selects a specific residence, he/she grants Sharon Towers permission to request his/her medical records, shall execute a Reservation Agreement in the form attached hereto as Exhibit F, and shall pay a deposit of 10%

of the Entry Fee (the "Reservation Deposit"), which amount is credited to the Entry Fee upon admission. Resident shall not be entitled to any interest for the Reservation Deposit or other sums deposited with Sharon Towers. Certain charges as provided in the Reservation Agreement will be incurred by a Resident in the event a Resident rescinds or terminates the Reservation Agreement including, but not limited to, a reasonable service charge not to exceed the greater of one thousand (\$1,000) or two percent (2%) of the Entry Fee, the Custom Upfits Cost and any other applicable costs as provided in the Reservation Agreement if a reservation is canceled after 30 days for reasons other than illness or death of the Resident or his/her spouse. (See Section III. D.3.)

D. Entry Fee: Sharon Towers charges an Entry Fee payable upon admission and based upon the type of Living Accommodation to be occupied by the Resident. Payment of the Entry Fee provides the Resident with the lifetime use of the Living Accommodation, together with the available facilities, services, amenities and medical care, or for such shorter period as shall apply pursuant to the terms of the Resident's Agreement. The Entry Fee, less the Reservation Deposit paid by Resident (See Section V.C.), shall be due on the Date of Availability (See Section III.D.4.). The current standard Entry Fee rates are set forth in Section IV.A., entitled, "Living Accommodations." The Standard Entry Fee, or a portion of the Standard Entry Fee, will be refunded pursuant to Sections V.F., V.G. and V.H. if the Resident's Agreement is terminated within one year after the Date of Occupancy.

Sharon Towers offers a 50% Refundable Entry Fee option for a premium, which is based on Resident's life expectancy using actuarial tables in use at the time of the signing of the Resident's Agreement. The Entry Fee, or a portion of the Entry Fee, will be refunded to pursuant to Sections V.F., V.G. and V.H. if the Resident's Agreement is terminated within one year after the Date of Occupancy. Thereafter, upon a Resident's death, or upon the death of the second Initial Joint Resident in the case of a couple who are Initial Joint Residents, Sharon Towers shall refund the Resident's estate 50% of the Entry Fee paid upon admission (See Section V.F. for Refund Provisions).

Sharon Towers also offers a 90% Refundable Entry Fee option for a premium, which is based on Resident's life expectancy using actuarial tables in use at the time of the signing of the Resident's Agreement. The Entry Fee, or a portion of the Entry Fee, will be refunded to pursuant to Sections V.F., V.G. and V.H. if the Resident's Agreement is terminated within one year after the Date of Occupancy. Thereafter, upon a Resident's death, or upon the death of the second Initial Joint Resident in the case of a couple who are Initial Joint Residents, Sharon Towers shall refund the Resident's estate 90% of the Entry Fee paid upon admission (See Section V.F. for Refund Provisions).

E. Transfer Fee: Resident(s) requesting a move from one independent living accommodation to another, to cover administrative costs, which is approved by Sharon Towers, shall pay to Sharon Towers a one-time transfer fee plus any expenses incurred by Sharon Towers with respect to said move, including moving expenses and the cost of any resident requested upgrades made to the new accommodation, such as paint, carpet, wallpaper, etc.

F. Refund Provisions: In certain circumstances described in the Reservation Agreement or Resident's Agreement and summarized below, the Resident shall be entitled to a full or partial

refund of the Entry Fee. Any refund of the Entry Fee (due under terms of the Resident's Agreement) shall be payable before the later of (a) thirty (30) days after the Resident has vacated Sharon Towers, or (b) thirty (30) days after the Resident becomes entitled to the refund under the Resident's Agreement. The Resident should refer to the provisions of the Reservation Agreement and the Resident's Agreement for a precise understanding of the circumstances under which the Entry Fee is refundable.

The Resident may terminate the Resident's Agreement within 30 days following the later of date the Resident executes the Resident's Agreement or the date Resident receives a Disclosure Statement. In such case, the Resident is entitled to a refund of all amounts paid to Sharon Towers (including the Future Residency Program Deposit, and Reservation Deposit), less: (a) the amount of the application fee (to the extent the application fee does not exceed \$1,000), (b) the cost of the medical examination or other costs incurred by Resident, (c) a reasonable service charge not to exceed the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (d) the Monthly Service Fee and other charges incurred during the period in which the Resident occupied a Living Accommodation at Sharon Towers. The resident shall not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident.

If, prior to occupancy, the incoming Resident dies or is unable to occupy his/her Living Accommodation due to illness, injury or incapacity, the Resident Agreement will be automatically cancelled and the Resident or his/her designated Testamentary Recipient shall receive a refund of all amounts paid to Sharon Towers, including the Future Residency Program Deposit and Reservation Deposit, excluding any nonstandard costs incurred by Sharon Towers and the Application Fee. There are special rules in the case of couples who jointly sign one Resident's Agreement intending to occupy one Living Accommodation together. (Such persons are termed "Initial Joint Residents" herein and in the Resident's Agreement.) Upon the death of an Initial Joint Resident, that portion of the Entry Fee deemed paid by the deceased Initial Joint Resident shall be deemed to have been paid by the surviving Initial Joint Resident.

G. 90-Day Trial Period: A 90-day Trial Period commences on the Date of Occupancy. During this 90-day Trial Period either Sharon Towers or the Resident may terminate the Resident's Agreement for any reason. In the case of termination by Sharon Towers during the Trial Period, the Resident is entitled to a refund of the entire Entry Fee. In the case of termination by the Resident during the Trial Period, the Resident is entitled to a refund in accordance with the schedule set forth in the following paragraph subject to any charges set forth in part V.E. Provided, however, the Resident shall not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident.

H. Termination: The Resident's Agreement may be voluntarily terminated by the Resident for any reason at any time and will be automatically terminated in the case of the Resident's death. Sharon Towers may terminate the Resident's Agreement after the Trial Period only if the Resident makes or has made any material misrepresentation or omissions in his/her application, financial statement or medical records, or has willfully divested him/herself of funds, or if it is determined by the Board of Directors of Sharon Towers that continued occupancy at Sharon Towers by the Resident creates a threat to the life, health, safety or peace of the Resident or other Residents,

employees, or other persons on the premises, or if the Resident breaches the Resident's Agreement. In the case of a termination, the Entry Fee will be refunded in accordance with the following schedule:

1. Refund Schedule, Terms

If Termination Occurs within the Following Number of Days after the Date of Occupancy:	The Percentage of the Standard Entry Fee that Shall be Refunded Is:	The Percentage of the 50% Refundable Entry Fee that Shall be Refunded Is:	The Percentage of the 90% Refundable Entry Fee that Shall be Refunded Is:
First 30 days	100%	100.00%	100.00%
31-60 days	95%	95.8%	99.13%
61-90 days	90%	91.7%	98.30%
91-120 days	85%	87.49%	97.47%
121-150 days	80%	83.32%	96.64%
151-180 days	75%	79.15%	95.81%
181-210 days	70%	74.98%	94.98%
211-240 days	65%	70.81%	94.15%
241-270 days	60%	66.64%	93.32%
271-300 days	55%	62.47%	92.49%
301-330 days	50%	58.30%	91.66%
331-365 days	40%	54.13%	90.83%
after 365 days	0%	50.00%	90.00%

After 365 days from the day on which the Resident first occupies the Living Accommodation, none of the Entry Fee is refundable in the Standard Plan; 50% is refundable in the 50% Refundable Plan; 90% is refundable in the 90% Refundable Plan. In the event that occupancy has been delayed, but the Resident has commenced paying monthly service fees, refunds are calculated based on the assigned Date of Occupancy. Sharon Towers reserves the right to make the above-scheduled refund of a Resident's Entry Fee conditional on the receipt by Sharon Towers of another Entry Fee of an equal or greater amount, from a person who was not an Entry Fee depositor on Sharon Towers' Future Residency Program List on the date the Resident's Agreement was terminated and provided that said Entry Fee has not been previously allocated to enable another Resident to receive a refund of his/her Entry Fee. This condition shall not apply if the Resident terminates the Resident's Agreement within 30 days of execution of the Resident's Agreement, or if the Resident dies before occupying a Living Accommodation, or if the Resident is precluded from initially occupying a Living Accommodation due to illness, injury or incapacity, or if Sharon Towers terminates the Resident's Agreement during the Trial Period.

A Resident who participates in the refundable entrance fee plan and subsequently qualifies for and receives financial assistance from Sharon Towers, agrees and consents that when the Resident or the Resident's estate becomes entitled to payment of any refundable entrance fee, that such refund will be reduced by Sharon Towers in an amount equal to the financial assistance received by the Resident from Sharon Towers. Once Sharon Towers is fully reimbursed, the Resident or the Resident's estate shall then receive the balance due under the refundable entrance fee plan. If the Resident does not receive any financial assistance from Sharon Towers, then any payments made by Sharon Towers under the refundable entry fee plan shall be paid without any such reduction.

I. Monthly Service Fee: In addition to the Entry Fee, the Resident must pay a Monthly Service Fee once occupancy has begun or once the Living Accommodation is deemed available as described herein. The Monthly Service Fee is based on the type of Living Accommodation occupied by the Resident, the number of persons occupying the Living Accommodation and the meal plan selected. The Monthly Service Fee may be increased or decreased at the discretion of Sharon Towers, but no increase or decrease shall be effective until the Residents shall have received at least 30 days' notice of such change, unless the change is necessitated by a change in law. The Monthly Service Fee is due by the 15th of the month. A one percent per month late charge is billed on past-due accounts.

Historic Changes in Fees for Previous Five Years
For Fiscal Year Beginning January 1*

Type of Living Accommodation	2014	2015	2016	2017	2018	Average Annual Price Change	
Studio East/West +	71	67	53	71	79	68	
Large Studio East/West +	74	70	56	75	82	71	
One Bedroom (1 person) East/West	87	83	66	88	97	84	
One Bedroom (2 persons) East/West	129	123	98	131	145	125	
One Bedroom Lg (1 person) East/West	89	85	68	90	100	86	
One Bedroom Lg (2 persons) East/West	132	126	102	134	149	129	
One Bedroom Exp (1 person) East/West	96	91	73	97	106	93	
One Bedroom Exp (2 persons) East/West	142	136	109	145	160	138	
One Bedroom Dlx (1 person) East/West	0	0	0	0	0	0	New in 2018
One Bedroom Dlx (2 persons) East/West	0	0	0	0	0	0	New in 2018
Two Bedroom (1 person) East/West	96	91	73	97	106	93	
Two Bedroom (2 persons) East/West	142	136	109	145	160	138	
Two Bedroom Lg (1 person) East/West	98	92	74	98	107	94	
Two Bedroom Lg (2 persons) East/West	145	138	111	147	163	141	
Two Bedroom Exp (1 person) East/West	106	101	81	107	-165	46	
Two Bedroom Exp (2 persons) East/West	158	151	121	161	-249	68	
Cottage (1 person) ** (A)	99	95	74	100	109	95	
Cottage (2 persons) ** (A)	145	138	111	148	162	141	
Cottage (1 person) ** (B)	110	105	84	112	123	107	
Cottage (2 persons) ** (B)	153	146	117	155	172	149	
Cottage (1 person) ** (C)	114	110	89	117	128	112	
Cottage (2 persons) ** (C)	161	153	122	163	180	156	
Cottage (1 person) ** (D)	120	114	92	122	135	117	
Cottage (2 persons) ** (D)	167	159	127	169	186	162	
Cottage (1 person) ** (E)	128	121	98	130	143	124	
Cottage (2 persons) ** (E)	177	169	136	180	197	172	
Cottage (1 person) ** (F)	137	133	106	141	155	134	
Cottage (2 persons) ** (F)	188	179	144	191	210	182	

Terrace 1BR/Den (1 person) (A)	100	95	39	100	110	89	
Terrace 1BR/Den (2 persons) (A)	151	143	60	150	166	134	
Terrace 2BR (1 person) (B)	107	103	81	109	120	104	
Terrace 2BR (2 persons) (B)	158	151	121	161	178	154	
Terrace 2BR/Den (1 person) (C)	119	114	76	121	133	113	
Terrace 2BR/Den (2 persons) (C)	170	162	108	172	189	160	
Villa Cotswold (1 person)					107	107	New in 2017
Villa Cotswold (2 persons)					161	161	New in 2017
Villa Dilworth (1 person)					122	122	New in 2017
Villa Dilworth (2 persons)					175	175	New in 2017
Villa Foxcroft (1 person)					129	129	New in 2017
Villa Foxcroft (2 persons)					183	183	New in 2017
Villa Eastover (1 person)					130	130	New in 2017
Villa Eastover (2 persons)					184	184	New in 2017
Assisted Living - One Room	161	144	133	155	168	152	
Assisted Living - Two Rooms	240	215	197	235	251	228	
Health Care	264	210	213	257	247	238	

* Rates for independent living are based on one meal a day

** Cottages are under renovation or being rebuilt as part of our Cottage Renewal Program. Please contact the Marketing Department for more information.

+ Reduced rates may apply.

As discussed above under Section III.D. "The Admissions Process," each prospective Resident must pay a nonrefundable application fee and Future Residency Program Deposit, as established by Sharon Towers from time to time. The application fee is refundable if the Resident's Agreement is terminated by the Resident within 30 days after the day the Resident's Agreement is signed. Each prospective Resident is expected to visit Sharon Towers for a complimentary orientation.

Sharon Towers makes separate charges for guest meals, the use of private dining rooms, catered meals/food, special menu items and the use of covered parking spaces. Laundry and dry cleaning, chore services and concierge services are available for a separate charge. Separate charges are made for the services of the Sharon Towers barber and beautician. The Resident shall be responsible for all costs incurred for services of all physicians, medical equipment, medical supplies, private duty personal nurses, home care services and prescription medicines, regardless of whether the Resident is in the living unit or in the Sharon Towers Health Care Center. Sharon Towers arranges transportation for a fee to and from medical appointments in the Charlotte, North Carolina area according to a schedule, provided that arrangements are made in advance. Costs of emergency medical transportation or outside transportation services are charged to the Resident.

J. Health Care Center Fees: If it is determined that the Resident will reside in the Health Care Center on a permanent basis, the Resident will be charged the Health Care Center Monthly Service Fee in effect. Residents residing in the Health Care Center on a temporary basis pay the Monthly Service Fee for the Living Accommodation retained by the Resident, the current meal plan charge, plus the Health Care Daily Rate for days actually spent in the Health Care Center.

Subject to the Ninety Day Health Care Center Rule discussed below, the Health Care Center Daily Rate shall be established and announced by Sharon Towers from time to time. Sharon Towers may increase the Health Care Center Daily Rate; which increase shall be applicable to the Resident. Sharon Towers will not increase the Health Care Center Daily Rate, however, without 30 days prior notice. The current Health Care Center Daily Rate is \$156.00 per day. The Health Care Center Daily Rate increased \$6.00 in 2015, \$5.00 in 2016, \$5.00 in 2017, \$7.00 in 2018 and \$6.00 in 2019. As explained in more detail below, if the Ninety Day Health Care Center Rule applies, the Health Care Center Daily Rate will increase after 90 days to the adjusted daily cost of care for Health Care Center Residents, plus the charge for the residential accommodation retained by the Resident.

K. Ninety Day Health Care Center Rule: If a Resident who lives in a Living Accommodation has been in the Health Care Center on a temporary basis for more than 90 days, but it has not been determined by Sharon Towers' Medical Director or the Resident's personal physician that the Resident is unable physically or mentally to reoccupy his/her Living Accommodation for the reasonably foreseeable future, then in lieu of the basic regularly established Health Care Center Daily Rate (currently \$156.00, the Resident shall pay a daily rate equal to the actual daily cost of care for Health Care Center patients (crediting meals billed as part of the regular Monthly Service Fee), plus the charge for the residential accommodation retained by the Resident. The Daily Nursing Cost as of May 31, 2019, is \$330.00.

If it is subsequently medically determined that the Resident is unable to reoccupy his/her Living Accommodation and that Sharon Towers may make it available to another occupant, the cost to the Resident residing in the Health Care Center shall be the Health Care Center Monthly Service Fee in effect. In this case, the Resident's possessions are to be removed from the living accommodation in order that it might be made available to a new Resident. From the date that Health Care Center residency is declared permanent, a charge of one-half the daily rate for the Living Accommodation will accrue for fourteen days, after which the full monthly fee will be applied until the living unit is cleared of belongings and the key is returned to management.

VI. FINANCIAL INFORMATION

Sharon Towers' financial statement for its year ended December 31, 2018, as audited by CliftonLarsonAllen LLP ("CLA") independent certified public accountants, appear as Exhibit A of this Disclosure Statement. Projected financial statements of activities, changes in net assets, balance sheets and cash flows have been compiled by CLA for the calendar years 2019 – 2023. The compiled financial projections also include a summary of significant projection assumptions and accounting policies. The compiled financial projection is included in Exhibit D. The compiled financial projection incorporates Phase I of the long-range campus plan as described in Section IX of this Disclosure Statement.

The current interim financial statement for the two months ended February 28, 2019 is attached as Exhibit C.

VII. ACTUARIAL STUDY

As part of its due diligence, in preparation for Phase I of its long-range campus plan as described in Section IX of this Disclosure, The Presbyterian Home at Charlotte, Inc. engaged an actuary to perform an actuarial study to estimate the capacity of The Presbyterian Home at Charlotte, Inc. to meet its contractual obligations to its residents. The study assumed Phase I of the long-range plan moves forward. An Actuarial Opinion by an actuarial firm was received on April 15, 2019 regarding the condition of The Presbyterian Home at Charlotte, Inc. as of December 31, 2018. An opinion was issued in accordance with Actuarial Standards of Practice #3 (ASOP#3) indicating The Presbyterian Home at Charlotte, Inc. has the capacity to meet its contractual obligations to its residents.

VIII. RESERVES, ESCROW & TRUSTS

A. Trust and Gift Assets: Sharon Towers is the income beneficiary of five trusts (in addition to the Stroupe Residents' Assistance Fund described in B), which in 2018 generated \$17,598 in income. Trust earnings are used to provide assistance to Residents as described below, Section VII. B., Residents' Assistance Program, or as otherwise designated by trustees.

The value of Sharon Towers' portion of the principal of the individual trusts and 2018 revenue from each trust are as follows:

Belle W. Johnston Trust	Principal: \$216,124	Revenue: \$9,512
Ann Smith Trust:	Principal: \$ 50,324	Revenue: \$2,215
Grace M. Batten Fund: income designated to provide resources for members of the Home who are unable to pay their own way.	Principal: \$ 3,549	Revenue: \$ 156
Romola Davis Hardy Trust:	Principal: \$130,694	Revenue: \$5,244
Kathleen Foard Harkey Memorial Fund: There are no restrictions on use of earnings of this fund.	Principal: \$ 11,048	Revenue: \$ 472

The values of the trusts shown above are not carried on the Sharon Towers balance sheets included as a part of the financial statements. They are treated as interest-only assets, and there is no plan to liquidate the principal of the aforementioned trusts.

B. Conger C. Stroupe and Dorothea B. Stroupe Residents' Assistance Fund, formerly known as Sharon Towers Scholarship Fund:

In 1981, Sharon Towers created a revocable trust known as the Sharon Towers Support Fund, later named the Residents' Assistance Fund, a portion of which is now known as the Stroupe Residents'

Assistance Fund (The “Fund”). The purpose of the Fund is to generate interest income to subsidize Entrance Fees and Monthly Service Fees for Residents unable to meet the full cost of care from their own resources. From time to time, Sharon Towers and others have made contributions to the Fund. Assistance for Residents who experience financial difficulty is considered an essential part of Sharon Towers’ mission and in 2018 provided \$1,379,309 in charitable care and community benefit.

During 1996 and 1997, Sharon Towers received a \$1,563,500 bequest from Conger C. Stroupe, who served as Administrator at Sharon Towers and for the three years preceding his death was a Resident of the home. The Fund is now named the Conger C. Stroupe and Dorothea B. Stroupe Residents’ Assistance Endowment. The Fund is in two parts: The Stroupe Endowment and the Residents’ Assistance Fund. The Residents’ Assistance Fund portion has been restricted by Board action to serve as the Operating Reserve required by the North Carolina General Statutes (See Section VII. C. below). The Fund is administered by BB&T. At December 31, 2018 the fair market value of the investments of the Fund was \$7,348,297 and the portion of the Fund available to serve as the Operating Reserve was \$5,354,250.

Interest from these funds plus annual fundraising activities are used towards satisfying Residents’ assistance needs.

C. Rosebro Foundation: Sharon Towers was notified in 2018 that it is one of the recipients of the John W. and Frances W. Rosebro Foundation and received distributions totaling \$933,000 in 2018. The Fund anticipates distributions totaling \$1.8 million over the next two years. In the 2018 financials, the \$1.8 million has been recognized as contributions receivable.

D. Operating Reserves Requirement: Section 58-64-33 of the North Carolina General Statutes requires continuing care facilities to establish an operating reserve equal to 25% of the total operating costs projected for the twelve month operating period following the period covered by the facility's most recent annual statement if occupancy is 90% or above. Sharon Towers currently maintains an occupancy rate in excess of 90% and expects high occupancy to continue. In the financial forecast attached hereto as Exhibit D, the Operating Reserve is designated.

Operating Reserve Requirement Calculations

Total Projected Operating Costs for 2019	\$23,377,000
Plus Principal Payment – Long Term Financing	890,000
Less Depreciation for 2019	<u>(2,850,000)</u>
Net Operating Costs for 2019	\$21,417,000
Percentage of Operating Costs Required	<u>x 25%</u>
Total Projected Operating Reserve Required for 2019	\$5,354,250
Assets Available to Fund Operating Reserve	\$16,066,307

E. Investment of Liquid Assets: As indicated on the financial statements attached hereto, at December 31, 2018 Sharon Towers had marketable investments valued at \$19,098,313. (Note also

that as of December 31, 2018 Sharon Towers had as a liability "Refundable Entry Fees" of \$11,690,097 representing Entry Fees received or receivable but which are subject to full or partial refund.)

As stated in Section VII.B. above, funds designated to meet the Operating Reserve requirement are managed by BB&T.

Investment decisions with respect to other Sharon Towers investment assets (excluding funds deposited in escrow with the bank serving as Escrow Agent) are made by the CEO, who is an employee of Sharon Towers, with the concurrence of at least two members of the Finance and Investments Committee of the Board of Directors of Sharon Towers. Members of the Finance and Investments Committee are not employees of Sharon Towers. The CEO's experience in the operation and management of continuing care facilities is described above under Section II.A. "Directors/Officers of Sharon Towers." Sharon Towers' investment assets are invested in money market and mutual funds consisting primarily of investment grade stocks, bonds, REITS, commodities and government securities.

IX. FACILITY DEVELOPMENT/EXPANSION

Sharon Towers' Board of Directors approved a long-range campus plan (the "Plan") located along the north portion of its campus as well as 2.5 acres of contiguous property purchased in 2014. The primary goal of the Plan is to revitalize the community through a variety of improvements that are centered around resident care, independence, and choice, while positioning Sharon Towers for the next generation of residents.

Sharon Towers received rezoning approval of the Plan in September of 2018, however, approval of rezoning is no guarantee that the Plan will be executed as planned or in its entirety as the Plan allows for phasing of elements based on priorities.

The first phase of the plan includes the expansion and renovation of its health care building (to include two floors of health care, as well as dining, wellness clinic, beauty shop and activity area amenity spaces) and the building of a five-story 46-unit independent living structure with underbuilding parking known as the Deerwood (included in the "Project" as noted below, or "Phase 1"). The Deerwood apartments will range in size from approximately 1,000 to 2,050 heated square feet with each apartment having a private terrace.

The Project design development, construction documentation, and pricing are in process. As an initial due diligence step, Sharon Towers anticipates pre-selling a portion of the 46 proposed independent living units prior to committing to the Project and its financing. As of April 2, 50 percent of the 46 units were presold. The preliminary plans for the financing of the Project contemplate a combination of short-term debt and long-term fixed rate tax-exempt bonds, although the final plan of finance will depend on economic conditions at the time of the financing. The financing is currently planned to occur in October 2019. It is anticipated site work will begin May of 2019, which will be substantially funded by a \$4M Line of Credit with BB&T. The Line of Credit will be paid off at the time of financing. The construction of Phase 1 is expected to take approximately 28 months from the date of financing.

Phase 2 of the Plan includes the addition of a second five-story independent living building with approximately 32 apartments, a fitness facility, and a mixed use area to include a performing art space, restaurant with greenhouse, and a small amount of retail and office space. Phase 2 also incorporates an additional 52 independent living apartments atop the mixed use and fitness facilities. **Although the Plan ultimately anticipates Phase 2, the timing of Phase 2 is subject to variation and the scope of Phase 2 can change materially from what is planned at this time. Phase 2 has therefore not been considered in Management's Projection. Due to the expectations of the work associated with Phase 1, it is unlikely that Phase 2 would be prior to completion of Phase 1.**

The Project

Management plans to develop 46 new independent living apartments (the "New Independent Living Apartments") and renovate and expand their existing health center (the "New Health Center"). The New Independent Living Apartments and the New Health Center are to be located on the existing campus. The New Independent Living Apartments and the New Health Center are also referred to as the "Project."

Other

In 2019, Sharon Towers began a multi-year project to improve and upgrade HVAC systems in both the East Tower and the West Tower of the facility. The existing HVAC systems are dated and less efficient than new systems. Indoor air quality at the facility and the status of the current HVAC systems are typical for facilities of this type and in buildings of similar age, but can be improved. Sharon Towers consulted with HVAC engineers, an industrial hygienist, and an environmental toxicologist to develop this upgrade and improvement plan. Sharon Towers plans to replace existing HVAC mixing boxes, insulation, and certain ductwork in the East Tower and take other remedial measures for HVAC systems in the West Tower to improve air quality in these areas. The HVAC project will result in some disruption to facility operations and will require the temporary relocation of residents to other rooms at Sharon Towers as their respective units are worked on.

X. RESIDENT'S AGREEMENT

The Sharon Towers Resident's Agreement is included as Exhibit E of this Disclosure Statement.

XI. OCCUPANCY

Of a total 216 available cottages and apartments, 212 are occupied or reserved as of April 1, 2019. The total number of residents at Sharon Towers is 364. At this time, 37 assisted living beds are occupied, and we currently have 58 residents in the Health Care Center's Nursing Facility beds with a 2019 daily average of 16 individuals in the Medicare certified Skilled Nursing Facility beds. Under Sharon Towers' Certificate-of-Need, issued by the State of North Carolina, 62 of its Health Care beds are available for direct admission, while 34 of its Health Care Center beds are closed to anyone other than residents of Sharon Towers.

