

DISCLOSURE STATEMENT

March 1, 2021

The Forest at Duke

2701 Pickett Road
Durham, NC 27705

919-490-8000

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

- **this Disclosure Statement may be delivered until revised, but not after July 29, 2022;**
- **delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **this Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

I. ORGANIZATION INTRODUCTION AND INFORMATION

The provider of services is The Forest at Duke, Inc. (“The Forest”) located in Durham County at 2701 Pickett Road, Durham, NC 27705. Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the “Community”) created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as sixty-two (62). The Forest has no formal affiliations with any religious, charitable, or other nonprofit organization. The Community has programmatic affiliations with Duke University and Duke University Medical Center to provide services and activities to the residents of The Forest. The Forest has received recognition of income tax exemption under section 501(c)(3) of the Internal Revenue Code. The Forest is pledged to the letter and spirit of US policy for the achievement of equal housing opportunity throughout the nation. The Forest encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin.

In 2007, The Forest was awarded a BBB+ credit rating by Fitch Ratings, which was upgraded in 2017 to an A-. In 2019, the rating was upgraded to an A. The Forest also achieved accreditation from the Commission on Accreditation of Rehabilitation Facilities – CARF International (CARF International) in 2007. In 2017, The Forest earned another five-year accreditation term.

The Forest is Medicare Part A certified.

II. FACILITY INTRODUCTION AND INFORMATION

The Forest is located on 47 acres just south of Duke University on Pickett Road. The Community consists of 154 apartments in three and four-story buildings, 95 one-story cottages, a community center of approximately 40,000 square feet, and a Health and Wellness Center of approximately 98,365 square feet all designed to accommodate approximately 400 residents. As of December 31, 2020, 307 residents live in the independent living residences, 38 residents receive skilled nursing care and 20 residents receive adult care services. The community center houses a formal dining room, café, living room and social lounge, an arts and crafts studio, an auditorium, library, classroom, beauty and barber shop, swimming pool, fitness areas and gift shop. The Health and Wellness Center currently consists of an outpatient clinic, 34 licensed adult care beds (assisted living), and 58 licensed nursing beds (skilled nursing care).

Construction began in August 1990 and the building opened for occupancy on September 1, 1992. An expansion and renovation of the facility was completed in 2004 and included the construction of a 34 bed adult care addition, renovation and reconfiguration of the community center, dining room and common areas, redecoration of existing adult care and skilled nursing areas and the phased reclassification of existing adult care beds to skilled nursing beds. In 2015, the Community completed the construction of 15 independent living cottage homes and all were occupied by the end of the fiscal year. In 2016, the Community completed a renovation to the campus, which included additional parking, enhanced dining and fitness venues as well as other interior program modifications.

The Forest is owned by The Forest at Duke, Inc., a nonprofit, independent corporation managed by a Board of Directors and a professional management staff.

A. The Board of Directors and Officers

1. George Brothers, Jr., MD

4202 Champaign Drive
Durham, NC 27707
POSITION: Director

Dr. Brothers earned his BA from Brown University and his MD from Tufts University. His medical residency was served at Boston City Hospital, after which he completed a fellowship in rheumatology at The University of North Carolina (UNC). He is board certified in both internal medicine and rheumatology. Previously, Dr. Brothers served on the medical staff of Durham Regional Hospital and UNC Hospitals. He was chosen to fellowship in the American College of Physicians and the American College of Rheumatology. He formerly held a clinical teaching appointment at UNC School of Medicine; there he mentored students in physical diagnosis. Later, Dr. Brothers taught the Introduction to Community Medicine for twenty years at UNC School of Medicine. He was appointed to the Durham County Hospital Board of Trustees. In later years, he served on the North Carolina State Health Plan's Pharmacy Formulary Committee.

2. Jane Brown

1312 Dollar Avenue
Durham, NC 27701
POSITION: Director

As a Senior Strategic Advisor for Mosaic Health Solutions, Ms. Brown is responsible for deals from end to end including sourcing opportunities, negotiating transactions, and growing portfolio companies. Prior to Mosaic Health Solutions, Ms. Brown was a strategic business lead responsible for growing patient care services generating over \$400 million in revenue at a premier academic medical center. Passionate about improving health care, Ms. Brown's career spans from starting a nonprofit to spurring innovation in women's health to guiding health care executives in developing new ways to care for patients as a Pricewaterhouse Coopers consultant. Ms. Brown has an MBA with a concentration in health sector management from the Fuqua School of Business at Duke University and received her bachelor's degree in psychology from Franklin and Marshall College. Outside of the office, Ms. Brown enjoys gardening and travelling with her husband and three daughters.

3. Harvey Cohen, MD

Duke University Medical Center
Box 3003
Durham, NC 27710
POSITION: Director, Vice Chair

Dr. Cohen currently serves in several professional roles at Duke University Medical Center in Durham, NC, including Walter Kempner Professor, Director, Center for the Study of Aging and Human Development, Chair Emeritus, Department of Medicine, Principal Investigator of the Duke Claude Pepper Older Americans Independence Center, and of the Partnership for Anemia: Clinical and Translational Trials in the Elderly. He received his medical degree, cum laude, from Downstate Medical College of the State University of New York. He served his internship in medicine at Duke University Medical Center, where he was later a resident and a Fellow in Hematology-Oncology. He was also a staff associate for the National Institutes of Health, National Institute of Arthritis and Metabolic Diseases. Dr. Cohen chairs the Cancer in the Elderly Committee for The Alliance for Clinical Trials in Oncology, and co-chaired the Task Force on Cancer and Aging for the American Association for Cancer Research. He is President of the American Federation for Aging Research and a past President of the American Geriatrics Society, the Gerontological Society of America and the International Society of Geriatric Oncology. He has published extensively with more than 300 peer reviewed papers as well as book chapters on topics in geriatrics and hematology/oncology. His current interests are geriatric assessment, biologic basis of functional decline, and cancer and hematologic problems in the elderly.

4. G. Rhodes Craver

Kennon Craver, PLLC
4011 University Drive, #300
Durham, NC 27707
POSITION: Director

Mr. Craver is a native of Charlotte, North Carolina. He obtained his undergraduate degree at the University of North Carolina and his law degree from Wake Forest University. After completing law school, he worked for two years with the accounting firm of Touche Ross & Company where he earned his designation as a Certified Public Accountant. He is a founder and managing partner of Kennon Craver, PLLC in Durham. He practices in the areas of estate planning, estate and trust administration, tax planning and closely held business planning. Mr. Craver and his wife, Ann, are active participants in Durham non-profits and he has board experience in senior living communities.

5. Craig Daniels

2701 Pickett Road, Apartment 1037
Durham, NC 27705
POSITION: Director
Resident of The Forest at Duke

Mr. Daniels received his BS in Chemical Engineering from Tufts University followed by three years in the US Navy. While serving as the Assistant Replacement Director at the University of Delaware, he earned an MEd and PhD in Psychology. Mr. Daniels taught at the University of Hartford for 19 years after which he became a Graduate Dean at the University of Saint Joseph (Connecticut) followed by Dean of Arts & Sciences at Eastern Connecticut State University. In retirement, he obtained an MS in Accounting and an MS in Taxation. He and his wife, Janet, joined The Forest at Duke in 2016 along with their dog, Edo. They have four children and nine grandchildren.

6. Frances Dyer

2227 Parkside Drive
Durham, NC 27707
POSITION: Director

Ms. Dyer grew up in Atlanta and received her BA from Spellman College. She received her Juris Doctorate from North Carolina Central University and practiced law in Durham for over thirty years. She is married to James Stewart, who after many years as an engineer with IBM, founded Stewart Commercial Real Estate. They have a son, Justin, a biomedical engineer who lives in Florida with his family. As a past President of the Durham Library Foundation and Durham Merchants Association, Ms. Dyer has extensive board and governance experience. She and James are strong supporters of our community with the challenges that affect children and women.

7. Anthony Galanos, MA, MD

Duke University Medical Center
Box 3003
Durham, NC 27710
POSITION: Director

Dr. Galanos is a Professor of Medicine and Associate Professor in the School of Nursing at Duke University and Medical Director for the Inpatient Palliative Care program at Duke University Health System. Dr. Galanos is also a Senior Research Fellow at the Center for the Study of Aging and Human Development. Dr. Galanos served as The Forest's first Medical Director from 1992-2005, and served six years on The Forest's Board of Directors. Over the years, Dr. Galanos has authored and contributed to numerous medical publications. In 2011, he was honored with the Cunniff-Dixon Physician Award for excellence in the practice of palliative medicine. He specializes in palliative care, end of life care, and hospitalized senior adults. He received a medical degree from the University of South Alabama in Mobile, Alabama.

8. Kenneth D. Gibbs, CPA, Esq.

Thomas & Gibbs, CPAs PLLC
6114 Fayetteville Road, Suite 101
Durham, NC 27713
POSITION: Director

Mr. Gibbs is a Partner for Thomas & Gibbs CPAs PLLC, a full service certified public accounting firm located in Durham, NC. He received his BS degree and a Juris Doctor degree from North Carolina Central University and Master of Taxation degree from the University of New Haven. He is a Certified Public Accountant and Member of the North Carolina State Bar.

He has over twenty years' experience in corporate taxation including areas such as tax compliance, planning, audits, with emphasis on inbound transactions for multi-national conglomerates and handling other controversy matters having served as Director of Taxes and a Financial Controller for Glaxo Wellcome, Inc., Tax Accountant with Richardson Vicks, Sales and Use Tax Accountant at Pitney Bowes, Inc., and a Tax Accountant at Uniroyal, Inc.

He previously served as an adjunct professor for North Carolina Wesleyan College where he taught a course on personal income tax. He is a member of the North Carolina Association of Certified Public Accountants, the American Institute of Certified Public Accountants and the North Carolina Bar Association. He was previously a member of the Tax Executives Institute, the Durham Citizens Review Board, Board of Trustees for North Carolina Central University, Board of Directors of The Carolina Theater, Raleigh Durham Airport Authority Board and The Forest, where he was the Chairman.

He has been married to his wife Lori for thirty-nine years and they are the proud parents of three adult children and five grandchildren.

9. Michelle Harper

Savii Inc.
117 Cobblepoint Way
Holly Springs, NC 27540
POSITION: Director, Secretary

Ms. Harper serves as President and CEO of Savii Inc., a software company located in Raleigh, NC. With over a decade of health & information technology experience, her career goal is to make technology usable for the end-user, regardless of technical ability. Previously, she served as Senior Product Manager for Home Care Software Solutions based in Cary, NC and Director of Sales & Marketing at eCast Corporation, both of which focused on health technologies and allowed her to leverage her experience in operations, including strategic planning, sales, marketing, customer relations, and project management. Ms. Harper is active in the Triangle startup community serving as mentor for the Citrix Innovators Program and a Reviewer for the NC Idea Grant program. In 2004, she graduated from East Tennessee State University with a MA in History and from Emory & Henry College in 2002 with a BA in History with a minor concentration in Mathematics and has work published in International Social Science Review.

Ms. Harper serves alongside her husband, Pastor Greg Harper, at their church in Holly Springs and is a proud grandmother to four grandchildren.

10. Chuck Kennedy

3528 Darwin Road
Durham, NC 27707
POSITION: Director

A Durham native, Mr. Kennedy graduated from Guilford College with a bachelor's degree in criminal justice in 1981. He entered the insurance industry that same year with the Life Insurance Company of Virginia. In 1985, he joined Home Insurance Agency, where he managed their employee benefit division. A 1996 merger transformed Home Insurance Agency into CSC Corporation. Two years later, he left to form Admark Benefits Group, Inc., and later joined Banyan Consulting Group, now Hub International, in 2012. Mr. Kennedy is an elder at The Summit Church of Durham and is a member of the National Association of Health Underwriters and the Hope Valley Country Club.

11. Dean McCumber

4 Silver Maple Court
Durham, NC 27705
POSITION: Director
Resident of The Forest at Duke

Mr. McCumber had a diverse thirty-year research and technical-management career at Bell Laboratories when it was at the peak of its prominence. During the period immediately preceding the breakup of the Bell System he was appointed to represent Bell Labs in a small AT&T group supporting the Chairman on reorganization and legislative options, and during the breakup transition he served in the Office of the AT&T President. After retiring from Bell Labs, he was recruited to Duke in 1992 as Director of Undergraduate Studies in Electrical Engineering to advise and teach undergraduates. At Duke, he organized departmental Self Studies for three successive planning and engineering-accreditation cycles.

Education: Bachelors and Masters degrees in Electrical Engineering, Yale University; Two years active duty as an engineering officer, USS Tripoli, US Navy; PhD in Theoretical (Mathematical) Physics, Harvard University; Two years NSF Postdoctoral Fellow in Theoretical Physics (École Normale Supérieure, Paris, France and Institute for Theoretical Physics (Niels Bohr Institute), Copenhagen, Denmark).

12. Lois Oliver

2701 Pickett Road, Apartment 4016
Durham, NC 27705
POSITION: Director
President of the Residents' Association

Ms. Oliver began her career in nursing before making the decision to attend medical school five years later. She earned her degrees at the University of Pittsburgh. She joined the faculty of the Duke University School of Medicine and was Director of the pediatric outpatient clinic

at Duke Medical Center. She returned to Pittsburgh in 1974 as Associate Director of the ambulatory care center at Children's Hospital of Pittsburgh. In 1984, after several years on the School of Medicine's admissions committee, Ms. Oliver became Associate Dean for Student Affairs. She and her husband, Tim, moved to Durham in 1987 where she held a similar position at Duke. She retired officially in 2000. In retirement, Ms. Oliver has served as head docent for Duke Chapel, board member for the Durham Library Foundation and Sarah P. Duke Gardens. Ms. Oliver joined The Forest in 2014 and currently serves as President of the Residents' Association.

13. Alice Sharpe

208 Rigsbee Avenue, Unit 106
Durham, NC 27701
POSITION: Director, Chair

Ms. Sharpe, a Durham native and 1971 Duke graduate, is a realtor, broker with Berkshire Hathaway Home Services. Ms. Sharpe has a background in retail management, having worked thirteen years for a major retailer. She then formed and operated her own events planning company after returning to Durham. She became actively involved in the revitalization of downtown Durham, serving as the Downtown Events Coordinator for the City of Durham prior to being named the Economic Development Coordinator for the City working in the Office of Economic and Employment Development. Ms. Sharpe is a past president of the Junior League of Durham and Orange Counties, a past chair of Downtown Durham Incorporated, and past president and board member of Durham Central Park. She is a current board member of the Historic Stagville Foundation, Preservation Durham and the Museum of Durham History.

14. Julie Wells

Durham Children's Initiative
2101 Angier Avenue
Durham, NC 27703
POSITION: Director

Ms. Wells is a non-profit veteran with 25 years of experience working with individuals and systems to impact educational and economic outcomes in marginalized communities. Ms. Wells is experienced in creating and scaling organizations, innovative collaborations, resource development and mentoring non-profit leaders in organizational stability. As Executive Director of Partners for Youth Opportunity, Inc., she led the merger with Durham Children's Initiative in 2020 and serves as their Vice President of Strategy. She is strongly engaged in community service and received the 2017 Goodmon Fellow and Duke Durham Fellow community service awards through Leadership Triangle.

15. Chuck Wilson

CT Wilson Construction
150 Golden Drive, Suite 200
Durham, NC 27705
POSITION: Director

After graduating from North Carolina State University with a Bachelor's Degree in Civil Engineering, Mr. Wilson served as a Damage Control Officer and Engineering Officer on two different ships in the US Navy before taking a management position at CT Wilson Construction. Since 1983, Charles T. Wilson, Jr. has been the President and Treasurer of CT Wilson Construction Company. Mr. Wilson has held nearly every position within the company and currently oversees the company's corporate operations. He is active in his church and serves on numerous boards for both civic and industry affiliated organizations as an advocate for education, minority participation, workforce development, and healthcare. He is a Durham native and a proud grandfather of three.

The Forest at Duke, Inc. is a nonprofit corporation. No member of the Board of Directors or of the management staff owns an equity interest in the Corporation. No member of the Board of Directors or of the management staff is expected to provide goods, leases or services to the Corporation or to the residents, presently or in the future, and no member of the Board of Directors or of the management staff owns an interest in a professional service firm, association, trust, partnership, corporation or other entity that is expected to provide goods, leases or services to the Corporation or to the residents, presently or in the future.

The Forest has not received nor intends to receive goods, leases, or services of an aggregate value of \$500 or more from any professional service firm, association, trust, partnership or corporation in which a member of the Board has a 10% or greater interest. There are no corporations that have an interest in any owner, officer or person managing the facility that will provide \$500 or more in services or goods to the facility.

B. Professional Staff and Consultants

The Forest is managed on a day-to-day basis by the following professional management staff:

- 1. Anita L. Holt, MPH, President/Chief Executive Officer (CEO):** Ms. Holt joined The Forest in January 2015. Ms. Holt is a seasoned professional in the field of aging services with more than twenty-five years of executive leadership in continuing care and senior living communities. She is an advocate of innovation and strategic service and program development which responds to the emerging needs of older adults. Ms. Holt holds a Master of Public Health from Boston University/SPH and is a proud graduate of Northeastern University.
- 2. Lee Ann Bailey-Clayton, Director of Health Services:** Ms. Bailey-Clayton's thirty-year career has been firmly planted in the medical field of acute care and long-term care, with over twenty of those years being tenured at The Forest. Her professional interests include dementia care and communication, human behavior and team member morale and development. Ms. Bailey-Clayton is a graduate of Appalachian State University with a Bachelor's of Social Work degree. In 2016, she went on to achieve her North Carolina Nursing Home Administrator's

license. In 2016, she became a Certified Alzheimer's Disease and Dementia Care Trainer. As an accomplished leader and mentor, Ms. Bailey-Clayton was awarded the North Carolina Emerging Leader Award from LeadingAge NC in 2018.

- 3. Karen E. Henry, CPA, Chief Financial Officer (CFO), Director of Finance, and Treasurer:** Ms. Henry joined The Forest in June 2005. She is responsible for the accounting and financial administration of The Forest, as well as assisting the CEO with budgeting and strategic planning. Ms. Henry has a Bachelor of Science in Business Administration with a major in Accounting from Shippensburg University of Pennsylvania and is a Certified Public Accountant (CPA). She began her career as an audit professional with KPMG LLP, Harrisburg, PA and continued in internal audit with Hershey Foods Corporation, Hershey, PA. She then spent five years in the clinical research industry at Quintiles Transnational Corporation in increasing roles of responsibility (Financial Analyst, Senior Manager, Associate Director) in the Consolidation/SEC/Financial Reporting Department and most recently as Senior Manager/Controller at Constella Group. Ms. Henry is also a member of the North Carolina Association of CPAs.
- 4. Sharon Pitt, Chief Operating Officer (COO):** Ms. Pitt joined The Forest in January 2020 and brings over thirty years of extensive experience in nonprofit and healthcare related leadership to the organization. As a seasoned Registered Nurse, she possesses broad nursing management experience in both acute and long-term care settings. Prior to joining The Forest, Ms. Pitt held senior and executive management roles at the American Red Cross, including Director of Operations and CEO of the Carolinas and South Carolina Blood Services Region. As CEO, she was responsible for developing and executing the region's operational plan, maintaining community and hospital relationships, leading a staff of 1,000 employees, managing an operating budget of up to \$100 million, and more than 400,000 blood collections. During her tenure, the region experienced the highest employee engagement scores in the eastern division and exceeded its collection targets, becoming the largest blood collection region in the American Red Cross system. Ms. Pitt holds a bachelor's degree in Nursing from Columbia College. She is also a member of the American Nurses Association.
- 5. April Ravelli, Director of Sales and Marketing:** Ms. Ravelli has served as Director of Sales and Marketing since September 2018. She brings a depth of more than fifteen years of experience as an accomplished leader in digital marketing, advertising, and branding. In addition to directing the sales and marketing for independent living at The Forest, she provides oversight and branding control of all marketing materials, advertising and media placement. Ms. Ravelli has a bachelor's degree in English Literature from the University of North Carolina at Wilmington. She also holds a Certificate in Digital Marketing from North Carolina State University. Prior to The Forest, she served as the Executive Director of One World Market, a twenty-five year old Durham nonprofit organization.
- 6. Nathan Summers, Director of General Services:** Mr. Summers joined The Forest in April 2016, bringing more than fifteen years of experience in the senior living industry. During his twenty-five year career, Mr. Summers has led teams in all service areas including maintenance, security, housekeeping, landscaping and administration. He was recognized in 2015 by LeadingAge NC for "Excellence in Customer Service". As a Certified Aging Services

Professional, Mr. Summers has worked with various project development teams and with post-construction implementations which included major renovations to the historic Pinehurst Country Club in preparation for the 1999 Men's US Open Golf Championship and the renovation of the 100 year old five-story Pine Needles Hotel for senior living apartments. He was also influential in assisting two communities achieve accreditation from CARF International.