EXHIBIT A
TO
THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
(SHARON TOWERS)
CONTINUING CARE DISCLOSURE STATEMENT

INDEPENDENT AUDITOR'S REPORT
BALANCE SHEETS AS OF DECEMBER 31, 2018
AND STATEMENTS OF SUPPORT AND
OPERATING REVENUES, EXPENSES AND FUND
BALANCES, AND CASH FLOWS FOR THE
YEAR ENDED DECEMBER 31, 2018

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
BALANCE SHEET – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND SHARON TOWERS RESIDENTS' ASSISTANCE FUND	21
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS - THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND SHARON TOWERS RESIDENTS' ASSISTANCE FUND	22
STATEMENT OF CASH FLOWS – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND SHARON TOWERS RESIDENTS' ASSISTANCE FUND	23



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Presbyterian Home at Charlotte, Inc.
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of The Presbyterian Home at Charlotte, Inc. (Sharon Towers) (a nonprofit corporation), which comprise the balance sheet as of December 31, 2018 and the related statement of operations and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
The Presbyterian Home at Charlotte, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sharon Towers as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2017 financial statements of The Presbyterian Home at Charlotte, Inc. were audited by other auditors whose report dated May 11, 2018, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules by fund are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 aspects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
April 15, 2019

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,899,729	\$ 2,964,792
Receivables:		
Residents and Other, Net	1,001,419	1,133,943
Contributions, Current Portion	942,077	396,751
Investments	13,744,063	13,935,566
Prepaid Expenses	259,301	137,338
Total Current Assets	20,846,589	18,568,390
ASSETS WHOSE USE IS LIMITED	5,354,250	4,969,000
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	858,262	-
PROPERTY AND EQUIPMENT, NET	60,225,367	57,145,553
OTHER ASSETS	4,000	4,000
Total Assets	\$ 87,288,468	\$ 80,686,943
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,534,474	\$ 1,109,169
Accrued Payroll and Related Items	810,420	746,711
Note Payable	-	6,305,702
Current Portion of Bonds Payable	890,000	840,000
Accrued Interest Payable	19,314	33,835
Total Current Liabilities	3,254,208	9,035,417
REFUNDABLE ENTRANCE FEES	4,716,844	3,042,520
DEFERRED REVENUE	26,667,546	19,587,886
ENTRANCE FEE DEPOSITS	1,051,823	1,892,076
BONDS PAYABLE, NET OF CURRENT PORTION	4,640,460	5,488,870
LIABILITY UNDER INTEREST RATE SWAP AGREEMENT	74,301	154,448
Total Liabilities	40,405,182	39,201,217
NET ASSETS		
Net Assets Without Donor Restrictions	41,790,249	38,232,700
Net Assets With Donor Restrictions:		
Purpose Restrictions	2,061,031	221,020
Perpetual in Nature	3,032,006	3,032,006
Total Net Assets	46,883,286	41,485,726
Total Liabilities and Net Assets	\$ 87,288,468	\$ 80,686,943

See accompanying Notes to Financial Statements.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES, GAINS, AND OTHER SUPPORT		
Independent Living	\$ 8,765,464	\$ 8,121,735
Assisted Living	2,095,256	2,042,638
Health Care	7,851,638	6,856,412
Amortization of Entrance Fees	4,068,243	3,423,909
Other Operating Revenue	1,781,272	1,496,902
Contributions	1,117,124	348,792
Investment Income (Loss)	(1,049,048)	2,015,929
Gain on Disposal of Property and Equipment	81,852	-
Net Assets Released from Restrictions	1,045,069	991,515
Total Revenues, Gains, and Other Support	25,756,870	25,297,832
EXPENSES		
Salaries and Wages	9,275,857	8,778,919
Employee Benefits	1,518,854	1,569,532
Payroll Taxes	713,677	680,964
Food and Dietary Service	1,618,964	1,536,419
Depreciation	2,450,072	2,539,825
Housekeeping and Maintenance	1,993,848	1,692,535
Utilities and Communications	1,180,421	1,080,476
Interest Expense and Fees	300,704	283,384
Health Care Supplies	1,478,581	1,156,316
Professional Fees	289,866	201,092
Insurance	341,219	318,841
Marketing and Development	402,586	151,659
Community Service	401,585	427,700
Supplies and Other Expenses	313,234	254,726
Total Expenses	22,279,468	20,672,388
OPERATING INCOME AND EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	3,477,402	4,625,444
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Change in Fair Value of Interest Rate Swap Agreement	80,147	121,081
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,557,549	4,746,525
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	2,991,563	583,458
Investment Income (Loss)	(106,483)	453,247
Net Assets Released from Restrictions	(1,045,069)	(991,515)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	1,840,011	45,190
CHANGE IN NET ASSETS	5,397,560	4,791,715
Net Assets - Beginning of Year	41,485,726	36,694,011
NET ASSETS - END OF YEAR	\$ 46,883,286	\$ 41,485,726

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,397,560	\$ 4,791,715
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,450,072	2,539,825
Amortization of Bond Issuance Costs	41,590	41,590
Realized and Unrealized (Gain) Loss on Investments, Net	1,682,616	(1,970,761)
Gain on Disposal of Property and Equipment	(81,852)	-
Change in Interest Rate Swap Agreement Value	(80,147)	(121,081)
Entrance Fees Received	13,530,533	10,486,620
Amortization of Entrance Fees	(4,068,243)	(3,423,909)
Decrease (Increase) in Assets:		
Receivables	(379,015)	(179,729)
Pledges Receivable	(1,403,588)	(328,697)
Prepays	(121,964)	55,920
Increase (Decrease) in Liabilities:		
Accounts Payable	324,072	317,998
Accrued Payroll and Related Items	63,709	49,643
Accrued Interest Payable	(14,521)	1,246
Entrance Fee Deposits	(840,253)	13,305
Deferred Revenue	(9,846)	(63,219)
Net Cash Provided by Operating Activities	16,490,723	12,210,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,828,838	1,412,790
Purchases of Investments	(4,092,126)	(2,376,768)
Proceeds from Sale of Property and Equipment	396,271	-
Purchases of Property and Equipment for Routine Additions	(3,793,161)	(8,084,122)
Purchases of Property and Equipment for Long-Range Projects	(1,438,370)	(1,018,769)
Net Cash Used by Investing Activities	(7,098,548)	(10,066,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	657,381	5,248,522
Principal Paid on Note Payable	(6,963,083)	(5,597,736)
Principal Paid on Bonds Payable	(840,000)	(785,000)
Entrance Fees Refunded	(698,460)	(134,200)
Net Cash Used by Financing Activities	(7,844,162)	(1,268,414)
CHANGE IN CASH AND CASH EQUIVALENTS	1,548,013	875,183
Cash and Equivalents - Beginning of Year	4,127,742	3,252,559
CASH AND EQUIVALENTS - END OF YEAR	\$ 5,675,755	\$ 4,127,742
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Operating Cash and Cash Equivalents	\$ 4,899,729	\$ 2,964,792
Restricted Operating Reserve Cash and Cash Equivalents	776,026	1,162,950
Total	\$ 5,675,755	\$ 4,127,742
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION		
Property and Equipment Included in Accounts Payable	\$ 612,774	\$ 420,927

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Presbyterian Home at Charlotte, Inc., (Sharon Towers) provides housing, health care, and other related services to residents through the operation of a retirement facility which at December 31, 2018 contained 216 independent living units, 40 assisted living units, and a 96 bed health care center.

Related Party

Sharon Towers is affiliated with the Presbyterian Church (U.S.A.) and the members of Sharon Towers' board of directors are appointed by the Presbytery of Charlotte.

Sharon Towers Residents' Assistance Fund

The Sharon Towers Residents' Assistance Fund (the Fund), a revocable trust fund, was established in 1981 primarily to provide for a portion of the cost of resident care for those who are unable to pay the full cost of care from their own resources. The board of directors may elect to use the portion of the Fund without donor imposed restrictions to meet operating expenses of Sharon Towers or for other charitable purposes. Residents' assistance expense for 2018 was \$977,725, which consisted of \$732,875 of assistance for monthly service fees and \$244,850 of entrance fee assistance. In accordance with generally accepted accounting principles, these amounts have been eliminated in the accompanying statements of operations and changes in net assets. At December 31, 2018, there was \$2,285,928 of scholarship expense that had not been transferred to Sharon Towers. Residents' assistance expense for 2017 was \$870,102, which consisted of \$486,439 of assistance for monthly service fees and \$383,663 of entrance fee assistance. In accordance with generally accepted accounting principles, these amounts have been eliminated in the accompanying statements of operations and changes in net assets. At December 31, 2017, there was \$1,774,388 of scholarship expense that had not been transferred to Sharon Towers.

Entrance Agreements

Applicants agree to pay a specified entrance fee to Sharon Towers prior to admission. The amount of the entrance fee is recorded as deferred revenue or a refundable entrance fee liability at the time the agreement is signed. The standard agreement provides that 5% of the entrance fee becomes contractually nonrefundable in each of the first 12 months after the person becomes a resident of Sharon Towers. After 12 months of residency under the standard agreement the entire fee is nonrefundable, unless the board of directors determines that unusual circumstances warrant a refund. Sharon Towers offers two refundable entrance fee plans – 50% and 90%. Under these plans, a new resident can elect to pay a higher entrance fee, a portion of which is refundable after the person is no longer a resident of Sharon Towers. The refundable fees under this option are classified in the accompanying balance sheets as refundable entrance fees.

Nonrefundable entrance fees are amortized and recognized as income over the estimated life expectancy of the resident. The straight-line method of amortization is used. Entrance fees paid by the Fund are eliminated in the accompanying statements of operations and changes in net assets.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and which are available for use in general operations, including any funds designated by the board of directors for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that are either restricted in perpetuity, time restricted, or restricted for certain purposes. A donor's restriction is met when a stipulated time restriction ends or a special purpose restriction is accomplished. When a donor restriction no longer applies, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions also includes those net assets which have been restricted by donors to be maintained by Sharon Towers in perpetuity. Donors permit Sharon Towers to utilize investment earnings generated by the related assets.

Use of Estimates

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

Cash and Cash Equivalents

Sharon Towers considers cash and cash equivalents to include all cash on hand and all highly liquid investments, which includes certificates of deposit that range from three to six months in maturity.

Accounts Receivable

Resident account receivables primarily consist of resident monthly service fees and other resident charges, and are shown at net realizable value less an estimated allowance for doubtful accounts. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. The allowance for doubtful accounts as of December 31, 2018 and 2017, was approximately, \$64,000 and \$20,000, respectively.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions Receivable

Contributions receivable consist of bequests due from estates and are expected to be collected in the next two years.

Conditional Promises to Give

Sharon Towers is the beneficiary of various gift annuities and other deferred giving arrangements. These amounts are recorded as contributions when the Home receives a payment, due to the uncertainty of the timing and amounts that will be received.

Investments

Investments are carried at fair value. The fair value of marketable equity securities, bonds, and other investments is based on quoted market prices. Realized gains and losses on the sale of investments are determined based on the cost of the specific investment sold. For the years ended December 31, 2018 and 2017, Sharon Towers has classified its investments as trading securities and accordingly has included unrealized gains and losses on investments in the excess of revenue over expenses.

Assets Limited as to Use

The General Statutes of the state of North Carolina require that continuing care retirement communities, such as Sharon Towers, maintain an Operating Reserve equal to 50% of the subsequent year's projected operating expenses. As provided in the statutes, the Communities may reduce the Operating Reserve requirement to 25% if the occupancy level of the facility is in excess of 90%, or such other reasons as deemed appropriate by the department. On December 31, 2018 and 2017, Sharon Towers' occupancy was above 90%, mandating the lower Operating Reserve requirement. The Operating Reserve is funded with a portion of Sharon Towers' investments, as permitted by the state statute and Sharon Towers' investment policy.

Property and Equipment

Property is recorded at cost if purchased or fair market value if donated, subject to a \$1,000 capitalization policy. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings (Including Cottages)	40 Years
Furniture and Fixtures	10 Years
Operating and Transportation Equipment	5 to 10 Years

Bond Issuance Costs

Bond issuance costs, which are amortized using the straight line method over the life of the bonds, which approximates the effective interest method, include underwriter's discounts, legal and consulting fees, and other costs incurred in issuing Sharon Towers' bonds payable. Accumulated amortization at December 31, 2018 and 2017 was approximately \$501,000 and \$459,000, respectively.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurements

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

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

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

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

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

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

Fair value is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage backed securities that are traded by dealers or brokers in active over-the-counter markets. Sharon Towers' investments are classified as Level 1 assets. Sharon Towers' liability under interest rate swap agreement is classified as a Level 2 liability. Sharon Towers does not have any assets or liabilities valued using Level 3 inputs.

Sharon Towers follows the accounting standard that allows reporting certain financial instruments at fair value. This standard allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. Sharon Towers has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Uniform Prudent Management of Institutional Funds Act

During fiscal year 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of North Carolina. Sharon Towers follows the nonprofit accounting standard for reporting of endowment funds (the UPMIFA Standard), which is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

Donated Services and Goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. No contributed goods, services, or equipment were recorded during the year.

In addition, many individuals volunteer their time and perform a variety of tasks that assist Sharon Towers with specific assistance programs and various assignments. No amounts have been reflected in the financial statements for these contributions, as the contributions do not meet the criteria for recognition.

Excess of Revenues, Gains, and Other Support Over Expenses

The statements of operations and changes in net assets include excess of revenues, gains, and other support over expenses. Change in net assets without donor restrictions which are excluded from excess of revenues, gains, and other support over expenses, consistent with industry practice, would include the change in fair value of interest rate swap agreement.

Adoption of Accounting Standard

During the year ended December 31, 2018, Sharon Towers adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restriction and net assets without donor restrictions). The new accounting standard also changes the presentation of various classifications and disclosures within the financial statements. The adoption of this accounting standard did not have an impact on Sharon Towers' financial position or changes in its net assets and has been applied retrospectively to all periods presented with the exception of functional expense presentation in Note 12.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The reclassifications had no impact on previously reported changes in net assets.

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Tax Status

Sharon Towers has been recognized by the Internal Revenue Service as exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Sharon Towers files as a tax-exempt organization. Sharon Towers is not aware of any activities that would jeopardize their tax-exempt status. Sharon Towers is not aware of any activities that are subjected to tax on unrelated business income or excise or other taxes.

Sharon Towers follows guidance in the income tax standard regarding recognition and measurement of uncertain tax positions. The application of the standard has had no impact on Sharon Towers' financial statements.

Subsequent Events

Sharon Towers has evaluated the effect subsequent events would have on the financial statements through REPORT DATE, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AND INVESTMENT INCOME

Investments are reported at fair value. Investments consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equities	\$ 7,617,916	\$ 8,231,130
Commodities	544,638	-
Fixed Income	5,581,509	5,704,436
Total Investments	<u>\$ 13,744,063</u>	<u>\$ 13,935,566</u>

Investment income is comprised of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Interest and Dividend Income	\$ 601,366	\$ 565,996
Realized and Unrealized Gains (Losses), Net	(1,682,616)	1,970,761
Total	(1,081,250)	2,536,757
Less: Investment Fees	(74,281)	(67,581)
Investment Income (Loss), Net	<u>\$ (1,155,531)</u>	<u>\$ 2,469,176</u>

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 ASSETS LIMITED AS TO USE

Assets limited as to use, reported at fair value, are comprised of the following at December 31:

	2018	2017
Cash and Cash Equivalents	\$ 776,026	\$ 1,162,950
Equities	2,585,267	2,262,366
Commodities	136,090	-
Fixed Income	1,856,867	1,543,684
Total	<u>\$ 5,354,250</u>	<u>\$ 4,969,000</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 were as follows:

	2018	2017
Due in Less Than One Year	\$ 942,077	\$ 396,751
Due in Two Years	858,262	-
Total Contributions Receivable	1,800,339	396,751
Less: Current Portion	(942,077)	(396,751)
Contributions Receivable, Net	<u>\$ 858,262</u>	<u>\$ -</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following as of December 31:

	2018	2017
Land and Land Improvements	\$ 5,419,906	\$ 5,561,656
Buildings (Including Cottages)	80,981,166	69,966,163
Furniture and Equipment	7,186,769	6,992,355
Transportation Equipment	587,634	449,712
Construction in Progress	2,457,138	8,242,285
Total	96,632,613	91,212,171
Less: Accumulated Depreciation and Amortization	(36,407,246)	(34,066,618)
Property and Equipment, Net	<u>\$ 60,225,367</u>	<u>\$ 57,145,553</u>

There was \$50,822 and \$86,920 of interest capitalized during the years ended December 31, 2018 and 2017, respectively. Construction in progress at December 31, 2018 and 2017 relates to an on-going expansion and renovation project on Sharon Towers' campus.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 LONG-TERM DEBT

Sharon Towers' long-term debt consists of the following at December 31:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Variable rate demand Health Care Facilities Revenue Bonds Series 2001 matures August 1, 2024. Interest is payable monthly at a rate of 1.24% plus 68% of one month LIBOR (2.954% at December 31, 2018). Principal is paid monthly.	\$ 5,780,000	\$ 6,620,000
2016 construction note payable, paid in full on April 4, 2018. Interest rate of 1.5% plus one month LIBOR.	-	6,305,702
Total	<u>5,780,000</u>	<u>12,925,702</u>
Less: Unamortized Bond Issuance Costs	(249,540)	(291,130)
Less: Current Portion	<u>(890,000)</u>	<u>(7,145,702)</u>
Total Long-Term Debt	<u>\$ 4,640,460</u>	<u>\$ 5,488,870</u>

Bonds Payable

During 2001, Sharon Towers entered into a tax-free Variable Rate Demand Health Care Facilities Revenue Bonds project issued by the North Carolina Medical Care Commission. The first \$5,000,000 of the total proceeds of \$23,500,000 were used to repay the remaining balance due on bonds issued in 1998 and the remaining proceeds were used to finance the construction of the South Terrace tower, which opened in January 2003. All property and other assets are pledged as collateral. Bond issuance costs of \$454,410 were incurred and are amortized over the life of the bonds. The loan agreements contain certain covenants. Management believes Sharon Towers is in compliance with these covenants as of December 31, 2018.

During 2010, the bond issue was modified to allow for a bank-bought option. Under this option, all of the outstanding bonds were purchased by a single bank, BB&T, and various terms of the bonds were modified, including the interest rate, the required principal payments, and the elimination of the requirement to maintain a letter of credit. Modification fees of \$172,993 and \$122,953 were incurred in 2010 and 2014, respectively, and are being amortized over the remaining term of the bond.

The bonds bear interest at a fixed rate of 1.24% plus a variable rate of 68% of the London Interbank Offered Rate (LIBOR) over the term of the bank-bought option. In 2014, Sharon Towers amended their noncancelable interest rate swap arrangement, originally entered into in 2001, with Wells Fargo that provides for a fixed interest rate of 3.26%. The original notional amount of the interest rate swap agreement on the effective date of August 1, 2016 was \$7,665,000, maturing on August 1, 2024. Effective January 1, 2018 the interest rate changed on Sharon Towers' debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The swap now provides for a fixed interest rate of 3.52%. Sharon Towers recognizes the fair value of its interest rate swaps on the balance sheets, representing a liability of \$74,301 and \$154,448 as of December 31, 2018 and 2017, respectively. An analysis on the effectiveness of the swaps was performed, causing the change in fair value of the swaps to be included in other changes in net assets without donor restrictions.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

Principal payments are due monthly and vary over the bank-bought option term. Maturities of the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 890,000
2020	945,000
2021	995,000
2022	1,055,000
2023	1,115,000
Thereafter	780,000
Total	<u>\$ 5,780,000</u>

During the years ended December 31, 2018 and 2017, Sharon Towers paid interest expense of \$264,467 and \$236,572, respectively, related to the bonds payable.

Note Payable

In February 2016, Sharon Towers entered into a construction note payable in the amount of up to \$7,087,000 to finance the construction, equipment, and marketing of a new independent living unit. Interest payments based on the LIBOR rate plus 1.5% were due monthly. Principal payments equal to the aggregate amount of initial entrance fees received with respect to the project in the preceding month were due on a monthly basis. During the year ended December 31, 2018, Sharon Towers drew down \$657,381 on the loan. The outstanding principal balance of \$6,963,083 was paid off in full in April 2018. All interest paid on the note payable was capitalized with construction costs as described in Note 5.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to Expenditure for Specific Purpose:		
Resident Assistance	\$ 119,072	\$ 114,019
Property Maintenance, Renovation, and Expansion	78,700	94,512
Other	62,920	12,489
Total	<u>260,692</u>	<u>221,020</u>
Subject to Passage of Time:		
For periods after December 31, 2018	1,800,339	-
Subject to the Organization's Spending Policy and Appropriation:		
Endowment Funds	<u>3,032,006</u>	<u>3,032,006</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,093,037</u>	<u>\$ 3,253,026</u>

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended December 31, 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2018	2017
Satisfaction of Purpose Restrictions:		
Resident Assistance	\$ 977,725	\$ 870,102
Landscaping	6,840	13,055
Equipment	-	80,666
Special Campaigns	60,504	27,692
Total Net Assets Released from Restrictions	\$ 1,045,069	\$ 991,515

Sharon Towers' net assets with donor restrictions include individual endowments established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Endowment Funds

Sharon Towers has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, Sharon Towers retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the perpetual endowment and (b) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets perpetual in nature is classified as net assets subject to expenditure for specific purpose until those amounts are appropriated for expenditure by Sharon Towers in a manner consistent with the standard of prudence prescribed by UPMIFA.

Sharon Towers considers the following factors in making a determination to appropriate or accumulate donor restricted funds:

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

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment Funds (Continued)

Endowment net asset composition by type of fund was as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Gift Amount and Amounts		
Required to be Maintained by Donor	\$ 3,032,006	\$ 3,032,006
Total Funds	<u>\$ 3,032,006</u>	<u>\$ 3,032,006</u>

Changes in the endowment net assets for the years ended December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,032,006	\$ 3,032,006
Investment Return	-	421,347	421,347
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(421,347)	(421,347)
Total	<u>\$ -</u>	<u>\$ 3,032,006</u>	<u>\$ 3,032,006</u>
	<u>2017</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 3,032,006	\$ 3,032,006
Investment Return	-	305,241	305,241
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(305,241)	(305,241)
Total	<u>\$ -</u>	<u>\$ 3,032,006</u>	<u>\$ 3,032,006</u>

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may experience temporary unfavorable market declines which may cause a fund to fall below the level that the donor or UPMIFA requires Sharon Towers to retain as a fund. Deficiencies of this nature exist in one donor restricted endowment fund, which has an original value of \$1,881,079, a current fair value of \$1,458,608, and a deficiency of \$422,471 as of December 31, 2018. This decline is more than offset by funds available in total investments.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment Policies

Sharon Towers has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Under this policy, as approved by the directors, endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to produce results that attempt to match the price and yield results equal to the change in the Consumer Price Index plus 5%. Actual returns in any given year may vary.

NOTE 8 FAIR VALUE MEASUREMENTS

Sharon Towers uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Sharon Towers measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy of the balances of the assets and liabilities of Sharon Towers measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	2018			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use:				
Fixed Income	\$ 1,856,867	\$ -	\$ -	\$ 1,856,867
Commodities	136,090	-	-	136,090
Equities	2,585,267	-	-	2,585,267
Subtotal	4,578,224	-	-	4,578,224
Investments:				
Fixed Income	5,581,509	-	-	5,581,509
Commodities	544,638	-	-	544,638
Equities	7,617,916	-	-	7,617,916
Subtotal	13,744,063	-	-	13,744,063
Total Assets	\$ 18,322,287	\$ -	\$ -	\$ 18,322,287
Liabilities:				
Liability under Interest Rate Swap Agreement	\$ -	\$ 74,301	\$ -	\$ 74,301

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

	2017			Total
	Level 1	Level 2	Level 3	
Assets:				
Assets Limited as to Use:				
Fixed Income	\$ 1,543,684	\$ -	\$ -	\$ 1,543,684
Equities	2,262,366	-	-	2,262,366
Subtotal	3,806,050	-	-	3,806,050
Investments:				
Fixed Income	5,704,436	-	-	5,704,436
Equities	8,231,130	-	-	8,231,130
Subtotal	13,935,566	-	-	13,935,566
Total Assets	\$ 17,741,616	\$ -	\$ -	\$ 17,741,616
Liabilities:				
Liability under Interest Rate Swap Agreement	\$ -	\$ 154,448	\$ -	\$ 154,448

Sharon Towers had \$776,026 and \$1,162,950 of cash and cash equivalents included with assets limited as to use as of December 31, 2018 and 2017, which is not included in the fair value hierarchy.

NOTE 9 PENSION PLAN

Sharon Towers maintains a defined contribution 401(k) pension plan (the Plan) that covers all eligible employees with more than one year of service. Sharon Towers' contributions for the years ended December 31, 2018 and 2017 included \$194,173 and \$197,725, respectively, based on its matching 25% of employee contributions up to 6%, and an elective deferral of \$130,532 and \$135,680, respectively. The participants' contributions are immediately fully vested and Sharon Towers' contributions to the Plan vest over a six-year period.

NOTE 10 CHARITY CARE AND COMMUNITY SERVICE

Charity Care

Sharon Towers' mission is to provide a minimum of 5% of its revenue to charity care. The recipients are either current residents who have exhausted their funds and no longer have the ability to pay for all or part of their monthly fees, or prospective residents who, through the waiver of a portion of their entrance fee and/or monthly fees, are financially able to afford the monthly service fees. The amount of assistance provided is determined after a review of the individual's financial needs and resources. Sharon Towers has calculated charity care costs for the years ended December 31, 2018 and 2017, based on a historical ratio of cost to income as \$921,169 and \$841,099, respectively. Contributions were received by Sharon Towers of \$1,075,661 and \$562,774 to subsidize the costs of providing resident support for the years ended December 31, 2018 and 2017, respectively.

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 CHARITY CARE AND COMMUNITY SERVICE (CONTINUED)

Community Service

Sharon Towers incurred the following costs related to community service activities during 2018 and 2017:

	2018	2017
Donated Facility Usage	\$ 79,288	\$ 74,200
Personnel	15,209	27,656
Contributions to Other Charities	307,088	325,844
Total Community Service Costs	\$ 401,585	\$ 427,700

NOTE 11 COMMITMENTS AND CONTINGENCIES

Sharon Towers is subject to legal proceedings and claims which arise in the ordinary course of business. Sharon Towers maintains liability insurance coverage for claims occurring during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for claims not covered by the policy and any other uninsured liability.