7. **Tess Thomas, SPHR, SHRM-SCP, Director of Human Resources:** Ms. Thomas joined The Forest in June 2020. She is an experienced human resources leader with a history of success in healthcare, non-profit, high-tech, manufacturing/supply chain management and Fortune 500 companies. She is committed to the human resources model that champions human resources as a strategic business partner, with particular focus on service, culture, development, continuous improvement, innovation, diversity and inspirational leadership. Ms. Thomas received her Bachelor of Science in Business Administration from Wayne State University in Detroit, Michigan, with her major in Human Resources and Labor Relations. Additionally, she has completed graduate-level studies at the University of Michigan and is certified with SPHR and SHRM-SCP credentials.
8. **TBD, Director of Dining Services**
9. **TBD, Director of Resident Life**
10. **Milta Oyola Little, DO, CMD, Medical Director:** Dr. Little has served as the Medical Director at The Forest since July 2019. She is an Associate Professor of Medicine in the Division of Geriatrics, Department of Medicine at Duke University School of Medicine in Durham. Her primary scholarly interests are inter-professional health education, health systems innovations, and non-pharmacologic management of geriatric syndromes to improve outcomes of older adults across healthcare settings. Dr. Little has served both the American Geriatrics Society and AMDA – The Society for Post-Acute and Long-Term Care Medicine on a variety of committees and spent seven years on the Board of Directors for AMDA.

Consulting Professionals:

A.V. Powell and Associates, Inc.: Actuary, 1791 Woodcliffe Terrace, NE, Atlanta, GA 30324-4955.

NetGain Technologies, Inc.: Computer consultants, 615 Eastowne Drive, Chapel Hill, NC 27514.

Dixon Hughes Goodman LLP: Audit and accounting services, 2501 Blue Ridge Road, Suite 500, Raleigh, NC 27607.

Sanders, Walsh & Eaton, LLC: Accounting services, P.O. Box 1427, West Chatham, MA 02269-1427.

Ziegler Capital Management, LLC: Investment advisors, 30 S. Wacker Drive, Suite 2800, Chicago, IL 60606.

Neither the professional staff, the Board of Directors, nor the consulting professionals, has a financial interest in The Forest. No member of the professional staff nor the Board of Directors has been convicted of a felony or pleaded *nolo contendere* to a felony charge, or been held liable or enjoined in a civil action by final judgment; or is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged, or facility subject to this Article or a similar law in another state.

III. POLICIES

A. Admission – Health and Financial Criteria

Generally, all residents of the independent living units at The Forest are required to live independently at the time of admission and to have the financial resources to pay the Entry and Monthly Fees. Residents must be sixty-five (65) years of age at the time of admission. In the case of co-residents, one resident may be as young as sixty-two (62).

Residents are also required to maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under their primary insurance policy. The primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or the resident shall be responsible for services rendered that otherwise could be covered by insurance.

The process for admission, and the financial and medical requirements are specifically outlined in the forms for admission given to every person interested in applying. Once an individual is approved for admission, has paid a fifteen percent (15%) deposit on the Entry Fee, and signed the Residence and Care Agreement, admission is guaranteed regardless of a change in the resident's health status between the time of the signing of the Residence and Care Agreement and the Date of Occupancy. The Forest always maintains the right to re-evaluate a prospective resident's health or financial status prior to admission. Residents whose health status changes prior to occupancy such that they require direct admission to the Health and Wellness Center, as determined by The Forest, will be required to pay the fees as outlined in Section V.D. 2 and 3 of the Disclosure Statement. Prospective residents should review all admission forms and the Residence and Care Agreement prior to making a deposit for admission.

The Forest does not automatically deny residents for admission who have chronic health conditions. All resident applications are reviewed individually. Judgment for admission is based on the resident's ability to perform basic daily living activities on an on-going basis. The Forest may also admit residents under certain conditions which are added as addenda to the Residence and Care Agreement. North Carolina regulations state that skilled nursing beds are for the use of

persons who have been residents of the independent living units, or assisted living units for at least thirty (30) days, with some exceptions. Admission for skilled nursing care is available if the resident has a co-resident in the independent living section, or if the individual was under contract to enter The Forest prior to the time the condition requiring skilled nursing care was known to exist. Assisted living units are not subject to these state restrictions and are, therefore, available to persons who have not previously lived in an independent living unit.

B. Conditions of Termination

- 1. Termination Prior to Occupancy and Terms of Refund:** The \$1,000 priority deposit, without interest, is refundable in the event the resident decides not to move into The Forest. The Residence and Care Agreement, Section VI makes the following provisions regarding termination:

Termination Within the Thirty (30) Day Right of Rescission Period:

The resident may rescind the Residence and Care Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of the Residence and Care Agreement or of the date that the resident received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. The resident may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at the request of the resident. The resident will be paid within sixty (60) days of receipt of the written notice to terminate. The resident is not required to take occupancy before the end of the thirty (30) day rescission period.

Termination After the Thirty (30) Day Right of Rescission Period:

After the thirty (30) day rescission period and prior to the Date of Occupancy, if the resident terminates the Residence and Care Agreement, the resident may receive a refund equal to the funds paid toward the Entry Fee, without interest, less an administrative fee equal to two percent (2%) of the Entry Fee for the independent living residence selected, less any non-standard costs incurred by The Forest at the request of the resident. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.

Termination by The Forest: The Residence and Care Agreement may be terminated by The Forest prior to the Date of Occupancy if it is determined that the resident has misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if the resident's financial status changes prior to the Date of Occupancy such that the resident no longer meets The Forest's financial requirements for admission. In such event, the resident may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of

the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at the request of the resident. The refund will be paid within sixty (60) days of written notice to terminate.

Termination as a Result of Death or Illness of Resident: Prior to the Date of Occupancy, should the resident die, become ill, be injured or otherwise incapacitated such that The Forest determines that independent living is not possible, the Residence and Care Agreement will automatically be terminated and a refund shall be due to the resident/resident's estate or resident's designee within sixty (60) days, equal to all funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at the request of the resident. In lieu of terminating the Residence and Care Agreement, the resident may elect to enter The Forest's Health and Wellness Center under the terms of the direct admissions policy outlined in Section V.C. of the Residence and Care Agreement, subject to availability of accommodations.

2. Termination After Occupancy:

The Residence and Care Agreement makes provisions for terminations after the resident occupies a unit in Section VII, "Conditions of Termination After Occupancy," and Section VIII, "Conditions for Refund After Occupancy" as outlined below:

Conditions of Termination After Occupancy

- A. Termination by the Resident:** In addition to Section III. B.1 of the Disclosure Statement, the Residence and Care Agreement may be terminated by the resident in accordance with the following conditions:
1. The Residence and Care Agreement will be terminated upon the resident's death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore, a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Paragraph C below.
 2. Except in the case of death, the resident must give The Forest sixty (60) days written notice of the resident's intent to terminate the Residence and Care Agreement.
 3. The resident must leave the Residence in a condition satisfactory to The Forest. The Forest may charge the resident for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
 4. Refunds to the resident shall be reduced by the amount of the outstanding fees and charges due to The Forest.

- B. Termination by The Forest:** The Forest may terminate the Residence and Care Agreement if the resident breaches the Residence and Care Agreement, or fails to pay the Monthly Fee and any other ancillary charges, or fails to follow the standard policies of The Forest, or refuses to relocate as required by the Residence and Care Agreement, or engages in activities or conduct disruptive to the Community, or if the resident interferes with the health and safety of the Community, or if the resident has misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give the resident at least sixty (60) days written notice to vacate the Residence. The resident must leave the Residence in a condition satisfactory to The Forest. The Forest may charge the resident for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear. Refunds shall be reduced by the amount of the outstanding fees and charges due to The Forest.
- C. Termination Date:** The Termination Date of the Residence and Care Agreement will be the date on which the resident's personal property has been removed from the Residence or sixty (60) days following written notice, whichever is later. The resident will be required to continue paying the Monthly Fee until the Termination Date or until the resident's personal belongings have been removed and a walk-through has been completed by the resident or the resident's designee and management, whichever is later.

Conditions for Refund After Occupancy

- A. Termination of Agreement by Resident:** The resident may be entitled to a refund of the Residence Fee. If termination of the Residence and Care Agreement occurs during the first fifty (50) months, the resident or the resident's estate may be entitled to a partial refund of the Residence Fee. The resident or their estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that the Residence and Care Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- B. Termination of Agreement by The Forest:** If The Forest terminates the Residence and Care Agreement pursuant to Section III. B. 2. B. of the Disclosure Statement, the resident may be entitled to a refund of the Residence Fee. If termination of the Residence and Care Agreement occurs during the first fifty (50) months, the resident or their estate may be entitled to a partial refund of the Residence Fee. The resident or their estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that the Residence and Care Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- C. Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding fees and charges due to The Forest by the resident have been paid, the resident's personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly

occupied by the resident is re-occupied and a full Entry Fee is received by The Forest for the residence. Refunds will be paid to the resident, or in the event of death, to the resident's estate. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due.

D. Release upon Termination: Upon termination of the Residence and Care Agreement, The Forest is released from any further obligations to the resident except for the payment of any refund which may be due under Sections VI and VIII of the Residence and Care Agreement.

The Monthly Fee and the one-time, Health Care Reserve Fee are not refundable.

C. Moves/Transfers

The Residence and Care Agreement outlines the policies for moves and transfers in Section IV, "Resident Moves and Transfers," and should be consulted for a complete description of this policy. In part, Section IV makes the following provisions:

The resident may transfer from one independent living residence to another, or from an independent living residence to the assisted living or nursing section of the community, on a permanent or temporary basis. All changes in the living accommodations of the resident are based on availability and appropriateness as determined by The Forest, and must be authorized by The Forest. Residents may be assessed an internal move fee when moving from one independent living residence to another independent living residence. The decision made by The Forest concerning transfers shall be binding. If the resident's physical or mental condition deteriorates so that it precludes the resident from living independently in an independent living residence, or if the resident cannot live in an independent living residence without endangering the resident or others, The Forest may transfer the resident to an accommodation that can best provide for the safety and care of the resident. The Forest may determine such changes (if not at the request of the resident) shall be made only to protect the health or safety of the resident, or the general welfare of the residents of The Forest, or others. Residents may request a meeting with The Forest for the discussion and consideration of any actions taken by The Forest.

If transfer has been deemed by The Forest to be permanent, The Forest may assign the resident's independent living residence to another resident. Upon recovery to independent living status, the resident may apply for an independent living residence upon the same basis as existed before the transfer. The resident shall bear all costs of moving and storing the resident's furniture and belongings in the case of such transfer. Additionally, if The Forest determines that the resident can resume occupancy in an independent living residence, the resident will have a priority right to such an independent living residence equivalent to that previously occupied as soon as one is available.

D. New Double Occupants

If a resident wishes to have a second person share their residence, the new resident must be approved for occupancy by The Forest just as any other resident is approved. Section II.K. of the

Residence and Care Agreement states the terms under which a person may share occupancy with a prior resident.

Addition of a Second Resident to Share a Living Accommodation with a Current Resident: If, after the Date of Occupancy indicated in Exhibit A of the Residence and Care Agreement, the resident chooses to have a second resident share his or her residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter, the residents will be responsible for the applicable current Double Occupancy Monthly Fee for the residence. Second residents are subject to the same entrance requirements as initial residents and must sign a Residence and Care Agreement. If the second resident does not meet all of the entrance requirements, The Forest may grant admission subject to limited financial and/or service responsibilities on the part of The Forest. Additionally, neither resident is eligible for a refund of the Residence Fee until both residents have died or both Residence and Care Agreements have been terminated.

If the second resident is an existing resident, the resident may continue to maintain two residential units and pay the applicable current Single Occupancy Monthly Fee and each contract will remain in effect separately. If the resident decides to occupy one residence, the resident must declare which residence will be occupied and which will be vacated. The second resident will be added as a co-resident to the existing resident's Residence and Care Agreement and the resident will pay the applicable current Double Occupancy Monthly Fee.

E. Financial Hardship

Section II.G. of the Residence and Care Agreement makes the following provision for financial hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon review of the resident's financial resources, it is determined that through no fault of their own, the resident is unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize the resident's Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that the resident has voluntarily divested assets and resources, or has used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize the Monthly Fee, and may elect to terminate the Residence and Care Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

Under the terms of the Residence and Care Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

IV. SERVICES

A. Standard Services Available

The Forest is a full-service life care retirement community. Residents pay an Entry Fee and a Monthly Fee. The fees are designed to cover virtually all living expenses incurred by residents of The Forest. The Monthly Fee covers the following basic services:

- dining services as determined by chosen meal plan
- weekly housekeeping
- scheduled transportation
- all utilities except telephone service
- 24 hour emergency response service
- 24 hour security service patrols
- parking
- assistance with filing insurance claims for services rendered by The Forest
- primary physician care availability delivered at The Forest
- regular physical examination availability delivered at The Forest
- availability of physical therapy/occupational therapy/speech therapy service provided at The Forest
- extensive educational, cultural and recreational activities
- basic cable television and wireless internet services

B. Services for an Extra Charge

Services which will require additional payment include:

- guest meals
- charges for some special activities or trips
- catering services
- guest room accommodations at The Forest
- extra maintenance or housekeeping assistance at an hourly rate
- computer support at an hourly rate
- individual laundry service
- hair salon
- companion services for person needing regular assistance in their residence
- special health care services, i.e. dentistry, therapy, pharmacy

C. Amenities

Amenities available at The Forest:

- gift shop
- personal gardening beds
- greenhouse
- woodworking shop
- indoor swimming pool
- well-equipped fitness room
- extensive library
- art studio
- billiards room
- walking paths
- multiple secured outdoor gardens
- wireless internet service

As needs are identified, other services may be offered.

D. Away Allowance

Independent residents who elect Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is only available to independent residents upon written, advance request, and is not available for stays in The Forest's Health and Wellness Center. The Away Allowance is specifically excluded from Meal Plan Two. The credit will be the current published Away Allowance, per person per day, as determined by The Forest and listed on the "Schedule of Ancillary Charges" as noted in the Resident Handbook.

V. FEES

A. Application/Registration Fees

Persons applying for residency pay a \$300 non-refundable application fee. Upon preliminary approval of their application, prospective residents pay a \$1,000 refundable priority deposit to join the waiting list. When the preferred residence is available, the prospective resident's application is updated, documented, and reviewed. Prospective residents are screened by the Medical Director prior to final approval for residency, and also are reviewed to determine that adequate resources are available to meet the financial requirement to live at The Forest.

B. Entry Fee

Payment of an Entry Fee provides the resident with the lifetime use of a residence. If at such time a move may be necessary due to need for a higher level of care, then the residence would be released back to The Forest. At the time the Future Resident makes application for residency at The Forest, The Future Resident makes a fifteen percent (15%) deposit of the Entry Fee upon final

approval. The fifteen percent (15%) deposit reserves the selected residence and the Residence and Care Agreement is signed and executed at this time. From the time of the signing of the Residence and Care Agreement until the Date of Occupancy, Future Residents are guaranteed admission to The Forest regardless of change in their health status. If residents require assisted living or skilled nursing services subsequent to signing the Residence and Care Agreement and prior to occupancy, they will be subject to the terms outlined in Section V.C. of the Residence and Care Agreement “Direct Admission to the Health and Wellness Center.” Fund deposits may be refundable under the terms described in the Residence and Care Agreement. Applicants may choose not to select available residences and remain on the waiting list without penalty until they are ready to apply for a residence.

The Forest requires that the balance of the Entry Fee be paid fourteen (14) days prior to the Date of Occupancy. Entry Fees vary according to the residence chosen, and double occupancy fees include a Second Person Entry Fee.

The Entry Fee is comprised of two parts: a non-refundable Health Care Reserve Fee of \$10,000 per person and a Residence Fee. The Health Care Reserve Fees provide additional resources which allow The Forest to establish and charge discounted fees for health care services.

The Board of Directors reviews the financial performance of The Forest each year to determine the required fee levels. Current Entry Fees, effective October 1, 2020, are shown below in Schedule “A”:

Schedule A

SINGLE OCCUPANCY 2020 ENTRY FEES

| <u>Unit Type</u> | <u>Entry Fee</u> |
|--------------------------|-------------------------|
| Apartments: | |
| Ash (1 BDR) | \$ 97,970 |
| Beech (1 BDR exp) | \$131,676 |
| Cedar (1 BDR w/den) | \$191,417 |
| Dogwood (2 BDR) | \$251,419 |
| Elm (2 BDR w/den) | \$268,891 |
| Cottages: | |
| Alder (1 BDR w/den) | \$286,035 |
| Birch (2 BDR) | \$338,127 |
| Chestnut (2 BDR w/den) | \$387,825 |
| Pine (2 BDR w/study) | \$536,974 |
| Holly (2 BDR w/study) | \$559,938 |
| Magnolia (2 BDR w/study) | \$582,891 |

**DOUBLE OCCUPANCY
2020 ENTRY FEES**

| <u>Unit Type</u> | <u>Entry Fee</u> |
|--------------------------|-------------------------|
| Apartments: | |
| Ash (1BDR) | \$130,970 |
| Beech (1BDR exp) | \$164,676 |
| Cedar (1 BDR w/den) | \$224,417 |
| Dogwood (2 BDR) | \$284,419 |
| Elm (2 BDR w/den) | \$301,891 |
| Cottages: | |
| Alder (1 BDR w/den) | \$319,035 |
| Birch (2 BDR) | \$371,127 |
| Chestnut (2 BDR w/den) | \$420,825 |
| Pine (2 BDR w/study) | \$569,974 |
| Holly (2 BDR w/study) | \$592,938 |
| Magnolia (2 BDR w/study) | \$615,891 |

C. Monthly Fees

Monthly Fees vary according to the unit chosen. Generally, Monthly Fees cover the services outlined under “Standard Services Available” in Section IV.A. of the Disclosure Statement. Current Monthly Fees, effective March 1, 2021, are shown below in Schedule “B”. Note that double occupants pay a Second Person Monthly Fee, which is included in the fees for “Double Occupancy.”