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

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 12 FUNCTIONAL EXPENSES

Program, management and fundraising expenses for the year ended December 31, 2018 are summarized as follows:

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 8,627,404	\$ 602,143	\$ 46,310	\$ 9,275,857
Employee Benefits	1,443,918	69,173	5,763	1,518,854
Payroll Taxes	669,735	40,475	3,467	713,677
Food and Dietary Service	1,618,964	-	-	1,618,964
Depreciation	2,450,072	-	-	2,450,072
Housekeeping and Maintenance	1,993,848	-	-	1,993,848
Utilities and Communications	1,180,421	-	-	1,180,421
Interest Expense and Fees	300,704	-	-	300,704
Health Care Supplies	1,478,581	-	-	1,478,581
Professional Fees	283,964	-	5,902	289,866
Insurance	341,219	-	-	341,219
Marketing and Development	340,574	-	62,012	402,586
Community Service	401,585	-	-	401,585
Supplies and Other Expenses	306,115	-	7,119	313,234
Total Operating Expenses	<u>\$ 21,437,104</u>	<u>\$ 711,791</u>	<u>\$ 130,573</u>	<u>\$ 22,279,468</u>

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Management salaries have been specifically identified and an allocation of employee benefits and payroll taxes based on management salaries as a percent of total salaries for the management and general and fundraising personnel have been made.

NOTE 13 LIQUIDITY

Sharon Towers invests cash in excess of short term requirements in short-term investments. As of December 31, 2018 and 2017, Sharon Towers had working capital of \$17,592,381 and \$9,532,973. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2018	2017
Cash and Cash Equivalents	\$ 5,675,755	\$ 4,127,742
Equities	10,203,183	10,493,496
Commodities	680,728	-
Fixed Income	7,438,376	7,248,120
Total	<u>23,998,042</u>	<u>21,869,358</u>
Resident and Other Receivables, Net	1,001,419	1,133,943
Pledges Receivable, Current Portion	942,077	396,751
	<u>1,943,496</u>	<u>1,530,694</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 25,941,538</u>	<u>\$ 23,400,052</u>

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
BALANCE SHEET – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND SHARON TOWERS
RESIDENTS’ ASSISTANCE FUND
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS’ REPORT)

	Sharon Towers	Fund	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Equivalents	\$ 4,899,729	\$ -	\$ -	\$ 4,899,729
Receivables:				
Residents and Other, Net	3,287,347	-	(2,285,928)	1,001,419
Contributions, Current Portion	942,077	-	-	942,077
Investments	6,692,634	7,051,429	-	13,744,063
Prepaid Expenses	259,301	-	-	259,301
Total Current Assets	<u>16,081,088</u>	<u>7,051,429</u>	<u>(2,285,928)</u>	<u>20,846,589</u>
ASSETS WHOSE USE IS LIMITED	5,057,382	296,868	-	5,354,250
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	858,262	-	-	858,262
PROPERTY AND EQUIPMENT, NET	60,225,367	-	-	60,225,367
OTHER ASSETS	4,000	-	-	4,000
Total Assets	<u>\$ 82,226,099</u>	<u>\$ 7,348,297</u>	<u>\$ (2,285,928)</u>	<u>\$ 87,288,468</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,534,474	\$ 2,285,928	\$ (2,285,928)	\$ 1,534,474
Accrued Payroll and Related Items	810,420	-	-	810,420
Current Portion of Bonds Payable	890,000	-	-	890,000
Accrued Interest Payable	19,314	-	-	19,314
Total Current Liabilities	<u>3,254,208</u>	<u>2,285,928</u>	<u>(2,285,928)</u>	<u>3,254,208</u>
REFUNDABLE ENTRANCE FEES	4,716,844	-	-	4,716,844
DEFERRED REVENUE	26,667,546	-	-	26,667,546
ENTRANCE FEE DEPOSITS	1,051,823	-	-	1,051,823
BONDS PAYABLE, NET OF CURRENT PORTION	4,640,460	-	-	4,640,460
LIABILITY UNDER INTEREST RATE SWAP AGREEMENT	74,301	-	-	74,301
Total Liabilities	<u>40,405,182</u>	<u>2,285,928</u>	<u>(2,285,928)</u>	<u>40,405,182</u>
NET ASSETS				
Net Assets Without Donor Restrictions	38,728,031	3,062,218	-	41,790,249
Net Assets With Donor Restrictions:				
Purpose Restrictions	1,941,959	119,072	-	2,061,031
Perpetual in Nature	1,150,927	1,881,079	-	3,032,006
Total Net Assets	<u>41,820,917</u>	<u>5,062,369</u>	<u>-</u>	<u>46,883,286</u>
Total Liabilities and Net Assets	<u>\$ 82,226,099</u>	<u>\$ 7,348,297</u>	<u>\$ (2,285,928)</u>	<u>\$ 87,288,468</u>

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS – THE PRESBYTERIAN HOME AT
CHARLOTTE, INC. AND SHARON TOWERS RESIDENTS' ASSISTANCE FUND
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Sharon Towers	Fund	Eliminations	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Independent Living	\$ 9,498,339	\$ -	\$ (732,875)	\$ 8,765,464
Assisted Living	2,095,256	-	-	2,095,256
Health Care	7,851,638	-	-	7,851,638
Amortization of Entrance Fees	4,313,093	-	(244,850)	4,068,243
Other Operating Revenue	1,781,272	-	-	1,781,272
Contributions	962,343	154,781	-	1,117,124
Investment Income (Loss)	(689,394)	(359,654)	-	(1,049,048)
Gain on Disposal of Property and Equipment	81,852	-	-	81,852
Net Assets Released from Restrictions	67,344	977,725	-	1,045,069
Total Revenues, Gains, and Other Support	<u>25,961,743</u>	<u>772,852</u>	<u>(977,725)</u>	<u>25,756,870</u>
EXPENSES				
Salaries and Wages	9,275,857	-	-	9,275,857
Employee Benefits	1,518,854	-	-	1,518,854
Payroll Taxes	713,677	-	-	713,677
Food and Dietary Service	1,618,964	-	-	1,618,964
Depreciation	2,450,072	-	-	2,450,072
Housekeeping and Maintenance	1,993,848	-	-	1,993,848
Utilities and Communications	1,180,421	-	-	1,180,421
Charity Care	-	977,725	(977,725)	-
Interest Expense and Fees	300,704	-	-	300,704
Health Care Supplies	1,478,581	-	-	1,478,581
Professional Fees	289,866	-	-	289,866
Insurance	341,219	-	-	341,219
Marketing and Development	402,586	-	-	402,586
Community Service	401,585	-	-	401,585
Supplies and Other Expenses	313,234	-	-	313,234
Total Expenses	<u>22,279,468</u>	<u>977,725</u>	<u>(977,725)</u>	<u>22,279,468</u>
OPERATING INCOME AND EXCESS OF REVENUES, GAINS, AND OTHER SUPPORT OVER EXPENSES	3,682,275	(204,873)	-	3,477,402
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Change in Fair Value of Interest Rate Swap Agreement	80,147	-	-	80,147
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,762,422	(204,873)	-	3,557,549
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	1,915,902	1,075,661	-	2,991,563
Investment Income (Loss)	(13,600)	(92,883)	-	(106,483)
Net Assets Released from Restrictions	(67,344)	(977,725)	-	(1,045,069)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>1,834,958</u>	<u>5,053</u>	<u>-</u>	<u>1,840,011</u>
CHANGE IN NET ASSETS	5,597,380	(199,820)	-	5,397,560
Net Assets - Beginning of Year	36,223,537	5,262,189	-	41,485,726
NET ASSETS - END OF YEAR	<u>\$ 41,820,917</u>	<u>\$ 5,062,369</u>	<u>\$ -</u>	<u>\$ 46,883,286</u>

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
STATEMENT OF CASH FLOWS – THE PRESBYTERIAN HOME AT CHARLOTTE, INC. AND
SHARON TOWERS RESIDENTS’ ASSISTANCE FUND
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS’ REPORT)**

	Sharon Towers	Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in Net Assets	\$ 5,597,380	\$ (199,820)	\$ 5,397,560
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:			
Depreciation	2,450,072	-	2,450,072
Amortization of Bond Issuance Costs	41,590	-	41,590
Realized and Unrealized Loss on Investments, Net	1,068,524	614,092	1,682,616
Gain on Disposal of Property and Equipment	(81,852)	-	(81,852)
Change in Swap Agreement Value	(80,147)	-	(80,147)
Entrance Fees Received	13,530,533	-	13,530,533
Amortization of Entrance Fees	(4,068,243)	-	(4,068,243)
Decrease (Increase) in Assets:			
Receivables	(379,015)	-	(379,015)
Pledge Receivables	(1,403,588)	-	(1,403,588)
Prepays	(121,964)	-	(121,964)
Increase (Decrease) in Liabilities:			
Accounts Payable	(187,468)	511,540	324,072
Accrued Payroll Liabilities	63,709	-	63,709
Accrued Interest Payable	(14,521)	-	(14,521)
Waiting List Liability (Net)	(840,253)	-	(840,253)
Deferred Revenue	(9,846)	-	(9,846)
Net Cash Provided by Operating Activities	<u>15,564,911</u>	<u>925,812</u>	<u>16,490,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Investments	658,171	1,170,667	1,828,838
Purchases of Investments	(1,842,569)	(2,249,557)	(4,092,126)
Proceeds from Sale of Property and Equipment	396,271	-	396,271
Additions to Home Properties	(3,793,161)	-	(3,793,161)
Costs Incurred on Long-Range Projects	(1,438,370)	-	(1,438,370)
Net Cash Used by Investing Activities	<u>(6,019,658)</u>	<u>(1,078,890)</u>	<u>(7,098,548)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Note Payable	657,381	-	657,381
Principal Paid on Note Payable	(6,963,083)	-	(6,963,083)
Principal Paid on Bond Payable	(840,000)	-	(840,000)
Entrance Fees Refunded	(698,460)	-	(698,460)
Net Cash Used by Financing Activities	<u>(7,844,162)</u>	<u>-</u>	<u>(7,844,162)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,701,091	(153,078)	1,548,013
Cash and Equivalents - Beginning of Year	<u>3,677,796</u>	<u>449,946</u>	<u>4,127,742</u>
CASH AND EQUIVALENTS - END OF YEAR	<u>\$ 5,378,887</u>	<u>\$ 296,868</u>	<u>\$ 5,675,755</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Operating Cash and Cash Equivalents	\$ 4,899,729	\$ -	\$ 4,899,729
Restricted Operating Reserve Cash and Cash Equivalents	479,158	296,868	776,026
Total	<u>\$ 5,378,887</u>	<u>\$ 296,868</u>	<u>\$ 5,675,755</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION			
Property and Equipment Included in Accounts Payable	<u>\$ 612,774</u>	<u>\$ -</u>	<u>\$ 612,774</u>



Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor.

EXHIBIT B
TO
THE PRESBYTERIAN HOME AT CHARLOTTE, INC
(SHARON TOWERS)
CONTINUING CARE DISCLOSURE STATEMENT

Material Differences of Financial Statement
Versus Forecast

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
MATERIAL DIFFERENCES
YEAR ENDING DECEMBER 31, 2018
FORECASTED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>DIFFERENCE</u>	<u>EXPLANATIONS</u>
				For purposes of this analysis, anything less than 1% of Revenues (\$258,000) is considered immaterial
Income				
Independent Living	8,765,464	9,549,000	(783,536)	Actual adjusted for Residents' Assistance of \$733,875 in Mthly Service fees - these were forecasted as part of Charity Care and Community Benefit
Assisted Living	2,095,256	2,149,000	(53,744)	Immaterial
HealthCare (including Medicare)	7,851,638	7,191,000	660,638	Medicare Census higher than forecast
Entrance Fees (Amortized)	4,068,243	3,257,000	811,243	Entry fee amortization is forecast conservatively based on resident life expectancy. Differences frequently exist in projected life expectancy and actual life expectancy
Other Operating Revenue	1,781,272	1,446,000	335,272	Companion Services Revenue exceed forecast by \$260K
Contributions	1,117,124		1,117,124	Footnote E
Investment Income	(1,049,048)	1,045,000	(2,094,048)	Footnote F
Gain on Disposal of Property and Equipment	81,852	0	81,852	Immaterial
Net Assets released from restriction	<u>1,045,069</u>	<u>923,000</u>	<u>122,069</u>	Footnote E
Total Support and Revenue	25,756,870	25,560,000	196,870	Subtotal
Expenses				
Health Care	7,419,418	6,882,000	537,418	Additional Medicare and Companion Revenue were offset by higher costs
Maintenance & Operations	3,252,537	3,034,000	218,537	Immaterial
Housekeeping	1,100,771	1,103,000	(2,229)	Immaterial
Laundry	340,883	322,000	18,883	Immaterial
Dining Services	3,378,896	3,306,000	72,896	Immaterial
Administration	1,998,891	1,926,000	72,891	Immaterial
Marketing and Development	804,050	509,000	295,050	Includes \$302,000 of Board approved marketing expenses outside of normal operating budget - related to the expansion
Activities & Social Services	831,661	919,000	(87,339)	Immaterial
Charity Care and Community Service	401,585	835,000	(433,415)	Resident assistance for Monthly Service Fees and Waived Entry Fees were Forecast here, but reduces revenue in "Actual" - see above comments at IL Revenue and Entry Fees (Amortized). Additionally, the amount spent on Community Service was higher than Forecast.
Interest Expense & Fees	300,704	242,000	58,704	Immaterial
Depreciation and Amortization	<u>2,450,072</u>	<u>2,508,000</u>	<u>(57,928)</u>	Immaterial
Total Expenses	22,279,468	21,586,000	693,468	Subtotal
Operating Income	3,477,402	3,974,000	(496,598)	Subtotal
Change in Fair Value of Interest Rate Swap	<u>80,147</u>		<u>80,147</u>	Immaterial
Change in Net Assets without Donor Restrictions	3,557,549	3,974,000	(416,451)	Subtotal
Net Assets With Donor Restrictions				
Contributions	2,991,563	3,726,000	(734,437)	Footnote E
Investment Income	(106,483)		(106,483)	Footnote F
Released from Restrictions	<u>(1,045,069)</u>	<u>(923,000)</u>	<u>(122,069)</u>	Footnote E
Total Change in Net Assets w/Donor Restriction	1,840,011	2,803,000	(962,989)	Subtotal
Change in Net Assets	5,397,560	6,777,000	(1,379,440)	Total

E Combined variance of these lines is \$383,000 above the amount forecast representing additional contributions not known when forecast was developed

F Performance of Investment Income is based on performance of the financial markets which were unfavorable for 2018

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
MATERIAL DIFFERENCES
YEAR ENDING DECEMBER 31, 2018
FORECASTED STATEMENT OF CASH FLOWS

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>DIFFERENCE</u>	<u>EXPLANATIONS</u>
				For purposes of this analysis, anything less than 1% of Revenues (\$258,000) is considered immaterial
<u>OPERATING ACTIVITIES</u>				
Change in Net Assets	5,397,560	6,777,000	(1,379,440)	See notes for Statement of Operations
Depreciation	2,450,072	2,508,000	(57,928)	Immaterial
Amortization of Deferred Financing Costs	41,590	42,000	(410)	Immaterial
Capital (gain)/loss on investments	1,682,616		1,682,616	performed poorly in 2018
Gain on Disposal of Property and Equipment	(81,852)		(81,852)	Immaterial
Change in swap agreement value	(80,147)		(80,147)	Immaterial
Entry fees received and Waitlist Deposits	12,690,280	3,240,000	9,450,280	Forecast included New Entry Fees for Villa II under Financing Section below. Additionally, Turnover Entry fees were higher than expected in 2018 due to turnover of higher priced units than were forecast
Amortization of entry fees	(4,068,243)	(3,257,000)	(811,243)	Entry fee amortization is forecast conservatively based on resident life expectancy. Differences frequently exist in life expectancy and actual life expectancy
Decrease/(Increase) in Current Assets	(1,782,603)	(1,890,000)	107,397	Immaterial
Prepaid expenses	(121,964)		(121,964)	Immaterial
Accounts payable	324,072	(205,000)	529,072	Timing of expansion project invoices - accrued in Dec 2018, but paid in Jan 2019
Accrued payroll and related items	63,709		63,709	Immaterial
Accrued interest payable	(14,521)		(14,521)	Immaterial
Deferred revenue	(9,846)		(9,846)	Immaterial
Net Cash from Operating Activities	16,490,723	7,215,000	9,275,723	Subtotal
<u>FINANCING ACTIVITIES</u>				
Initial Entry Fees and Deposits Received	0	7,500,000	(7,500,000)	See comment in Operating Activity section under Entry Fees Received
Proceeds from note payable	657,381	0	657,381	These two combined net to -0-. Additional funding on Villa II in 2018, also paid off in 2018.
Principal paid on note payable	(6,963,083)	(6,306,000)	(657,083)	
Principal paid on bond payable	(840,000)	(840,000)	0	Immaterial
Entrance Fees Refunded	(698,460)		(698,460)	Refunds not forecast, but were more than offset by entry fees received
Net Cash from Financing Activities	(7,844,162)	354,000	(8,198,162)	Subtotal
<u>INVESTMENT ACTIVITIES</u>				
(Purchase)/Proceeds on Investments	(2,263,288)	(3,532,000)	1,268,712	Investments increased, but not as much as expected due to poor financial market performance in 2018.
Additions to Home properties	(4,835,260)	(3,401,000)	(1,434,260)	Due to high turnover of higher priced units which were renovated and upfit for resale
Net Change in Assets Limited as to Use		(147,000)	147,000	Immaterial
Net Cash from Investing Activities	(7,098,548)	(7,080,000)	(18,548)	Subtotal
Change in Cash	1,548,013	489,000	1,059,013	Total
Cash - Beginning	4,127,742	2,965,000	1,162,742	
Cash - Ending	5,675,755	3,454,000	2,221,755	

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
MATERIAL DIFFERENCES
YEAR ENDING DECEMBER 31, 2018

FORECASTED BALANCE SHEETS

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>DIFFERENCE</u>	<u>EXPLANATIONS</u>
				For the purpose of this analysis, anything less than 1% of Total Assets (\$873,000) is considered immaterial
ASSETS				
Cash	4,899,729	3,454,000	1,445,729	See Statement of Cash Flows below
Accounts Receivable	1,001,419	1,449,000	(447,581)	Immaterial
Contributions Receivable - Current	942,077	1,903,000	(960,923)	Footnote A
Prepaid Expenses	259,301	206,000	53,301	Immaterial
Investments	13,744,063	11,305,000	2,439,063	Footnote B
Assets Whose Use Is Limited				
Statutory Operating Reserve	5,354,250	5,116,000	238,250	Immaterial
Board Designated - Residents' Assistance Fund		3,268,000	(3,268,000)	Footnote B
Donor Restricted - Residents' Assistance Fund		2,895,000	(2,895,000)	Footnote B
Contributions Receivable - Net of Current Portion	858,262		858,262	Footnote A
Property & Equipments	60,225,367	58,042,000	2,183,367	Increase due to high number of IL turnover units which were renovated and upfit for resale
Other Assets	4,000		4,000	Immaterial
Total Assets	87,288,468	87,638,000	(349,532)	Subtotal
LIABILITIES AND NET ASSETS				
Accounts Payable	1,534,474	876,000	658,474	Immaterial, but related to timing differences
Accrued Payroll	810,420	774,000	36,420	Immaterial
Accrued Interest Payable	19,314	34,000	(14,686)	Immaterial
Refundable Entry Fees	4,716,844	15,897,000	(11,180,156)	Footnote C
Deferred Revenue	26,667,546	16,109,000	10,558,546	Footnote C
Entry Fee Deposits	1,051,823		1,051,823	Footnote C
Current Portion of Bonds Payable	890,000		890,000	Footnote D
Bonds Payable, Net	4,640,460	5,531,000	(890,540)	Footnote D
Interest Rate Swap Agreement	74,301	154,000	(79,699)	Immaterial
Total Liabilities	40,405,182	39,375,000	1,030,182	Subtotal
Net Assets				
Without Donor Restriction	41,790,249	42,207,000	(416,751)	See detail explanations on the Statement of Operations and Changes in Net Assets Schedule
With Donor Restriction	5,093,037	6,056,000	(962,963)	See detail explanations on the Statement of Operations and Changes in Net Assets Schedule
Total Net Assets	46,883,286	48,263,000	(1,379,714)	Subtotal
Total Liabilities and Net Assets	87,288,468	87,638,000	(349,532)	Total

A Immaterial - when current and non-current portions are combined, the difference from forecast amount is immaterial

B Investments did not perform as expected due to a downturn in the financial markets near the end of the year. The Forecast inadvertently misclassified the "Residents' Assistance Funds" as Assets Whose Use is Limited. The "Actual" financials classifies them as "Investments" and tracks any Restrictions in the "Net Assets" section of the Balance Sheet

C Total variance for Deferred Revenue, Refundable Entry Fees, and Entry Deposits is \$430,213 - considered immaterial in total

D When Current and Long Term portions are combined, the difference is \$540 - immaterial

EXHIBIT C
TO
THE PRESBYTERIAN HOME AT CHARLOTTE, INC
(SHARON TOWERS)
CONTINUING CARE DISCLOSURE STATEMENT

Unaudited Financial Statement as of February 28, 2019

The Presbyterian Home at Charlotte, Inc.

Balance Sheet

2/28/2019
Unaudited

<u>ASSETS</u>	
Current Assets	
Cash	4,140,645
AR - Private Pay	270,651
AR - Medicare	642,996
Investments	15,099,607
Pledges & Other Rec (Sales Tax)	154,745
Prepaid Expenses and Other Assets	2,049,651
Intercompany - RAF	<u>0</u>
Total Current Assets	22,358,295
Assets limited as to use	
State Operating Reserve	5,411,750
<u>Property & Equipment, Net</u>	
	60,775,052
TOTAL ASSETS	88,545,097
<u>LIABILITIES</u>	
Current Liabilities	
Current Maturities of Debt	900,000
Accounts Payable	735,288
Accrued Expenses	75,126
Accrued Employee Compensation	480,199
Deferred Income	100,691
Current - Refundable Ent Fees	<u>665,257</u>
Total	2,956,561
<u>Long Term Debt</u>	
Bond Principal; less Current Maturities	4,497,392
Rate Swap Interest Obligation	<u>72,206</u>
Total	4,569,598
<u>ENTRY FEES</u>	
Deferred Revenue from Advance Fees	4,716,844
Refundable Entry Fees	5,987,315
Nonrefundable Entry Fees	<u>21,372,105</u>
Total	32,076,264
TOTAL LIABILITIES	39,602,423
<u>FUND BALANCE</u>	
Restricted	5,043,890
Fund Balance - Prior Years	41,790,250
YTD Gain or (Loss)	<u>2,108,534</u>
Total	48,942,674
TOTAL LIABILITIES & FUND BALANCE	88,545,097

THE PRESBYTERIAN HOME AT CHARLOTTE, INC
FINANCIAL STATEMENT - UNAUDITED
February 28, 2019

<u>INCOME STATEMENT</u>	Current Ytd Un-Audited
OPERATING INCOME	
Independent Living	\$ 1,646,603
Assisted Living	357,810
Health Center	862,314
Medicare	478,268
Amortization of Entrance Fees	779,944
Med. Supplies, Home Care	<u>321,558</u>
Total Operating Revenue	\$ 4,446,497
Contributions	10,678
Interest & Dividends	51,757
Realized Gains/(Losses)	75,603
UnRealized Gains/(Losses)	<u>1,318,743</u>
Investment Income	1,446,103
Gain on Swap	<u>2,095</u>
Total Non-Operating Revenue	\$ 1,458,876
Total Revenues, Gains, & Other Support	\$ 5,905,373
OPERATING EXPENSES	
Health Care	1,231,074
Maintenance & Operations	477,560
Housekeeping	178,349
Laundry	50,361
Dining Services	555,201
Administration	403,817
Marketing and Development	147,528
Activities & Social Services	129,638
Charity Care and Community Service	330,002
Interest Expense & Fees	48,877
Depreciation	<u>244,432</u>
Total Expenses	\$ 3,796,839
Change in Net Assets	<u>\$ 2,108,534</u>

Sharon Towers
Statement of Cash Flows
2/28/2019

	Unaudited 2/28/2019
Cash Flows From Operating Activities	
Increase in Net Assets	2,108,534
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	244,432
Unrealized (Gains) Losses on Investments	(1,318,743)
Amortization of Deferred Revenue from Entrance Fees	(779,944)
Entry Fees & Wait List Fees Received (net of refunds)	1,118,202
Entry Fees Received - Deerwood	-
Realized (Gains) on Investments	75,603
New Restricted Assets Net of Releases	(39,058)
(Increase)/Decrease in Assets:	
Accounts Receivable	(14,401)
Contributions & Sales Tax Receivable	(31,877)
Prepaid Expense and other Assets	(20,795)
Increase/(Decrease) in Liabilities:	
Accounts Payable, Accrued Expenses, Accrued Compensation & Deferred Income	(1,005,854)
Net Cash Provided by Operating Activities	336,099
 Cash Flows From Investing Activities	
Purchases of Investments	(169,905)
Purchases of Property and Equipment	(790,117)
Net Cash Used in Investing Activities	(960,022)
 Cash Flows from Financing Activities	
Change in Swap Value & Deferred Loan Costs	4,837
Payments of Debt	(140,000)
Net Cash Used by Financing Activities	(135,163)
 Net Increase (Decrease) in Cash	(759,085)
 Cash	
Beginning	4,899,730
Ending (agrees to balance Sheet Cash)	4,140,645

EXHIBIT D
TO
THE PRESBYTERIAN HOME AT CHARLOTTE, INC
(SHARON TOWERS)
CONTINUING CARE DISCLOSURE STATEMENT

FIVE-YEAR FORECASTED STATEMENTS OF SUPPORT, OPERATING
REVENUES, EXPENSES AND FUND BALANCES
FOR THE CALENDAR YEARS 2019-2023

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
D/B/A SHARON TOWERS**

**PROJECTED FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

**FOR THE FIVE YEARS ENDING
DECEMBER 31, 2019 THROUGH DECEMBER 31, 2023**

TABLE OF CONTENTS

Independent Accountants' Compilation Report	1
Projected Statements of Operations and Changes in Net Assets For the Five Years Ending December 31, 2019 through 2023	2
Projected Statements of Cash Flows For the Five Years Ending December 31, 2019 through 2023	3
Projected Balance Sheets .At December 31, 2019 through 2023	4
Summary of Significant Projection Assumptions and Accounting Policies	
Background and Information	5
Plan of Finance	10
Summary of Significant Accounting Policies	12
Management's Basis for Projection of Revenue	15
Management's Basis for Projection of Expenses	20
Management's Basis for Projection of Other Items	22



CliftonLarsonAllen LLP
CLAAconnect.com

CliftonLarsonAllen

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Presbyterian Home at Charlotte, Inc.
d/b/a Sharon Towers
Charlotte, North Carolina

Management is responsible for the accompanying projected financial statements of The Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers (the "Home"), which comprise the projected balance sheets as of December 31, 2019, 2020, 2021, 2022, and 2023, and the related projected statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, 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 these projected financial statements or the assumptions. Furthermore, even if the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 5 (the "Hypothetical Assumptions") occur as projected, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projected information and this report are intended solely for the information and use of management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in the Home's disclosure statement filing), and is not intended to be and should not be used, by anyone other than these specified parties.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 17, 2019

THE PRESBYTERIAN HOME AT CHARLOTTE, INC. D/B/A SHARON TOWERS
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 5
FOR THE FIVE YEARS ENDING DECEMBER 31,
(000'S OMITTED)

	2019	2020	2021	2022	2023
Revenues, Gains and Other Support					
Independent Living	\$ 9,825	\$ 10,321	\$ 11,185	\$ 13,556	\$ 14,003
Assisted Living	2,208	2,225	2,306	2,390	2,478
Health Care	7,559	6,791	6,881	7,930	9,665
Amortization of Entrance Fees	4,068	4,708	5,432	6,371	7,124
Other Operating Revenue	1,541	1,590	1,640	1,692	1,745
Contributions	275	275	275	275	275
Investment Income	823	875	1,020	1,214	1,360
Net Assets Released from Restrictions	925	875	-	-	-
Total Revenues, Gains, and Other Support	27,224	27,660	28,739	33,428	36,650
Operating Expenses					
Health Care	7,371	6,754	7,043	8,372	8,319
Maintenance and Operations	2,988	3,077	3,265	3,738	3,861
Housekeeping	1,218	1,255	1,363	1,677	1,736
Dining Services	3,449	3,553	3,706	4,000	4,126
Administration	2,260	2,353	2,429	2,520	2,567
Marketing and Development	943	1,217	931	630	649
Activities and Social Services	928	955	1,000	1,095	1,129
Charity Care and Community Service	1,100	1,133	1,221	1,395	1,463
Interest Expense and Fees	312	450	1,282	4,955	4,756
Depreciation	2,808	3,160	3,639	5,042	5,947
Total Operating Expenses	23,377	23,907	25,879	33,424	34,553
Operating Income	3,847	3,753	2,860	4	2,097
Other Losses					
Loss on Refunding Net of Gain on Swap Termination	(445)	-	-	-	-
Change in Net Assets Without Donor Restrictions	3,402	3,753	2,860	4	2,097
Net Assets With Donor Restrictions					
Net Assets Released from Restrictions	(925)	(875)	-	-	-
Change in Net Assets With Donor Restrictions	(925)	(875)	-	-	-
Change in Net Assets	2,477	2,878	2,860	4	2,097
Net Assets, Beginning	46,883	49,360	52,238	55,098	55,102
Net Assets, Ending	\$ 49,360	\$ 52,238	\$ 55,098	\$ 55,102	\$ 57,199

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

THE PRESBYTERIAN HOME AT CHARLOTTE, INC. D/B/A SHARON TOWERS
PROJECTED STATEMENTS OF CASH FLOWS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 5
FOR THE FIVE YEARS ENDING DECEMBER 31,
(000'S OMITTED)

	2019	2020	2021	2022	2023
Cash Flows From Operating Activities					
Change in Net Assets	\$ 2,477	\$ 2,878	\$ 2,860	\$ 4	\$ 2,097
Adjustments to Reconcile to Change in Net Assets to Cash Flows from Operating Activities:					
Depreciation	2,808	3,160	3,639	5,042	5,947
Write-off of Deferred Financing Costs	239	-	-	-	-
Gain on Swap Termination	(74)	-	-	-	-
Amortization of Deferred Financing Costs	26	61	61	61	61
Entrance Fees Received, Net of Refunds	4,657	5,415	5,682	5,910	6,142
Amortization of Entrance Fees	(4,068)	(4,708)	(5,432)	(6,371)	(7,124)
Decrease (Increase) in Assets	866	884	(63)	(209)	(120)
Increase (Decrease) in Liabilities	1,413	927	70	(55)	(801)
Net Cash Flows Provided by Operating Activities	8,344	8,617	6,817	4,382	6,202
Cash Flows from Investing Activities					
Net Change in Investments	(3,436)	(4,534)	2,833	(12,013)	(1,655)
Purchase of Property and Equipment	(20,387)	(35,411)	(28,018)	(3,727)	(3,126)
Capitalized Interest	(1,091)	(4,660)	(4,083)	(206)	-
Net Change in Assets Limited as to Use	(79,833)	35,874	10,605	6,857	17,263
Net Cash Provided by (Used in) Investing Activities	(104,747)	(8,731)	(18,663)	(9,089)	12,482
Cash Flows from Financing Activities					
Initial Entrance Fees and Deposits Received	1,550	137	12,212	5,693	-
Proceeds from Tax Exempt Debt	102,840	-	-	-	-
Payment of Financing Costs	(1,838)	-	-	-	-
Principal Paid on Bond Payable	(5,780)	(75)	(95)	(100)	(18,105)
Net Cash Provided by (Used in) Financing Activities	96,772	62	12,117	5,593	(18,105)
Net Increase (Decrease) in Cash and Cash Equivalents	369	(52)	271	886	579
Cash and Equivalents - Beginning of Year	4,900	5,269	5,217	5,488	6,374
Cash and Equivalents - End of Year	\$ 5,269	\$ 5,217	\$ 5,488	\$ 6,374	\$ 6,953

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

THE PRESBYTERIAN HOME AT CHARLOTTE, INC. D/B/A SHARON TOWERS
PROJECTED BALANCE SHEETS
ASSUMING THE HYPOTHETICAL ASSUMPTIONS LISTED ON PAGE 5
AT DECEMBER 31,
(000'S OMITTED)

	2019	2020	2021	2022	2023
Assets					
Cash and Cash Equivalents	\$ 5,269	\$ 5,217	\$ 5,488	\$ 6,374	\$ 6,953
Accounts Receivable, Net	1,042	1,032	1,086	1,261	1,375
Contributions Receivable	875	-	-	-	-
Prepaid Expenses	277	278	287	321	327
Current Assets	7,463	6,527	6,861	7,956	8,655
Investments	17,198	21,732	18,899	30,912	32,567
Property and Equipment, Net	78,896	115,807	144,269	143,160	140,339
Assets Limited as to Use:					
Debt Service Reserve Fund	6,250	6,250	6,250	6,250	6,250
Project Fund	58,910	26,114	1,385	-	-
Entrance Fee Fund	-	-	13,899	18,000	-
Capitalized Interest Fund	12,831	9,441	4,653	-	-
Bond Fund	92	101	102	1,621	2,181
Statutory Operating Reserve	5,074	5,240	11,714	5,963	6,140
Other Assets	4	4	4	4	4
Total Assets	\$ 186,718	\$ 191,216	\$ 208,036	\$ 213,866	\$ 196,136
Liabilities and Net Assets					
Accounts Payable	\$ 1,555	\$ 1,558	\$ 1,608	\$ 1,798	\$ 1,831
Accrued Payroll and Related Items	833	834	862	963	980
Accrued Interest Payable	1,390	2,313	2,305	1,959	1,108
Current Portion of Tax Exempt Debt	75	95	100	105	1,520
Current Liabilities	3,853	4,800	4,875	4,825	5,439
Refundable Entrance Fees	5,086	4,908	4,688	4,463	4,190
Deferred Revenue	27,477	28,362	42,506	48,651	47,942
Tax Exempt Debt, Net	100,942	100,908	100,869	100,825	81,366
Total Liabilities	137,358	138,978	152,938	158,764	138,937
Net Assets					
Without Donor Restrictions	45,192	48,945	51,805	51,809	53,906
With Donor Restrictions	4,168	3,293	3,293	3,293	3,293
Total Net Assets	49,360	52,238	55,098	55,102	57,199
Total Liabilities and Net Assets	\$ 186,718	\$ 191,216	\$ 208,036	\$ 213,866	\$ 196,136

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

Background and Information (continued)

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management ("Management") of The Presbyterian Home at Charlotte, Inc. d/b/a Sharon Towers, a North Carolina nonprofit corporation (the "Home" or "Sharon Towers"), the Home's expected financial position, results of operations and cash flows as of December 31, 2019, 2020, 2021, 2022 and 2023 and for each of the years then ending (the "Projection Period").

A projection is a presentation of prospective financial information that is subject to one or more hypothetical assumptions. Management has included assumptions that are considered to be a "Hypothetical Assumption" as defined by the American Institute of Certified Public Accountants' *Guide for Prospective Financial Information*. A Hypothetical Assumption is defined as follows: "An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation."

Management's hypothetical assumptions (the "Hypothetical Assumptions") are as follows:

- The Project is constructed for amounts and under the timing as projected;
- Management fills and sells any Project-related units, at the disclosed fee levels, as projected;
- Management is able to finance its Project as projected;
- Management operates its Project as projected (collectively the "Hypothetical Assumptions").

Accordingly, the financial projection reflects Management's judgment as of April 17, 2019, the date of this projection, of the expected conditions and its expected course of action during the Projection Period. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There usually will be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The accompanying projection information and the report are intended solely for the information and use of Management, the Board of Directors, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and is included in Sharon Towers' disclosure statement filing), and is not intended to be and should not be used, by anyone other than these specified parties.

Background of the Home

The Home is a not-for-profit corporation organized in 1964 under the laws of the state of North Carolina, owns and operates a continuing care facility and currently provides health-related services to persons aged 60 or over.

Sharon Towers is governed by an 18 to 24 person Board of Directors, divided into three classes and elected for three year terms by the Presbytery of Charlotte. The Presbytery of Charlotte is organized and exists under the authority of the constitution of the Presbyterian Church (U.S.A.). Nevertheless, neither the Presbyterian Church (U.S.A.), the Presbytery of Charlotte (or its successor) nor any general assembly, board, synod, presbytery, session, church, congregation or agency thereof has any financial or managerial responsibility for the business or affairs of Sharon Towers other than the election of its directors as described above.

Background and Information (continued)

Sharon Towers is a charitable and religious organization and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986.

Sharon Towers maintains three residential towers (one ten-story, three six-story, and two three-story) surrounded by 34 free standing or paired cottages on approximately 28 wooded acres in southeast Charlotte. SouthPark shopping mall, bus routes to downtown Charlotte, and Sharon Presbyterian Church are nearby.

Independent Living Units

The independent living units of Sharon Towers consist of 78 apartments, 31 cottage units, 74 terrace units, and 35 villa units (the "Existing Independent Living Units"). Floor plans vary depending on location and include studio, one, and two bedroom units, with either one or two bathrooms. Most units include either a patio or balcony, storage facilities, monitored emergency fire and safety systems, and central heating and air conditioning with individual thermostatic controls. Some units also include washer/dryer units. The cottage floor plans also vary in design and size and generally include two bedrooms.

Assisted Living

The health center includes 40 licensed assisted living units of which 38 units are operational (the "Assisted Living Units") (all private) with additional memory support care, where needed. Each unit is equipped with individually controlled heating and air-conditioning, cable hook-ups, a phone jack and an emergency call system. Assisted living residents receive nursing staff attention daily. Residents also receive assistance with medication, bathing, dressing and grooming; linen and housekeeping service; activities and social service programs; and meals three times per day. Residents may be directly admitted into this level of care from the outside community under a Residence and Services Agreement.

Nursing Care

The health center also includes 96 licensed (94 operational) nursing care beds, which includes 19 Medicare certified beds (the "Existing Skilled Nursing Beds" or "Health Center") (all private with shared adjoining bathrooms). The Health Center provides nursing care residents 24-hour supervision and assistance in activities of daily living and health-related care. Bathing facilities, a dining room, and common rooms are also included in this area. Residents may be directly admitted into this level of care from the outside community under a Residence and Services Agreement for 62 of the 96 beds.

Common Areas

The common areas are located throughout the main buildings. They serve as gathering places for residents and include a wellness aquatic center, dining rooms, multi-purpose rooms, lounges, central kitchen, library, administration areas, common rooms for activities and social interactions, resident storage spaces, exercise room, and facilities for beautician services. Sharon Towers may also provide facilities for the sale of sundry items and other amenity areas dependent on Sharon Towers' determination of demand or the availability of providers.

Residents moving into Sharon Towers are admitted under a Residence and Services Agreement, which specifies the terms and conditions, and obligations for residing at Sharon Towers. For copies of the Residence and Services Agreement, please refer to Sharon Towers' disclosure statement that is filed with the North Carolina Department of Insurance.

Expansion Plans

Sharon Towers' Board of Directors approved a long-range campus plan (the "Plan") located along the north portion of its campus as well as 2.5 acres of contiguous property purchased in 2014. The primary goal of the Plan is to

Background and Information (continued)

revitalize the community through a variety of improvements that are centered around resident care, independence, and choice, while positioning Sharon Towers for the next generation of residents!

Sharon Towers received rezoning approval of the Plan in September of 2018, however, approval of rezoning is no guarantee that the Plan will be executed as planned or in its entirety as the Plan allows for phasing of elements based on priorities.

The first phase of the plan includes the expansion and renovation of its health care building (to include two floors of health care, as well as dining, wellness clinic, beauty shop and activity area amenity spaces) and the building of a five-story 46-unit independent living structure with underbuilding parking known as The Deerwood (“Deerwood”) (included in the Project, as defined hereinafter, or “Phase 1”). The Deerwood apartments will range in size from approximately 1,000 to 2,056 heated square feet with each apartment having a private terrace.

The Project design development, construction documentation, and pricing are in process. As an initial due diligence step, Sharon Towers anticipates pre-selling a portion of the 46 proposed independent living units prior to committing to the Project and its financing. As of April 2, 2019, 50 percent of the 46 units were presold. The preliminary plans for the financing of the Project contemplate a combination of short-term debt and long-term fixed rate tax-exempt bonds, although the final plan of finance will depend on economic conditions at the time of the financing. The financing is currently planned to occur in October 2019. It is anticipated site work will begin May of 2019 with the construction of Phase 1 taking approximately 28 months from the date of financing.

Phase 2 of the Plan includes the addition of a second five-story independent living building with approximately 32 apartments, a fitness facility, and a mixed use area to include a performing art space, restaurant with greenhouse, and a small amount of retail and office space. Phase 2 also incorporates an additional 52 independent living apartments atop the mixed use and fitness facilities. **Although the Plan ultimately anticipates Phase 2, the timing of Phase 2 is subject to variation and the scope of Phase 2 can change materially from what is planned at this time. Due to the expectations of the work associated with Phase 1, it is unlikely that Phase 2 would begin prior to completion of Phase 1. Phase 2 has, therefore, been excluded from Management’s Projection.**

The Project

Management plans to develop 46 new independent living apartments (the “New Independent Living Apartments”) and renovate and expand their existing health center (the “New Health Center”). The New Independent Living Apartments and the New Health Center are to be located on the existing campus. The New Independent Living Apartments and the New Health Center are also referred to as the “Project.”

**Table 1
New Independent Living Apartments
Projected Unit Configuration and Estimated Sizes**

Description	Approximate	
	Square Feet	Number of Units
<i>New Independent Living Apartments</i>		
Devin - 1 Bedroom and 1.5 Bath	1,000	10
Tegan - 2 Bedroom and 2 Bath	1,300	15
Hartley 1 & 2 - 2 Bedroom and 2.5 Bath with Den	1,900	18
Darby - 3 Bedroom and 3 Bath with Den	2,056	3
Total / Weighted Average	1,519	46

Source: Management

See Accompanying Independent Accountants’ Compilation Report

Background and Information (continued)

Collectively, the Existing Independent Living Units and the New Independent Living Apartments will be referred to as the “Independent Living Units”.

Collectively, the Existing Nursing Beds and the Replacement Nursing Beds will be referred to as the “Nursing Beds”.

Projected Pricing

The following table summarizes Management’s projected pricing for the New Independent Living Apartments:

Table 2
Projected Project Pricing
Monthly Service Fees and Entrance Fees (Year 2022 Dollars)

Description	Monthly Fee ⁽¹⁾	Entrance Fee ⁽²⁾
<i>New Independent Living Apartments</i>		
Devin - 1 Bedroom and 1.5 Bath	\$3,206	\$296,000
Tegan - 2 Bedroom and 2 Bath	\$4,026	\$392,165
Hartley 1 - 2 Bedroom and 2.5 Bath with Den	\$4,759	\$549,100 - \$567,018
Hartley 2 - 2 Bedroom and 2.5 Bath with Den	\$4,759	\$535,100
Darby - 3 Bedroom and 3 Bath with Den	\$4,940	\$614,196
Total / Weighted Average	\$4,194	\$446,796
<i>Second Person</i>	\$1,600	\$20,000

Source: Management

Note:

1. Reflects monthly fee including one meal per day.
2. Reflects the Standard Entrance Fee Plan. Management has projected that all incoming residents will choose this plan.

Project Timeline

Management assumes that the Project would be financed in October 2019. Construction of the New Independent Living Apartments is anticipated to last 21 months and construction of the New Health Center is anticipated to last 28 months.

Projected occupancy for the New Independent Living Apartments is based upon Management’s assumed move-in schedule for these units.

The following tables reflect Management’s anticipated move-in schedule for the New Independent Living Apartments, as well as projected occupancy and utilization assumptions.

Background and Information (continued)

Table 3
New Independent Living Apartments
Projected Move-In Schedule

	Move-ins	Cumulative Occupancy	Available Units	Occupancy Percent
2021				
July	5	5	46	10.9%
August	5	10	46	21.7%
September	5	15	46	32.6%
October	5	20	46	43.5%
November	5	25	46	54.3%
December	5	30	46	65.2%
2022				
January	5	35	46	76.1%
February	5	40	46	87.0%
March	4	44	46	95.7%
Thereafter		44	46	95.7%

Source: Management

Notes:

- (1) Management has assumed 5 residents will move into the New Independent Living Apartments per month beginning July 2021 through March 2022. Management has indicated that the assumed move in rate is slower than their other recent independent living projects conducted on the campus.

Management has projected initial double occupancy for the New Independent Living Apartments at 50%.

Plan of Finance

Management has assumed the following sources and uses of funds in preparing its financial projection based on information provided by the Company's underwriter, Ziegler (the "Underwriter") for Sharon Towers' planned financing of the Project is provided in the following table:

Table 4
Projected Sources and Uses of Funds
(In Thousands)

Sources:		
Bond Proceeds	\$	102,840 (1)
Equity		3,000 (2)
Total Sources of Funds		\$ 105,840
Uses:		
Refunding Escrow Deposit	\$	6,060 (3)
Project Funds		79,075 (4)
Capitalized Interest Fund		12,617 (5)
Debt Service Reserve Fund		6,250 (6)
Costs of Issuance		1,838 (7)
Total Uses of Funds		\$ 105,840

Source: Management and the Underwriter

Plan of Finance (continued)

Notes to Table 4:

- (1) Management assumes that the Project would be financed through issuance of tax-exempt bonds (the "Tax Exempt Debt"), which is assumed to be secured in October of 2019.
 - a. Management assumes that a portion of initial entrance fees from the Project would be utilized to repay a portion of the Tax Exempt Debt.
 - b. Management has projected that the average interest rate for the Tax Exempt Debt would be 5.6 percent with a final maturity of August 1, 2049.

Management assumes that the documents relating to the Tax Exempt Debt will contain similar loan covenants as the Home's Series 2001 Bonds, the primary financial covenants of which are a required debt service coverage ratio of 1.20 and a liquidity covenant ratio of 180 days' cash on hand. The documents are also assumed to contain covenants limiting the incurrence of liens and additional indebtedness and transfers of property, including cash and investments. The Home will issue an obligation or obligations under its Master Trust Indenture to secure the Tax Exempt Debt, which will be secured by a mortgage on the real property owned and used by the Home in connection with the operation of its retirement community and a personal security interest in the Home's gross receipts, accounts, equipment, general intangibles, inventory, documents, instruments and chattel paper.

- (2) Management has assumed that it would use \$3,000,000 of its equity towards the Project costs.
- (3) Management has projected the refunding of their Series 2001 Bonds. This amount represents the funds needed to redeem the Series 2001 Bonds.
- (4) Management has projected that the costs of construction and other related ancillary costs relating to construction will approximate to \$79,075,000 based on estimates it has received from its architect and general contractor. This total includes several design and estimating contingencies. Initial marketing costs of \$1,610,000 are included in this estimate and expensed through fiscal year 2021.
- (5) Management estimates funded interest in the amount of \$12,617,000 which represents interest during the construction period of the Project.
- (6) Management estimates \$6,250,000 will be the required deposit for the debt service reserve fund for the Tax Exempt Debt.
- (7) Management has estimated the costs related to legal fees, accounting fees, and other costs associated with the issuance of the Tax Exempt Debt to be \$1,838,000.

Summary of Significant Accounting Policies

Basis of Accounting

Sharon Towers maintains its accounting and financial records using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Sharon Towers considers cash and cash equivalents to include all cash on hand and all highly liquid investments.

Accounts Receivable

Resident account receivables primarily consist of resident monthly service fees and other resident charges, and are shown at the net realizable value less an estimated allowance for doubtful accounts. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions.

Contributions Receivable

Contributions receivable consists of bequests due from estates and are expected to be collected in the next two years.

Investments

Investments in equity and debt securities are measured at fair value in the accompanying projected financial statements. Investment income (including realized gains and losses on investments, interest and dividends) is included in operating income unless the income is restricted by donor or law. Investments include the Sharon Towers' Residents' Assistance Fund, a revocable trust fund that was established in 1981 primarily to provide for a portion of the cost of resident care for those who are unable to pay the full cost of care from their own resources or who without the waiver of entrance fees would not financially qualify. The Board of Directors may elect to use the unrestricted portion of the fund to meet operating expenses of the Home or for other charitable purposes. The donor restricted amounts are contained in both investments and assets with donor restrictions on the projected balance sheets, with the unrestricted amounts contained within investments. Management has projected that the fund would equal approximately \$7,051,000 during the Projection Period.

Property and Equipment

Property is recorded at cost if purchased or fair market value if donated, subject to a \$2,000 capitalization policy. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Interest costs incurred during the construction period of significant construction projects are capitalized as a cost of the constructed asset and amortized over the useful life of the asset.

Assets Limited as to Use

Assets limited as to use include the operating reserve required by the North Carolina Department of Insurance and funds held by a trustee under debt-related agreements.

Summary of Significant Accounting Policies (continued)

Bond Issuance Costs

Debt issuance costs are presented in the balance sheet as a deduction from the carrying amount of the related liability, rather than as a deferred charge asset. In addition, amortization expense associated with the debt issuance costs is shown as a component of interest expense which approximates to \$15,000 in 2019, and \$61,000 in 2020, 2021, 2022 and 2023.

Entrance Fees

The Reservation Agreement (the "Reservation Agreement") is entered into at the time a prospective resident pays a deposit equal to ten percent of the published entrance fee. Upon move-in, the Resident's Agreement (the "Agreement") is entered into and specifies the services to be provided by the Home and the respective rights and duties of the Home and resident. The liability associated with these advance deposits is reported as refundable entrance fees in the accompanying projected balance sheets.

The Home offers a standard contract (the "Standard Plan") in which entrance fees may be refunded on a pro rata basis to residents vacating a unit in the first 12 months of occupancy, as outlined within the disclosure statement. Subsequently, the refund amount is zero. Once a unit is occupied, entrance fees are recorded as refundable entrance fees until a year of occupancy in which time they become deferred revenue. The deferred revenue on standard contracts is recognized as income over the actuarially determined life of the resident.

The Home offers two refundable entrance fee plans (the "50% Refundable Plan" and the "90% Refundable Plan"). Under these plans, a new resident can elect to pay a higher entrance fee, a portion of which is refundable when the unit is vacated. The refundable fees under this option are classified in the accompanying projected balance sheets as refundable entrance fees with the non-refundable portion being classified as deferred revenue.

Payment of the refund due is subject to the Home's ability to resell a comparable unit.

Net Assets

The Home classifies its funds for accounting and reporting purposes as without donor restrictions or with donor restrictions. Without donor restrictions include resources of the Home that are not restricted by donors or grantors as to use or purpose, and amounts generated from operations. With donor restriction are those assets whose use has been limited by a donor to a specific time period or purpose or those assets which are to be maintained in perpetuity.

Estimated Obligation to Provide Future Services

The Home annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred entrance fee revenue. If the present value of the estimated cost of future services and use of facilities to be provided to current residents exceeds the deferred revenue from entrance fees and the present value of periodic fees, a liability is recorded (obligation to provide future services) with the corresponding change to income. Management does not project a liability during the Projection Period.

Income Tax Status

The Home is organized as a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under similar state statutes. Accordingly, no provision for income taxes is included in the accompanying projected statements of operations and changes in net assets.

Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of projected financial statements in conformity with U.S. generally accepted accounting principles 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 projected financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Risks and Uncertainties

The Home holds investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. While no changes in investments has been projected, due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will continue to occur in the near term and that such changes could materially affect the Home's investment balances and the amounts reported in the projected balance sheets of the Home.

Management's Basis for Projection of Revenue

Revenue for the Home is generated primarily from monthly service fees for the independent living units and the New Independent Living Apartments, amortization of entrance fees, and per diem charges from the Assisted Living Units and Nursing Beds.

Revenue for the independent living units is based on the monthly service fees assumed by Management to be charged to the residents and the assumed utilization of the independent living units. Healthcare revenues consist of income generated from services provided to residents transferring from the independent living units, and those services provided to direct admission residents.

The Project is not impacting the total complement of health care units, and therefore, Management has not projected any permanent changes to its nursing revenue or expenses. Management has indicated that for a period of time a decline in Medicare revenue would occur as a result of a temporary reduction in the number of available beds during the construction period.

Projected Occupancy Levels

Projected occupancy for the Home's independent living units is based upon the historical experience of Management, giving consideration to current economic conditions and expectations of ongoing success in its marketing activities.

Occupancy of the assisted living units and nursing beds is projected to be from transfers from independent living units as well as a limited number of direct admissions. Nursing bed occupancy is based primarily on internal transfers from both independent living units and assisted living units. Projected resident transfers from independent living to assisted living or nursing have been provided by Management.

The following table presents the projected occupancy for the Existing Independent Living Units, as projected by Management.

Table 5
Sharon Towers
Projected Utilization of the Existing Independent Living Units

<u>Year Ending December 31,</u>	<u>Average</u> <u>Available Units</u>	<u>Average</u> <u>Occupied Units</u>	<u>Average</u> <u>Occupancy</u>
2019	218	198	90.8%
2020	218	203	93.1%
2021	218	203	93.1%
2022	218	203	93.1%
2023	218	203	93.1%

Source: Management

Management has assumed double occupancy during the Projection Period of approximately 28% based upon historical performance of the Home.