Schedule B

**SINGLE OCCUPANCY
2020 MONTHLY FEES**

| | | | |
|---------------------|---------|--------------------------|---------|
| Apartments: | | Cottages: | |
| Ash (1BDR) | \$3,442 | Alder (1 BDR w/den) | \$5,229 |
| Beech (1BDR exp) | \$3,988 | Birch (2 BDR) | \$5,508 |
| Cedar (1 BDR w/den) | \$4,514 | Chestnut (2 BDR w/den) | \$5,800 |
| Dogwood (2 BDR) | \$5,133 | Pine (2 BDR w/study) | \$5,997 |
| Elm (2 BDR w/den) | \$5,508 | Holly (2 BDR w/study) | \$6,189 |
| | | Magnolia (2 BDR w/study) | \$6,317 |

**DOUBLE OCCUPANCY
2020 MONTHLY FEES**

Apartments:

| | |
|---------------------|---------|
| Ash (1BDR) | \$5,205 |
| Beech (1BDR exp) | \$5,751 |
| Cedar (1 BDR w/den) | \$6,277 |
| Dogwood (2 BDR) | \$6,896 |
| Elm (2 BDR w/den) | \$7,271 |

Cottages:

| | |
|--------------------------|---------|
| Alder (1 BDR w/den) | \$6,992 |
| Birch (2 BDR) | \$7,271 |
| Chestnut (2 BDR w/den) | \$7,563 |
| Pine (2 BDR w/study) | \$7,693 |
| Holly (2 BDR w/study) | \$7,885 |
| Magnolia (2 BDR w/study) | \$8,013 |

D. Health and Wellness Center Fees

- Residents of The Forest at Duke:** Each resident with a life care contract is eligible for fifteen (15) pre-paid days for overnight stays in the Health and Wellness Center. As pre-paid days are used, those days may again accrue back up to the fifteen (15) day maximum. One pre-paid day will accrue on the first day of the month, following a month in which the resident has not incurred an overnight stay in the Health and Wellness Center. After the fifteen (15) pre-paid days are used, if the resident remains in either adult care or skilled nursing care on a temporary basis, the resident will be required to continue to pay their Monthly Fee for their independent living residence plus sixty percent (60%) of the Health and Wellness Center per diem rate. The Forest's Health and Wellness Center fees are private pay. The Health and Wellness Center per diem rate will be set by management relative to the costs of providing services, and the private pay rates charged at similar local health care facilities. The Health and Wellness Center per diem rate effective March 1, 2021 is \$459.

Residents transferring to the Health and Wellness Center permanently will no longer be charged their Monthly Fee for the independent living residence and instead will be charged forty percent (40%) of the Health and Wellness Center per diem rate if the resident was a single occupant of an independent living residence. If the resident transfers from an independent living unit which is occupied by two persons, the resident will be required to continue paying the Monthly Second Person Fee for the independent living residence and, in addition, will be charged fifteen percent (15%) of the Health and Wellness Center per diem rate.

Residents of The Forest's independent living residences who subsequently move into the Health and Wellness Center are entitled to the services outlined in Section V.B. of the Residence and Care Agreement, "Continuing Care Services".

- Direct Admission to Skilled Nursing Care:** Residents may be admitted directly for skilled nursing care because of a change in health status after acceptance and prior to the Date of Occupancy if accommodations are available. These persons pay the Health Care Reserve Fee and the current monthly skilled nursing rate instead of the Entry Fee and Monthly Fees. Residents are not eligible for fifteen (15) pre-paid days of care. Effective March 1, 2021, the monthly rate for direct admission to skilled nursing is \$11,667. Residents who are admitted directly for skilled nursing care are subject to the terms under "Direct Admission to the Health and Wellness Center" in Section V.C. of the Residence and Care Agreement.

Should the resident subsequently move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, the resident would be eligible for the reduced rates as outlined in Section V.B.7 of the Residence and Care Agreement.

- 3. Direct Admission to Adult Care:** Residents may be admitted directly for adult care services because of a change in health status after acceptance and prior to the Date of Occupancy if accommodations are available. These persons pay the Health Care Reserve Fee and the currently monthly adult care rate instead of the Entry Fee and Monthly Fees. Residents are not eligible for fifteen (15) pre-paid days of care. Effective March 1, 2021, the monthly rate for direct admission to adult care is \$9,223. Residents who are admitted directly to adult care are subject to the terms under “Direct Admission to the Health and Wellness Center” in Section V.C. of the Residence and Care Agreement.

Should the resident subsequently move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, the resident would be eligible for the reduced rates as outlined in Section V.B.7 of the Residence and Care Agreement.

E. Fee Change Policies

The Residence and Care Agreement Section II.F. makes the following provisions regarding the periodic adjustment of fees:

It is understood by both parties that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. The resident agrees that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to the resident, as may be reasonably necessary according to the economic requirements and conditions and the level of services offered. The decision to adjust the Monthly Fee and any and all other fees and charges is made, its sole discretion, by the Board of Directors of The Forest.

For purposes of developing financial projections, The Forest anticipates Monthly Fees will increase 4% annually in October. Health and Wellness Center fees are also projected to increase 4% annually in October.

F. Changes in Fees for the Previous Five Years

The following table shows the average changes in the Monthly Fees and Health and Wellness Center per diems over time. Note that it is the average dollar amount of the CHANGE in fees from year to year – NOT the fees themselves. All changes during this period occurred once per year on October 1.

| | <u>10/1/16</u> <u>9/30/17</u> | <u>10/1/17</u> <u>9/30/18</u> | <u>10/1/18</u> <u>9/30/19</u> | <u>10/1/19</u> <u>9/30/20</u> | <u>10/1/20</u> <u>9/30/21</u> |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <u>Monthly Fees</u> | | | | | |
| One Occupant (\$'s per mo.) | \$154 | \$182 | \$165 | \$172 | \$167 |
| Two Occupants (\$'s per mo.) | \$205 | \$242 | \$221 | \$229 | \$223 |
| Approx. Percentage Increase | 3.5% | 4.0% | 3.5% | 3.5% | 3.3% |

Health and Wellness Center Per Diems

| | | | | | |
|--------------------------------|------|------|------|------|------|
| Assisted Living (\$'s per day) | \$5 | \$6 | \$6 | \$7 | \$6 |
| Skilled Nursing (\$'s per day) | \$5 | \$6 | \$6 | \$7 | \$6 |
| Approx. Percentage Increase | 3.5% | 4.0% | 3.5% | 3.5% | 3.3% |

VI. FINANCIAL INFORMATION

A. Overview

The Forest received permanent financing to construct, equip and fund working capital for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. Interest and principal payments were made to the Commission from operating proceeds. In September 1993, \$19 million of the original bonds were paid off. In March 1994, in order to take advantage of lower interest rates, the outstanding debt was restructured. The remaining callable 1990 bonds were refunded with a bond issue totaling \$35,685,000. This advance refunding allowed The Forest to capture a permanent savings in debt service costs for the next twenty-six years.

In April 2002, The Forest received financing to construct a new 34 unit assisted living addition, renovate and reconfigure the community center, dining room and common areas, and redecorate existing assisted living and skilled nursing residences. Financing was obtained for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. The bond issue totaled \$23,495,000. The new assisted living residences were completed in February 2004 with substantially all of the remaining project components completed by the end of fiscal year 2004.

In November 2003, \$30,835,000 of the outstanding principal balance of the Series 1994 bonds were refunded in order to take advantage of lower interest rates. This advance refunding allowed The Forest to capture a significant permanent savings in debt service costs for the next seventeen years.

In July 2007, \$27,970,000 of the outstanding principal balance of the Series 2002 and Series 2003B bonds were refunded in order to take advantage of lower interest rates. In June 2007, The Forest was granted a BBB+ rating from Fitch Ratings on its outstanding debt. In November 2007, The Forest was granted national accreditation by CARF International.

In September 2017, \$4,695,000 of the outstanding principal balance of the Series 2003 bonds were paid off and \$22,795,000 of the outstanding principal balance of the Series 2007 bonds were refinanced to take advantage of lower interest rates. In 2017, the Fitch rating was upgraded to an A-. In 2019, the Fitch Rating was upgraded to an A.

B. Current Financial Statements

See attached, Exhibit A, for audited financial statements for fiscal year 2020. The statements include notations provided by the auditor presenting significant facts and assumptions relevant to the statements.

C. Interim Financial Statements

See attached, Exhibit B, for internally-generated financial statements for the period ending December 31, 2020.

D. Comparison of Actual Results with Forecasted Proforma Projections

See attached, Exhibit C, for a comparison of actual Fiscal Year 2020 results with Forecasted Proforma Projections included in the March 1, 2020 Disclosure Statement.

E. Financial Projection Statements

See attached, Exhibit D, for financial forecasted statements prepared for the fiscal years 2021 through 2025. The statements include detailed disclosure of assumptions used in the projections.

F. Actuarial Summary Report

Turnover rates, health care utilization rates and life expectancy assumptions are the basis of The Forest's five-year forecast. Using the age profile of The Forest's residents as well as experience from other retirement communities, A.V. Powell & Associates, Inc. (the Actuary) provided turnover profiles for use in the financial forecast. The Actuary is a national consulting firm located in Atlanta, Georgia, which specializes in providing actuarial data to retirement communities.

VII. RESERVES, ESCROW AND TRUSTS

A. Deposits Made by Prospective Residents

North Carolina General Statutes 58-64-35, require all deposits made by prospective residents to be held in escrow until the facility reaches the seventy-five percent (75%) pre-sales or the seventy-

five percent (75%) occupancy requirements. Since all of these requirements have been met by The Forest, The Forest does not escrow deposits. If a prospective resident subsequently cancels their reservation, subject to the terms outlined in Section III.B. of the Disclosure Statement, the prospective resident may receive a refund of their deposit directly from The Forest.

B. Trustee-Held Funds

The following reserves are required by either the Loan Agreements of The Forest's outstanding bond issuances or the North Carolina Department of Insurance (balances are for the fiscal year ending September 30, 2020):

1. Debt service reserve fund: The Forest maintained a debt service reserve fund which was equal to the maximum annual debt service over the life of the Series 1994 bonds. This fund was established by the bond indenture. As of September 30, 2020, the Series 1994 Bonds were paid off and there is no longer a requirement for the reserve fund.
2. Interest fund: As provided by the bond indentures, The Forest maintains an interest fund for the payment of current interest. Included in Exhibit A, Balance Sheet under "Noncurrent assets limited as to use" is \$48,055, which includes adequate funds for the 2017 interest fund.
3. North Carolina Department of Insurance reserve requirements: North Carolina State law requires that a provider shall maintain after the opening of a facility an operating reserve equal to fifty percent (50%) of the total operating costs of the facility forecasted for the 12-month period following the period covered by the most recent Disclosure Statement filed with the North Carolina Department of Insurance. The forecast statements shall serve as the basis for computing the operating reserve. In addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the Commissioner. If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. If a facility maintains an occupancy level in excess of ninety percent (90%), a provider shall only be required to maintain a twenty-five percent (25%) operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserve must be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, US Treasury obligations, or obligations of US government agencies.

The Forest's campus occupancy exceeds ninety percent (90%); therefore, the twenty-five percent (25%) factor is applied to calculate the state-mandated reserve. See Section VII. D, "Operating Reserve Funds".

All trustee-held funds are held by The Forest's trustee, US Bank Corporate Trust Services, Charlotte, North Carolina, under the direction of Ms. Lisa Moorehead. The Forest advises the trustee on investment decisions based on guidelines within the Loan Agreement. Trustee-held funds are invested only in instruments as dictated by the Loan Agreements.

C. Board Designated Funds

Board designated funds include the Health Care Reserve fund established to provide additional resources which allow The Forest to establish and charge discounted fees for health care services. The balance of the Health Care Reserve fund as of September 30, 2020 was \$3,870,000. In addition, the Benevolent Fund value as of September 30, 2020 was \$245,936. The Benevolent Fund may be used at the discretion of The Forest's Board of Directors to provide financial assistance to residents who are unable to meet their financial responsibilities.

D. Operating Reserve Funds

The fiscal year 2021 requirement for The Forest's operating reserve is \$5,287,000. This reserve is held in the operating checking account and is maintained at a minimum balance of \$5,287,000. The Forest anticipates the minimum balance to be adjusted to the next fiscal year operating reserve by the beginning of fiscal year 2022. Any additional funds needed to increase the reserve will be obtained from monthly fees and entry fees. In the unlikely event that the monthly fees and entry fees do not generate the required level of excess funds, The Forest will transfer the necessary funds from the cash reserves at Truist which are invested in a money market fund. The Board of Directors makes investment decisions based upon recommendations made by Ziegler Capital Management.

VIII. EARLY ACCEPTANCE PROGRAM

The Forest offers an Early Acceptance Program in which an individual becomes a resident of The Forest with full access to the campus amenities and access to future health care services as needed, while remaining in their current home and not residing on campus.

An individual who is in The Forest's Future Residency Program may be offered participation in the Early Acceptance Program. Once accepted into the Early Acceptance Program, the resident keeps their position and priority number on the Future Residency Program List for a potential move to an on-campus accommodation at a later date.

Once a resident of the Early Acceptance Program, the resident has equal access to all common areas of campus, equal standing as a member of the residents' association, and equal access to The Forest's health care facilities.

Since the Early Acceptance Program does not include residency on campus, the array of services offered under the Early Acceptance Program are different than the services offered to residents who live on campus; therefore, the fee structure reflects those differences.

A. POLICIES

1. Admission – Health and Financial Criteria

Generally, all residents are required to live independently at the time of admission and to have the financial resources to pay the Entry Fee and Monthly Fees. Residents must be sixty-five (65) years of age at the time of admission. In the case of co-residents, one resident may be as young as sixty-two (62). Residents are also required to maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under their primary insurance policy. The resident's primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or the resident shall be responsible for services rendered that otherwise could be covered by insurance. The process for admission, and the financial and medical requirements are specifically outlined in the forms for admission given to every person interested in applying. The Forest may require updated financial or health information to ensure admission requirements continue to be met. The Forest reserves the right to refuse Early Acceptance Residency should requirements for admission not be met.

At the time the resident chooses to accept an accommodation on The Forest's campus, since time will have passed since the date of the original acceptance, The Forest reserves the right to seek updated medical and financial information in order to determine the appropriate level of care or the ability to live independently and to have maintained sufficient assets for any additional entry fee and higher monthly fees then in effect required for residency in the particular reserved residence.

2. Conditions of Termination

- a) Termination Within the Thirty (30) Day Right of Rescission Period – The resident may rescind the Early Acceptance Agreement (the "Agreement") prior to the Date of Financial Responsibility by giving written notice to The Forest within thirty (30) days following the later of the execution of the Agreement or the date that the resident received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. The resident may receive a refund equal to the funds paid toward the Entry Fee without interest. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.
- b) Termination After the Thirty (30) Day Right of Rescission Period – After the thirty (30) day rescission period and prior to the Date of Financial Responsibility, if the resident terminates the Agreement, the resident may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.
- c) Termination by the Resident – In addition to Section VIII A. 2a and b, the Agreement may be terminated by the resident in accordance with the following conditions: (i) the

Agreement will be terminated upon death; (ii) except in the case of death, the resident must give The Forest sixty (60) days written notice of the resident's intent to terminate the Agreement. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore, a refund is not applicable.

- d) Termination by The Forest – The Forest may terminate the Agreement with the resident if the resident breaches the Agreement, or if the resident fails to pay the Monthly Fee and any other ancillary charges, or fails to follow the standard policies of The Forest, or refuses to relocate as required by the Agreement, or engages in activities or conduct disruptive to the Community, or if the resident interferes with the health and safety of the Community, or the resident misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give the resident at least sixty (60) days written notice of termination.
- e) Termination Date – The Termination Date will be sixty (60) days following written notice, or in the case of death, the date of death. The resident will be required to continue paying the Monthly Fee until the Termination Date.

3. Conditions for Refund

- a) Termination of Agreement by Resident – The resident may be entitled to a refund of the Residence Fee. If termination of the Agreement occurs during the first twenty-five (25) months of the Agreement, the resident or their estate will be entitled to a partial refund of the Residence Fee. The resident or the estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that the Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- b) Termination of Agreement by The Forest – If The Forest terminates the Agreement pursuant to Section VIII. A 2d, the resident may be entitled to a refund of the Residence Fee. If termination of the Agreement occurs during the first twenty-five (25) months of the Agreement, the resident may be entitled to a partial refund of the Residence Fee. The resident will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that the Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- c) Payment of Refunds – Any refund of the Residence Fee will be paid within sixty (60) days after all outstanding charges due to The Forest by the resident have been paid. The Forest shall have the right to offset any costs and charges owed to The Forest with any refund due to the resident or their estate. Refunds will be paid to the resident, or in the event of death, to the resident's estate.
- d) Release Upon Termination – Upon termination of the Agreement, The Forest is released from any further obligations to the resident except for the payment of any refund which may be due under Sections VIII and IX of the Agreement.

4. Care Management and Transfers

Care Management – The Early Acceptance Agreement outlines the policies for Care Management in Section V, “Care Management and Transfers”, and should be consulted for a complete description of this policy. In part, Section V.A. makes the following provision:

The Forest shall furnish the following Care Management services to the resident by qualified staff to assist in decisions related to transfers to the Health and Wellness Center, special service facility or hospital. Staff members may assist with (i) assessing the resident’s needs, (ii) developing a plan of care with the resident to address needs that are identified, (iii) helping identify reputable providers in the area to whom the resident can be referred for services to meet those needs, and (iv) following up to ensure that those services are meeting the resident’s needs and the goals of the resident’s care plan. The assessments shall be conducted annually.

5. Financial Hardship

Section III. E. of the Early Acceptance Agreement makes the following provision for financial hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If a resident should encounter financial difficulty while participating in The Early Acceptance Program, the resident may apply for financial assistance. The Forest has limited financial assistance resources for this purpose. If, upon reviewing the resident’s financial resources, it is determined that through no fault of their own, the resident is unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize the resident’s Monthly Fee. If it is apparent to The Forest that the resident has voluntarily divested assets and resources, or has used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize the resident’s Monthly Fee, and may elect to terminate the Agreement if payments for all fees and charges are not received in a timely manner.

B. SERVICES

Standard Services Available

- Access to The Forest dining venues and catering facilities at the prevailing resident rate.
- Access to services and amenities in The Forest’s fitness center including consultation with fitness staff and a variety of exercise and wellness classes and support in development of personal health and fitness plan.
- Access to recreational, educational, cultural and spiritual programs.
- An annual health and wellness assessment.
- Access to Case Management Services for coordinating home care/companion care.
- Primary care services available during regularly scheduled office hours if resident selects The Forest as their primary care provider.
- The Forest’s Care Coordinator may assist the resident in arranging inpatient hospital care.

- Access to in-patient care in assisted living and skilled nursing care for temporary or permanent stays in The Forest's Health and Wellness Center as outlined in the Early Acceptance Agreement, Section VI and below in Section C. 3.

C. FEES

1. Entry Fee

The Early Acceptance Program Entry Fee is \$35,000 per resident. The Entry Fee is comprised of two parts: a \$25,000 Residence Fee refundable in accordance with Section IX of the Early Acceptance Agreement, plus a \$10,000 non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section VI of the Early Acceptance Agreement.

Full payment of the Entry Fee is due prior to the Date of Financial Responsibility.

In the event that the resident decides to move to The Forest and enter into a Residence and Care Agreement Following Early Acceptance, the entire amount of the Entry Fee will be applied towards the then prevailing Entry Fee for the residence selected.

2. Monthly Fee

The Early Acceptance Program Monthly Fee is \$950 per resident. Generally, the Monthly Fee covers the services outlined under "Standard Services Available" in Section VIII. B. The Monthly Fee does not include the cost of meals.

3. Health and Wellness Center Fees

The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to a resident when ordered by a physician. The health care services are provided based upon specific fee structure as outlined below:

- a) Pre-Paid Days: The resident is eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Financial Responsibility at The Forest. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which the resident has not occupied a Health and Wellness Center bed in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center when pre-paid days are available, the resident continues to pay the current Monthly Fee. After the pre-paid days have been used, the resident will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the Monthly Fee.
- b) Temporary Health and Wellness Center: When it is deemed by The Forest the resident is a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, the resident will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.

- c) Permanent Health and Wellness Center: When it is deemed by The Forest that the resident is a permanent resident of the Health and Wellness Center and after pre-paid days have been used, the resident will pay forty percent (40%) of the per diem rate for health care services published by The Forest. The Monthly Fee will no longer be paid.

IX. FACILITY DEVELOPMENT/EXPANSION

The Forest is in the stages of developing and examining a development plan for the existing Community. The first phase (Phase One) of the plan includes building a new ninety (90) bed health center that will replace the existing health center. Once the new health center is built, the second phase (Phase Two) contemplates the existing health center being razed and replaced by up to seventy-five (75) new independent living apartments, expanded community center with enhanced amenity spaces and parking.