See Accompanying Independent Accountants' Compilation Report

Management's Basis for Projection of Revenue (continued)

The following table outlines the projected utilization of the Assisted Living Units and Skilled Nursing Beds:

Table 6
Sharon Towers
Projected Utilization of the Health Center Units

Assisted Living Units			
Year Ending December 31,	Average Available Units	Average Occupied Units	Average Occupancy
2019	38	36	94.7%
2020	38	35	92.1%
2021	38	35	92.1%
2022	38	35	92.1%
2023	38	35	92.1%

Skilled Nursing Beds			
Year Ending December 31,	Average Available Units	Average Occupied Units	Average Occupancy
2019	94	67	71.3%
2020	94	62	66.0%
2021	94	61	64.9%
2022	94	67	71.3%
2023	94	79	84.0%

Source: Management

Projected Entrance and Monthly Service Fees

Management has projected that the majority of unit sales during the Projection Period will be for the Standard Plan.

From time to time, Management may implement special incentives and move-in incentives with the effect of reducing the entrance fees or reducing net cash flow depending on the incentive. Management is currently offering a "Canopy Option" for the five cottages slated to be demolished at the point Phase 2 of the long-range campus plan is initiated. The plan charges a monthly premium of \$800 on top of the standard monthly service fee as well as a \$10,000 entrance fee for the cottage. When the resident is notified they must vacate the cottage, they choose another accommodation on campus. The premium fees paid up to that point, as well as the \$10,000 entrance fee, are applied toward the entrance fee of the accommodation the resident chooses to move into.

Note that the Project fees noted in Table 2 are effective through December 31, 2022. The following table summarizes the current entrance fees and private pay monthly service fees for the Home's existing units.

See Accompanying Independent Accountants' Compilation Report

Management's Basis for Projection of Revenue (continued)

Table 7
Sharon Towers
Monthly Service Fee and Entrance Fees through December 31, 2019

Description	Square Feet	Number of Units	Entrance Fee ⁽¹⁾	Monthly Fee ⁽²⁾
<i>Independent Living</i>				
Studio - Rose Plan	250	2	N/A	\$950
Studio	250	4	\$35,000	\$2,509
Large Studio	300	3	\$45,000	\$2,621
One Bedroom	480	43	\$78,200	\$3,095
One Bedroom Large	550	3	\$94,000	\$3,173
One Bedroom Expand	750	12	\$128,000	\$3,398
One Bedroom Deluxe	1100	1	\$204,000	\$3,583
Two Bedroom Apartment	750	4	\$128,000	\$3,398
Two Bedroom Large Apartment	850	4	\$174,000	\$3,431
Two Bedroom Expanded Apartment	1000	2	\$204,000	\$3,470
Cottage A	850 - 1,199	5	\$228,000 - \$273,000	\$3,495
Cottage B	1,200 - 1,399	9	\$293,000 - \$316,000	\$3,919
Cottage C	1,400 - 1,599	3	\$340,000 - \$363,000	\$4,089
Cottage D	1,600 - 1,799	5	\$401,000 - \$425,000	\$4,291
Cottage E	1,800 - 2,199	3	\$450,000 - \$504,000	\$4,556
Cottage F	2,200 - 2,299	3	\$527,000 - \$574,000	\$4,937
Sunnybrook	1,820 - 2,121	3	\$401,000 - \$504,000	\$3,995
Terrace A	1,150 - 1,280	15	\$288,000	\$3,503
Terrace B	1,502 - 1,520	38	\$365,000	\$3,831
Terrace C	1,796	20	\$431,000	\$4,242
Terrace D	1,050	1	\$252,000	\$3,474
Villa I - Cotswold	1,365	12	\$334,000	\$3,424
Villa I - Dilworth	1,655	11	\$406,000	\$3,891
Villa I - Foxcroft	1,880	4	\$461,000	\$4,126
Villa I - East Over	1,940	8	\$475,000	\$4,158
Total / Weighted Average	1,201	218	\$275,246	\$3,615
<i>Second Person</i>			\$16,500	\$1,250 - \$1,830
<i>Assisted Living</i>				
Studio	250	31	\$26,200	\$4,942
Large Studio	300	5	\$31,300	\$5,049
Two Rooms	480	2	\$39,300	\$7,391
Total / Weighted Average	269	38	\$27,561	\$5,085
<i>Skilled Nursing</i>				
Private - Direct Admit Rate	250	94	\$8,200	\$10,061
Permanent Transfer Rate ⁽³⁾			N/A	\$7,291
Temporary Transfer Rate ⁽³⁾			N/A	\$4,745
Total / Weighted Average	250	94		

Source: Management

Notes:

1. Pricing is for the Standard Plan only. Management has assumed all prospective residents will choose the Standard Plan during the projection period.
2. Independent living monthly fees include one meal per day.
3. Upon transfer to the Health Center, the resident pays the then published applicable transfer rate, which is historically discounted from the direct admit rate. The temporary transfer rate reflects a daily fee of \$156 for stays 90 days or less.

See Accompanying Independent Accountants' Compilation Report

Management's Basis for Projection of Revenue (continued)

The following table reflects projected rate increases. Increases in fees are generally anticipated to approximate increases in operating expenses during the Projection Period. However, fee increases may be adjusted to reflect actual changes in expenses. Entrance fees are continuously reviewed and adjusted as necessary to align with market demands.

Table 8
Sharon Towers
Projected Rate Increases

Unit Type	2019	2020	2021	2022	2023
Independent Living Units - Monthly Service Fees	N/A	3.15%	3.15%	3.15%	3.15%
Independent Living Units - Entrance Fees ⁽¹⁾	N/A	2.00%	2.00%	2.00%	2.00%
Assisted Living Units - Monthly Service Fees	N/A	3.65%	3.65%	3.65%	3.65%
Assisted Living Units - Entrance Fees	N/A	2.00%	2.00%	2.00%	2.00%
Skilled Nursing Beds - Monthly Service Fees ⁽²⁾	N/A	3.65%	3.65%	3.65%	3.65%
Skilled Nursing Beds - Entrance Fees	N/A	2.00%	2.00%	2.00%	2.00%

Source: Management

Notes:

1. The Studio, Large Studio, One Bedroom, and One Bedroom Large will not have an increase in entrance fee in the Projection Period.
2. The rate increase listed is for private pay residents only. The Medicare inflation rate was assumed to be 0% during the Projection Period.

Entrance Fee Receipts

Entrance fee receipts and refunds are based on information provided by Management based on historical experience, as well as Management's assumptions relating to the Project and occupancies during the Projection Period. The following table reflects entrance fees received and refunds paid during the Projection Period for the Home, as projected by Management.

Table 9
Sharon Towers
Projected Entrance Fee Receipts, Net of Refunds
(In Thousands of Dollars)

	2019	2020	2021	2022	2023
Existing Independent Living Turnover Entrance Fees Received, Net of Refunds	\$ 4,657	\$ 5,415	\$ 5,682	\$ 5,791	\$ 5,917
Project Independent Living Turnover Entrance Fees Received, Net of Refunds	-	-	-	119	225
Initial Entrance Fees Received from Project Independent Living Units	1,550	137	12,212	5,693	-
Total Entrance Fees Received, Net of Refunds	\$ 6,207	\$ 5,552	\$ 17,894	\$ 11,603	\$ 6,142

Source: Management

Notes:

See Accompanying Independent Accountants' Compilation Report

Management's Basis for Projection of Revenue (continued)

Other Operating Revenue

Other income is comprised primarily of companion services revenue, guest and employee meal revenue, and other miscellaneous revenue items.

Contributions

Contributions are donor restricted and released from restriction upon expiration; that is, when a stipulated time restriction ends or a purpose restriction is accomplished.

Investment Income

Investment income consists of interest earnings on cash, cash equivalents, investments, and assets limited as to use, as provided by Management. Management has assumed that its cash, cash equivalents, and assets limited as to use would earn investment income of 0.25 percent annually and investments would earn investment income based on a blended 3.5 percent interest rate annually throughout the Projection Period.

Management's Basis for Projection of Expenses

Operating Expenses

Operating expenses are projected to increase approximately 3 percent annually throughout the periods presented in the projection, except as noted below. Management has projected operating expenses based upon Management's historical operations for the Home and based upon its plan to operate the Project and the estimated effect of inflation.

The specific basis for major expense items were formulated by Management and are discussed below.

Salaries, Wages and Employee Benefits

Salaries and wages are projected to increase at a rate of 3 percent per annum for years 2019 through 2023.

Benefit costs include payroll taxes and employee benefits including FICA, unemployment taxes, workers' compensation, health insurance, 401(k) profit sharing plan, incentives and other miscellaneous benefits for the entire facility. These benefit costs are assumed to approximate 24 percent of wages during the Projection Period, based on Management's historical experience. For the Project, Management has assumed modest increases relating to utilities, raw food, supplies, and other costs as well as the addition of staffing, mostly for housekeeping.

Health Care

Costs include costs for providing care in the assisted living units and skilled nursing beds. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy.

Maintenance and Operations

Costs include electricity, water and sewer, gas, cable television, and all activities of maintenance for the Home. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy.

Housekeeping

Costs include housekeeping and laundry costs for the Home. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy.

Dining Services

Costs include raw food and dietary supplies. Costs, other than those related to labor, would increase approximately 3 percent annually in years 2019 through 2023 for inflation and changes in occupancy.

Administration

Costs include insurance, professional service fees, and other administrative costs. Other costs, excluding those related to labor, are projected to increase at a rate of 3 percent annually throughout the Projection Period for inflation and changes in occupancy.

Marketing and Development

Costs include advertising and purchased services costs for the Home. Costs, other than those related to labor and the Project, would increase approximately 3 percent annually throughout the Projection Period for inflation.

Management's Basis for Projection of Expenses (continued)

Activities and Social Services

Costs include those incurred with the operation of the campus activities. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation and changes in occupancy.

Charity Care and Community Service

Costs include those related to community benefit and internal charity care. Costs, other than those related to labor, would increase approximately 3 percent annually throughout the Projection Period for inflation.

Management's Basis for Projection of Other Items

Assets Limited as to Use

For purposes of Management's Projection, the following assets limited to use have been projected:

- *Statutory Operating Reserve* - North Carolina Statutory Operating Reserve— Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) projected for the twelve-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has projected, based on its projected occupancies, meeting the 25 percent operating reserve requirement for all years except 2021, the year of Project opening.
- *Debt Service Reserve Fund* – the Home has projected a debt service reserve fund related to the Tax Exempt Debt.
- *Entrance Fee Fund* – entrance fees received from the Project's New Independent Living Apartments are assumed to be placed into an entrance fee fund and used to repay a portion of the Tax Exempt Debt.
- *Capitalized Interest Fund* – interest expense related to the portion of Tax Exempt Debt allocable to the Project.
- *Bond Fund* – represents monthly advance payments of bond principal and interest made by the Home to the trustee relating to outstanding Tax Exempt Debt. The funds held in the bond fund will be used by the trustee to make principal and interest payments to owners of the outstanding bonds when due.
- *Project Fund* – Tax Exempt Debt proceeds are to be deposited into a project fund for construction of the Project.

The following table sets forth the projected calculation of the operating reserve.

Management's Basis for Projection of Other Items (continued)

Table 10
Sharon Towers
Projected Operating Reserve Calculation
(In Thousands of Dollars)

	2019	2020	2021	2022	2023	Estimated 2024
Independent Living Units Occupied	198	203	233	247	247	247
Assisted Living Units Occupied	36	35	35	35	35	35
Total Occupied	234	238	268	282	282	282
Total Available Units	256	256	302	302	302	302
Occupancy	91%	93%	89%	93%	93%	93%
Total Operating Expenses		\$ 23,907	\$ 25,879	\$ 33,424	\$ 34,553	\$35,383
Include:						
Bond Principal Payments		75	95	100	18,105	1,520
Exclude:						
Depreciation		(3,160)	(3,639)	(5,042)	(5,947)	(6,154)
Amortization		(61)	(61)	(61)	(61)	(61)
Interest Set Aside in Debt Service Reserve Fund		(389)	(1,221)	(4,894)	(4,695)	(4,607)
Principal to be Redeemed from Entrance Fee Fund		-	-	-	(18,000)	-
Principal Set Aside in Debt Service Reserve Fund		(75)	(95)	(100)	(105)	(1,520)
Total Operating Costs		20,297	20,958	23,427	23,850	24,561
Operating Reserve Percentage	25%	25%	50%	25%	25%	
Operating Reserve at 12/31	\$ 5,074	\$ 5,240	\$ 11,714	\$ 5,963	\$ 6,140	

Source: Management

Management's Basis for Projection of Other Items (continued)

Property and Equipment

Property and equipment balances, net of accumulated depreciation, were projected based on the estimated costs of constructing the Project and other routine property and equipment additions during the Projection Period, reduced by estimated annual depreciation.

The following table reflects Project-related costs, capitalized interest, and other routine capital additions.

Table 11
Projected Property and Equipment Additions
(000s Omitted)

	2019	2020	2021	2022	2023
Routine Capital Additions	\$ 3,401	\$ 3,038	\$ 3,160	\$ 2,787	\$ 3,126
Project Costs	16,986	32,373	24,858	940	-
Capitalized Interest, Net	1,091	4,660	4,083	206	-
Projected Property and Equipment Additions	\$ 21,478	\$ 40,071	\$ 32,101	\$ 3,933	\$ 3,126

Source: Management

Table 12
Sharon Towers
Projected Property and Equipment
(In Thousands of Dollars)

	2019	2020	2021	2022	2023
Land and Land Improvements	\$ 5,420	\$ 5,420	\$ 5,420	\$ 5,420	\$ 5,420
Buildings	84,083	86,854	127,031	177,684	180,534
Furniture and Equipment	7,462	7,708	8,284	10,286	10,539
Transportation Equipment	612	633	655	674	697
Construction in Progress	20,534	57,567	48,893	152	152
Total	118,111	158,182	190,283	194,216	197,342
Accumulated Depreciation	39,215	42,375	46,014	51,056	57,003
Property and Equipment, Net	\$ 78,896	\$ 115,807	\$ 144,269	\$ 143,160	\$ 140,339

Source: Management

The amounts included in Construction in Progress relate to planning costs of a potential future project. If Management elects to abandon the potential future project at any time, these amounts will be expensed.

Loss on Refunding Net of Gain on Swap Termination

As part of the Projection, Management has projected a loss on the refunding of debt, net of gain on the swap termination, related to the portion of deferred financing costs associated with the Series 2001 Bonds, as defined hereinafter. Management has projected the net loss on the refunding of debt, net of gain on the swap termination, of approximately \$445,000 in 2019 as noted on the projected statements of operations and changes in net assets.

See Accompanying Independent Accountants' Compilation Report

Management's Basis for Projection of Other Items (continued)

Long-Term Debt and Interest Expense

The accompanying projection reflects the following debt:

1. Tax Exempt Debt assumed to be issued in October 2019. See Table 4 for additional details.
2. Series 2001 Tax-Exempt Variable Rate Demand Health Care Facilities Revenue Bonds issued by the North Carolina Medical Care Commission ("Series 2001 Bonds"), which was bank placed in 2010 by BB&T. The Series 2001 Bonds bear interest at a fixed rate of 1.39% plus a variable rate of 82% of LIBOR over the term of the bank-bought option. Effective January 1, 2018 the interest rate changed on Sharon Towers' debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The swap now provides for a fixed interest rate of 3.52%. Management has assumed the swap will terminate with the issuance of the Tax Exempt Debt. Additionally, Management has assumed the Series 2001 Bonds will be refunded with the Tax Exempt Debt.

Projected principal payments on the Home's debt are as follows:

Table 13
Sharon Towers
Projected Principal Payments on the Home's Debt
(In Thousands of Dollars)

Year	Tax Exempt Debt - Entrance Fee Bonds	Tax Exempt Debt - All Other Bonds	Series 2001 Bonds - Refunding	Total
2019	\$ -	\$ -	\$ 5,780	\$ 5,780
2020	-	75	-	75
2021	-	95	-	95
2022	-	100	-	100
2023	18,000	105	-	18,105
2024	-	1,520	-	1,520
2025	-	1,605	-	1,605
2026	-	1,690	-	1,690
2027	-	1,780	-	1,780
2028	-	1,885	-	1,885
Thereafter	-	75,985	-	75,985
Total⁽¹⁾	\$ 18,000	\$ 84,840	\$ 5,780	\$ 108,620

Source: Management

Notes:

1. The schedule above does not included deferred debt issuance costs which have been included net of Tax Exempt Debt in management's projected balance sheet.

Management's Basis for Projection of Other Items (continued)

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash balances for the Projection Period are based on the results of the Projected Statements of Cash Flows. For purposes of presentation, cash balances are projected based on historical levels. Over the Projection Period, the cash balances are estimated at approximately 91 days of operating expenses, excluding depreciation and amortization of bond issuance costs, with excess cash being transferred to investments.

Accounts Receivable, Net

Accounts Receivable, Net are projected to remain at historical levels throughout the Projection Period at approximately 18 days operating revenues.

Prepaid Expenses

Prepaid expenses have been projected based on historical levels at approximately 5 days operating expenses.

Accounts Payable

Accounts payable have been projected based on historical levels at approximately 28 days operating expenses.

Accrued Payroll and Related Items

Accrued payroll and related items have been projected based on historical levels at approximately 15 days operating expenses.

Accrued Interest

Accrued interest has been calculated based on projected interest rates and repayment terms of the long-term debt.

EXHIBIT E
TO
THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
(SHARON TOWERS)

CONTINUING CARE DISCLOSURE STATEMENT

RESIDENT'S AGREEMENT

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

(SHARON TOWERS)

RESIDENT'S AGREEMENT

2019-2020

**THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
RESIDENT'S AGREEMENT**

This Resident's Agreement ("Agreement") made this ____ day of _____, _____ is between THE PRESBYTERIAN HOME AT CHARLOTTE, INC., a nonprofit corporation, organized and existing under the laws of North Carolina, which operates a continuing care facility at 5100 Sharon Road, Charlotte, North Carolina (The Presbyterian Home at Charlotte, Inc. and the continuing care facility operated by it are referred to herein as "Sharon Towers") and _____ (hereinafter referred to, whether this Agreement is executed by one or two individuals, as "Resident", who has applied for and has been approved for admission to Sharon Towers.

This Agreement is provided and shall be interpreted in accordance with the provisions of N.C.G.S. 58-64-25. Subject to the signing of this Agreement, Sharon Towers and Resident, intending to be legally bound, hereby agree to the following terms and conditions:

I. General Statement Regarding Extent of Continuing Care

Beginning with the date on which Resident moves in and occupies one of the units at Sharon Towers (the unit provided to Resident is called the "Living Accommodation"), Sharon Towers will provide Resident the Living Accommodation, together with the facilities, services, activities and medical care specified in this Agreement, for and during the balance of Resident's life or for such shorter period as shall apply under this Agreement in the event that it is terminated pursuant to its terms. Subject to the provisions set forth in other paragraphs of the Agreement, Sharon Towers shall provide a way of life for the Resident in good faith, as the facilities and finances of the Home and other circumstances permit.

II. Resident Agrees to Abide by Rules of Sharon Towers

The Resident agrees to abide by all rules and regulations established in Resident's handbook and as may be enacted from time to time. The Resident agrees to pay all amounts owed for Resident's living accommodations and care while a Resident of Sharon Towers. It is understood, as herein specified, that Resident will incur additional charges for (i) for prescription and domestic drugs, (ii) optical, dental, medical and surgical supplies and services, (iii) annual physicals and (iv) any medical service beyond that provided by Sharon Towers in the facility.

III. Entry Fee and Monthly Service Fee

Entry Fees (also referred to as Entrance Fees) are amortized over a period of 12 months. (See Section X.D.4.) If Resident has selected the Fifty Percent or Ninety Percent Refundable Entry Fee, it is based on the actuarial table in use at the time this Agreement is signed and is made a part of this Agreement. Refunds are calculated from the Date of Occupancy.

In addition to the other amounts paid by the Resident under this Agreement, the Resident will pay each month to Sharon Towers the standard monthly fee, as in effect from time to time based on the type of Living Accommodation, number of persons occupying the Living Accommodation, and meal plan selected (the "Monthly Service Fee"). The Monthly Service Fee

may be increased or decreased at the discretion of Sharon Towers, but no such increase or decrease shall be effective until the Resident shall have received at least thirty (30) days' notice of such change unless such change is required by state or federal law or regulation. Payment of the Monthly Service Fee shall be made within ten (10) days of the monthly due date established by Sharon Towers, currently the fifth day of the month. Payments made after the fifteenth of the month are subject to a late charge as may be determined, from time to time, by Sharon Towers. A processing fee is charged for checks returned for insufficient funds. The obligation to pay the Monthly Service Fee shall commence on the Date of Occupancy or as otherwise provided in the Resident's Agreement. If circumstances warrant any change in the Monthly Service Fee, such change must be approved by Sharon Towers and set forth in an addendum to this Agreement.

IV. Living Accommodation, and Monthly Fee

At the Date of Occupancy, Resident's Living Accommodation, Entry Fee, and Monthly Service Fees are as follows:

UNIT TYPE: _____

UNIT NUMBER: _____

ENTRY FEE SELECTED

Standard Entry Fee: _____

50% Refundable Entry Fee: _____

90% Refundable Entry Fee: _____

ENTRY FEE PAID _____

If different from Entry Fee selected above, explain: _____

MONTHLY SERVICE FEE: _____

(Meal plan selected: THREE FLEX)

DATE OF OCCUPANCY: _____

If no unit number or other locational specification is given above, then a Living Accommodation of the type set forth above shall be deemed the Living Accommodation for the purpose of this Agreement.

V. Living Accommodations Provided to the Resident by Sharon Towers

A. Living Unit

On the date of Availability, the Resident has the right to occupy and use, in accordance with this Agreement, the Living Accommodation set forth above, subject to change as hereinafter provided.

B. Furnishings

Sharon Towers will furnish wall-to-wall carpet, blinds, and toilet and bath fixtures, except that window treatments are not provided for the cottages, Villas and Terrace Apartments. These furnishings, even if upgraded at the Resident's cost, shall remain the property of Sharon Towers. Modification to the Living Accommodations must be approved in writing in advance by the President/CEO and they remain the property of Sharon Towers. All other furnishings shall be furnished by the Resident subject to the approval of Sharon Towers, and shall remain the Resident's personal property, except as set forth in parts VI.F., VI.H. and VI.I. below.

C. Common Facilities; Smoking and Drinking Policies

Subject to availability, the Resident may use, in common with all the other Residents, the dining facilities, lobby or lobbies, auditorium, lounges, patios, library, social and recreational rooms, and other common facilities furnished by Sharon Towers. The Resident shall not store personal belongings in the common facilities. Residents and guests shall refrain from drinking alcoholic beverages in all common facilities, except when reserved for private use. Smoking is not permitted anywhere on campus including private residences.

VI. Services Provided to the Resident by Sharon Towers and the Resident's Duties

A. Utilities

Sharon Towers will furnish water, light, heat, electricity, and air conditioning. Nothing in this Agreement shall prohibit Sharon Towers from passing along these and other operating expenses to the Resident via the scheduled standard Monthly Service Fee.

B. Telephone, Cable, WiFi

Sharon Towers currently provides one telephone per Living Accommodation. The services of the main Sharon Towers' switchboard and local telephone service are provided for all Residents of Sharon Towers. Residents furnish additional telephone instruments. Any additional expenses, including amplifiers, long distance calls, directory assistance, extra connections, and private lines, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue maintenance of a central switchboard and to discontinue providing local telephone service through the switchboard.

Hookup for basic cable service is provided at no charge. Additional cable services, if available, are the responsibility of the Resident. Sharon Towers reserves the right to discontinue providing cable service.

Wireless internet access is provided at no charge. Sharon Towers reserves the right to discontinue providing this service.

C. Housekeeping; Linens

The Resident shall maintain the Living Accommodation in a clean, sanitary and orderly condition, and perform all usual light housekeeping tasks in connection therewith. Sharon Towers shall make available standard-sized bed linens, towels, toilet tissue and soap once per week as needed and shall provide housekeeping service in the Living Accommodation once per week. Residents are responsible for the cost of their personal laundry and dry-cleaning, except as otherwise provided in Sharon Towers Adult Care Facility, referred to herein as "Assisted Living Unit" and "Health Care Center."

D. Maintenance and Repairs

Repairs, maintenance and replacement of property and equipment owned by Sharon Towers will be performed and provided at such times as deemed necessary and appropriate by Sharon Towers. Repairs, maintenance, and replacement of property such as light bulbs will be the responsibility of the Resident.

E. Accommodations with Appliances

In accommodations with appliances, these appliances are provided and maintained by Sharon Towers. If a Resident brings his/her own appliances, Resident is responsible for their upkeep and any cost incurred due to damage caused by the malfunction of the appliance.

F. Structural Changes

All structural or physical changes of any kind within or about the Living Accommodation (including blinds, window treatments, light fixtures, bathroom fixtures, appliances, shelves, framework, awnings, etc.) may be made by the Resident only after written approval by Sharon Towers and thereafter shall be subject to its supervision. The cost of any such change requested by the Resident shall be borne by the Resident, and all such changes shall immediately become and remain the permanent property of Sharon Towers unless otherwise agreed to in writing. If modifications or structural changes would render the residence unmarketable, Resident, or his or her estate, agrees to pay to have the unit restored to a standard marketable condition on termination of this Agreement.

G. Laundry

Automatic washers and dryers for personal laundry are located within Sharon Towers on each residential floor or within the Living Accommodation. Residents must furnish their own detergents, bleaches, etc. See part VI.C. above with regard to bed and bath linens.

H. Redecoration

Redecoration of the Living Accommodation, in addition to or other than that regularly provided by Sharon Towers, must be approved by Sharon Towers, in writing, in advance and will be at the Resident's expense. The Resident's choices may not render the residence unmarketable upon termination of this Agreement. Any change or replacement by the Resident with respect to either the Living Accommodation or any furnishings provided by Sharon Towers becomes the property of Sharon Towers unless otherwise provided by Sharon Towers in writing. If Resident selects an accommodation with upgrades provided by a former Resident, it is understood that Sharon Towers is not responsible for replacing those upgrades but will replace them with the standard furnishings. Sharon Towers will allow Resident to replace the upgraded furnishings at Resident's expense.

I. Grounds

Sharon Towers will furnish basic grounds care including lawn service. The Residents of detached cottages at their own expense may plant and maintain the area immediately adjacent to their Living Accommodations, subject to the prior written approval of Sharon Towers. All plants, trees and shrubs so planted shall immediately become and remain the permanent property of Sharon Towers, and Sharon Towers reserves the right to move or remove landscaping material as necessary.

J. Food and Meals

1. Meal Plans

Sharon Towers shall make available to the Resident three (3) meals a day, with the exception of Sunday evening meal, in the dining room. The number of meals per day included in the Monthly Service Fee is three for residents of Sharon Towers Adult Care Facility, referred to herein as "Assisted Living Unit" or "Azalea West" or the Sharon Towers nursing facility, referred to herein as the "Health Care Center." The meals will be nutritionally well-balanced and properly cooked. Reasonable special dietary needs will be accommodated if possible. Sharon Towers requires Independent Residents, defined as all Residents not living in the Health Care Center or the Assisted Living Unit, to participate in a flexible dollar meal plan which provides each Resident with a pre-set cash balance each quarter to purchase meals, snacks, convenience items, a la carte meals and guest meals. The flexible dollar plan does not apply to the purchase of alcohol or catering. The cash balance may be used at any time during the quarter, but **may not** be carried over from one quarter to another. Any purchases over the pre-set cash balance in the quarter, unless paid for in cash, will be charged to the Resident's account and billed the following month. The quarterly meal plan will be billed in advance in three equal monthly payments.

Meal plans are subject to change from time to time and will be published to those participating. In addition, Sharon Towers will make available in accordance with its scheduling policies, a private dining room for family gatherings or other special occasions of the Resident. See part VI.J.3.

2. Guest Use of Dining Room

Meal service in the dining room and in Sharon Towers' private dining rooms is available to Residents of Sharon Towers and their guests who make prior reservations in accordance with the scheduling policies of Sharon Towers then in effect. Guest charges will be deducted from Resident's prepaid meal credit, if applicable, or will otherwise be billed separately. The Residents or their guests always have the option of paying cash for guest meals.

3. Guest Meal, Special Menu and Private Dining Room Charges

Charges for guest meals and private dining room service will be made according to the currently established rates set by Sharon Towers, which may be modified from time to time. If in connection with the use of a private dining room the Resident desires menu items different from those offered at the corresponding meal in Sharon Towers' main dining room, the Resident is expected to order the special menu items in advance, and Sharon Towers will endeavor to provide them, although Sharon Towers cannot guarantee that the special items can be provided. In the event Sharon Towers does provide the requested special menu items, an additional charge shall be made.

K. Library

A library is available for use by the Residents.

L. Storage: Each independent Resident of the East and West Towers is provided one storage bin and limited hanging space in the Sharon Towers storage area. Cottages and terrace apartments provide storage within the residence. Magnolia Villa Residents are provided one storage unit located within the Villa. Assisted Living and Health Care Residents are provided storage for hanging garments.

M. Prescriptions; Home Care Medications; Medical Transportation; Emergencies

The "Health Care Center," and Sharon Towers "Assisted Living Unit," will order prescriptions and refills from one or more local pharmacies with which Sharon Towers maintains a contract relationship. If the Resident uses this service, the cost of prescriptions shall be billed to the Resident.

Sharon Towers shall arrange transportation to and from medical appointments in the Charlotte, North Carolina area via Sharon Towers' transportation or another transportation service. Reservations should be made in advance according to the transportation schedule then in effect. Sharon Towers charges a fee for transportation to and from medical appointments, which fee may vary depending upon the time of day and which fee may be changed from time to time at the discretion of Sharon Towers. Cost of other transportation service or emergency medical transportation will be charged to the Resident.

Sharon Towers follows established procedures in the case of medical emergencies. The Resident is responsible for familiarizing himself/herself with the established procedures prior to needing emergency care.

N. Guest Privileges; Guest Rooms

Residents may have guests visit their Living Accommodations for no charge, provided such visits are of reasonable duration. Children must be closely supervised.

Sharon Towers currently has a guest room available for use by Residents' guests. Reservations must be made in advance through the switchboard on a first-come, first-served basis. The Resident shall be charged for use of guest rooms at the scheduled daily guest room rate established by Sharon Towers from time to time.

O. Parking

Each Independent Living Accommodation includes use of one assigned parking space. For Residents of the North Terrace, South Terrace and Magnolia Villa apartments, this space is covered. A second parking space (uncovered) may be assigned for a second car. A limited number of covered parking spaces are available at an additional charge for Residents and are made available on a first-come, first-served basis. Residents cannot sublet parking for space unused. When a Resident no longer drives, Sharon Towers reserves the right to require the Resident to have any vehicles removed from the premises.

P. Additional Services for a Charge

Sharon Towers provides a convenience store for the sale of gift items, toiletries, greeting cards, and prescription service. The Dining Department provides for the sale of convenience grocery store items. A beauty shop for use by Residents is available for a separate charge. A barber is available as scheduled and for a separate charge. Chore services are available to assist Residents, according to the current fee schedule. Concierge services are available for an additional charge for Residents living in the area designated as the West Suite, currently Fourth Floor West. Sharon Towers reserves the right to discontinue any of these services.

VII. General Medical and Nursing Care

A. Health Care Center: Sharon Towers currently provides a 96-bed Nursing Facility for the use of its Residents, which Sharon Towers calls its Health Care Center. Admission to the Health Care Center is only upon physician's orders. The Health Care Center equals or exceeds the staffing requirements for nursing facilities under North Carolina law. Sharon Towers currently has 19 Medicare certified skilled nursing beds available for short term rehabilitation.

If the Resident requires temporary or permanent nursing care as determined by the Resident's physician or Sharon Towers' Medical Director, the Resident shall be admitted to the Health Care Center upon order of the physician. Upon admission to the Health Care Center, the Resident shall be, if applicable, responsible for an Entry Fee, Monthly Service Fee, the Health Care Center daily rate, (see Section VII.F.) and for all other costs incurred for services of all physicians, equipment,

medical supplies, private duty personal nurses, and prescribed medicines. Sharon Towers shall furnish dietary services, nursing care and private-room accommodations with semi-private toilet rooms in the Sharon Towers' Health Care Center, the Home's licensed nursing facility; provided, however, Sharon Towers reserves the right to offer semi-private room accommodations if its nursing facility would otherwise be full.

B. Domiciliary Care/Home for the Aged Facility: Sharon Towers provides a Domiciliary Care/Adult Care Facility, which Sharon Towers calls Azalea West Assisted Living Unit (referred to herein as the "Assisted Living Unit" or "Azalea West"). Admission to the Assisted Living Unit is upon a physician's order. The Assisted Living Unit equals or exceeds the staffing requirements for Domiciliary Care Units under North Carolina law. A licensed nurse is available for duties requiring a licensed nurse. The Entry Fee and the Monthly Service Fee for the Assisted Living Unit are shown on the current schedule of fees.

C. Home Care Services: If approved by the Resident's physician, Sharon Towers can provide certain types of care for Residents in their Living Accommodation. This care is coordinated through the Wellness Clinic, and charges are at the current published rates. Daily medications may be administered according to a regular schedule in the Wellness Clinic to Residents requiring medication supervision. This service is provided as one of the Home Care services for which there is an additional charge. Sharon Towers' Home Care is not Medicare certified. Companion services are available at an additional charge.

D. Personal Assistants: Personal assistants and companions, along with companies providing personal assistants and companions, must be disclosed and approved by Sharon Towers before they are allowed access to Sharon Towers' facilities. Sharon Towers may limit, terminate the services, or refuse access to its grounds or facilities by such companies or assistants. All assistants must satisfy Sharon Towers Pre-Employment Standards, including but not limited to a satisfactory criminal record check, and drug screening. The Resident is responsible for any injury to others or damage to the property of others or Sharon Towers by the Resident's assistant.

E. Medical and Surgical Insurance to Be Maintained by the Resident Upon Request of Sharon Towers: Resident agrees to apply for any federal, state, or local grant, aid or benefits for which he/she may be eligible or entitled, and shall apply all such grants, aid, or benefits toward the cost of Resident's care at Sharon Towers, provided, however, that the Resident's obligation to obtain this coverage shall at all times be consistent with North Carolina law.

Resident shall, if eligible and not already enrolled:

1. Apply for and secure participation in Medicare Part A and Part B, or a program equivalent in benefits, provided, however, that Resident's obligation to obtain this coverage shall at all times be consistent with North Carolina law.

2. Apply for and secure coverage of a Medicare supplemental insurance policy acceptable to Sharon Towers. Resident further agrees to file all claims necessary to obtain coverage under Medicare Parts A and B and Resident's Medicare supplemental insurance.

3. Authorize as necessary any provider of hospital, medical, or health services to receive reimbursement as provided under Medicare Parts A and B and by Medicare supplemental insurance. Resident shall make assignment to the provider, as necessary, of all benefits accruing to the Resident under these insurance plans.

4. Provide Sharon Towers with the name and the plan and policy numbers of all medical coverage insurance.

If Resident fails to obtain, maintain, and file claims for such insurance, Sharon Towers is hereby assigned that right to do so on behalf of the Resident. Sharon Towers reserves the right to terminate this Agreement, if, in Sharon Towers' sole discretion, Sharon Towers determines that failure to carry such insurance could result in Resident's inability to pay the Monthly Service Fee and other charges under this Agreement should Resident incur significant hospital or medical expenses.

The Resident shall pay from his or her own funds the deductible, Daily Rate, and any other charges for hospital, medical, or other health care costs incurred by Resident and not covered by Medicare or Medicare supplemental insurance. Sharon Towers currently has 19 Medicare certified beds. The Health Care Center is not currently certified for Medicaid payments.

It is understood and agreed that Sharon Towers is in no way responsible to pay charges for such services, but may--to the extent that the Resident's resources are inadequate to do so, from time to time in its charitable functions and in the absolute discretion of its Board of Directors and CEO--assist the Resident to pay such charges.

F. Daily Charge for Use of Health Care Center, Ninety Day Health Care Center Rule

1. Temporary Stay in Health Care Center

When the Resident moves temporarily from a regular Living Accommodation to the Sharon Towers Health Care Center, the Resident shall continue to pay the Monthly Service Fee and the meal plan fee as provided in part VIII.A. below. In addition, the Resident shall pay a daily charge for each day or portion thereof that the Resident is in the Health Care Center (such charge is referred to herein as the "Health Care Center Daily Rate"). Sharon Towers may increase the Health Care Center Daily Rate, which increase shall be applicable to the Resident. Sharon Towers will not increase the Health Care Center Daily Rate, however, without thirty (30) days prior notice.

2. Ninety-Day Rule for Health Care Temporary Stays

If a Resident has been a patient in the Health Care Center for 90 days, but it has not been determined by Sharon Towers' medical director or the Resident's personal physician that the Resident will be unable physically or mentally to reoccupy his/her Living Accommodation for the reasonably foreseeable future such that pursuant to part XI.D below Sharon Towers can make the Resident's Living Accommodation available to others, then the Resident shall pay the

actual cost of care for Health Care Center Residents, in addition to the Monthly Service Fee for the Resident's Living Accommodation.

3. Permanent Rate for Health Care Center

Upon the Resident's physician's determination that it is unlikely that the Resident will be able to reoccupy his/her Living Accommodation, the Resident shall promptly vacate the apartment or cottage within 14 days, allowing Sharon Towers to make it available to others. The Resident will be charged one-half the room rate during the two-week period the accommodation remains uncleared. If the Resident fails to remove his/her belongings from the accommodation within two weeks, he/she will be charged the full room rate from the 15th day until the room is cleared. Once the Resident's physician has declared the Resident permanent in the Health Care Center, the Resident shall pay the Monthly Service Fee for Health Care as shown on the current schedule of fees in addition to any charges due for the Resident's Living Accommodation under this section.

If it is subsequently determined by Sharon Towers' medical director and the Resident's personal physician that the Resident is able to return to an independent Living Accommodation, Sharon Towers shall make available to the Resident a Living Accommodation of the same type as previously occupied.

G. Transfer to Hospital or Other Facility

The Resident's attending physician or Sharon Towers' medical director shall have the right to transfer the Resident to whatever hospital or other facility he/she deems best, and, if he/she determines it to be advisable, may place the Resident in the Sharon Towers' Health Care Center upon the Resident's return from the hospital or other facility, to receive nursing care as provided in this Agreement. Sharon Towers guarantees to provide a nursing bed in its Health Care Center, or, if a nursing bed in the Health Care Center is unavailable, or if a nursing bed is not available within Sharon Towers, a nursing bed of comparable quality in another nursing facility. Sharon Towers cannot guarantee the availability of hospital space. The cost of ambulance and hospital costs shall be paid by the Resident. In no event shall Sharon Towers be responsible for any charges incurred by the Resident at any hospital or other facility (unless Sharon Towers has placed the Resident in another nursing facility because a nursing bed is not available at Sharon Towers).

H. Illness or Accident Away from Sharon Towers

If the Resident suffers an accident or illness while away from Sharon Towers, Sharon Towers will have no responsibility to pay for the Resident's medical, surgical, hospital or nursing care incurred or resulting therefrom; however, after the Resident returns to Sharon Towers, Sharon Towers shall assume its responsibility to provide those services as specified in this Agreement that are deemed necessary by the Resident's attending physician or Sharon Towers' medical director.

I. Accident or Illness Caused by Others, Power of Attorney

The Resident shall appoint in writing, by a Power of Attorney, a person of the Resident's choosing to act in the Resident's behalf as attorney-in-fact in case of accident or injury

to the Resident and shall promptly provide this information to Sharon Towers in writing. If the Resident shall fail to designate an attorney-in-fact, Sharon Towers, in such event, may sue on and enforce any cause of action of the Resident for injury or damages so resulting in the name of the Resident, or in the name of Sharon Towers (The Presbyterian Home at Charlotte, Inc.).

If the Resident's appointed attorney-in-fact fails to act for any reason, the Resident hereby nominates and appoints Sharon Towers (The Presbyterian Home at Charlotte, Inc.) as the Resident's attorney-in-fact, enabling Sharon Towers to undertake such suit or seek reimbursement. Resident thereby grants to Sharon Towers the power and authority to seek, sue for, institute any legal action or proceeding for, settle, compromise, and give releases for all such claims or causes of action, or to do any other act in connection therewith and to appoint an agent or agents to exercise the powers herein conferred upon Resident's attorney-in-fact; hereby ratifying and confirming all action taken by Sharon Towers in furtherance of this Power of Attorney. This Power of Attorney is granted to Sharon Towers pursuant to Article 2 of the North Carolina General Statutes, Chapter 32A, and this Power of Attorney shall not be affected by the Resident's subsequent incapacity or mental incompetence, either physically or mentally, and this Power of Attorney shall remain in full force and effect until the same shall be duly revoked by the Resident, or otherwise revoked as provided in the General Statutes of North Carolina. All costs and expenses reasonably incurred by Sharon Towers (including, but not limited to the fees and expenses of any attorney retained by Sharon Towers to pursue such claim) shall be paid and/or reimbursed to Sharon Towers, either from settlement, judgment, or otherwise, and the balance of any collection made on behalf of the Resident shall be paid to the Resident's account or, in the event of the death of the Resident, will be paid to the Resident's estate, or to the appropriate person or entity entitled thereto.

Resident(s) shall be required to provide a notarized statement certifying acceptance of above provisions and appointing Sharon Towers as the Resident's attorney-in-fact by execution of the document attached hereto as Addendum 3.

J. Mental Illness; Dangerous Disease; Addiction or Dependency on Drugs or Alcohol

Sharon Towers is not designed to care for persons who are afflicted with psychosis or contagious or dangerous disease or who abuse drugs or alcohol. If Sharon Towers' medical director and CEO together determine that the Resident's continued presence at Sharon Towers is either dangerous or detrimental to the health or peace of the Resident or other Residents or staff persons as a result of the Resident's mental illness, dangerous disease, or alcohol or other substance abuse, then Sharon Towers may transfer the Resident to an institution of Sharon Towers' choosing. The full cost for such special institutional care is the responsibility of the Resident.

VIII. Monthly Service Fee and Application of Entry Fee Upon Certain Changes in Living Accommodation Arrangements

A. Moves to and from Health Care Center

When a Resident moves temporarily from a regular Living Accommodation to the Health Care Center or from the Health Care Center to a regular Living Accommodation, the

Resident's Monthly Service Fee, the meal plan fee, and the Monthly Service Fee of any other person in the Resident's Living Accommodation shall not be affected, except that residents in the Health Care Center must pay the Health Care Center Daily Rate as provided in part VII., in addition to the Monthly Service Fee. However, if a Resident moves to the Health Care Center on a permanent basis as provided in part VII.F. above, the Resident's Monthly Service Fee shall be the Health Care Center Monthly Service Fee shown on the current schedule of fees. Further, if one of two Initial Joint Residents moves to the Health Care Center on a permanent basis as provided in part VII.F., the Monthly Service Fee of the Resident remaining in the Living Accommodation shall be the single person rate applicable to the Living Accommodation. Moves to or from the Health Care Center shall not affect the allocation of the Entry Fee between the Residents who occupy a single Living Accommodation. If a Resident initially enters the Assisted Living Unit paying the semi-private Entry Fee and within 90 days moves permanently to the Health Care Center, the difference between the semi-private and the studio Assisted Living Entrance Fee shall be due. If a Resident entered paying the Health Care Center Entrance Fee and within the first 90 days moves permanently to Assisted Living, Resident shall owe only the Assisted Living Entrance Fee and Resident shall receive a credit for the Health Care Center Entrance Fee previously paid.

B. Moves to Other Living Accommodations

1. Move to Larger Living Accommodations

As provided in part VIII.D. below, unless otherwise agreed and set forth in the attached Addendum 1 entitled "Special Provisions," the Resident shall have no right to move from one Living Accommodation to another. Nevertheless, if the Resident, after obtaining the prior written consent of Sharon Towers which shall be determined by Sharon Towers in its sole discretion, does move at his/her request from one regular Living Accommodation to another, the Entry Fee for which is, at the time of the move, greater than the Entry Fee paid by the Resident, then at the time of the move the Resident shall pay the difference between the Entry Fee paid and the current Entry Fee for the larger accommodation, based on the Entry Fee schedule in existence at the time of the move. The Resident should also pay any fees provided in part VIII.D. In addition, the Resident shall pay the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation. The Resident is required to move to the new Living Accommodation within two weeks of its being ready for occupancy. In any move the Resident shall promptly vacate the former apartment or cottage within said two week period, allowing Sharon Towers to make it available to others. The Resident will be charged one-half the room rate during the two week period the accommodation remains uncleared. If the Resident fails to remove his/her belongings from the accommodation within said two week period, he/she will be charged the full room rate from the 15th day until the room is cleared.

2. Move to Smaller Living Accommodations

In the event the Resident, after obtaining the prior written consent of Sharon Towers which shall be determined by Sharon Towers in its sole discretion, moves at his/her request from one regular Living Accommodation to another, the Entry Fee for which is, at the time of the move, less than the Entry Fee paid by the Resident, the Resident shall not be entitled to any refund or abatement of the Entry Fee as a result of the move. The Resident shall pay any fees provided in

part VIII.D. and the Resident shall pay the Monthly Service Fee applicable to the new Living Accommodation based on the number of occupants as of the day the Resident occupies the new Living Accommodation. The Resident is required to move to the new living accommodation within two weeks of its being ready for occupancy. In any move the Resident shall promptly vacate the former apartment or cottage within said two week period, allowing Sharon Towers to make it available to others. The Resident will be charged one-half the room rate during the two week period the accommodation remains uncleared. If the Resident fails to remove his/her belongings from the accommodation within said two week period, he/she will be charged the full room rate from the 15th day until the room is cleared.

3. Initial Joint Residents

If two Residents jointly occupy one Living Accommodation when they both initially move to Sharon Towers, then they shall pay one Entry Fee based upon the type of Living Accommodation to be occupied (such persons are hereinafter referred to as "Initial Joint Residents"). The Entry Fee in the case of Initial Joint Residents shall be deemed paid by them in equal shares. This provision shall apply in the case Initial Joint Residents are divorced or no longer wish to live together, regardless of the actual source of the funds used to pay the Entry Fee. Upon the death of an Initial Joint Resident, that portion of the Entry Fee deemed paid by the deceased Initial Joint Resident shall be deemed to have been paid by the surviving Initial Joint Resident, therefore, no refund of the Entry Fee shall be due except as described in part X below.

If one Initial Joint Resident moves to a different Living Accommodation, the moving Initial Joint Resident and the Initial Joint Resident remaining in the Living Accommodation may be subject to the payment of additional Entry Fees based upon the equal proration of the Entry Fee under this part VIII.B.3. and rules (see Parts VIII.B.1 and 2. above) related to changes in type of Living Accommodations.

C. Changes in Type of Living Accommodation

1. Marriage of One Resident to Another Resident

If one Resident marries another Resident and they desire to occupy the same Living Accommodation the following rules shall apply:

(a) If the married Residents desire to occupy a Living Accommodation currently occupied by one of them, no additional Entry Fee shall be due. Upon the subsequent death of either one of the Residents, it will not be necessary for the survivor to move from the Living Accommodation. The monthly fee will become the current single person fee for a unit of that size. The single Monthly Service Fee may be adjusted from time to time according to the size of the accommodations.

(b) If the married Residents desire to move to a type of Living Accommodation not previously occupied by one of them, no additional Entry Fee will be due from either of them, if the Entry Fee deemed paid by each of them individually (excluding any amount attributable to a deceased Initial Joint Resident) equals or exceeds the then-applicable Entry Fee with respect to such Living Accommodation. If the combined Entry Fee, including amounts

attributable to a deceased Initial Joint Resident, exceeds the then-current Entry Fee for the new unit, no refund shall be made (See Section VIII.B.3 above.)

2. Marriage of a Resident to a Nonresident

If a Resident marries a nonresident, the nonresident shall not reside at Sharon Towers unless such person satisfies the then-existing admissions criteria of Sharon Towers and until such person has been admitted through the normal application, admissions and orientation policies and procedures. After having qualified for admission, it is the policy to place such person at or near the top of the Future Residency Program List for occupancy. In the event such person is admitted to Sharon Towers, such person shall pay the standard Entry Fee then applicable for a single room. Once the person is admitted and has paid the applicable Entry Fee plus the current Second Person Entry Fee, as shown in the schedule of fees, and is permitted to occupy the spouse's Living Accommodation or another available residence, such person shall be treated as a Resident who marries another Resident, and part VIII.C.1. shall apply.

D. No Right That Resident Move to Another Living Accommodation; Other Cases

Notwithstanding any provision in this Agreement, unless otherwise specifically agreed and set forth in writing in an addendum attached hereto, the Resident shall have no right to move from one Living Accommodation to another. Moreover, upon execution of this Agreement and payment of the Entry Fee, and unless health declines, the Resident shall be entitled to occupy that type of Living Accommodation described in part IV. above for the remainder of his/her life, as long as his/her health permits, unless expressly provided otherwise in this Agreement. Sharon Towers reserves the right in its discretion to require the Resident to move from one Living Accommodation to another of the same type, the costs of which move shall be paid by Sharon Towers. If Sharon Towers initiates any such move, the Resident's Monthly Service Fee shall not be increased as a result of the move and the Resident shall not be required to pay any incremental Entry Fee.

Except for any move approved by Sharon Towers to accommodate a Resident's financial difficulty, a Resident requesting a move from one Living Accommodation to another which is approved by Sharon Towers shall pay to Sharon Towers the then current transfer fee plus any expenses incurred by Sharon Towers with respect to said move.

This part VIII. is not an attempt to provide a comprehensive solution for every situation that may arise with respect to the Living Accommodation. Sharon Towers shall evaluate each special situation on a case-by-case basis and work with the Resident to provide an appropriate solution consistent with sound financial and management practices.

IX. Sharon Towers' Policy Concerning Financial Difficulty

It is the policy of Sharon Towers that this Agreement shall not be terminated solely because of the Resident's financial inability to continue to pay all or part of the Monthly Service Fee or Health Care Center Daily Rate. Nevertheless, the Resident's acceptance into Sharon Towers has been based on the accuracy of the Resident's financial statements as updated prior to admission, and Sharon Towers may request Residents to file annually a financial statement with the

management of Sharon Towers. The Resident agrees not to divest or deplete his or her assets through gifts or other voluntary means to the extent that it might jeopardize his or her ability to pay for the cost of care at Sharon Towers.

If the Resident has misrepresented information on a financial statement or has diminished his/her ability (or the ability of his/her personal estate) to satisfy financial obligations under this Agreement, by the making of gifts of real or personal property or entering into financial transactions in bad faith, or for reasons other than financial gain, AFTER submitting or supplementing the financial statement and AFTER acceptance into Sharon Towers, Sharon Towers reserves the right to terminate this Agreement, if as a result of such gifts or financial transactions the Resident is unable to pay and in fact does not pay the Monthly Service Fee or Health Care Center Daily Rate when due.

If the Resident accurately reported his/her financial condition and, with prudence, seeks to maintain his/her financial resources in order to fulfill in good faith the financial obligation assumed, it is the intention of Sharon Towers to provide the Resident with continuing care in accordance with the terms of this Agreement. Regardless of this policy and intention, however, the following provisions must apply:

A. Failure to Make Payments, Collection and Guarantee Agreement

If the Resident fails to pay the Monthly Service Fee, or to pay any other legitimate amounts shown on the monthly statement within thirty (30) days after the due date, then Sharon Towers may give written notice to the Resident to pay all such amounts. If the Resident fails to comply with such notice within thirty (30) days after the notice, Sharon Towers may terminate this Agreement, and shall provide Resident with the refund, if any, set forth in part X. hereof.

(a) If the Resident fails to pay any and all financial obligations incurred during the period of residency within 30 days after notification of such charges, then Sharon Towers reserves the right to pursue all legal remedies for collection of these charges. Resident acknowledges and agrees that he/she shall be obligated to reimburse Sharon Towers for all costs associated with collection of any charges or fees due pursuant to this Agreement, including the cost of reasonable attorney's fees incurred by Sharon Towers as allowed by North Carolina law.

(b) It is understood by the Resident that if a Guarantor is provided by the Resident as an incentive for Sharon Towers to favorably consider the application of the Resident, then the Resident and the Guarantor shall become liable for these charges, attorneys' fees and cost of collection.

(c) A copy of any applicable Guarantee Agreement is attached to this Resident Agreement and incorporated herein by specific reference.

B. Special Consideration

Without in any way qualifying the right of Sharon Towers to terminate this Agreement, it is Sharon Towers' policy that, if the sole reason for nonpayment is insufficient funds,

beyond the control of the Resident, the matter will be reviewed by Sharon Towers with the Resident. If the Resident presents facts which justify special financial consideration, Sharon Towers may, solely at its discretion, partly subsidize Resident's Monthly Service Fee or Health Care Center Daily Rate. All determinations made by Sharon Towers concerning the granting or continuance of special financial consideration shall be at the sole discretion of Sharon Towers and shall be final, but shall be made in good faith. Any such determination made by Sharon Towers shall be regarded as a confidential transaction between Sharon Towers and the Resident, except for reports required by regulatory or other government bodies.