While there are no guarantees that any component of the plan will be executed, The Board of Directors of The Forest approved proceeding with obtaining architectural schematic designs for both the new ninety (90) bed health center and the new independent living apartments. (Dec 2019)

The Phase One project design development, construction documentation and pricing are in process. The planned project is a replacement of the current facility with ninety (90) new units in a so-called “small house” format in a five-story, approximately 110,000 square foot building on the existing 47-acre campus. The small house model of care is designed around houses (or groups of rooms) in which each house has ten (10) private rooms each with a full bathroom and all common spaces and support areas located within the house. At completion, there will be a total of ninety (90) resident rooms distributed evenly across nine (9) houses.

The small house model will provide the same scope of services, each neighborhood will have a team that provides the care, residents will have short walking distances to increase level of independence, resident privacy, additional dining and fitness venues.

The financing is anticipated to close later in the second quarter. It is anticipated that site work could begin as early as June 2021, with the construction of the health center taking approximately 18 to 20 months from the date of financing.

The Phase One project is included in the Projected Financial Statements that are included in the Supplemental Disclosure in the Five Year Forecast, Exhibit D.

Phase Two of the plan includes the addition of up to seventy-five (75) new independent living apartments, enhanced amenity spaces and parking. Although the plan ultimately anticipates Phase Two, the timing of Phase Two is subject to variation and the scope of Phase Two can change materially from what is planned at this time. Phase Two has therefore not been considered in Management’s Supplemental Disclosure.

X. RESIDENCE AND CARE AGREEMENT

See attached, Exhibit E, for the Residence and Care Agreement. All persons interested in occupancy at The Forest should carefully review the Agreement and seek professional legal and financial advice prior to making a deposit.

EXHIBITS

- Exhibit A..... FYE 2020 Audited Statements by
Dixon Hughes Goodman LLP
- Exhibit B.....Internally-Generated Financial
Statements for the Period Ending
December 31, 2020
- Exhibit C.....Comparison of Actual FYE 2020
Results with Forecasted Proforma
Projections Included in March 1,
2020 Disclosure Statement
- Exhibit D.....Five Year Forecast 2021 – 2025
- Exhibit E.....Residence and Care Agreement
- Exhibit F.....Early Acceptance Agreement
- Exhibit G.....Residence and Care Agreement
Following Early Acceptance

Exhibit A

FYE 2020 Audited Statements by Dixon Hughes Goodman LLP



The Forest at Duke, Inc.

Financial Statements

September 30, 2020 and 2019

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Independent Auditors' Report

Board of Directors
The Forest at Duke, Inc.
Durham, North Carolina

We have audited the accompanying financial statements of The Forest at Duke, Inc. ("The Forest"), which comprise the balance sheets as of September 30, 2020 and 2019 and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Forest as of September 30, 2020 and 2019, and the results of its operations, change in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

New Accounting Pronouncements

As described in Note 1 to the financial statements, the Forest adopted Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities* and FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The primary impacts of adopting these ASU’s are further described in Note 1. Our opinion is not modified with respect to this matter.

Dixon Hughes Goodman LLP

Raleigh, NC
December 2, 2020

The Forest at Duke, Inc.
Balance Sheets
September 30, 2020 and 2019

| ASSETS | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 5,190,711 | \$ 7,162,225 |
| Assets limited as to use, current portion | 143,063 | 184,712 |
| Accounts and other receivables | 303,515 | 260,604 |
| Other current assets | <u>88,526</u> | <u>82,302</u> |
| Total current assets | 5,725,815 | 7,689,843 |
| Assets limited as to use, net of current portion | 9,298,936 | 9,276,288 |
| Investments | 23,371,451 | 19,565,759 |
| Other long-term assets | 86,304 | 86,304 |
| Property and equipment, net | <u>44,338,797</u> | <u>45,775,594</u> |
| Total assets | <u>\$ 82,821,303</u> | <u>\$ 82,393,788</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 508,428 | \$ 458,794 |
| Accrued expenses | 992,618 | 821,760 |
| Current portion of refundable entrance fees to residents | 1,647,749 | 1,603,408 |
| Current portion of bonds payable | <u>1,190,000</u> | <u>1,190,000</u> |
| Total current liabilities | 4,338,795 | 4,073,962 |
| Bonds payable, net of current portion and debt issuance costs | 15,371,016 | 16,538,863 |
| Deposits | 475,190 | 599,500 |
| Deferred revenue from non-refundable plan entrance fees | 38,781,114 | 39,256,897 |
| Refundable entrance fees to residents, net of current portion | <u>9,462,994</u> | <u>11,020,395</u> |
| Total liabilities | <u>68,429,109</u> | <u>71,489,617</u> |
| Net assets: | | |
| Without donor restrictions | 14,254,485 | 10,825,273 |
| With donor restrictions | <u>137,709</u> | <u>78,898</u> |
| Total net assets | <u>14,392,194</u> | <u>10,904,171</u> |
| Total liabilities and net assets | <u>\$ 82,821,303</u> | <u>\$ 82,393,788</u> |

The Forest at Duke, Inc.
Statements of Operations
Years Ended September 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Revenue, gain and other support: | | |
| Monthly service fees | \$ 15,966,898 | \$ 15,246,315 |
| Earned entrance fees | 5,577,197 | 4,769,010 |
| Clinic and health care center fees | 4,932,278 | 5,319,351 |
| Dining services income | 64,348 | 140,002 |
| Application fees | 18,600 | 29,100 |
| Other income | 182,253 | 307,970 |
| Net assets released from donor restrictions | <u>42,000</u> | <u>47,908</u> |
| Total revenue, gains and other support | <u>26,783,574</u> | <u>25,859,656</u> |
| Expenses: | | |
| Dining services | 4,430,852 | 4,594,492 |
| Housekeeping and laundry | 1,229,519 | 1,275,456 |
| Health care center and nursing | 4,890,700 | 5,028,017 |
| Wellness clinic | 610,040 | 628,308 |
| Resident life | 481,082 | 537,396 |
| Facility costs | 3,541,588 | 3,335,806 |
| Marketing | 580,378 | 621,767 |
| Early acceptance | 60,885 | - |
| General and administrative | 2,767,365 | 2,422,124 |
| Depreciation | 5,459,892 | 5,267,377 |
| Interest | <u>628,867</u> | <u>668,927</u> |
| Total operating expenses | <u>24,681,168</u> | <u>24,379,670</u> |
| Operating income | 2,102,406 | 1,479,986 |
| Nonoperating income (expense): | | |
| Interest and dividends | 696,676 | 694,569 |
| Realized gain on sale of investments | 136,252 | 44,893 |
| Net unrealized gains on investments and assets limited as to use | 1,235,950 | - |
| Community responsibility | (738,907) | (499,168) |
| Loss on disposal of equipment | <u>(3,165)</u> | <u>-</u> |
| Nonoperating income | <u>1,326,806</u> | <u>240,294</u> |
| Excess of revenues, gains and other support over expenses | 3,429,212 | 1,720,280 |
| Net unrealized gains on investments and assets limited as to use | <u>-</u> | <u>3,190</u> |
| Change in net assets without donor restrictions | <u>\$ 3,429,212</u> | <u>\$ 1,723,470</u> |

The Forest at Duke, Inc.
 Statements of Changes in Net Assets
 Years Ended September 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Net assets without donor restrictions: | | |
| Excess of revenues, gains and other support over expenses | \$ 3,429,212 | \$ 1,720,280 |
| Net unrealized gains on investments and assets limited as to use | <u>-</u> | <u>3,190</u> |
| Change in net assets without donor restrictions | <u>3,429,212</u> | <u>1,723,470</u> |
| Net assets with donor restrictions: | | |
| Contributions | 100,811 | 106,235 |
| Net assets released from donor restrictions | <u>(42,000)</u> | <u>(47,908)</u> |
| Change in net assets with donor restrictions | <u>58,811</u> | <u>58,327</u> |
| Change in net assets | 3,488,023 | 1,781,797 |
| Net assets, beginning of year | <u>10,904,171</u> | <u>9,122,374</u> |
| Net assets, end of year | <u>\$ 14,392,194</u> | <u>\$ 10,904,171</u> |

The Forest at Duke, Inc.
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

| | <u>2020</u> | <u>Adjusted 2019</u> |
|--|---------------------|--------------------------|
| Operating activities: | | |
| Change in net assets | \$ 3,488,023 | \$ 1,781,797 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Earned entrance fees | (5,577,197) | (4,769,010) |
| Net realized and unrealized gains on investments and assets limited as to use | (1,372,202) | (48,083) |
| Non-refundable plan entrance fees received | 5,045,844 | 7,251,742 |
| Depreciation | 5,459,892 | 5,267,377 |
| Amortization of bond issuance costs included in interest expense | 22,152 | 22,152 |
| Loss on disposal of equipment | 3,165 | - |
| Net changes in operating assets and liabilities: | | |
| Accounts and other receivables | (42,911) | 44,371 |
| Other current assets | (6,224) | (11,879) |
| Accounts payable | 198,614 | 24,444 |
| Accrued expenses | 170,858 | 66,393 |
| Net cash provided by operating activities | <u>7,390,014</u> | <u>9,629,304</u> |
| Investing activities: | | |
| Net change in assets limited as to use | 71,061 | (354,679) |
| Purchases of investments | (16,820,690) | (11,601,575) |
| Purchase of licenses | - | (86,304) |
| Proceeds from sale of investments | 14,387,200 | 8,650,310 |
| Purchase of property and equipment | (4,175,240) | (3,568,866) |
| Net cash used by investing activities | <u>(6,537,669)</u> | <u>(6,961,114)</u> |
| Financing activities: | | |
| Entrance fees refunded | (1,581,799) | (1,851,631) |
| Refundable entrance fees received | - | 509,119 |
| Principal payments on bonds payable | (1,190,000) | (1,150,000) |
| Net cash used by financing activities | <u>(2,771,799)</u> | <u>(2,492,512)</u> |
| Net change in cash, cash equivalents, and restricted cash | (1,919,454) | 175,678 |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>7,646,873</u> | <u>7,471,195</u> |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 5,727,419</u> | <u>\$ 7,646,873</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 610,172</u> | <u>\$ 650,117</u> |
| Supplemental disclosure of noncash investing and financing activity: | | |
| Purchase of property and equipment included in accounts payable | <u>\$ 29,600</u> | <u>\$ 178,580</u> |

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

The Forest at Duke, Inc. ("The Forest") is a non-profit, North Carolina corporation. The Forest owns and operates a continuing care retirement community in Durham, North Carolina, which consists of 249 independent living units and 92 health care facility beds.

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, except those included with assets limited as to use. Throughout the year The Forest has bank balances which exceed Federal Deposit Insurance Corporation limits. Restricted cash is included with cash and cash equivalents in the statements of cash flows.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total amounts shown in the statements of cash flows.

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 5,190,711 | \$ 7,162,225 |
| Assets as to use limited | <u>536,708</u> | <u>484,648</u> |
| Total cash, cash equivalents and restricted cash shown in statements of cash flows | <u>\$ 5,727,419</u> | <u>\$ 7,646,873</u> |

Assets Limited as to Use

Assets limited as to use are reported at fair value. Assets limited as to use needed for current liabilities have been classified as current assets on the balance sheets. Assets limited as to use include assets set aside for the following purposes:

- *The Department of Insurance (Operating Reserve)* - In accordance with North Carolina General Statute 58, Article 64-33, The Forest is required to maintain an operating reserve equal to 25% of the total operating costs (as defined) forecasted for the following year.
- *Funds Held by Trustee under Trust and Loan Agreements* - Funds held by trustee are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between The Forest and the North Carolina Medical Care Commission, these funds are deposited with the trustee.
- *Board Designated (Health Care Reserve)* - The health care reserve represents amounts paid by each resident as part of their entrance fee (\$8,000 before October 1, 2000, \$10,000 thereafter). The Board of Directors has designated these funds be maintained to help protect against escalating costs in The Forest's health care center.

The Forest at Duke, Inc.
Notes to Financial Statements

- *Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the benevolent fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors.

Investments

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks and mutual funds are measured at fair value in the balance sheets. Interest and dividends, realized gains (losses) on sale of investments, and other-than-temporary impairment loss on investments are reported as nonoperating income, and are included in excess of revenues, gains and other support over expenses. As of the year ended September 30, 2019, unrealized gains (losses) on investments and assets limited as to use are excluded from excess of revenues, gains and other support over expenses and are reported as other changes in the unrestricted net assets. The cost of securities sold is based on the average cost method, adjusted for any other-than-temporary impairment loss on investments and assets limited as to use. As of the year ended September 30, 2020, unrealized gains (losses) on investments and assets limited as to use are included in excess of revenues, gains and other support over expenses.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Interest cost incurred on borrowed funds during construction of capital assets is capitalized as a component of the cost of acquiring those assets. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Property and equipment is depreciated under the straight-line method by applying the following useful lives.

| | |
|---------------------------|------------|
| Land improvements | 5-25 years |
| Buildings | 30 years |
| Equipment and furnishings | 5-15 years |
| Vehicles | 4-6 years |

Debt Issuance Costs

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds, which is 15 years, and recorded as interest expense. The amortization approximates the effective interest rate method.

Deferred Revenue from Entrance Fees

Deferred revenue from entrance fees represents funds received from current residents, which have not yet been recognized as revenue, and refundable deposits received from potential residents.

Entrance fees vary based upon the size of the unit and the type of refund plan chosen by the resident. Two alternative entrance fee plans provide for refunds to residents from re-occupancy proceeds. Under the amortized plan, prior to 50 months of occupancy the resident would receive a refund equal to the entrance fee, less 2% per month of occupancy. The 50% refundable plan offers the resident a refund equal to 50% of the entrance fee after 25 months of occupancy. Prior to 25 months of occupancy, the resident is entitled to a refund of the entrance fee, less 2% per month of occupancy. The 90% refundable plan offers the resident a refund equal to 90% of the entrance fee after 5 months of occupancy. Prior to 5 months of occupancy, the resident is entitled to a refund of the entrance fee less 2% per month of occupancy. The 50% refundable plan and 90% refundable plan were discontinued in 2020

Refundable entrance fees to residents are classified as current based on a five-year running average of refunds paid. The remaining portion of refundable entrance fees to residents are classified as non-current.

Obligations to Provide Future Services

The Forest annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to nonoperating expense. The Forest was not required to record such a liability at September 30, 2020 and 2019.

Net Assets

The Forest reports net assets using the following classes; net assets without donor restrictions and net assets with donor restrictions depending on the presence of donor-imposed restrictions limiting The Forest's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Net assets with donor restrictions are restricted net assets whose donor imposed stipulations that may or will be met either by action from The Forest and/or the passage of time.

Excess of Revenues, Gains and Other Support Over Expenses

The statements of operations include excess of revenues, gains and other support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, include net assets released from restrictions for the purchase of property and equipment.

Donor Restrictions

The Forest reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from donor restrictions. The Forest reports gifts of property and equipment as net assets without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

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

Income Taxes

The Forest is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Forest has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2020 and 2019.

New Accounting Pronouncements

During 2020, the Forest adopted FASB ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. The primary impact of adopting ASU No. 2016-01 is the requirement to measure certain classes of equity securities at fair value with changes in fair value to be recognized in the performance indicator. The Forest has prospectively adopted the guidance in ASU No. 2016-01.

During 2020, the Forest adopted FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This guidance is intended to improve the classification and presentation of changes in restricted cash on the statements of cash flows and will provide more consistent application of U.S. GAAP by reducing diversity in practice. The ASU also requires an entity to disclose information about the nature of restricted cash. The statement of cash flows for the year ended September 30, 2019 has been adjusted to reflect the retrospective application of the new accounting guidance.

Subsequent Events

The Forest evaluated the effect subsequent events would have on the financial statements through December 2, 2020, which is the date the financial statements were issued.

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent and impact of the outbreak on the Forest's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's customers, employees and vendors, and government, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

No other events or transactions have occurred that would have a material effect on the financial statements.

2. Revenue Recognition

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

Monthly service fees:

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

Entrance fees:

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

Health care services:

In the facility, The Forest provides assisted living and nursing care to residents. The Forest is paid discounted daily rates for private pay services. These daily rates and other fees are billed in arrears monthly. For skilled nursing services provided under Medicare A guidelines, rates billed are predetermined from the Centers of

The Forest at Duke, Inc.
Notes to Financial Statements

Medicare and Medicaid Services (CMS). Under ASC Topic 606, revenue is recognized when the service is provided.

The Forest disaggregates its revenue from contracts with customers by payor source, as the Forest believes it best depicts how the nature, timing and uncertainty of its revenues and cash flows are affected by economic factors. However, the majority of revenue The Forest receives from health care services is private pay, while less than 3% are from 3rd party sources. See details on a reportable segment basis in the table below:

| | September 30, 2020 | | | |
|--------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|
| | Independent Living | Assisted Living | Skilled Nursing | Total |
| Private pay | \$ 20,621,999 | \$ 1,824,005 | \$ 3,660,770 | \$ 26,106,774 |
| Third party payors | 100,248 | 6,107 | 263,244 | 369,599 |
| Total | <u>\$ 20,722,247</u> | <u>\$ 1,830,112</u> | <u>\$ 3,924,014</u> | <u>\$ 26,476,373</u> |

| | September 30, 2019 | | | |
|--------------------|-------------------------------|----------------------------|----------------------------|-----------------------------|
| | Independent Living | Assisted Living | Skilled Nursing | Total |
| Private pay | \$ 19,109,213 | \$ 2,227,018 | \$ 3,316,981 | \$ 24,653,212 |
| Third party payors | 95,112 | 7,885 | 578,467 | 681,464 |
| Total | <u>\$ 19,204,325</u> | <u>\$ 2,234,903</u> | <u>\$ 3,895,448</u> | <u>\$ 25,334,676</u> |

3. Assets Limited as to Use and Investments

Assets were limited as to use for the following purposes at September 30:

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| Department of Insurance - operating reserve | \$ 5,183,000 | \$ 5,019,250 |
| Held by trustee under trust and loan agreements | 143,063 | 184,712 |
| Board designated: | | |
| Health Care reserve | 3,870,000 | 4,036,000 |
| Benevolent fund | 245,936 | 221,038 |
| Total assets limited as to use | 9,441,999 | 9,461,000 |
| Less assets limited as to use, current portion | (143,063) | (184,712) |
| Total assets limited as to use, net of current portion | <u>\$ 9,298,936</u> | <u>\$ 9,276,288</u> |

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

| | 2020 | 2019 |
|--|-----------------------------|-----------------------------|
| Fixed income | \$ 12,783,041 | \$ 10,857,908 |
| Equity | 14,651,255 | 12,921,230 |
| Cash funds and money market funds | 5,379,154 | 5,247,621 |
| Total assets limited as to use and investments | <u>\$ 32,813,450</u> | <u>\$ 29,026,759</u> |

Investment income for the years ended September 30 follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Interest and dividends | \$ 696,676 | \$ 694,569 |
| Realized gain on sale of investments | 136,252 | 44,893 |
| Net unrealized gains on investments and assets limited as to use | <u>1,235,950</u> | <u>3,190</u> |
| Total net investment income | <u>\$ 2,068,878</u> | <u>\$ 742,652</u> |

Investment income is shown net of investment fees of approximately \$126,000 and \$102,000 for the years ended September 30, 2020 and 2019, respectively.

4. Fair Value of Assets and Liabilities

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

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

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

Asset Measured at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 includes money market mutual funds, corporate obligations, U.S. Treasury obligations, common stocks and mutual funds. Level 2 investment securities include asset-backed securities for which quoted prices are not available in active markets for identical instruments. The Forest utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

The Forest at Duke, Inc.
Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy The Forest's assets accounted for at fair value at September 30, 2020 and 2019:

| | Fair Value of Financial Assets as of September 30, 2020 | | | |
|---|--|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market mutual funds | \$ 3,478,694 | \$ - | \$ - | \$ 3,478,694 |
| Corporate obligations | - | 5,832,012 | - | 5,832,012 |
| U.S. Treasury obligations | - | 4,195,615 | - | 4,195,615 |
| Asset-backed securities: | | | | |
| U.S. government | - | 1,492,634 | - | 1,492,634 |
| Corporate | - | 1,262,780 | - | 1,262,780 |
| Total money market funds and fixed income securities | <u>3,478,694</u> | <u>12,783,041</u> | <u>-</u> | <u>16,261,735</u> |
| Common stocks: | | | | |
| Consumer products | 1,654,315 | - | - | 1,654,315 |
| Energy | 171,583 | - | - | 171,583 |
| Financial | 758,235 | - | - | 758,235 |
| Health care | 1,061,305 | - | - | 1,061,305 |
| Industrials | 739,106 | - | - | 739,106 |
| Materials | 253,690 | - | - | 253,690 |
| Real estate | 130,294 | - | - | 130,294 |
| Technology | 2,364,400 | - | - | 2,364,400 |
| Telecommunication | 893,696 | - | - | 893,696 |
| Utilities | 193,710 | - | - | 193,710 |
| Total common stocks | <u>8,220,334</u> | <u>-</u> | <u>-</u> | <u>8,220,334</u> |
| Mutual funds: | | | | |
| International | 3,508,730 | - | - | 3,508,730 |
| Other | 2,922,191 | - | - | 2,922,191 |
| Total mutual funds | <u>6,430,921</u> | <u>-</u> | <u>-</u> | <u>6,430,921</u> |
| Total | <u>\$ 18,129,949</u> | <u>\$ 12,783,041</u> | <u>\$ -</u> | <u>\$ 30,912,990</u> |

The Forest has \$7,091,171 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2020, which is not included in the fair value hierarchy.

The Forest at Duke, Inc.
Notes to Financial Statements

| | Fair Value of Financial Assets as of September 30, 2019 | | | |
|---|--|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money market mutual funds | \$ 2,984,926 | \$ - | \$ - | \$ 2,984,926 |
| Corporate obligations | - | 3,000,653 | - | 3,000,653 |
| U.S. Treasury obligations | - | 6,376,173 | - | 6,376,173 |
| Asset-backed securities: | | | | |
| U.S. government | - | 1,014,804 | - | 1,014,804 |
| Corporate | - | 466,278 | - | 466,278 |
| Total money market funds and fixed income securities | <u>2,984,926</u> | <u>10,857,908</u> | <u>-</u> | <u>13,842,834</u> |
| Common stocks: | | | | |
| Consumer products | 1,250,112 | - | - | 1,250,112 |
| Energy | 319,107 | - | - | 319,107 |
| Financial | 970,656 | - | - | 970,656 |
| Health care | 991,994 | - | - | 991,994 |
| Industrials | 657,430 | - | - | 657,430 |
| Materials | 172,428 | - | - | 172,428 |
| Real estate | 231,580 | - | - | 231,580 |
| Technology | 1,596,665 | - | - | 1,596,665 |
| Telecommunication | 765,382 | - | - | 765,382 |
| Utilities | 219,385 | - | - | 219,385 |
| Total common stocks | <u>7,174,739</u> | <u>-</u> | <u>-</u> | <u>7,174,739</u> |
| Mutual funds: | | | | |
| International | 3,109,320 | - | - | 3,109,320 |
| Other | 2,637,171 | - | - | 2,637,171 |
| Total mutual funds | <u>5,746,491</u> | <u>-</u> | <u>-</u> | <u>5,746,491</u> |
| Total | <u>\$ 15,906,156</u> | <u>\$ 10,857,908</u> | <u>\$ -</u> | <u>\$ 26,764,064</u> |

The Forest has \$9,424,920 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2019, which is not included in the fair value hierarchy.

5. Property and Equipment

Property and equipment consist of the following at September 30:

| | 2020 | 2019 |
|-------------------------------|----------------------|----------------------|
| Land | \$ 6,111,141 | \$ 6,111,141 |
| Land improvements | 6,494,468 | 6,423,668 |
| Buildings | 65,697,223 | 65,387,270 |
| Equipment and furnishings | 34,393,292 | 32,489,307 |
| Vehicles | 635,779 | 625,954 |
| Construction in progress | <u>2,381,472</u> | <u>694,516</u> |
| | 115,713,375 | 111,731,856 |
| Less accumulated depreciation | <u>71,374,578</u> | <u>65,956,262</u> |
| Total property and equipment | <u>\$ 44,338,797</u> | <u>\$ 45,775,594</u> |

6. Bonds Payable

Bonds payable consist of the following at September 30:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|----------------------|
| Series 1994 Health Care Facilities First Mortgage Revenue Refunding Bonds with bonds due annually with interest rates as follows: 2016 - 2020; 6.25% | \$ - | \$ 25,000 |
| Series 2017 Retirement Facilities Refunding Revenue Bonds with bonds due annually with interest rate as follows: 2017 - 2032; 3.43% | <u>16,825,000</u> | <u>17,990,000</u> |
| Total bonds payable | 16,825,000 | 18,015,000 |
| Less current portion of bonds payable | (1,190,000) | (1,190,000) |
| Less debt issuance costs, net | <u>(263,984)</u> | <u>(286,137)</u> |
| Bonds payable, less current portion and debt issuance costs | <u>\$ 15,371,016</u> | <u>\$ 16,538,863</u> |

In August 2017, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities Refunding Revenue Bonds (The Forest at Duke), Series 2017 ("2017 Bonds") in the aggregate principal amount of \$20,210,000. The proceeds of the 2017 Bonds were used to refund the Series 2007 bonds.

Effective January 1, 2018, as a result of the Tax Cuts and Jobs Act, and by function of the debt agreements for tax law changes, the effective interest rate changed from 2.82% to 3.43%. Interest on the bonds is payable semi-annually on March 1 and September 1. All bonds are secured by substantially all of the property and equipment of The Forest. The trust indentures and loan agreements underlying the Series 1994 and Series 2017 bonds contain certain financial covenants including minimum long-term debt service coverage.

Annual principal maturities of bonds payable are as follows:

| | |
|------------|-----------------------------|
| 2021 | \$ 1,190,000 |
| 2022 | 1,225,000 |
| 2023 | 1,265,000 |
| 2024 | 1,305,000 |
| 2025 | 1,335,000 |
| Thereafter | <u>10,505,000</u> |
| | <u>\$ 16,825,000</u> |

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were \$137,709 and \$78,898 at September 30, 2020 and 2019, respectively. The net assets with donor restrictions are primarily restricted for employee education assistance and other miscellaneous purposes.

8. Retirement Plan

The Forest has a 403(b) defined contribution plan for all eligible employees. Under the terms of the Plan, employees may make voluntary before tax contributions, limited to amounts specified by the Internal Revenue Code. The Forest matches qualifying employees' contributions 100% up to 7% of gross salary. The Forest's contributions were approximately \$207,000 and \$173,000 for the years ended September 30, 2020 and 2019, respectively.

9. Professional Liability Insurance

The Forest is not currently involved in litigation related to professional liability claims. Management believes that if any claims were asserted, they would be settled within the limits of insurance coverage, which is on an occurrence basis, with limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

10. Liquidity and Availability

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

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

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

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

| <u>Asset Categories</u> | <u>2020</u> |
|--|----------------------|
| Cash and cash equivalents | \$ 5,190,711 |
| Accounts and other receivables | 303,515 |
| Investments and assets limited as to use | 32,813,450 |
| Less: Held by trustee | (143,063) |
| Less: Reserves required by state statute | (5,183,000) |
| Less: Restricted by donor | <u>(137,709)</u> |
| | <u>\$ 32,843,904</u> |

11. Functional Expenses

The costs of providing various program and support activities have been allocated among program, administrative and general expenses. Expenses are allocated on an equitable and consistent basis based upon a variety of factors including square footage, usage, and estimated time utilized. The following is a schedule of expenses by both natural classification and function for the year ended September 30, 2020 and 2019:

| | 2020 | | |
|---|-----------------------------|---------------------------------------|----------------------|
| | Program Services | Administrative and General | Total |
| Salaries and wages | \$ 7,686,098 | \$ 2,516,730 | \$ 10,202,828 |
| Employee benefits | 1,547,931 | 297,444 | 1,845,375 |
| Payroll taxes | 619,289 | 84,979 | 704,268 |
| Fees for services | 65,830 | 374,754 | 440,584 |
| Advertising and promotion | 109,073 | - | 109,073 |
| Office expenses | 855,588 | 431,411 | 1,286,999 |
| Information technology | 283,694 | 12,878 | 296,572 |
| Occupancy | 1,491,161 | - | 1,491,161 |
| Travel and vehicle maintenance | 43,572 | 21,570 | 65,142 |
| Interest | 628,866 | - | 628,866 |
| Depreciation | 5,459,892 | - | 5,459,892 |
| Insurance | 164,578 | - | 164,578 |
| Food | 1,478,818 | - | 1,478,818 |
| Medical supplies and ancillary services | 478,686 | - | 478,686 |
| Miscellaneous | <u>26,038</u> | <u>2,288</u> | <u>28,326</u> |
| Total expense | <u>\$ 20,939,114</u> | <u>\$ 3,742,054</u> | <u>\$ 24,681,168</u> |
| | | | |
| | 2019 | | |
| | Program Services | Administrative and General | Total |
| Salaries and wages | \$ 7,371,307 | \$ 2,353,040 | \$ 9,724,347 |
| Employee benefits | 1,662,838 | 334,573 | 1,997,411 |
| Payroll taxes | 609,243 | 76,300 | 685,543 |
| Fees for services | 93,713 | 482,932 | 576,645 |
| Advertising and promotion | 167,039 | - | 167,039 |
| Office expenses | 839,096 | 355,394 | 1,194,490 |
| Information technology | 215,431 | 11,221 | 226,652 |
| Occupancy | 1,544,546 | - | 1,544,546 |
| Travel and vehicle maintenance | 62,652 | 31,012 | 93,664 |
| Interest | 668,927 | - | 668,927 |
| Depreciation | 5,267,377 | - | 5,267,377 |
| Insurance | 178,869 | - | 178,869 |
| Food | 1,664,682 | - | 1,664,682 |
| Medical supplies and ancillary services | 337,806 | - | 337,806 |
| Miscellaneous | <u>40,948</u> | <u>10,724</u> | <u>51,672</u> |
| Total expense | <u>\$ 20,724,474</u> | <u>\$ 3,655,196</u> | <u>\$ 24,379,670</u> |

Exhibit B

Internally-Generated Financial Statements
For the Period Ending December 31, 2020

THE FOREST AT DUKE, INC.
Statement of Operations-Unaudited
For The Three Months Ending December 31, 2020

| | <u>Actual YTD</u> | <u>Budget YTD</u> | <u>Variance</u> |
|--|---------------------|--------------------|---------------------|
| Revenues: | | | |
| Monthly service fees | \$ 3,881,401 | \$ 3,861,702 | \$ 19,699 |
| Clinic and health care center fees | 1,102,117 | 1,410,843 | (308,726) |
| Other income | 6,040 | 78,129 | (72,089) |
| Total operating revenues | <u>4,989,558</u> | <u>5,350,674</u> | <u>(361,116)</u> |
| Expenses: | | | |
| General and administrative | 624,400 | 652,484 | 28,084 |
| Marketing | 153,886 | 181,613 | 27,727 |
| Early Acceptance | 19,190 | 25,837 | 6,647 |
| Wellness clinic | 164,102 | 154,997 | (9,105) |
| Health care center | 1,195,905 | 1,394,789 | 198,884 |
| The Forest at Home/Enhanced Living | - | 90,172 | 90,172 |
| Resident life | 126,020 | 131,874 | 5,854 |
| Dining services | 1,192,946 | 1,193,186 | 240 |
| Housekeeping and laundry | 335,025 | 341,525 | 6,500 |
| Maintenance | 345,136 | 374,020 | 28,884 |
| Security and transportation | 186,847 | 176,737 | (10,110) |
| Plant, insurance and utilities | 351,466 | 376,548 | 25,082 |
| Total operating expenses | <u>4,694,923</u> | <u>5,093,782</u> | <u>398,859</u> |
| Net operating revenues less operating expenses | 294,635 | 256,892 | 37,743 |
| Non-operating revenues: | | | |
| Earned entrance fees | 1,312,233 | 1,107,567 | 204,666 |
| Investment income: | | 162,501 | 1,879,322 |
| Interest and dividends | 162,509 | | |
| Realized gain / (loss) on sale of Investments | 53,720 | | |
| Net unrealized gains / (losses) on investments | 1,825,594 | | |
| Gift shop / donation revenue | 31,295 | | 31,295 |
| Total non-operating revenues | <u>3,385,351</u> | <u>1,270,068</u> | <u>2,115,283</u> |
| Non-operating expenses: | | | |
| Interest | 151,241 | 151,241 | - |
| Community responsibility | 22,555 | 54,624 | 32,069 |
| Gift shop / donation purchases | 3,859 | - | (3,859) |
| Depreciation | 1,382,049 | 1,391,001 | 8,952 |
| Total non-operating expenses | <u>1,559,704</u> | <u>1,596,866</u> | <u>37,162</u> |
| Net non-operating revenues less non-operating expenses | 1,825,647 | (326,798) | 2,152,445 |
| Change in net assets | <u>\$ 2,120,282</u> | <u>\$ (69,906)</u> | <u>\$ 2,190,188</u> |

THE FOREST AT DUKE, INC.
Balance Sheet - Unaudited
December 31, 2020

ASSETS

| | | |
|--|----|--------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ | 4,858,104 |
| Assets limited as to use, current portion | | 143,815 |
| Accounts and other receivables | | 310,434 |
| Other current assets | | 74,609 |
| Total current assets | | <u>5,386,962</u> |
| Assets limited as to use, net of current portion | | 9,328,618 |
| Investments | | 25,245,764 |
| Other long term assets | | 86,304 |
| Property and equipment, net | | 44,120,861 |
| Total assets | \$ | <u><u>84,168,509</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----|--------------------------|
| Current liabilities: | | |
| Accounts payable | \$ | 696,391 |
| Accrued expenses | | 944,993 |
| Current portion of bonds payable | | 1,190,000 |
| Total current liabilities | | <u>2,831,384</u> |
| Deferred revenue from entrance fees: | | |
| Deposits | | 718,926 |
| Deferred revenue from non-refundable plan entrance fees | | 37,903,426 |
| Refundable entrance fees to residents | | 11,110,743 |
| Bonds payable, net of current portion and issuance costs | | 15,091,554 |
| Total liabilities | | <u>67,656,033</u> |
| Net assets, beginning of year | | 14,392,194 |
| Net assets for period | | <u>2,120,282</u> |
| Total liabilities and net assets | \$ | <u><u>84,168,509</u></u> |

THE FOREST AT DUKE, INC.
Assets Limited as to Use
December 31, 2020

| | |
|--|----------------------------|
| Department of Insurance - operating reserve | \$ 5,287,000 |
| Held by trustee under trust and loan agreements | 143,815 |
| Board designated health care reserve | 3,772,000 |
| Board designated benevolent fund | <u>269,618</u> |
| Total assets limited as to use | 9,472,433 |
| Less assets limited as to use, current portion | <u>(143,815)</u> |
| Total assets limited as to use, net of current portion | <u><u>\$ 9,328,618</u></u> |

THE FOREST AT DUKE, INC.
Statement of Cash Flows - Unaudited
For The Three Months Ending December 31, 2020

| | |
|--|---------------------------|
| Operating activities: | |
| Change in net assets | 2,120,282 |
| Adjustments to reconcile change in net surplus to net cash provided by operating activities: | |
| Earned entrance fees | (1,312,233) |
| Net realized & unrealized (gain) loss on investments | (1,879,314) |
| Non-refundable plan entrance fees received | 678,280 |
| Depreciation | 1,382,049 |
| Amortization of bond issuance costs included in interest expense | 5,538 |
| Net changes in operating assets and liabilities: | |
| Accounts and other receivables | (6,919) |
| Other current assets | 13,917 |
| Accounts payable | 187,963 |
| Accrued expenses | (47,625) |
| Net cash provided by operating activities | <u>1,141,938</u> |
| Investing activities: | |
| Net change in assets limited as to use | (30,434) |
| Purchases of investments | (2,394,034) |
| Proceeds from sale of investments | 2,399,036 |
| Purchases of property & equipment | (1,164,113) |
| Net cash used by investing activities | <u>(1,189,545)</u> |
| Financing activities: | |
| Entrance fees refunded | - |
| Principal payments on bonds payable | (285,000) |
| Net cash used by financing activities | <u>(285,000)</u> |
| Net change in cash and cash equivalents | (332,607) |
| Cash and cash equivalents, beginning of year | 5,190,711 |
| Cash and cash equivalents, end of period | <u><u>\$4,858,104</u></u> |

Exhibit C

Comparison of Actual FYE 2020 Results with Forecasted Proforma Projections in
March 1, 2020 Disclosure Statement

The Forest at Duke
Comparison of Actual Results with Forecasted Proforma Projections
September 30, 2020

| STATEMENTS OF OPERATIONS | Actual 2020 | Forecast 2020 * | \$ Variance Over (Under) | % Variance Over (Under) | Notes |
|--|------------------------|----------------------------|-------------------------------------|------------------------------------|--------------|
| Revenue, gain and other support: | | | | | |
| Monthly service fees | \$ 15,966,898 | 15,906,000 | 60,898 | 0.4% | |
| Early Acceptance monthly fees | - | 68,000 | (68,000) | -100.0% | (1) |
| Earned entrance Fees | 5,577,197 | 4,435,000 | 1,142,197 | 25.8% | (2) |
| Early Acceptance earned entrance fees | - | 42,000 | (42,000) | -100.0% | (1) |
| Clinic and health care center fees | 4,932,278 | 5,534,000 | (601,722) | -10.9% | (3) |
| Other income | 307,201 | 407,000 | (99,799) | -24.5% | |
| Total revenue, gain and other support | <u>26,783,574</u> | <u>26,392,000</u> | | | |
| Expenses: | | | | | |
| General and administrative expenses | 2,767,365 | 2,446,000 | 321,365 | 13.1% | |
| Dining services | 4,430,852 | 4,585,000 | (154,148) | -3.4% | |
| Housekeeping and laundry | 1,229,519 | 1,262,000 | (32,481) | -2.6% | |
| Health care center and nursing | 4,890,700 | 5,285,000 | (394,300) | -7.5% | |
| Wellness clinic | 610,040 | 593,000 | 17,040 | 2.9% | |
| Resident life | 481,082 | 526,000 | (44,918) | -8.5% | |
| Plant facility costs | 3,541,588 | 3,635,000 | (93,412) | -2.6% | |
| Marketing | 580,378 | 726,000 | (145,622) | -20.1% | |
| Early Acceptance care management | 60,885 | 40,000 | 20,885 | 52.2% | (4) |
| Depreciation | 5,459,892 | 5,380,000 | 79,892 | 1.5% | |
| Interest | 628,867 | 629,000 | (133) | 0.0% | |
| Total operating expenses | <u>24,681,168</u> | <u>25,107,000</u> | | | |
| Operating income | 2,102,406 | 1,285,000 | | | |
| Non-operating income (expense): | | | | | |
| Investment Income | 696,676 | 1,028,000 | (331,324) | -32.2% | (5) |
| Realized gains | 136,252 | 100,000 | 36,252 | 36.3% | (5) |
| Loss on disposal of equipment | (3,165) | - | (3,165) | #DIV/0! | |
| Community responsibility | (738,907) | (219,000) | 519,907 | 237.4% | (6) |
| Net non-operating income | <u>90,856</u> | <u>909,000</u> | | | |
| Excess of revenues, gains and other support over expenses | 2,193,262 | 2,194,000 | | | |
| Net unrealized gains on investments and assets limited as to use | 1,235,950 | - | 1,235,950 | #DIV/0! | (5) |
| Change in net assets without donor restrictions | <u>3,429,212</u> | <u>2,194,000</u> | | | |

* Forecasted Financial Statements Included in March 1, 2020 Disclosure Statement dated 1/16/2020

Notes to Revenue and Expense Variances:

The Forest at Duke considers any variance of 25% or \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective and current residents.