C. Reduction of Income

The Resident warrants that his/her sources of income are adequate to meet his/her financial responsibility to Sharon Towers and to meet and pay any additional costs of Resident, and to pay personal and incidental expenses during the period of residency. If the Resident's sources of income do not meet these requirements, the Resident will make every reasonable effort to obtain assistance from his/her family or other available means, to the extent that the Resident is eligible to receive such assistance. The Resident agrees that he/she will apply for and diligently seek such benefits.

X. Termination of Resident's Agreement and Refunds of Entry Fee and Other Amounts

A. Termination by Resident Within Thirty (30) Days of Executing This Agreement

Should Resident change his/her mind, Resident may rescind this Agreement within 30 days following the later of execution of this Agreement or receipt of a Disclosure Statement. In such event, the portion of the Entrance Fee paid to that date will be refunded to Resident within 30 days following such rescission, without interest less: (a) the amount of the application fee (to the extent the application fee does not exceed \$1,000), (b) the cost of the medical examination or other costs incurred by Resident, and (c) a reasonable service charge not to exceed the greater of one thousand (\$1,000) or two percent (2%) of the Entrance Fee. The Resident shall also not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident. However, should Resident occupy the Living Unit during the rescission period, Sharon Towers shall have 60 days following rescission to refund any money or property transferred to Sharon Towers without interest, and Sharon Towers will also retain those periodic charges (including Monthly Service Fees) set forth in this Agreement which are applicable to the period Resident actually occupied the Living Unit. Sharon Towers cannot require Resident to move into Sharon Towers prior to the expiration of the 30 day right of rescission period.

B. Death, Illness, Injury, Incapacity Before Occupying a Living Accommodation

If the Resident dies before initially occupying a Living Accommodation at Sharon Towers or if on account of the Resident's illness, injury, incapacity, or for any other reason, under the terms of the Resident's Agreement, this Resident's Agreement shall be canceled, the Resident or his/her "Designated Testamentary Recipient," as such term is defined in Section X.D.3 of this Agreement, if the cancellation is as the result of the death of the Resident, shall receive a refund of all money or property transferred to Sharon Towers less: (a) the nonstandard costs to modify the Living Accommodation incurred by Sharon Towers at the request of Resident on or prior to

the date of cancellation, (b) the amount of the application fee (to the extent the application fee does not exceed \$1,000), and (c) the cost of the medical examination or other costs incurred by Resident.

If one Initial Joint Resident dies prior to initially occupying the Living Accommodation, the surviving Initial Joint Resident shall have the option to: (a) cancel the Resident's Agreement by written notice to Sharon Towers, in which case the Entry Fee of the deceased Initial Joint Resident shall be deemed to have been paid by the survivor pursuant to part VIII.B.3 and the refund made to the survivor pursuant to the preceding paragraph, or (b) maintain the Resident's Agreement in force as if the deceased Initial Joint Resident had died after occupying the Living Accommodation. The second person Entry Fee will be refunded.

If one Initial Joint Resident is precluded from initially occupying the Living Accommodation under the terms of this Agreement on account of illness, injury, or incapacity, then the Initial Joint Residents shall have the option exercisable jointly prior to the time either of the Initial Joint Residents occupies the Living Accommodation to: (a) cancel this Resident's Agreement by written notice to Sharon Towers, in which case refund shall be made as if both of the Initial Joint Residents were so precluded from initially occupying the Living Accommodation, or (b) the Initial Joint Resident who is able to occupy the Living Accommodation may do so and the disabled joint resident may be admitted directly into the Health Care Center or the Assisted Living Unit.

C. Termination Before the Expiration of the Probationary Period

At any time within the ninety (90) day period commencing on the Resident's Date of Occupancy of the Living Accommodation (the "Probationary Period"), the Resident may terminate this Agreement by giving written notice of termination to Sharon Towers. The Resident shall move from the Living Accommodation within thirty (30) days from the date on which such notice is received by Sharon Towers.

Within the ninety (90) day Probationary Period, if it should be determined by Sharon Towers that the Resident is unable to make a physical or mental adjustment to the style of living provided, Sharon Towers, at its discretion for any reason, may terminate this Agreement by providing the Resident with at least thirty (30) days written notice of such termination. If such action is taken by Sharon Towers, the Resident will have thirty (30) days to move from his/her Living Accommodation.

If this Resident's Agreement is terminated by Sharon Towers under this part X.C., the Resident shall be entitled to a refund of the entire Entry Fee. If this Resident's Agreement is terminated under this part X.C. by the Resident, the Resident shall be entitled to a refund in accordance with the schedule subject to any changes provided in part X.A (for termination within 30 days following the later of execution of this Agreement or receipt of a Disclosure Statement) and subject to the condition set forth in part X.D.4. below as if this Agreement were terminated on the date the Resident vacates the Living Accommodation. The Resident shall also not be entitled to have any nonstandard costs to modify the Living Accommodation (paid by the Resident) returned to the Resident. The Resident shall be liable for the Monthly Service Fee and all other charges incurred through the last date on which the Resident occupies the Living Accommodation.

D. Termination After the Probationary Period

1. Termination By Voluntary Action of Resident or His/Her Legal Representative

The Resident or his/her legal representative has the right at any time to terminate this Agreement by written notice of termination to Sharon Towers. Provided, however, only the Resident's legal representative may terminate this Agreement during any time that the Resident lacks legal capacity in the opinion of Sharon Towers' medical director. The written notice need not cite a specific reason for the termination, but it shall state a date when the termination is to become effective, and on or prior to such date the Resident shall move from Sharon Towers and release the Living Accommodation. The Resident shall be entitled to a refund of the Entry Fee as provided in the schedule below.

2. Termination By Sharon Towers

After the Probationary Period, Sharon Towers reserves the right to terminate this Agreement for what is in its reasonable judgment any just or sufficient cause (as described below), based on the judgment of the Board of Directors of Sharon Towers, by serving upon the Resident or his/her legal representative written notice of termination specified to be effective on a date not less than thirty (30) days after the date of the notice. Any such termination by the Board of Directors shall be final and conclusive.

For purposes of this part, X.D.2, Sharon Towers shall have cause to terminate this Agreement if the Resident makes or has made any material misrepresentation or omission in his/her application, financial statement or medical record or if it is determined by the Board of Directors of Sharon Towers that continued occupancy at Sharon Towers by the Resident creates a substantial concern to the life, health, safety and peace of any Resident, staff or other persons on the premises, or if the Resident shall be in breach of, or default under, the terms of this Agreement after reasonable notice and opportunities to cure any such breach or default. On or before the termination date in any such written notice, the Resident shall move from and release his/her Living Accommodation. After such removal, the Resident's obligation to continue Monthly Service Fee payments shall cease, and the Resident shall be entitled to receive a refund of the Entry Fee as provided in the schedule in part X.D.4 below.

3. Termination By Death of Resident

Unless terminated earlier by other provisions in this Agreement, this Agreement shall terminate at the death of the Resident (in the case of a single Resident), or at the death of the last surviving Initial Joint Resident, whereupon all obligations of Sharon Towers under this Agreement, other than those relating to removal of personal property, shall cease. It is Sharon Towers' policy to allow the legal representative of a deceased Resident a period (not to exceed 14 days) following death to remove the personal effects of the deceased Resident from the Living Accommodation. Sharon Towers reserves the right at any time following the termination of this Agreement to gain access to the Living Accommodation and to pack, remove and store elsewhere, at the expense of Resident's estate, the personal effects of the deceased Resident contained therein. Any personal effects of the Resident in the Living Accommodation theretofore occupied or held

in storage shall be made available to the Resident's executor, administrator, or personal representative, or to other persons entitled by law to receive them. Sharon Towers is not responsible for loss or damage to personal property after the death of the Resident.

The estate of the deceased Resident shall pay one-half of the daily rate from the date of death until the deceased Resident's personal effects are removed from the Living Accommodation and other areas within Sharon Towers not to exceed 14 days. If the belongings are not removed from the accommodation within 14 days, the full monthly service fee will be charged until the accommodation is cleared and the key is returned to management. A packing and moving fee will apply for these services if needed after the 14 day period and will be billed to the estate of the Resident. If Sharon Towers stores the deceased Resident's personal effects off the premises, the estate of the Resident shall pay the cost of removal and storage. If the deceased Resident's personal effects are not claimed within ninety (90) days following death, Sharon Towers may dispose of the personal effects as it sees fit and the estate of the Resident shall be liable for all costs of storage (including storage beyond the ninety (90) day period) and disposition. At the death of the Resident, the Resident's Designated Testamentary Recipient shall be entitled to a refund of the Entry Fee as provided in the Schedule below. For purposes of this Agreement, "Designated Testamentary Recipient" shall mean the estate of the Resident unless (i) the Resident had designated in a writing, substantially in the form attached as Addendum 3 to this Agreement, that the Resident's Revocable Trust should be the recipient of such refund, and (ii) such Revocable Trust is in existence at the time of the death of the Resident

4. Schedule for Refund of Entry Fee In the Event of Termination

If this Agreement is terminated pursuant to parts X.D.1., 2., or 3. above, or is terminated by the Resident during the Probationary Period pursuant to part X.C. above, then the amount of the Entry Fee that the Resident is entitled to receive as a refund shall be based on the refund plan selected and in accordance with the following table:

If Termination Occurs within the Following Number of Days after the Date of Occupancy:	The Percentage of the Standard Entry Fee that Shall be Refunded Is:	The Percentage of the 50% Refundable Entry Fee that Shall be Refunded Is:	The Percentage of the 90% Refundable Entry Fee that Shall be Refunded Is:
First 30 days	100%	100%	100.00%
31-60 days	95%	95.8%	99.13%
61-90 days	90%	91.7%	98.30%
91-120 days	85%	87.49%	97.47%
121-150 days	80%	83.32%	96.64%
151-180 days	75%	79.15%	95.81%
181-210 days	70%	74.98%	94.98%
211-240 days	65%	70.81%	94.15%
241-270 days	60%	66.64%	93.32%
271-300 days	55%	62.47%	92.49%
301-330 days	50%	58.30%	91.66%
331-365 days	40%	54.13%	90.83%
After 365 days	0%	50.00%	90.00%

After 365 days from the day on which Resident first occupies the Living Accommodation none of the Standard Entry Fee is refundable. Fifty percent is refundable under the 50% refund plan and ninety percent is refundable under the 90% refund plan. In the event that occupancy has

been delayed, but the Resident has commenced paying monthly service fees, refunds are calculated based on the assigned Date of Occupancy.

Provided, however, Sharon Towers reserves the right to make conditional the Resident's entitlement to a refund of the Entry Fee under this part X.D.4., on the receipt by Sharon Towers of another Entry Fee of an equal or greater amount from a person who was not an Entry Fee depositor on Sharon Towers' Future Residency Program List on the date this Agreement was terminated and provided that said Entry Fee has not been previously allocated to enable another Resident to receive a refund of his/her Entry Fee. This condition shall not apply if the Resident terminates the Resident's Agreement within 30 days of execution of the Resident's Agreement, or if the Resident dies before occupying a Living Accommodation, or if the Resident is precluded from initially occupying a Living Accommodation due to illness, injury or incapacity, or if Sharon Towers terminates the Resident's Agreement during the Trial Period.

A Resident who participates in the refundable entrance fee plan and subsequently qualifies for and receives financial assistance from Sharon Towers, agrees and consents that when the Resident or the Resident's estate becomes entitled to payment of any refundable entry fee, that such refund will be reduced by Sharon Towers in an amount equal to the financial assistance received by the Resident from Sharon Towers. Once Sharon Towers is fully reimbursed, the Resident or the Resident's estate shall then receive the balance due under the refundable entrance fee plan. If the Resident does not receive any financial assistance from Sharon Towers, then any payments made by Sharon Towers under the refundable entry fee plan shall be paid without any such reduction.

E. Time for Payment of Refunds

Any refund of the Entry Fee (due under this Resident's Agreement) shall be payable before the later of (a) thirty (30) days after the Resident has vacated Sharon Towers or (b) thirty (30) days after the Resident becomes entitled to the refund under this Agreement.

F. Release of Obligation

Upon termination of this Agreement, Sharon Towers is released from any further obligations to the Resident except for the payment of any refund which may be due under this Agreement.

XI. Rights and Obligations of the Resident as to Property

The rights and obligation of the Resident as to property are as follows:

A. No Rights to Real Property

The rights and privileges of the Resident, as granted herein, do not include any rights, title or interest whether legal, equitable, beneficial or otherwise, in or to any part of any real property, including land, buildings, improvements and fixtures owned by Sharon Towers or in which Sharon Towers has any interest. Resident does not own property at Sharon Towers, and the Living Accommodation or assigned parking space may not be willed or otherwise assigned or

sublet by Resident. The Resident's rights are for services granted herein on a contractual basis, and not by way of any legal or equitable ownership or other interest in any real property of Sharon Towers. Any rights, privileges or benefits arising under this Agreement or from the payment of any fees herein provided for or hereafter acquired or arising in any manner here from, shall be subordinate and inferior to all mortgages or deeds of trust on any of the premises or real properties of Sharon Towers, heretofore or hereafter given, to secure any loans or advances made to Sharon Towers or its successors, now outstanding or made in the future, and subordinate and inferior to all amendments, modifications, replacements, or refunding thereof, and Resident agrees that, upon request of Sharon Towers, or the holder of any such instrument, he/she will execute and deliver any document which is alleged to be necessary or required to effect or evidence such subordination.

B. Rights to Personal Property

As in the case of real property, the Resident has no right, title or interest, legal, equitable, beneficial or otherwise in or to any part of the personal property owned by Sharon Towers, including wall-to-wall carpets, (excluding area rugs owned by Resident) draperies, blinds, appliances, and fixtures in the Living Accommodation, even if upgraded at the Resident's cost, nor any right to any furniture, furnishings or fixtures in common areas and facilities owned by Sharon Towers.

C. Responsibility for Damages

Any loss or damage to real property of Sharon Towers, caused by the negligence of the Resident, Resident's guests or Resident's uninsured vendors or suppliers shall be charged to and paid for by the Resident. If any negligence of any Resident or any Resident's guests results in injury, illness or damage to the Resident or to any other Resident, Sharon Towers assumes no responsibility therefore, and the Resident hereby indemnifies, holds harmless, releases and discharges Sharon Towers from and against any and all claims, losses, liability, costs, damages, including attorneys' fees, in connection with or arising out of the negligence of the Resident or the Resident's guests, or the negligence of any other Resident or the guests of any other Resident. The Resident assumes all risks of personal damages which he or she may receive by reason of the termination of the Resident's occupancy in the home for misconduct or violation of the policies governing Residents, or for any other reason.

D. Responsibility for Protection of Resident's Property

Sharon Towers shall not be responsible for the loss of any personal property belonging to the Resident due to theft, fire or any cause, unless said property is specifically entrusted in writing to the care and control of Sharon Towers, and then Sharon Towers shall be responsible only for ordinary care to safeguard, and account for, such property. The Resident shall have the responsibility, at his/her own expense, of providing and maintaining a standard property and liability insurance policy to protect Resident's personal property.

Sharon Towers, upon either (1) the termination of this Agreement or (2) in the event that the Resident is in the Health Care Center and it has been determined by the Sharon Towers' medical director or the Resident's personal physician that it is unlikely that the Resident will be physically or mentally able to reoccupy his/her Living Accommodation for the reasonably

foreseeable future, shall have the right, at the Resident's expense, to remove all personal property of the Resident from his/her Living Accommodation and to make that Living Accommodation available to others, and store the Resident's personal property, at the Resident's expense and risk. If the property is stored in a commercial storage facility, Sharon Towers shall have no responsibility for such property after it has been placed in storage, and the Resident, or the Resident's estate, shall be liable for all storage fees incurred.

XII. Arrangement for Guardianship and Resident's Estate

A. Will and Financial Arrangements Required

The Resident, within three (3) months of the Date of Occupancy agrees to make, if not previously made, a will providing for disposal of his/her assets and appointment of an Executor of his/her estate. In addition, the Resident shall give Sharon Towers written instructions with respect to the location of the will, the Executor of Resident's estate, and the Resident's funeral and burial arrangements, which arrangements Resident shall pay for at his or her expense.

B. Legal Guardian

As provided in paragraph VII.I the Resident agrees to provide Sharon Towers in writing with the name of the person(s), as provided in paragraph VII.I, having been given Power of Attorney by the Resident and to keep this information current in the home's business office.

If the Resident becomes legally incompetent or unable properly to care for his/her self or his/her property, in the judgment of Sharon Towers, Sharon Towers shall contact the guardian or conservator nominated and appointed by the Resident pursuant to the provisions of North Carolina General Statute Section 32C-1-108 in any Power of Attorney or other instrument, or by the court, if one has been appointed. In the event the Resident has made no designation of a person or legal entity to serve as his/her guardian or conservator, the Resident hereby authorizes and requests Sharon Towers to apply to a court of competent jurisdiction for the appointment of a conservator or guardian, and if there is no proper person to serve in such capacity, Resident hereby nominates and appoints Sharon Towers as his/her guardian or conservator, to be confirmed in appointment by the court. The Resident or the Resident's estate shall reimburse Sharon Towers for all expenses it incurs pursuant to this part XIII.B. including but not limited to legal and other professional fees incurred by Sharon Towers in carrying out its duties hereunder.

XIII. Living Will and Health Care Power of Attorney

It is understood that the Resident has the right to make a Living Will, Medical Directives and to designate a Health Care Power of Attorney. Resident has the responsibility of providing a copy of the document to Sharon Towers and any subsequent modifications.

XIV. Pets

Pets maybe permitted under certain guidelines, in accordance with the Sharon Towers Pet Policy currently in effect.

XV. Non-Transferable

The rights and privileges of the Resident under this Agreement to the Living Accommodation, facilities, services and medical care are personal to the Resident and cannot be transferred or assigned by act of the Resident, or by any proceeding at law, or otherwise. Any attempted assignment of this Agreement shall be void and shall give Sharon Towers the right to terminate this Agreement. If any person, other than the person who has signed this Agreement, seeks to live in the Resident's Living Accommodation without following the proper admissions procedure established by Sharon Towers, Sharon Towers shall have the right to terminate this Agreement.

XVI. Notice

All notices to be given in accordance with this Agreement shall be deemed to have been properly given if and when delivered personally or sent by mail, postage prepaid, as follows:

- To Sharon Towers: The Presbyterian Home at Charlotte, Inc.
5100 Sharon Road
Charlotte, North Carolina 28210
Attention: President & CEO

- To Resident (before at the address shown on the
taking occupancy): Resident's application forms.

- To Resident (after at the Resident's Living Accommodation
taking occupancy): or Health Care Center room, as the case may be.

XVII. Miscellaneous

A. Entire Agreement

This Agreement, including any addenda, together with the application form, financial statements, medical records and the continuing care disclosure statement constitute the entire agreement between Sharon Towers and the Resident. The Resident warrants that all statements made herein or in the foregoing are true and correct. Sharon Towers is not liable and shall not be bound by any statements, representations or promises made by any person representing or purporting to represent Sharon Towers, unless such statements, representations or promises are set forth in this Agreement as Special Provisions or in the continuing care disclosure statement delivered prior to or simultaneously with this Agreement.

B. Rights of Management

The absolute right of management is reserved to Sharon Towers. Sharon Towers reserves the right to accept or reject any person for residency. Residents do not have the right to

accept or reject any person for residency. Residents do not have the right to management or the right to determine admission, or transfer of any other Resident.

C. Rules and Regulations

The Resident acknowledges receiving a copy of the Residents' Handbook and will observe all rules and regulations which Sharon Towers may from time to time adopt for the convenience, comfort, safety and wellbeing of all Residents.

D. No Waiver

Any failure by the Resident or Sharon Towers to exercise any right or remedy granted to either of them under this Agreement shall not be construed as a waiver of the right to exercise the same or any other right or remedy at any time, or from time to time thereafter.

E. Invalidity, Unenforceability

If any portion of this Agreement shall, for any reason, be held to be invalid or unenforceable in any jurisdiction in which it is to be enforced, such invalidity and unenforceability shall not affect any other provision of this Agreement, and it shall be construed as if such invalid or unenforceable provision were omitted.

F. Amendments

This Agreement may be amended only in writing executed by an authorized officer of Sharon Towers and by the Resident, and such amendment shall be attached as an addendum to this Agreement.

G. Section Headings

Section headings are for reference purposes only.

H. Binding Effect

This Agreement shall be binding upon, and inure to the benefit of, Sharon Towers and the Resident, and their respective successors, permitted assigns and personal representatives.

I. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute but one agreement.

J. North Carolina Law

All matters affecting the interpretation of this Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of North Carolina.

K. Presbyterian Church (U.S.A.)

The entire Board of Directors of Sharon Towers is elected by the Presbytery of Charlotte, a duly established governing body of the Presbyterian Church (U.S.A.). The Presbyterian Home at Charlotte, Inc. is a nonprofit corporation under the laws of the state of North Carolina and a separate and distinct legal entity from the Presbyterian Church (U.S.A.) or any division thereof. Neither the Presbyterian Church (U.S.A.), nor its General Assembly nor any board, synod, presbytery, session, church, congregation nor any instrumentality, agency, division, combination or organization of the foregoing shall have any responsibility with respect to the organization, operation, financial affairs, liabilities or debts of Sharon Towers or The Presbyterian Home at Charlotte, Inc.

IN WITNESS WHEREOF, the parties have executed this Agreement, the day and year as referenced on Page 1 of this Agreement.

SHARON TOWERS:

[Corporate Seal]

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

By: _____

Title: _____

RESIDENT or POA:

_____ [SEAL]

_____ [SEAL]

Addendum 1

To Resident's Agreement

Special Provisions

(Attached)

SHARON TOWERS CANOPY OPTION

THIS CANOPY OPTION (this "Option") is part of that certain Resident's Agreement dated _____ (the "Agreement"), by and between THE PRESBYTERIAN HOME AT CHARLOTTE, INC., a North Carolina nonprofit corporation ("Sharon Towers"), and the undersigned Resident (hereinafter referred to, whether one or two individuals, as "Resident").

Resident desires to move in and occupy a cottage unit (the unit provided to Resident is called the "Living Accommodation") at Sharon Towers as set forth in the Agreement as a short term living accommodation until the Move Out Date (hereinafter defined). Notwithstanding any terms or provisions in the Agreement to the contrary, Sharon Towers and Resident hereby agree and hereby amend the Agreement as follows:

1. Resident acknowledges and agrees that Sharon Towers intends to construct Villas or other structure(s) (the "New Villas") upon the site where the Living Accommodation is located and that Resident will only be entitled to occupy the Living Accommodation as a short term living accommodation in accordance with the terms and provisions of this Option. Resident shall pay the Entry Fee, Monthly Service Fee, Canopy Rate monthly fee, and other fees and expenses for the Living Accommodation as set forth in the Agreement. No financial assistance shall be available for the Living Accommodation.

2. Sharon Towers shall provide Resident with at least ninety (90) days prior written notice (the "Move Out Notice") of the date (the "Move Out Date") that Resident must move out and vacate the Living Accommodation. After Sharon Towers issues the Move Out Notice, Resident shall have the option to either (i) leave Sharon Towers prior to the Move Out Date in which event the applicable portion, if any, of the Entry Fee paid by Resident for the Living Accommodation shall be refunded to Resident pursuant to Part X.D.4. of the Agreement, or (ii) elect to move to another living accommodation at Sharon Towers as set forth in this Option. Within thirty (30) days after the date of the Move Out Notice, Resident shall provide notice (the "Resident Notice") to Sharon Towers stating whether Resident elects to leave Sharon Towers or transfer to another living accommodation located at Sharon Towers. In the event that Resident fails to provide the Resident Notice to Sharon Towers within thirty (30) days after the date of the Move Out Notice, then Resident shall be deemed to have elected option (i) above and Resident shall leave Sharon Towers prior to the Move Out Date. In any event, Resident shall vacate the Living Accommodation prior to the Move Out Date. If the Resident fails to remove all of his/her belongings from the Living Accommodation prior to the Move Out Date, Resident will be charged the full room rate until the unit is cleared and Resident agrees to pay to Sharon Towers all damages, expenses and costs incurred by Sharon Towers relating to Resident's failure to fully vacate the Living Accommodation prior to the Move Out Date including, but not limited to, any lost revenue with respect to the New Villas.

3. In the event that Resident elects to transfer to another living accommodation at Sharon Towers, then Sharon Towers shall use commercially reasonable efforts to provide Resident with a living accommodation that has a similar size to the Living Accommodation provided that Resident satisfies all of Sharon Towers' financial requirements for such living accommodation. Sharon Towers may require that Resident provide a current financial statement. Provided,

however, the replacement living accommodation shall not be, and Resident shall not be entitled to move to, any units within Magnolia Villas I, Magnolia Villas II or other Villas or structures to be constructed at Sharon Towers. Sharon Towers makes no guarantees to Resident whatsoever with respect to the size or type of the actual replacement living accommodation (the "New Living Accommodation"). Prior to moving into the New Living Accommodation, Resident shall pay then current Entry Fee for the New Living Accommodation based upon the Entry Fee schedule in existence at the time of the move but Resident shall receive a credit for the following fees paid by Resident (i) the Entry Fee paid by Resident for the Living Accommodation, and (ii) the sum of each Canopy Rate monthly fee paid by Resident. Upon payment of said Entry Fee, and unless health declines, the Resident shall be entitled to occupy the same type of living accommodation as the New Living Accommodation for the remainder of his/her life, as long as his/her health permits, unless expressly provided otherwise in the Agreement. Resident and Sharon Towers agree that Sharon Towers shall coordinate the move and pay any expenses with respect to the move. No transfer fee shall be charged for the move from the Living Accommodation to the New Living Accommodation. In addition, the Resident shall pay the Monthly Service Fee applicable to the New Living Accommodation based on the number of occupants as of the day that the Resident occupies the New Living Accommodation. The Resident shall vacate the Living Accommodation and move to the New Living Accommodation prior to the Move Out Date.

4. While Resident occupies the cottage unit as its Living Accommodation and upon providing thirty (30) days prior written notice to Sharon Towers, Resident shall have the right to terminate the Agreement at the end of any month and move from the Living Accommodation outside of Sharon Towers.

5. In the event that Resident is moved from the Living Accommodation on a permanent basis to the Health Care Center or an Assisted Living Unit, Resident shall pay to Sharon Towers, in addition to the applicable fees set forth in the Agreement, the then current Entry Fee for the Health Care Center or the Assisted Living Unit, as applicable, based upon the Entry Fee schedule in existence at the time of the move but Resident shall receive a credit for the following fees paid by Resident (i) the Entry Fee paid by Resident for the Living Accommodation, and (ii) the sum of each Canopy Rate monthly fee paid by Resident.