- (1) New program approved in March 2020. Delayed launch of program to next fiscal year.
- (2) Actual termination income greater than in projections for contracts terminated during FYE 2020.
- (3) Less occupancy in health center as response to pandemic. In order to more safely care for our residents and prevent the spread of COVID-19, The Forest utilized an 8-room neighborhood to isolate residents and did not bill them for utilizing those rooms as they were isolating.
- (4) Actual start-up costs for program were larger than forecasted.
- (5) Unrealized gain or loss on investments is included in investment income in the projections. At year-end, mark to market adjustment was \$1.2 M.
- (6) More cash support was provided to The Forest at Duke's community partners in line with social accountability goals.

The Forest at Duke
Comparison of Actual Results with Forecasted Proforma Projections
September 30, 2020

| <u>ASSETS</u> | <u>Actual 2020</u> | <u>Forecast 2020 *</u> | <u>\$ Variance Over (Under)</u> | <u>% Variance Over (Under)</u> | <u>Notes</u> |
|---|------------------------|----------------------------|-------------------------------------|------------------------------------|--------------|
| Current assets: | | | | | |
| Cash and equivalents | \$ 5,190,711 | 7,377,000 | (2,186,289) | -29.6% | (1) |
| Assets limited as to use, current portion | 143,063 | 185,000 | (41,937) | -22.7% | |
| Accounts and other receivables | 303,515 | 294,000 | 9,515 | 3.2% | |
| Other current assets | <u>88,526</u> | <u>85,000</u> | 3,526 | 4.1% | |
| Total current assets | <u>5,725,815</u> | <u>7,941,000</u> | | | |
| Assets limited to use, net of current portion | 9,298,936 | 9,276,000 | 22,936 | 0.2% | |
| Investments | 23,371,451 | 25,092,000 | (1,720,549) | -6.9% | |
| Other long-term assets | 86,304 | 86,000 | 304 | 0.4% | |
| Property and equipment, net | <u>44,338,797</u> | <u>42,896,000</u> | 1,442,797 | 3.4% | |
| Total assets | <u>82,821,303</u> | <u>85,291,000</u> | | | |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 508,428 | 477,000 | 31,428 | 6.6% | |
| Accrued expenses | 992,618 | 855,000 | 137,618 | 16.1% | |
| Current portion of refundable entrance fees to residents | 1,647,749 | - | 1,647,749 | #DIV/0! | (2) |
| Current portion of bonds payable | <u>1,190,000</u> | <u>1,190,000</u> | - | 0.0% | |
| Total current liabilities | 4,338,795 | 2,522,000 | | | |
| Bonds payable, net of current portion and debt issuance costs | 15,371,016 | 15,368,000 | 3,016 | 0.0% | |
| Deferred revenue from entrance fees: | | | | | |
| Deposits | 475,190 | 606,000 | (130,810) | -21.6% | |
| Non-refundable plan entrance fees | 38,781,114 | 41,081,000 | (2,299,886) | -5.6% | |
| Non-refundable plan entrance fees - Early Acceptance | - | 1,031,000 | (1,031,000) | -100.0% | (3) |
| Refundable entrance fees to residents | <u>9,462,994</u> | <u>11,579,000</u> | (2,116,006) | -18.3% | |
| Total liabilities | <u>68,429,109</u> | <u>72,187,000</u> | | | |
| Net assets: | | | | | |
| Without donor restrictions | 14,254,485 | 13,019,000 | 1,235,485 | -9.5% | |
| With donor restrictions | 137,709 | 85,000 | 52,709 | 62.0% | |
| Total net assets | <u>14,392,194</u> | <u>13,104,000</u> | | | |
| Total liabilities and net assets | <u>82,821,303</u> | <u>85,291,000</u> | | | |

* Forecasted Financial Statements Included in March 1, 2020 Disclosure Statement dated 1/16/2020

Notes to Balance Sheet Variances:

The Forest at Duke considers any variance of 25% and \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective and current residents.

- (1) See detail on Statement of Cash Flows.
- (2) This balance is not broken out between current and non-current in the projections.
- (3) New program approved March 2020. Delayed launch of program to next fiscal year.

The Forest at Duke
Comparison of Actual Results with Forecasted Proforma Projections
September 30, 2020

| <u>STATEMENTS OF CASH FLOWS</u> | <u>Actual 2020</u> | <u>Forecast 2020 *</u> | <u>\$ Variance Over (Under)</u> | <u>% Variance Over (Under)</u> | <u>Notes</u> |
|---|------------------------|----------------------------|-------------------------------------|------------------------------------|--------------|
| Operating activities: | | | | | |
| Change in net assets | \$ 3,488,023 | 2,194,000 | 1,294,023 | 59% | (1) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Earned entrance fees | (5,577,197) | (4,435,000) | (1,142,197) | -26% | (2) |
| Early Acceptance earned entrance fees | - | (42,000) | 42,000 | 100% | |
| Net realized and unrealized gains on investments and assets limited as to use | (1,372,202) | - | (1,372,202) | #DIV/0! | (3) |
| Non-refundable entrance fees received | 5,045,844 | 6,259,000 | (1,213,156) | -19% | |
| Early Acceptance entrance fees received | - | 1,088,000 | (1,088,000) | -100% | (2) |
| Depreciation | 5,459,892 | 5,380,000 | 79,892 | 1% | |
| Amortization of bond issuance costs included in interest expense | 22,152 | 19,000 | 3,152 | 17% | |
| Net assets released from restriction | - | 6,000 | (6,000) | 100% | |
| Loss on disposal of equipment | 3,165 | - | 3,165 | #DIV/0! | |
| Net changes in operating assets and liabilities: | | | | | |
| Accounts and other receivables | (42,911) | (33,000) | (9,911) | -30% | |
| Other current assets | (6,224) | (3,000) | (3,224) | -107% | |
| Accounts payable | 198,614 | 18,000 | 180,614 | 1003% | |
| Deposits | - | 7,000 | (7,000) | -100% | |
| Accrued expenses | 170,858 | 33,000 | 137,858 | 418% | |
| Net cash provided by operating activities | <u>7,390,014</u> | <u>10,491,000</u> | | | |
| Investing activities: | | | | | |
| Net change in assets limited as to use | 19,001 | - | 19,001 | #DIV/0! | |
| Net change in investments | (2,433,490) | (5,526,000) | 3,092,510 | 56% | (3) |
| Purchase of property and equipment | (4,175,240) | (2,500,000) | (1,675,240) | -67% | (4) |
| Net cash used by investing activities | <u>(6,589,729)</u> | <u>(8,026,000)</u> | | | |
| Financing activities: | | | | | |
| Entrance fees refunded | (1,581,799) | (1,045,000) | (536,799) | -51% | (5) |
| Early Acceptance entrance fee refunds | - | (15,000) | 15,000 | 100% | |
| Principal payments on bonds payable | (1,190,000) | (1,190,000) | - | 0% | |
| Net cash used by financing activities | <u>(2,771,799)</u> | <u>(2,250,000)</u> | | | |
| Net change in cash and cash equivalents | (1,971,514) | 215,000 | | | |
| Cash and cash equivalents, beginning of year | <u>7,162,225</u> | <u>7,162,000</u> | | | |
| Cash and cash equivalents, end of year | <u>5,190,711</u> | <u>7,377,000</u> | | | |

* Forecasted Financial Statements Included in March 1, 2020 Disclosure Statement dated 1/16/2020

Notes to Statement of Cash Flow Variances:

The Forest at Duke considers any variance of 25% and \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective and current residents.

- (1) Actual change in net assets greater than forecasted primarily due to investment activity and termination income.
- (2) New program approved in March 2020. Delayed launch of program to next fiscal year.
- (3) Investment activity is projected on a net basis.
- (4) Actual results include costs associated with health center project recorded as Construction in Progress.
- (5) More refunds paid than projected on terminated contracts.

Exhibit D

Five Year Forecast 2021 - 2025

THE FOREST AT DUKE, INC.

FORECASTED FINANCIAL STATEMENTS

For the Years Ending September 30, 2021 through 2025

THE FOREST AT DUKE, INC.
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For the Years Ending September 30, 2021 Through 2025

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
The Forest at Duke, Inc.

We have compiled the accompanying forecasted balance sheets, forecasted statements of operations, changes in net assets, cash flows, and the schedules of debt service coverage ratios of The Forest at Duke, Inc. as of September 30, 2021 through 2025, and for the years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projected information in the supplemental disclosure is not part of the forecast and is presented for additional analysis and should not be used for any other purpose. Such information is the responsibility of management and has not been subjected to the procedures applied in the compilation of the forecast. We do not express an opinion, a conclusion, or provide any assurance on such information. Furthermore, even if The Forest at Duke replaces their existing healthcare center (the "Hypothetical Assumptions"), there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material.

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts
February 3, 2021

THE FOREST AT DUKE, INC.

Forecasted Balance Sheets At September 30, 2021 through 2025 (Dollars in Thousands)

| ASSETS | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 6,312 | \$ 6,765 | \$ 7,284 | \$ 7,842 | \$ 8,421 |
| Assets limited as to use, current portion | 143 | 143 | 143 | 143 | 143 |
| Accounts and other receivables | 288 | 292 | 301 | 312 | 324 |
| Other current assets | 93 | 97 | 101 | 105 | 109 |
| Total current assets | <u>6,836</u> | <u>7,297</u> | <u>7,829</u> | <u>8,402</u> | <u>8,997</u> |
| Assets limited as to use, net of current portion | | | | | |
| Operating reserve | 5,287 | 5,479 | 5,680 | 5,891 | 6,105 |
| Other assets limited as to use | 4,012 | 3,820 | 3,619 | 3,408 | 3,194 |
| Investments | 24,496 | 27,738 | 31,117 | 34,519 | 38,026 |
| Other long-term assets | 86 | 86 | 86 | 86 | 86 |
| Property and equipment, net | <u>41,311</u> | <u>38,322</u> | <u>36,422</u> | <u>34,664</u> | <u>33,088</u> |
| Total assets | <u>\$ 82,028</u> | <u>\$ 82,742</u> | <u>\$ 84,753</u> | <u>\$ 86,970</u> | <u>\$ 89,496</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 528 | \$ 549 | \$ 571 | \$ 594 | \$ 618 |
| Accrued expenses | 1,033 | 1,074 | 1,117 | 1,162 | 1,208 |
| Current portion of bonds payable | <u>1,225</u> | <u>1,265</u> | <u>1,305</u> | <u>1,335</u> | <u>1,375</u> |
| Total current liabilities | 2,786 | 2,888 | 2,993 | 3,091 | 3,201 |
| Bonds payable, net of current portion and debt issuance costs | 14,168 | 12,925 | 11,642 | 10,329 | 8,976 |
| Deferred revenue from entrance fees: | | | | | |
| Deposits | 482 | 489 | 496 | 503 | 510 |
| Non-refundable plan entrance fees | 37,142 | 38,546 | 40,267 | 42,011 | 43,749 |
| Non-refundable plan entrance fees - Early Acceptance | 1,013 | 966 | 966 | 984 | 1,001 |
| Refundable entrance fees to residents | <u>10,153</u> | <u>9,110</u> | <u>8,030</u> | <u>6,926</u> | <u>5,794</u> |
| Total liabilities | <u>65,744</u> | <u>64,924</u> | <u>64,394</u> | <u>63,844</u> | <u>63,231</u> |
| Net assets: | | | | | |
| Without donor restrictions | 16,134 | 17,656 | 20,185 | 22,940 | 26,067 |
| With donor restrictions | <u>150</u> | <u>162</u> | <u>174</u> | <u>186</u> | <u>198</u> |
| Total net assets | <u>16,284</u> | <u>17,818</u> | <u>20,359</u> | <u>23,126</u> | <u>26,265</u> |
| Total liabilities and net assets | <u>\$ 82,028</u> | <u>\$ 82,742</u> | <u>\$ 84,753</u> | <u>\$ 86,970</u> | <u>\$ 89,496</u> |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Forecasted Statements of Operations For the Years Ending September 30, 2021 through 2025 (Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues, gains and other support: | | | | | |
| Monthly service fees | \$ 15,263 | \$ 15,557 | \$ 16,100 | \$ 16,705 | \$ 17,359 |
| Early Acceptance monthly fees | 142 | 356 | 370 | 385 | 400 |
| Earned entrance fees | 4,596 | 4,373 | 4,367 | 4,426 | 4,525 |
| Early Acceptance earned entrance fees | 37 | 86 | 88 | 90 | 93 |
| Clinic and health care center fees | 5,749 | 5,773 | 5,883 | 6,068 | 6,297 |
| Home care/enhanced living | 460 | 478 | 497 | 517 | 538 |
| Other income | 313 | 325 | 338 | 352 | 366 |
| Net assets released from restriction | 43 | 44 | 45 | 46 | 47 |
| Total revenues, gains and other support | <u>26,603</u> | <u>26,992</u> | <u>27,688</u> | <u>28,589</u> | <u>29,625</u> |
| Expenses: | | | | | |
| Dining services | 4,591 | 4,775 | 4,966 | 5,164 | 5,371 |
| Housekeeping | 1,192 | 1,240 | 1,289 | 1,341 | 1,395 |
| Laundry | 95 | 99 | 103 | 107 | 111 |
| Health care center and nursing | 5,262 | 5,472 | 5,691 | 5,919 | 6,156 |
| Home care/enhanced living | 342 | 355 | 369 | 384 | 400 |
| Wellness clinic | 609 | 633 | 658 | 685 | 712 |
| Resident life | 503 | 523 | 544 | 566 | 589 |
| Plant facility costs | 3,623 | 3,767 | 3,918 | 4,075 | 4,238 |
| Marketing | 702 | 730 | 759 | 790 | 821 |
| General and administrative | 2,496 | 2,596 | 2,700 | 2,808 | 2,920 |
| Early Acceptance care management | 98 | 99 | 100 | 101 | 102 |
| Depreciation | 5,528 | 5,589 | 4,604 | 4,570 | 4,501 |
| Interest | 588 | 546 | 502 | 460 | 412 |
| Total operating expenses | <u>25,629</u> | <u>26,424</u> | <u>26,203</u> | <u>26,970</u> | <u>27,728</u> |
| Operating income | 974 | 568 | 1,485 | 1,619 | 1,897 |
| Non-operating income (expenses): | | | | | |
| Interest and dividends | 1,125 | 1,181 | 1,280 | 1,382 | 1,486 |
| Realized gain on sale of investments | - | - | - | - | - |
| Community responsibility | (219) | (227) | (236) | (246) | (256) |
| Contributions/gifts | - | - | - | - | - |
| Total non-operating income | <u>906</u> | <u>954</u> | <u>1,044</u> | <u>1,136</u> | <u>1,230</u> |
| Excess of revenues, gains and other support over expenses | <u>1,880</u> | <u>1,522</u> | <u>2,529</u> | <u>2,755</u> | <u>3,127</u> |
| Net unrealized gains (losses) on investments and assets limited as to use | - | - | - | - | - |
| Change in net assets without donor restrictions | <u>\$ 1,880</u> | <u>\$ 1,522</u> | <u>\$ 2,529</u> | <u>\$ 2,755</u> | <u>\$ 3,127</u> |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Forecasted Statements of Changes in Net Assets For the Years Ending September 30, 2021 through 2025 (Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets without donor restrictions: | | | | | |
| Excess of revenues, gains and other support over expenses | \$ 1,880 | \$ 1,522 | \$ 2,529 | \$ 2,755 | \$ 3,127 |
| Net unrealized gains (losses) on investments and assets limited as to use | - | - | - | - | - |
| Change in net assets without donor restrictions | 1,880 | 1,522 | 2,529 | 2,755 | 3,127 |
| Net assets with donor restrictions | | | | | |
| Contributions/Gifts | 55 | 56 | 57 | 58 | 59 |
| Net assets released from donor restrictions | (43) | (44) | (45) | (46) | (47) |
| Change in temporarily restricted net assets | 12 | 12 | 12 | 12 | 12 |
| Change in net assets | 1,892 | 1,534 | 2,541 | 2,767 | 3,139 |
| Net assets, beginning of year | 14,392 | 16,284 | 17,818 | 20,359 | 23,126 |
| Net assets, end of year | \$ 16,284 | \$ 17,818 | \$ 20,359 | \$ 23,126 | \$ 26,265 |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Forecasted Statements of Cash Flows For the Years Ending September 30, 2021 through 2025 (Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|----------|----------|----------|----------|----------|
| Operating activities: | | | | | |
| Change in unrestricted net assets | \$ 1,880 | \$ 1,522 | \$ 2,529 | \$ 2,755 | \$ 3,127 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Earned entrance fees | (4,596) | (4,373) | (4,367) | (4,426) | (4,525) |
| Early Acceptance earned entrance fees | (37) | (86) | (88) | (90) | (93) |
| Net realized and unrealized gains on investments and assets limited as to use | - | - | - | - | - |
| Non-refundable plan entrance fees received | 2,421 | 5,777 | 6,088 | 6,170 | 6,263 |
| Early Acceptance entrance fees received | 1,050 | 109 | 114 | 118 | 123 |
| Depreciation | 5,528 | 5,589 | 4,604 | 4,570 | 4,501 |
| Amortization of bond issuance costs | 22 | 22 | 22 | 22 | 22 |
| Net assets released from restrictions | 12 | 12 | 12 | 12 | 12 |
| Net changes in operating assets and liabilities: | | | | | |
| Accounts and other receivables | 15 | (4) | (9) | (11) | (12) |
| Other current assets | (4) | (4) | (4) | (4) | (4) |
| Accounts payable | 20 | 21 | 22 | 23 | 24 |
| Deposits | 7 | 7 | 7 | 7 | 7 |
| Accrued expenses | 40 | 41 | 43 | 45 | 46 |
| Net cash provided by operating activities | 6,358 | 8,633 | 8,973 | 9,191 | 9,491 |
| Investing activities: | | | | | |
| Net change in assets limited as to use | - | - | - | - | - |
| Net change in investments | (1,125) | (3,242) | (3,379) | (3,402) | (3,507) |
| Purchase of property and equipment | (2,500) | (2,600) | (2,704) | (2,812) | (2,925) |
| Net cash used by investing activities | (3,625) | (5,842) | (6,083) | (6,214) | (6,432) |
| Financing activities: | | | | | |
| Entrance fees refunded | (958) | (1,043) | (1,080) | (1,104) | (1,132) |
| Early Acceptance entrance fee refunds | - | (70) | (26) | (10) | (13) |
| Principal payments on bonds payable | (1,190) | (1,225) | (1,265) | (1,305) | (1,335) |
| Net cash used by financing activities | (2,148) | (2,338) | (2,371) | (2,419) | (2,480) |
| Net increase in cash and cash equivalents | 585 | 453 | 519 | 558 | 579 |
| Cash and cash equivalents, beginning of year | 5,727 | 6,312 | 6,765 | 7,284 | 7,842 |
| Cash and cash equivalents, end of year | \$ 6,312 | \$ 6,765 | \$ 7,284 | \$ 7,842 | \$ 8,421 |
| Supplemental disclosure of cash flow information | | | | | |
| Cash paid for interest | \$ 610 | \$ 566 | \$ 524 | \$ 480 | \$ 438 |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Forecasted Schedules of Debt Service Coverage Ratios For the Years Ending September 30, 2021 through 2025

(Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|----------|----------|----------|----------|----------|
| Excess of revenues, gains and other support over expenses | \$ 1,880 | \$ 1,522 | \$ 2,529 | \$ 2,755 | \$ 3,127 |
| Deduct earned entrance fees | (4,633) | (4,459) | (4,455) | (4,516) | (4,618) |
| Add: | | | | | |
| Depreciation and amortization | 5,528 | 5,589 | 4,604 | 4,570 | 4,501 |
| Interest expense | 588 | 546 | 502 | 460 | 412 |
| Entry fees received, net of refunds | 2,513 | 4,773 | 5,096 | 5,174 | 5,241 |
| Funds available for debt service | \$ 5,876 | \$ 7,971 | \$ 8,276 | \$ 8,443 | \$ 8,663 |
| Maximum annual debt service | \$ 1,800 | \$ 1,800 | \$ 1,756 | \$ 1,749 | \$ 1,745 |
| Debt service coverage ratio | 3.26 | 4.43 | 4.71 | 4.83 | 4.96 |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

This financial forecast presents, to the best of the management's knowledge and belief, the expected financial position, results of operations, and cash flows of The Forest at Duke, Inc. (the Corporation) for the forecast period. Accordingly, the forecast reflects management's judgment as of February 3, 2021, the date of this forecast, of the expected conditions and its expected course of action. This report was prepared for The Forest at Duke, Inc.'s management and for inclusion in its disclosure statement to be filed with the Department of Insurance and should not be used for other purposes. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Summary of Significant Accounting Policies:

Organization

The Forest at Duke, Inc. ("the Corporation") is a North Carolina not-for-profit corporation established in 1988 for the purpose of establishing, conducting, maintaining, leasing, and operating retirement, health, and life care facilities which provide for the special needs of the elderly. Its principal activity is providing the housing, dining, health care, and other services and facilities needed for persons of retirement age to enable them to live safe, useful, financially secure, and independent lives.

The Corporation currently owns and operates a continuing care retirement community known as The Forest at Duke, located in Durham, North Carolina. The community consists of 154 residential apartments and 95 cottages (collectively, the independent living units); a health care center consisting of 34 adult care beds (assisted living units) and 58 nursing beds; and a community center.

The community center includes the following amenities:

- community, private and cafe dining areas;
- social lounges;
- swimming pool and game room;
- beauty and barbershop;
- arts and crafts studios, gift shop, library;
- administrative offices;
- auditorium and classroom.

Residence and Care Agreement

The Corporation accepts residents who are at least 65 years old who are able to care for themselves with limited or no assistance and who demonstrate the financial ability to meet the Corporation's fee requirements. A co-resident must be at least 62 years old. Residents are required to pay an initial entry fee and a monthly service fee. These fees entitle the resident to the lifetime use of an independent living unit or an assisted living/nursing bed at a reduced per diem rate. It also includes level-of-care specific services and amenities such as: dining services; utilities, except telephone; 24-hour security; housekeeping services; maintenance and trash removal; recreational activities; parking; scheduled transportation; and 24-hour emergency call service.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Summary of Significant Accounting Policies (continued):

Residence and Care Agreement

The initial entry fee consists of two components: a \$10,000 nonrefundable Health Care Reserve Payment and a partially refundable Residence Fee. The amount of the Residence Fee varies with the size of the unit and the type of Residence Fee Refund Plan chosen by the resident. Upon termination of the Residence and Care Agreement, the Amortized Residence Fee Plan provides a refund equal to the fee paid less 2% per month of occupancy. Under the 50% Refundable Residence Fee Plan, 2% of the fee accrues to the Corporation each month for 25 months. Thereafter, the resident is entitled to a refund of 50% of the fee paid. Under the 90% Refundable Residence Fee Plan, 2% of the fee accrues to the Corporation for the first five months. Thereafter, the resident is entitled to a refund of 90% of the entrance fee. Effective March 1, 2020, The Forest no longer offers the 50% and 90% Residence Fee Refundable Plans. Under all of the plans, refunds are paid upon occupancy of the former resident's unit by another resident.

If a resident is unable to live independently within the range of services provided in the independent living units, as determined by the Corporation's Health Maintenance Committee, the resident is transferred to the health care center. If the transfer is considered permanent, the resident's independent living unit becomes available for occupancy by another resident; however, no refund of the entry fee is paid to the transferring resident until death (death of both residents, if they entered the Forest as a couple) or other termination of the Residence and Care Agreement. If the resident recovers sufficiently to resume independent living, a similar or alternative independent living unit is made available for the resident's use, subject to availability.

The monthly service fees, which vary by unit size and occupancy, may be adjusted at the sole discretion of the Corporation.

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, except those included with assets limited as to use.

Assets Limited as to Use

Assets limited as to use are reported at fair market value. Assets limited as to use needed for current liabilities have been classified as current assets on the balance sheets. Assets limited as to use include assets set aside for the following purposes:

- *The Department of Insurance (Operating Reserve)* - In accordance with North Carolina General Statute 58, Article 64-33, The Forest is required to maintain an operating reserve equal to 25% of the total operating costs (as defined) forecasted for the following year.
- *Funds Held by Trustee under Trust and Loan Agreements* - Funds held by trustee are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between The Forest and the North Carolina Medical Care Commission, these funds are deposited with the trustee.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Summary of Significant Accounting Policies (continued):

Assets Limited as to Use

- *Board Designated (Health Care Reserve)* - The health care reserve represents amounts paid by each resident as part of their entrance fee (\$10,000). The Board of Directors has designated these funds be maintained to help protect against escalating costs in The Forest's health care center.
- *Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the benevolent fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors.

Investments

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks and mutual funds are measured at fair market value in the balance sheets. Interest and dividends, realized gain on sale of investments, and other-than-temporary impairment loss on investments are reported as non-operating income, and are included in excess of revenues, gains and other support over expenses. Unrealized gains (losses) on investments and assets limited as to use are excluded from excess of revenues, gains and other support over expenses and are reported as other changes in the unrestricted net assets. The cost of securities sold is based on the average cost method, adjusted for any other-than-temporary impairment loss on investments and assets limited as to use.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Interest cost incurred on borrowed funds during construction of capital assets is capitalized as a component of the cost of acquiring those assets. Expenditures which substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Property and equipment are depreciated under the straight-line method by applying the following useful lives:

| | |
|--------------------------|------------|
| Land improvements | 5-25 years |
| Buildings | 30 years |
| Equipment and furnishing | 5-15 years |
| Vehicles | 4-6 years |

Debt Issuance Costs

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds, which is 15 years, and is recorded as interest expense.

Deferred Revenue from Entrance Fees

Deferred revenue from entrance fees represent funds received from current residents, which have not yet been recognized as revenue, and refundable deposits received from potential residents.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Summary of Significant Accounting Policies (continued):

Obligations to Provide Future Services

The Forest 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 the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to non-operating expense.

Net Assets

The Forest reports net assets using the following classes; net assets without donor restrictions and net assets with donor restrictions depending on the presence of donor-imposed restrictions limiting The Forest's ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Net assets without donor restrictions include those whose use is not restricted by donors, even though their use may be limited in other respects, such as board designation. Net assets with donor restrictions are restricted net assets whose donor imposed stipulations that may or will be met either by action from The Forest and/or the passage of time.

Excess of Revenues, Gains and Other Support Over Expenses

The statements of operations include excess of revenues, gains and other support over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, include unrealized gains and losses on investments and assets limited as to use other than trading securities and net assets released from restrictions for the purchase of property and equipment.

Donor Restrictions

The Forest reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of operations as net assets released from restriction. The Forest reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

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

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying forecasted financial statements do not reflect a provision or liability for Federal and State income taxes.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Summary of Significant Accounting Policies (continued):

Accounting Standards Update for Revenue Recognition from Contracts With Customers

During 2019, The Forest adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606") under the full retrospective approach applied to certain contracts using the practical expedient in paragraph 606-10-10-4 that allows for the use of a portfolio approach, as The Forest determined that the effect of applying the guidance to its portfolios of contracts within the scope of ASC Topic 606 on the financial statements would not differ materially from applying the guidance to each individual contract within the respective portfolio or The Forest's performance obligations within that portfolio. The five-step model defined by ASC Topic 606 requires The Forest to: (1) identify the contracts with customers, (2) identify the performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction prices to the performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. The Forest's adoption of ASC Topic 606 did not result in an adjustment to the net assets and did not have a material impact on the amount and timing of the revenue recognition for the year ended September 30, 2019.

This standard has been applied to the five-year forecast period 2021 through 2025.

Early Acceptance Program

In 2010, the North Carolina General Assembly enacted a new statute (§58-67-7) that permits Continuing Care Retirement Communities licensed in the State to offer "continuing care services without lodging." In 2021, The Forest at Duke will begin to offer an Early Acceptance Program. Under the Early Acceptance contract, residents who are living off-campus receive the same access to The Forest's campus amenities and the same health care services and future benefits that are afforded residents who are living on campus. North Carolina General Assembly Statute §58-64-7 (c) stipulates that The Forest must account for the revenue and expenses related to the Early Acceptance program separate from revenue and expenses related to on-campus services on financial statements and five-year forecasts. The revenue and expenses related to the Early Acceptance program are reported separately for the five-year forecast period 2021 through 2025.

The core elements of the program are as follows:

1. The program is offered exclusively to persons who have already joined the priority list.
2. Admission to the Early Acceptance program is identical to admission to on-campus residency, requiring health screening and financial screening. The only difference is that the Early Acceptance candidate does not reserve a residential unit on campus.
3. Upon acceptance, the person becomes a "resident" of The Forest, but remains living in their current home. They sign an Early Acceptance Agreement providing the resident equal access to all of the campus amenities, as well as to the same access and financial protections for the prospect of needing future health care.
4. They pay an Entry Fee and Monthly Fees that cover the costs of current amenities and future access to health care.
5. Early Acceptance residents remain on the priority list, and will be offered the opportunity to move to The Forest in the future - either to a desired independent living residence or to the health center. If they subsequently move to an independent living residence on campus, the Entry Fee that they paid originally for Early Acceptance will be applied in full to the Entry Fee for the residence to which they are moving.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Summary of Significant Accounting Policies (continued):

Early Acceptance Program:

6. Annual health and wellness assessments are made at least annually.
7. Early Acceptance residents have access to Case Management Services for coordinating homecare/companion care.

Forecast Assumptions:

Occupancy

Management is of the opinion that occupancy of the independent living units will average at least 95% throughout the forecast period.

The assumed number of independent living units becoming available due to attrition and the double occupancy rate has been provided by the Corporation's consulting actuary, AV Powell & Associates LLC, a national actuarial consulting firm specializing in providing actuarial services to retirement communities. The double occupancy rate assumed in the forecast is 47% of the occupied independent living units in 2021. That rate is assumed to range from 43% to 53% during the 5-year projection period. The forecasted number of units vacated during the forecast period averages 21 per year. The majority of the vacancies are expected to result from deaths or permanent transfers to the health care facility.

The assumed average occupancy of the health care facility is 83 units (90%).

Nursing beds are assumed to be occupied by residents transferring from the independent living units or assisted living units on either a temporary or permanent basis. In addition, certain residents are allowed to enter the nursing beds directly when a spouse is a resident of an independent living unit or when their health status changes between the time when the Residence and Care Agreement is entered into and the date the unit is available for occupancy and the resident is not capable of living independently. Additionally, certain residents will be admitted to a nursing bed after completing a minimum 30-day occupancy in assisted living, payment of the Healthcare Reserve, and the approval of the Corporation's Health Maintenance Committee.

The assumed utilization of the nursing beds is based upon the number of permanent and temporary transfers as provided by A V Powell & Associates LLC and the number of direct admissions as provided by management.

Revenue

Forecasted earned entry fees are based on the nonrefundable portion of the entry fees amortized over the life expectancy of each resident. The estimated life expectancies were provided by the consulting actuary. Fees on continuing care contracts, which are refundable to residents from preoccupancy proceeds, are not amortized, but are reflected as the amount to be refunded to the resident.

Entrance fees for the amortized plan for single residents, which range from \$97,970 to \$582,891, are assumed to increase by 3% annually throughout the forecast period. Entrance fee for a second occupant in an independent living unit is \$33,000.

Entrance fees for Early Acceptance are \$35,000 per person and assumed to increase 3% annually throughout the forecast period.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Forecast Assumptions (continued):

Revenue

Monthly service fee revenue is based on the assumed utilization of the independent living units and monthly and second occupant service fees. Monthly service fees currently range from \$3,332 to \$6,115 plus \$1,707 for the second occupant of a unit. These fees are assumed to increase by the assumed 4% increase in operating expenses throughout the forecast period.

Early Acceptance monthly fees are \$950 per person and assumed to increase 4% annually throughout the forecast period.

Health care center revenue is based on the assumed utilization of assisted living units and nursing beds and the related fees charged to the residents. Assisted living residents admitted from outside the facility are currently charged a monthly service fee of \$8,928. A single occupant of an independent living unit who permanently transfers to an assisted living unit is required to pay 40% of the per diem. A second person of a double-occupied independent living unit transferring to an assisted living unit is charged 15% of the per diem plus their second person portion of the monthly service fee. The per diem is currently \$444. Management has assumed that the assisted living rate and the per diem will increase by the 4% assumed increase in operating expenses throughout the remainder of the forecast period.

Residents transferring to a nursing bed on a temporary basis are required to pay a percentage of the per diem plus their monthly service fee. The applicable percentages of the per diem are as follows:

| | |
|---|-----|
| Permanent transfers: | |
| Single occupant | 40% |
| Double occupant (in addition to second person monthly fee) | 15% |
| Spouse resides in an independent living unit and resident requires nursing care at move in date, or permanent transfer of a direct admission from an assisted living unit (in addition to the Health Care Reserve payment for residents admitted directly from outside the community) to nursing care | 90% |

Other revenue, including employee, guest and additional resident meals, beauty and barbershop, personal laundry services, etc. is estimated based on historical experience. These revenues are assumed to increase at a rate of 4% annually.

Interest income consists of earnings on all available funds at the annual rate of 3% from 2021 through 2025 and 5.5% thereafter.

Operating Expenses

Operating expenses for 2021 were provided by management, based on budgeted amounts. Employee benefits were allocated to the departments in which the employees work. Operating expenses for the remaining years of the forecast are assumed to increase by 4% annually for inflation.

THE FOREST AT DUKE, INC.

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending September 30, 2021 through 2025

Forecast Assumptions (continued):

Assets Limited as to Use

Assets limited as to use consist of funds required under loan agreements, reserves required by the Department of Insurance and investments designated by the Board of Directors.

Property and Equipment

Depreciation expense is computed using the straight-line method over the estimated lives of buildings, equipment, land improvements and vehicles which are 30 years, 5 to 25 years, 5 to 15 years and 4 to 6 years, respectively. Assumed capital additions of approximately \$2,500,000 in 2021, increased by 4% inflation, thereafter, are assumed to have a useful life of 10 years.

Interest Expense and Debt Service Requirements

At September 30, 2020, long-term debt consisted of:

| | |
|---|---------------|
| Series 2017 Retirement Facilities Refunding Bonds with bonds due annually. Interest 3.43% | \$ 16,825,000 |
|---|---------------|

Obligation to Provide Future Services

Annually the Corporation calculates the present value of the net cost of future services and use of facilities to be provided to current residents. The calculation, which is based on the present value of future net cash flows and adjusted for certain noncash items, indicates that a net liability for future services to current residents did not exist at September 30, 2020. Management does not anticipate that such a net liability will exist during the forecast period.

Current Assets and Current Liabilities

Various assets and liabilities have been forecasted based on the Corporation's experience as follows:

Accounts receivable - 10 days of monthly service fees and health care revenues.

Prepaid expenses - 2020 balance increased by 4% annual inflation.

Accounts payable and accrued expenses - 2020 balances increased by 4% annual inflation.

THE FOREST AT DUKE, INC.

Supplemental Disclosure: Projected Financial Statements Introduction to Supplemental Disclosure For the Years Ending September 30, 2021 through 2025

The Project

Currently, The Forest at Duke's health care facility has 58 licensed nursing home beds and 34 licensed adult care beds for a total of 92 licensed beds. The planned project is a replacement of the current facility with 90 new units in a so-called "small house" format in a five-story, approximately 110,000 square foot building on the existing 47-acre campus. The small house model of care is designed around houses (or groups of rooms) in which each house has 10 private rooms each with a bathroom and all common spaces and support areas located within the house. At completion, there will be a total of 90 resident rooms distributed evenly across 9 houses.

The small house model will provide the same scope of services, each neighborhood will have a team that provides the care, residents will have short walking distances to increase level of independence, resident privacy, additional dining and fitness venues.

The Series 2021 financing is anticipated to close later in the second quarter. The exact mix of publicly underwritten bonds and/or bank placed debt has not been formally determined. At this time, the projections include a publicly underwritten bond issue.

It is anticipated that site work could begin as early as June 2021, with the construction of the health center taking approximately 18 to 20 months from the date of financing.

THE FOREST AT DUKE, INC.

Supplemental Disclosure: Projected Financial Statements Hypothetical Assumptions For the Years Ending September 30, 2021 through 2025

Hypothetical Assumptions

The American Institute of Certified Public Accountants define a hypothetical assumption as an assumption used in a financial projection to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the presentation.

Management has included projected financial statements (assuming the Hypothetical Assumptions that follow) to provide readers with information about the hypothetical operation of the Project which should not be considered a presentation of expected future results and has been included for disclosure purposes.

Management has identified the following hypothetical assumptions for the Project (the "Hypothetical Assumptions"):

- The Project is constructed for amounts and under the timing noted in this Supplemental Disclosure;
- Management is able to finance its Project as noted in this Supplemental Disclosure;
- Management operates the Project as noted in this Supplemental Disclosure;

The information provided in this section provides Management's key assumptions relating to the Project. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. However, 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 FOREST AT DUKE, INC.

Supplemental Disclosure: Projected Financial Statements Management's Summary of Key Projection Assumptions For the Years Ending September 30, 2021 through 2025

Management's Summary of Key Projection Assumptions:

Plan of Finance

Supplemental Disclosure Table 1 Projected Sources and Uses of Funds (Dollars in Thousands)

Sources:

| | | |
|------------------------|-----------|-----|
| Series 2021 Bonds | \$ 44,725 | (1) |
| Total Bond Proceeds | 44,725 | |
| Equity Contribution | 10,000 | (2) |
| Total Sources of Funds | \$ 54,725 | |

Uses:

| | | |
|-----------------------------------|-----------|------|
| Project Costs: | | |
| Construction Costs | 35,237 | (3) |
| Design and Engineering Costs | 2,384 | (4) |
| Furniture, Fixtures and Equipment | 2,967 | (5) |
| Other Consulting | 1,667 | (6) |
| Owner's Contingency | 2,127 | (7) |
| Escalation | 292 | (8) |
| Total Project Costs | 44,674 | |
| Debt Service Reserve Fund | 4,011 | (9) |
| Capitalized Interest Fund | 5,042 | (10) |
| Costs of Issuance | 998 | (11) |
| Total Uses of Funds | \$ 54,725 | |

Source: Management and Underwriter

THE FOREST AT DUKE, INC.

Supplemental Disclosure: Projected Financial Statements Management's Summary of Key Projection Assumptions For the Years Ending September 30, 2021 through 2025

Management's Summary of Key Projection Assumptions (continued):

Plan of Finance (continued):

Notes to Supplemental Disclosure Table 1:

(1) Management assumes that the Project would be financed through issuance of the Series 2021 Bonds (the "Series 2021 Bonds"), which is assumed to be secured in June of 2021. The Series 2021 Bonds is assumed to be \$44,725,000 of tax-exempt fixed rate bonds assumed to be issued with a 6% interest rate and a maturity date of September 1, 2051. The Series 2021 Bonds are assumed to have interest payments due on March 1 and September 1, beginning on September 1, 2021. Principal payments are assumed to be paid on September 1, beginning September 1, 2033.

(2) Management has assumed that it would use \$10,000,000 of its equity towards the Project costs.

(3) Management has projected that the costs of construction and other related ancillary costs relating to construction will approximate \$35,237,000.