6. The Agreement and this Option may be executed in multiple counterparts, or in counterpart signature pages, all of which when taken together shall constitute one and the same agreement. A signed copy of the Agreement together with this Option delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery or an original.

7. The terms and provisions of this Option shall govern and control over the terms and provisions of the Agreement. Except as amended by this Option reference is made to the Agreement for a definition of any terms or provisions. This Option is hereby incorporated into and made a part of the Agreement.

IN WITNESS WHEREOF, the parties have executed this Option as of the day and year referenced above for the Agreement.

SHARON TOWERS:

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

By: _____

Name: _____

Title: _____

RESIDENT:

_____ [SEAL]

Name: _____

_____ [SEAL]

Name: _____

Sharon Towers Rose Option

The Sharon Towers Rose Option provides future residents both price protection and the security of being part of a continuing care retirement community. This option is intended for those residents without an immediate need to move into Sharon Towers. The Rose Option applies only to studio and large studios as designated by Sharon Towers.

Upon (a) signing Sharon Towers Resident's Agreement and (b) paying the Entry Fee for a studio or large studio the terms, conditions and benefits of the Rose Option are as follows:

- **Monthly Service Fee** - Prior to physically moving into Sharon Towers, the resident(s) will pay a reduced monthly service fee for their studio accommodation for as long as they do not physically move into Sharon Towers. This monthly service fee will be the annually published monthly service fee for the studio selected and will then be reduced for an individual or a couple. This adjustment is based in part upon the savings to Sharon Towers for not having to incur the occupancy costs that would have been incurred for the delivery of utilities, housekeeping, dining, home visits, emergency response, etc.
- **Desired Accommodation** - The resident(s) must provide Sharon Towers with a list of one to three desired upgraded accommodations they wish to move into at some point in the future (referred to herein as "desired accommodation"). Sharon Towers will offer the resident(s) their desired accommodation when it becomes available.
- **Wait List** - Those exercising this option move to the top of the wait list for their desired accommodation. Along with other "Rose Option" residents, your position on the wait list is determined by the date the Resident's Agreement is executed. The resident(s) place on the list will not change if they decline the offer to upgrade to their desired accommodation.
- **Entry Fee Price Protection** - The resident(s) will receive Entry Fee Price Protection for their desired accommodation. The existing Entry Fee pricing schedule used will be the one in place on the date of the fully executed Resident's Agreement and will be honored for a period of up to three (3) years thereafter. After three (3) years the most current published Entry Fee pricing schedule will be used to calculate the additional entry fee due.

Upon accepting an available desired accommodation:

- **Entry Fee Refund Option** - Resident(s) may revise their Entry Fee Refund Option at the time of the upgrade to a larger accommodation.
- **Entry Fee Payment** - Upon accepting an available desired accommodation the resident(s) will pay the difference between the Entry Fee paid for the studio at the time the Resident's Agreement was executed and the Entry Fee for the desired accommodation.
- **Monthly Service Fee** - Once the resident(s) moves to their desired accommodation, the monthly service fee due is the most current published monthly service fee applicable to that accommodation.

This agreement is intended solely to set forth the terms and conditions of the Rose Option for the designated units. It is not intended to be a substitution or replacement of the terms of Sharon Towers' Resident's Agreement except to the extent the modified pricing and designation options are set forth in this "Rose Option Agreement."

Resident: _____

Date: _____

Resident: _____

Date: _____

Executive Director: _____

Date: _____

Addendum 2
Power of Attorney
(attached)

**ARTICLE I
DESIGNATION OF AGENT**

I, _____, of _____ County, North Carolina, being of sound mind, appoint The Presbyterian Home at Charlotte, Inc., a non-profit corporation (hereinafter "Sharon Towers"), as my Attorney-in-Fact (herein referred to as my "Agent") for the purposes set out below.

**ARTICLE II
GRANT OF AUTHORITY**

I grant to my Agent general authority to act for me with respect to claims and litigation as set forth in Section 32C-2-212 of the North Carolina General Statutes. The authority granted to my Agent pursuant to this power of attorney may be exercised by my Agent even though the exercise of that authority may benefit the Agent.

**ARTICLE III
GRANT OF SPECIFIC AUTHORITY**

I expressly grant my Agent the authority and power to delegate to another person any of the authority granted to my Agent or engage another person on my behalf. If an appointment of another Agent is necessary, my Agent may appoint such person and revoke the appointment.

**ARTICLE IV
LIMITATION ON EXERCISE OF POWERS BY AGENT**

The following limitations shall apply to the exercise of the powers by my Agent in addition to any other limitations provided in this power of attorney:

A. If I or any other agent or attorney-in-fact appointed by me is actively pursuing any claims or litigation, then my Agent shall not exercise any powers granted in this power of attorney.

**ARTICLE V
MISCELLANEOUS MATTERS RELATED TO MY AGENT**

A. Accountings. My Agent shall keep a record of all receipts, disbursements, and transactions made on my behalf, but my Agent is not required to disclose such records to me or anyone else unless ordered by a court or requested by me or my guardian, or upon my death by my personal representative or the successor in interest of my estate.

B. Revocation of Agent's Authority. In addition to other events or occurrences revoking my Agent's authority under this power of attorney, I may revoke that authority and

remove my Agent by a writing executed by me and delivered to my Agent in person or to my Agent's last known address by certified or registered mail return receipt requested.

C. Resignation of Agent. My Agent shall have the right to resign by giving written notice of resignation to me if I am not incapacitated or if I am incapacitated to my guardian if one has been appointed and any coagent or, if none, the successor agent next designated.

D. Duty and Liability of Agent. If my Agent accepts the authority under this power of attorney, then in exercising a power granted to my Agent, my Agent shall act in accordance with my reasonable expectations if known and, otherwise, in my best interests, in good faith, and only within the scope of the authority granted in this power of attorney.

E. Coordination with Health Care Agent. My Agent shall cooperate with my Health Care Agent appointed pursuant to a Health Care Power of Attorney meeting the requirements of Article III, Chapter 32A of the General Statutes. Any decision affecting my property or financial affairs, including a decision as to the disbursement of money or other property belonging to me, which is made by my Health Care Agent, shall be superior to and binding upon my Agent acting under this power of attorney, and my Agent shall not be required to inquire as to whether any such decision is necessary to exercise the powers relating to health care, or whether costs incurred by my Health Care Agent are reasonable, and shall not be liable to me or to my successors, assigns, heirs or personal representatives for any acts or omissions arising from any such decision.

F. Compensation of its Agent. Any corporation acting as my agent, may receive that compensation for services which it customarily charges for like services at the time the services under this power of attorney are rendered.

ARTICLE VI RELIANCE ON THIS POWER OF ATTORNEY

A person that in good faith accepts this power of attorney without actual knowledge that the power of attorney or my Agent's purported authority is void, invalid, or terminated, or that my Agent exceeded my Agent's authority, may rely on the power of attorney and my Agent's authority as if they were genuine, valid, and still in effect and shall not be held responsible for any breach of fiduciary duty by my Agent.

ARTICLE VII TERMINATION

This power of attorney shall terminate upon (i) my death, (ii) my revocation of this power of attorney, (iii) my revocation of my Agent's authority, or upon my Agent's dissolution or resignation, if this power of attorney does not provide for another agent to act, or (iv) upon termination by my general guardian or the guardian of my estate.

**ARTICLE VIII
MEANING AND EFFECT**

The meaning and effect of this power of attorney shall for all purposes be determined by the law of the State of North Carolina.

**ARTICLE IX
EFFECTIVE DATE AND DURABILITY**

This power of attorney is effective on the date it is signed by me and shall not be affected by my subsequent incapacity.

I have signed and sealed this Durable Limited Power of Attorney this ___ day of _____, 20__.

(SEAL)

STATE OF NORTH CAROLINA
COUNTY OF MECKLENBURG

I certify that _____ personally appeared before me this day, acknowledging to me that **he/she** signed the foregoing instrument.

Date: _____

[NOTARIAL SEAL]

Signature of Notary Public

Printed or Typed Name of Notary Public

My Commission Expires: _____

Addendum 3
Designation of
Designated Testamentary Recipient
(attached)

**Designation of
Designated Testamentary Recipient**

If as the result of my death, my "Designated Testamentary Recipient" is entitled to receive a refund from The Presbyterian Home at Charlotte, Inc. ("Sharon Towers"), as provided by Article X.B. or Article X.D. of The Presbyterian Home at Charlotte, Inc. Resident's Agreement which Sharon Towers and I executed on _____, _____, I designate that my Revocable Trust under agreement dated _____, _____, as may be amended from time to time (the "My Revocable Trust Agreement"), shall be my "Designated Testamentary Recipient" of such refund from Sharon Towers.

For purposes of this Agreement, I do hereby certify that:

1. My Revocable Trust Agreement is my primary estate planning document;
2. I am the only person authorized to amend, modify, change or revoke My Revocable Trust Agreement during my lifetime, and
3. After my death or incapacity, no one is authorized to amend, modify, change or revoke My Revocable Trust Agreement.

I and the witnesses do hereby sign this Designation on the _____ day of _____, 20__.

WITNESSES

RESIDENT(S)

On behalf of The Presbyterian Home at Charlotte, Inc. ("Sharon Towers"), I do hereby acknowledge the execution of the Designation of Designated Testamentary Recipient executed by Resident(s), _____ and _____ on this the _____ day of _____, 20__.

THE PRESBYTERIAN HOME AT CHARLOTTE,
INC.

By: _____
Title: _____

EXHIBIT F
TO
THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
(SHARON TOWERS)

CONTINUING CARE DISCLOSURE STATEMENT

RESERVATION AGREEMENT

THE PRESBYTERIAN HOME AT CHARLOTTE, INC.

(SHARON TOWERS)

RESERVATION AGREEMENT

2019-2020

SHARON TOWERS, THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
RESERVATION AGREEMENT

THIS RESERVATION AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 20__, by and between: _____ (hereafter referred to, whether this Agreement is executed by one or two individuals, as "Resident"), whose address is: _____ and **The Presbyterian Home at Charlotte, Inc.**, a non-profit continuing care retirement community doing business as Sharon Towers (hereinafter "Sharon Towers"), whose address is: Sharon Towers, 5100 Sharon Road, Charlotte, North Carolina 28210.

WITNESETH:

WHEREAS, Resident desires the right to reside in one of the residential units, subject to the rules and regulations of Sharon Towers as contained in the document entitled "Resident's Agreement" ("Resident's Agreement"), and Resident desires to enter into this Agreement to govern said reservation.

IN CONSIDERATION of the mutual covenants and conditions contained herein, Resident and Sharon Towers hereby agree to the following terms and conditions:

1. **Accommodation.** Resident, upon payment of the Entry Fee (hereinafter defined in Paragraph 2) and execution of the Resident's Agreement, shall be granted the right to occupy a residential unit designated as ___ accommodation _____, Floor Plan _____, _____ Floor (the "Unit") as shown on the plans and specifications provided to Resident, which Unit also includes one designated _____ parking space. Resident acknowledges receipt of a copy of the plans and specifications for the Unit.

(Initials of Resident)

2. **Entry Fee.** Resident shall pay to Sharon Towers an entry fee (the "Entry Fee") of \$_____, payable as follows:
 - a. **Reservation Deposit.** \$_____ (the "Reservation Deposit") is due and payable upon execution of this Agreement by Resident, representing ten percent (10%) of the Entry Fee, as an earnest money deposit.
 - b. **Balance of Entry Fee.** The balance of the Entry Fee shall be due and payable on or before the Date of Occupancy (hereinafter defined in Paragraph 5).
3. **Custom Upfits to Unit.** Resident, without invalidating this Agreement, may request that Sharon Towers modify the Unit to add additional features ("Custom Upfits"). If Sharon Towers agrees to add Custom Upfits at the request of Resident, Resident and Sharon Towers shall execute an

addendum to this Agreement containing the agreed upon Custom Upfits, and Resident shall pay the cost of the Custom Upfits (the "Custom Upfits Cost"), as determined by Sharon Towers, at the time of the execution of the Addendum. No Custom Upfits shall be added to the Unit prior to payment of the Custom Upfits Cost by Resident. Should Resident cancel this Agreement for any reason, Sharon Towers shall have the right to retain all of the Custom Upfits Cost paid by Resident. Resident's payment(s) of the Custom Upfits Cost will be used to pay the General Contractor and is not subject to refund under any circumstances. If Resident cancels this Agreement for any reason and Sharon Towers determines that Resident's Custom Upfits are such that they would hinder remarketing of the Unit, Resident will be required to pay, and hereby agrees to promptly pay to Sharon Towers, the cost (the "Custom Upfits Restoration Cost") of restoring the Unit to a marketable condition as determined by Sharon Towers. Once Custom Upfits are in place, they become the property of Sharon Towers and may not be removed by Resident.

4. **Cancellation of Reservation.** Resident may cancel this Agreement at any time prior to occupancy of the Unit by providing written notice (a "Termination Notice") to Sharon Towers at the above address. As Sharon Towers will suffer losses due to cancellation by Resident, Sharon Towers shall be entitled to retain a portion of funds paid by Resident pursuant to Paragraph 2 under certain circumstances as set forth herein together with the Custom Upfits Cost (if applicable). Upon written cancellation of this Agreement, deposits paid by Resident shall be distributed within five (5) business days as follows:
 - a. **Cancellation within 30 days.** If Resident provides the Termination Notice within thirty (30) days of signing this Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit. The \$1,000 Wait List deposit shall be refunded at the Resident's request.
 - b. **Cancellation due to death.** If this Agreement is canceled due to death of the Resident, Resident's estate shall receive a full refund of the Reservation Deposit, the Progress Deposit (if applicable), and the \$1,000 Wait List deposit (if applicable). In the event of death of a spouse of Resident and the surviving Resident provides a Termination Notice to Sharon Towers within thirty (30) days after such death, this Agreement shall be terminated and Sharon Towers will refund to the surviving Resident the Reservation Deposit, the Progress Deposit (if applicable) and the \$1,000 Wait List deposit (if applicable).
 - c. **Cancellation due to illness.** If Resident provides a Termination Notice with evidence satisfactory to Sharon Towers that Resident is canceling this Agreement on account of illness, injury or incapacity that would preclude either Resident from occupying a Unit under the Resident's Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit, the Progress Deposit (if applicable) and the \$1,000 Wait List deposit (if applicable and requested by the Resident).

- d. **Other Cancellations.** In all other circumstances where Resident cancels this Agreement by providing a Termination Notice to Sharon Towers or should Sharon Towers terminate this Agreement due to the failure of Resident to comply with the terms herein, Sharon Towers shall retain an amount not to exceed the greater of \$1,000 or two percent (2%) of the Entry Fee from Paragraph 2 above as a reasonable service charge (the "Service Fee") plus the Custom Upfits Cost and the Custom Upfits Restoration Cost (if applicable), and Sharon Towers shall return the balance of the Reservation Deposit and the Progress Deposit to Resident.

Upon cancellation of this Agreement by either party, return of the applicable deposits as provided herein and Resident's payment of any Custom Upfits Restoration Cost, Sharon Towers and Resident shall have no further obligations to each other under this Agreement.

5. **Occupancy of Unit.** Forty-five (45) days before the Unit is ready for occupancy, Sharon Towers will notify Resident in writing of the date that the Unit will be available for Resident to occupy (the "Date of Availability"). Resident shall, prior to the Date of Availability, notify Sharon Towers of the date Resident will occupy the Unit ("**Date of Occupancy**"), which date shall be not more than thirty (30) days after the Date of Availability. If Resident does not provide Sharon Towers with a Date of Occupancy as provided herein, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.
6. **Final Payment.** Upon receipt from Resident of the Date of Occupancy, Sharon Towers will provide Resident with a closing statement showing Resident the balance due to Sharon Towers, which shall be paid on or before the Date of Occupancy. This balance will be calculated as follows: Entry Fee less the \$1,000 Wait List deposit (if applicable) and Reservation Deposit (10% deposit due at execution of this Agreement). If Resident does not pay the balance due on or before the Date of Occupancy, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.
7. **Rules and Regulations of Sharon Towers.** Resident's rights to occupy the Unit are subject to the rules and regulations governing the operation of Sharon Towers as contained in the Resident's Agreement, and Resident agrees to be bound by the terms contained therein.

(Initials of Resident)

8. **Miscellaneous.** Oral representations and agreements are not binding on Sharon Towers or Resident, and Resident acknowledges that Resident is not relying on any oral representations or agreements of Sharon Towers or any agents of Sharon Towers (including any sales representatives). Existing plans for the Unit are subject to modification by Sharon Towers at any time. Any notice in connection with this Agreement must be in writing and will be deemed

delivered when delivered personally, when deposited in the United States Mail, postage prepaid, registered or certified mail, return receipt requested (with a copy to be mailed by first class mail), or when delivered to a nationally recognized overnight courier (charges prepaid), properly addressed to Sharon Towers or Resident, as the case may be. This Agreement embodies the entire agreement between the parties and cannot be modified or amended except by the written agreement of the parties. This Agreement may not be assigned by Resident. This Agreement shall be governed by the laws of the State of North Carolina.

_____ I/We have received Sharon Tower's current Disclosure Statement.
(Initials of Resident)

THIS IS A BINDING AGREEMENT BETWEEN RESIDENT AND SHARON TOWERS, as evidenced by their signatures below.

RESIDENT(S):

**The Presbyterian Home at Charlotte, Inc., doing
business as SHARON TOWERS**

_____ (seal)

by: _____

Authorized Agent

_____ (seal)

_____ (Date)

_____ (Date)

SHARON TOWERS, THE PRESBYTERIAN HOME AT CHARLOTTE, INC.
THE DEERWOOD RESERVATION AGREEMENT

THIS RESERVATION AGREEMENT (this "Agreement") is made and entered into this _____ day of _____, 20____, by and between: _____ (hereafter referred to, whether this Agreement is executed by one or two individuals, as "Resident"), whose address is: _____ and **The Presbyterian Home at Charlotte, Inc.**, a non-profit continuing care retirement community doing business as Sharon Towers (hereinafter "**Sharon Towers**"), whose address is: Sharon Towers, 5100 Sharon Road, Charlotte, North Carolina 28210.

WITNESETH:

WHEREAS, Sharon Towers plans to construct The Deerwood upon its property located at 5100 Sharon Road, Charlotte, North Carolina, which will contain 46 residential units, and

WHEREAS, Resident desires the right to reside in one of the residential units, subject to the rules and regulations of Sharon Towers as contained in the document entitled "Resident's Agreement" ("**Resident's Agreement**"), and Resident desires to enter into this Agreement to govern said reservation.

IN CONSIDERATION of the mutual covenants and conditions contained herein, Resident and Sharon Towers hereby agree to the following terms and conditions:

1. **Accommodation.** Resident, upon payment of the Entry Fee (hereinafter defined in Paragraph 2) and execution of the Resident's Agreement, shall be granted the right to occupy a residential unit designated as an apartment accommodation _____, Floor Plan _____, _____ Floor (**the "Unit"**) as shown on the plans and specifications provided to Resident, which Unit also includes one designated covered parking space. Resident acknowledges receipt of a copy of the plans and specifications for the Unit.

(Initials of Resident)

2. **Entry Fee.** Resident shall pay to Sharon Towers an entry fee (the "Entry Fee") of \$ _____, payable as follows:
 - a. **Reservation Deposit.** \$ _____ (the "Reservation Deposit") is due and payable upon execution of this Agreement by Resident, representing ten percent (10%) of the Entry Fee, as an earnest money deposit. Funds for The Deerwood will be placed in the Entry Fee account at BB&T Bank in Charlotte.
 - b. **Progress Deposit at 50% Completion.** \$ _____ (the Progress Deposit") representing five percent (5%) of the Entry Fee shall be due and payable within ten (10) days of receiving notice from Sharon Towers that construction of The Deerwood is

certified as fifty percent (50%) complete. Funds for The Deerwood will be placed in the Entry Fee account at BB&T Bank in Charlotte.

- c. **Balance of Entry Fee.** The balance of the Entry Fee shall be due and payable on or before the Date of Occupancy (hereinafter defined in Paragraph 5).

3. **Custom Upfits to Unit.** Resident, without invalidating this Agreement, may request that Sharon Towers modify the Unit to add additional features ("**Custom Upfits**"). If Sharon Towers agrees to add Custom Upfits at the request of Resident, Resident and Sharon Towers shall execute an addendum to this Agreement containing the agreed upon Custom Upfits, and Resident shall pay the cost of the Custom Upfits (the "**Custom Upfits Cost**"), as determined by Sharon Towers, at the time of the execution of the Addendum. No Custom Upfits shall be added to the Unit prior to payment of the Custom Upfits Cost by Resident. Should Resident cancel this Agreement for any reason, Sharon Towers shall have the right to retain all of the Custom Upfits Cost paid by Resident. Resident's payment(s) of the Custom Upfits Cost will be used to pay the General Contractor and is not subject to refund under any circumstances. If Resident cancels this Agreement for any reason and Sharon Towers determines that Resident's Custom Upfits are such that they would hinder remarketing of the Unit, Resident will be required to pay, and hereby agrees to promptly pay to Sharon Towers, the cost (the "**Custom Upfits Restoration Cost**") of restoring the Unit to a marketable condition as determined by Sharon Towers. Once Custom Upfits are in place, they become the property of Sharon Towers and may not be removed by Resident.

4. **Cancellation of Reservation.** In the event that Sharon Towers decides not to complete construction of The Deerwood, Sharon Towers may cancel this Agreement by providing written notice to Resident. In such event, Sharon Towers shall return the Reservation Deposit, the \$1,000 Wait List deposit (if applicable), and the Progress Deposit (if applicable) to Resident. Resident may cancel this Agreement at any time prior to occupancy of the Unit by providing written notice (a "**Termination Notice**") to Sharon Towers at the above address. As Sharon Towers will suffer losses due to cancellation by Resident, Sharon Towers shall be entitled to retain a portion of funds paid by Resident pursuant to Paragraph 2 under certain circumstances as set forth herein together with the Custom Upfits Cost (if applicable). Upon written cancellation of this Agreement, deposits paid by Resident shall be distributed within five (5) business days as follows:
 - a. **Cancellation within 30 days.** If Resident provides the Termination Notice within thirty (30) days of signing this Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit and \$1,000 Non-binding Agreement deposit. The \$1,000 Wait List deposit shall be refunded at the Resident's request.
 - b. **Cancellation due to death.** If this Agreement is canceled due to death of the Resident, Resident's estate shall receive a full refund of the Reservation Deposit, the Progress

Deposit (if applicable), \$1,000 Non-binding Agreement deposit and the \$1,000 Wait List deposit (if applicable). In the event of death of a spouse of Resident and the surviving Resident provides a Termination Notice to Sharon Towers within thirty (30) days after such death, this Agreement shall be terminated and Sharon Towers will refund to the surviving Resident the Reservation Deposit, the Progress Deposit (if applicable), the \$1,000 Non-binding Agreement deposit and the \$1,000 Wait List deposit (if applicable).

- c. **Cancellation due to illness.** If Resident provides a Termination Notice with evidence satisfactory to Sharon Towers that Resident is canceling this Agreement on account of illness, injury or incapacity that would preclude either Resident from occupying a Unit under the Resident's Agreement, this Agreement shall be terminated and Sharon Towers will refund to Resident the Reservation Deposit, the Progress Deposit (if applicable), \$1,000 Non-binding Agreement deposit and the \$1,000 Wait List deposit (if applicable and requested by the Resident).
- d. **Other Cancellations.** In all other circumstances where Resident cancels this Agreement by providing a Termination Notice to Sharon Towers or should Sharon Towers terminate this Agreement due to the failure of Resident to comply with the terms herein, Sharon Towers shall retain an amount not to exceed the greater of \$1,000 or two percent (2%) of the Entry Fee from Paragraph 2 above as a reasonable service charge (the "Service Fee") plus the Custom Upfits Cost and shall return the balance of the Reservation Deposit and the Progress Deposit to Resident.

Upon cancellation of this Agreement by either party, return of the applicable deposits as provided herein and Resident's payment of any Custom Upfits Restoration Cost, Sharon Towers and Resident shall have no further obligations to each other under this Agreement.

5. **Occupancy of Unit.** Forty-five (45) days before the Unit is ready for occupancy, Sharon Towers will notify Resident in writing of the date that the Unit will be available for Resident to occupy (the "Date of Availability"). Resident shall, prior to the Date of Availability, notify Sharon Towers of the date Resident will occupy the Unit ("**Date of Occupancy**"), which date shall be not more than thirty (30) days after the Date of Availability. If Resident does not provide Sharon Towers with a Date of Occupancy as provided herein, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.
6. **Final Payment.** Upon receipt from Resident of the Date of Occupancy, Sharon Towers will provide Resident with a closing statement showing Resident the balance due to Sharon Towers, which shall be paid on or before the Date of Occupancy. This balance will be calculated as follows: Entry Fee less the \$1,000 Wait List deposit (if applicable), Reservation Deposit (10% deposit due at execution of this Agreement), and Progress Deposit (5% deposit due upon fifty percent (50%) completion of construction). If Resident does not pay the balance due on or

before the Date of Occupancy, Sharon Towers shall have the right to terminate this Agreement and refund any deposits, less retainage of the Service Fee as provided in Paragraph 4(d) above.

7. **Rules and Regulations of Sharon Towers.** Resident's rights to occupy the Unit are subject to the rules and regulations governing the operation of Sharon Towers as contained in the Resident's Agreement, and Resident agrees to be bound by the terms contained therein.

(Initials of Resident)

8. **Miscellaneous.** Oral representations and agreements are not binding on Sharon Towers or Resident, and Resident acknowledges that Resident is not relying on any oral representations or agreements of Sharon Towers or any agents of Sharon Towers (including any sales representatives). Existing plans for the Unit are subject to modification by Sharon Towers at any time. Any notice in connection with this Agreement must be in writing and will be deemed delivered when delivered personally, when deposited in the United States Mail, postage prepaid, registered or certified mail, return receipt requested (with a copy to be mailed by first class mail), or when delivered to a nationally recognized overnight courier (charges prepaid), properly addressed to Sharon Towers or Resident, as the case may be. This Agreement embodies the entire agreement between the parties and cannot be modified or amended except by the written agreement of the parties. This Agreement may not be assigned by Resident. This Agreement shall be governed by the laws of the State of North Carolina.

_____ I/We have received Sharon Tower's current Disclosure Statement.
(Initials of Resident)

THIS IS A BINDING AGREEMENT BETWEEN RESIDENT AND SHARON TOWERS, as evidenced by their signatures below.

RESIDENT(S):

**The Presbyterian Home at Charlotte, Inc., doing
business as SHARON TOWERS**

_____ (seal)

by: _____

Authorized Agent

_____ (seal)