(4) Management has projected design and engineering costs of approximately \$2,384,000.

(5) Management has projected furniture, fixtures and equipment costs of approximately \$2,967,000.

(6) Management has projected other consulting costs of approximately \$1,667,000.

(7) Management has projected an Owner's contingency of approximately \$2,127,000, which represents approximately 5% of total Project costs.

(8) Management has projected approximately \$292,000 in escalation costs.

(9) Management estimates \$4,011,000 will be required to be deposited for the debt service reserve fund for the Series 2021 Bonds.

(10) Management estimates funded interest in the amount of \$5,042,000, which represents 27 months of interest.

(11) Management has estimated the costs related to legal fees, accounting fees and other costs associated with the issuance of the Series 2021 Bonds to be \$998,000.

THE FOREST AT DUKE, INC.

Supplemental Disclosure: Projected Financial Statements Management's Summary of Key Projection Assumptions For the Years Ending September 30, 2021 through 2025

Management's Summary of Key Projection Assumptions (continued):

Property and Equipment - The Project

Property and equipment balances, net of accumulated depreciation, were projected based on the estimated costs of constructing the Project, reduced by estimated annual depreciation. The following table reflects Project-related cost and capitalized interest.

Supplemental Disclosure Table 2
Projected Property and Equipment Additions
(Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|----------------------------|------------------|------------------|-----------------|-------------|-------------|
| Project Costs | \$ 10,272 | \$ 27,494 | \$ 4,582 | \$ - | \$ - |
| Capitalized Interest, Net | 824 | 2,499 | 650 | - | - |
| Projected Additions | \$ 11,096 | \$ 29,993 | \$ 5,232 | \$ - | \$ - |

Source: Management

Supplemental Disclosure Table 3
Projected Property and Equipment
(Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Buildings | \$ - | \$ - | \$ 45,680 | \$ 45,680 | \$ 45,680 |
| Furniture and Equipment | - | - | 2,967 | 2,967 | 2,967 |
| Construction in Progress | 11,096 | 41,089 | | | |
| Property and Equipment, Gross | 11,096 | 41,089 | 48,647 | 48,647 | 48,647 |
| Accumulated Depreciation | - | - | 725 | 2,467 | 4,209 |
| Property and Equipment, Net | \$ 11,096 | \$ 41,089 | \$ 47,922 | \$ 46,180 | \$ 44,438 |

Source: Management

THE FOREST AT DUKE, INC.

Supplemental Disclosure: Projected Financial Statements Management's Summary of Key Projection Assumptions For the Years Ending September 30, 2021 through 2025

Management's Summary of Key Projection Assumptions (continued):

Long-Term Debt and Interest Expense

The following table summarizes related principal payments on the Series 2021 Bonds.

| Supplemental Disclosure Table 4 | |
|--|----------------------|
| Forecasted Principal Activity | |
| (Dollars in Thousands) | |
| | Series 2021 Bonds |
| Fiscal Year Ending September 30: | |
| 2021 | \$ - |
| 2022 | - |
| 2023 | - |
| 2024 | - |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| 2028 | - |
| 2029 | - |
| Thereafter | 44,725 |
| Total | \$ 44,725 |

Source: Management

Assets Limited as to Use

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

- *Project Fund* - The Series 2021 Bonds proceeds are to be deposited into a project fund for construction of the Project.
- *Capitalized Interest Fund* - interest expense related to the portion of the Series 2021 Bonds allocable to the Project.
- *Bond Fund* - represents advance payments of bond principal and interest made by The Forest to the trustee relating to outstanding Series 2021. 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.
- *Debt Service Reserve Fund* - The Forest has projected a debt service reserve fund related to the Series 2021 Bonds.

THE FOREST AT DUKE, INC.

Projected Balance Sheets Assuming The Project and Hypothetical Assumptions on Page 16 At September 30, 2021 through 2025 (Dollars in Thousands)

| ASSETS | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 6,312 | \$ 6,765 | \$ 7,284 | \$ 7,842 | \$ 8,421 |
| Assets limited as to use, current portion | 143 | 143 | 143 | 367 | 367 |
| Accounts and other receivables | 288 | 292 | 301 | 312 | 324 |
| Other current assets | 93 | 97 | 101 | 105 | 109 |
| Total current assets | <u>6,836</u> | <u>7,297</u> | <u>7,829</u> | <u>8,626</u> | <u>9,221</u> |
| Assets limited as to use, net of current portion | | | | | |
| Operating reserve | 5,287 | 5,479 | 5,680 | 5,891 | 6,105 |
| Other assets limited as to use | 4,012 | 3,820 | 3,619 | 3,408 | 3,194 |
| Project fund | 32,078 | 4,583 | - | - | - |
| Capitalized interest fund | 4,442 | 1,943 | - | - | - |
| Bond fund | - | - | - | 224 | 224 |
| Debt service reserve fund | 4,011 | 4,011 | 4,011 | 4,011 | 4,011 |
| Less: current portion | - | - | - | (224) | (224) |
| Investments | 16,831 | 20,074 | 22,734 | 23,263 | 24,021 |
| Other long-term assets | 86 | 86 | 86 | 86 | 86 |
| Property and equipment, net | <u>52,407</u> | <u>79,411</u> | <u>82,018</u> | <u>78,518</u> | <u>75,200</u> |
| Total assets | <u>\$ 125,990</u> | <u>\$ 126,704</u> | <u>\$ 125,977</u> | <u>\$ 123,803</u> | <u>\$ 121,838</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 528 | \$ 549 | \$ 571 | \$ 594 | \$ 618 |
| Accrued expenses | 1,257 | 1,298 | 1,341 | 1,386 | 1,432 |
| Current portion of bonds payable | 1,225 | 1,265 | 1,305 | 1,335 | 1,375 |
| Total current liabilities | <u>3,010</u> | <u>3,112</u> | <u>3,217</u> | <u>3,315</u> | <u>3,425</u> |
| Bonds payable, net of current portion and debt issuance costs | 57,904 | 56,694 | 55,444 | 54,164 | 52,844 |
| Deferred revenue from entrance fees: | | | | | |
| Deposits | 482 | 489 | 496 | 503 | 510 |
| Non-refundable plan entrance fees | 37,142 | 38,546 | 40,267 | 42,011 | 43,749 |
| Non-refundable plan entrance fees - Early Acceptance | 1,013 | 966 | 966 | 984 | 1,001 |
| Refundable entrance fees to residents | <u>10,153</u> | <u>9,110</u> | <u>8,030</u> | <u>6,926</u> | <u>5,794</u> |
| Total liabilities | <u>109,704</u> | <u>108,917</u> | <u>108,420</u> | <u>107,903</u> | <u>107,323</u> |
| Net assets: | | | | | |
| Without donor restrictions | 16,136 | 17,625 | 17,383 | 15,714 | 14,317 |
| With donor restrictions | 150 | 162 | 174 | 186 | 198 |
| Total net assets | <u>16,286</u> | <u>17,787</u> | <u>17,557</u> | <u>15,900</u> | <u>14,515</u> |
| Total liabilities and net assets | <u>\$ 125,990</u> | <u>\$ 126,704</u> | <u>\$ 125,977</u> | <u>\$ 123,803</u> | <u>\$ 121,838</u> |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Projected Statements of Operations Assuming The Project and Hypothetical Assumptions on Page 16 For the Years Ending September 30, 2021 through 2025 (Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-----------------|-----------------|-----------------|-------------------|-------------------|
| Revenues, gains and other support | | | | | |
| Monthly service fees | \$ 15,263 | \$ 15,557 | \$ 16,100 | \$ 16,705 | \$ 17,359 |
| Early Acceptance monthly fees | 142 | 356 | 370 | 385 | 400 |
| Earned entrance fees | 4,596 | 4,373 | 4,367 | 4,426 | 4,525 |
| Early Acceptance earned entrance fees | 37 | 86 | 88 | 90 | 93 |
| Clinic and health care center fees | 5,749 | 5,773 | 5,883 | 6,068 | 6,297 |
| Home care/enhanced living | 460 | 478 | 497 | 517 | 538 |
| Other income | 313 | 325 | 338 | 352 | 366 |
| Net assets released from restriction | 43 | 44 | 45 | 46 | 47 |
| Total revenues, gains and other support | <u>26,603</u> | <u>26,992</u> | <u>27,688</u> | <u>28,589</u> | <u>29,625</u> |
| Expenses: | | | | | |
| Dining services | 4,591 | 4,775 | 4,966 | 5,164 | 5,371 |
| Housekeeping | 1,192 | 1,240 | 1,289 | 1,341 | 1,395 |
| Laundry | 95 | 99 | 103 | 107 | 111 |
| Health care center and nursing | 5,262 | 5,472 | 5,691 | 5,919 | 6,156 |
| Home care/enhanced living | 342 | 355 | 369 | 384 | 400 |
| Wellness clinic | 609 | 633 | 658 | 685 | 712 |
| Resident life | 503 | 523 | 544 | 566 | 589 |
| Plant facility costs | 3,623 | 3,767 | 3,918 | 4,075 | 4,238 |
| Marketing | 702 | 730 | 759 | 790 | 821 |
| General and administrative | 2,496 | 2,596 | 2,700 | 2,808 | 2,920 |
| Early Acceptance care management | 98 | 99 | 100 | 101 | 102 |
| Depreciation | 5,528 | 5,589 | 5,329 | 6,312 | 6,243 |
| Interest | 596 | 579 | 2,548 | 3,177 | 3,129 |
| Total operating expenses | <u>25,637</u> | <u>26,457</u> | <u>28,974</u> | <u>31,429</u> | <u>32,187</u> |
| Operating income | 966 | 535 | (1,286) | (2,840) | (2,562) |
| Non-operating income (expenses): | | | | | |
| Interest and dividends | 1,135 | 1,181 | 1,280 | 1,417 | 1,421 |
| Realized gain on sale of investments | - | - | - | - | - |
| Community responsibility | (219) | (227) | (236) | (246) | (256) |
| Contributions/gifts | - | - | - | - | - |
| Total non-operating income | <u>916</u> | <u>954</u> | <u>1,044</u> | <u>1,171</u> | <u>1,165</u> |
| Excess (deficit) of revenues, gains and other support over expenses | <u>1,882</u> | <u>1,489</u> | <u>(242)</u> | <u>(1,669)</u> | <u>(1,397)</u> |
| Net unrealized gains (losses) on investments and assets limited as to use | - | - | - | - | - |
| Change in net assets without donor restrictions | <u>\$ 1,882</u> | <u>\$ 1,489</u> | <u>\$ (242)</u> | <u>\$ (1,669)</u> | <u>\$ (1,397)</u> |

See summaries of significant forecast assumptions and accounting policies

THE FOREST AT DUKE, INC.

Projected Statements of Cash Flows Assuming The Project and Hypothetical Assumptions on Page 16 For the Years Ending September 30, 2021 through 2025 (Dollars in Thousands)

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|----------|----------|----------|------------|------------|
| Operating activities: | | | | | |
| Change in unrestricted net assets | \$ 1,882 | \$ 1,489 | \$ (242) | \$ (1,669) | \$ (1,397) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | | |
| Earned entrance fees | (4,596) | (4,373) | (4,367) | (4,426) | (4,525) |
| Early Acceptance earned entrance fees | (37) | (86) | (88) | (90) | (93) |
| Net realized and unrealized gains on investments and assets limited as to use | - | - | - | - | - |
| Non-refundable plan entrance fees received | 2,421 | 5,777 | 6,088 | 6,170 | 6,263 |
| Early Acceptance entrance fees received | 1,050 | 109 | 114 | 118 | 123 |
| Depreciation | 5,528 | 5,589 | 5,329 | 6,312 | 6,243 |
| Amortization of bond issuance costs | 30 | 55 | 55 | 55 | 55 |
| Net assets released from restrictions | 12 | 12 | 12 | 12 | 12 |
| Net changes in operating assets and liabilities: | | | | | |
| Accounts and other receivables | 15 | (4) | (9) | (11) | (12) |
| Other current assets | (4) | (4) | (4) | (4) | (4) |
| Accounts payable | 20 | 21 | 22 | 23 | 24 |
| Deposits | 7 | 7 | 7 | 7 | 7 |
| Accrued expenses | 264 | 41 | 43 | 45 | 46 |
| Net cash provided by operating activities | 6,592 | 8,633 | 6,960 | 6,542 | 6,742 |
| Investing activities: | | | | | |
| Net change in assets limited as to use | (40,531) | 29,994 | 6,526 | (224) | - |
| Net change in investments | 6,540 | (3,243) | (2,660) | (529) | (758) |
| Purchase of property and equipment | (12,772) | (30,094) | (7,286) | (2,812) | (2,925) |
| Capitalized interest into property and equipment | (824) | (2,499) | (650) | - | - |
| Net cash used by investing activities | (47,587) | (5,842) | (4,070) | (3,565) | (3,683) |
| Financing activities: | | | | | |
| Entrance fees refunded | (958) | (1,043) | (1,080) | (1,104) | (1,132) |
| Early Acceptance entrance fee refunds | - | (70) | (26) | (10) | (13) |
| Principal payments on bonds payable | (1,190) | (1,225) | (1,265) | (1,305) | (1,335) |
| Proceeds from Series 2021 bonds | 44,725 | - | - | - | - |
| Payment of financing costs | (997) | - | - | - | - |
| Net cash provided (used) by financing activities | 41,580 | (2,338) | (2,371) | (2,419) | (2,480) |
| Net increase in cash and cash equivalents | 585 | 453 | 519 | 558 | 579 |
| Cash and cash equivalents, beginning of year | 5,727 | 6,312 | 6,765 | 7,284 | 7,842 |
| Cash and cash equivalents, end of year | \$ 6,312 | \$ 6,765 | \$ 7,284 | \$ 7,842 | \$ 8,421 |
| Supplemental disclosure of cash flow information | | | | | |
| Cash paid for interest | \$ 626 | \$ 634 | \$ 2,603 | \$ 3,232 | \$ 3,184 |

See summaries of significant forecast assumptions and accounting policies

Exhibit E

Residence and Care Agreement

RESIDENCE AND CARE AGREEMENT



THE **FOREST** AT **DUKE**

THE FOREST AT DUKE

RESIDENCE AND CARE AGREEMENT

This Residence and Care Agreement (together with all exhibits and schedules attached and incorporated herein, the "Agreement") is entered into between THE FOREST AT DUKE, INC. ("The Forest") located in Durham County at 2701 Pickett Road, Durham, NC and _____, ("you") on this day _____. If two persons enter into this Agreement as co-residents, the word "you" will apply to both unless the context requires otherwise. All residents that are parties to this Agreement shall be jointly and severally responsible for all fees, charges and obligations under this Agreement. In this paragraph and throughout the rest of the Agreement, the words "we", "us", "our" or "The Forest" refer to The Forest at Duke, Inc., and the words "you", "your", and "Resident(s)" refer to _____.

Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the "Community") created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as sixty-two (62).

The Forest is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. The Forest encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin.

The Forest and you agree that you will assume all rights and responsibilities as stated in this Agreement beginning on _____, your "Date of Occupancy". This is the date that The Forest has determined your residence, _____, will be readied and available to you.

The Forest and you agree to the following:

I. Pledge of Service

The Forest will provide you the following services and facilities upon occupancy. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement, and outlined in Exhibit A. A "Schedule of Ancillary Charges" for certain services and items not covered by the Entry Fee and Monthly Fees is included as Exhibit B. This schedule is updated periodically and will be made available to you each time it is updated.

A. Community Facilities:

You may use, along with other residents, the common facilities of The Forest including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreation rooms and designated outdoor activity areas.

B. Living Accommodations:

1. **Right to Reside** – You have a non-transferable right to reside in the independent living residence described in Exhibit A, subject to the terms and conditions of this Agreement.
2. **Furnishings** – The Forest provides standard carpeting, window coverings, refrigerator, range, garbage disposal, microwave, and dishwasher. A washer and dryer are provided for apartments, and washer and dryer hook-ups are provided for the cottages. Twenty-four (24) hour emergency call system, individual thermostatic control for heating and air conditioning, cable television outlets, telephone outlets, and smoke alarms are also provided.
3. **Changes to Your Residence** – The Forest allows limited non-structural changes to personalize your residence. Any such changes must have prior written approval by The Forest. You are responsible for the cost of any custom changes, and are required to use installers and contractors approved or provided by The Forest. All such changes become the property of The Forest. You may be responsible for costs associated with restoring the residence to its standard condition prior to occupancy by a subsequent resident. You may also be responsible for the cost of repairing or replacing finishes or appliances damaged as the result of extraordinary wear and tear.

C. Services:

1. **Dining Services** - The Forest provides dining services. A choice of meal plan options described below is included in your Monthly Fee. In the case of co-occupancy, both residents will participate in the same plan.
 - a. Meal Plan One – The choice of one meal per day per person is included in the Monthly Fee.
 - b. Meal Plan Two – Flexible quarterly dining credits per person, used at the resident’s choosing and in accordance with the current Meal Plan Two policy, are included in the Monthly Fee.
2. **Utilities** – Water, sewer service, electricity, heat, air conditioning, basic cable television and wireless internet services are provided. Although telephone access is provided, if you elect to have telephone service, you are responsible for the establishment of telephone hook-up and ongoing service.
3. **Housekeeping** – Housekeeping Services are provided weekly based upon the Housekeeping Services schedule. These services include vacuuming, dusting and cleaning of bathrooms and kitchens.
4. **Maintenance** – The Forest performs the necessary repairs, maintenance, and reasonable replacement of its own property, common facilities and equipment.

5. **Security** – The Forest will use reasonable care in providing security on the premises of The Forest. Emergency response devices and smoke detectors are provided in all residences. Twenty-four (24) hour security staffing, including regular security patrols, is provided. You are responsible for taking appropriate security measures to protect yourself and your property at the Community.
6. **Groundskeeping** – Basic groundskeeping service, including lawn, tree, and shrubbery care, is provided. You may plant and maintain certain areas designated and approved by The Forest.
7. **Activities** – The Forest provides scheduled social, recreational, spiritual, educational and cultural activities, creative arts, exercise and wellness programs, and other activities designed to meet the interest of the residents. There may be a charge associated with certain activities.
8. **Transportation** – Scheduled transportation is provided to shopping centers, public events, and other destinations as determined by The Forest. One round trip per resident per week is provided to local outside medical facilities. Unused medical trips may not be saved or accumulated. Should transportation be desired at times or to places not included in the standard schedule, The Forest will assist with those transportation needs to the degree staff and equipment are available, and an additional charge may apply.
9. **Storage** – Limited storage space is provided.
10. **Parking** – One reserved automobile parking space per independent residence is provided. Additional limited parking is available.
11. **Wellness and Health Services** – The Forest offers primary care, assisted living, skilled nursing, and dementia care services with oversight provided by a licensed physician serving as the Medical Director in accordance with Section V of this Agreement.
12. **Insurance** – The Forest maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker’s compensation. You are required to maintain a personal insurance policy for coverage of your personal belongings.
13. **Taxes** – Any real estate taxes are paid by The Forest.

II. Financial Provisions

A. Deposits:

Funds paid toward the Entry Fee may be refundable as outlined in Sections VI and VIII of this Agreement.

B. Statement of Fees:

You agree to pay The Forest an Entry Fee and the Monthly Fee for the selected residence as outlined in Exhibit A. Within five (5) days of the date of this Agreement, you agree to pay a fifteen percent (15%) deposit to secure the residence as outlined in Exhibit A. You are then required to make the final balance payment of the Entry Fee fourteen (14) days prior to the Date of Occupancy, as stated on Exhibit A. You agree to pay all fees and charges as set forth in this Agreement.

C. Entry Fee:

The Entry Fee is comprised of two parts: a Residence Fee, all or some of which may be refundable in accordance with Sections VI and VIII, plus a non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section V.

D. Monthly Fee:

The Monthly Fee varies depending upon the type of residence. A Second Person Monthly Fee is charged for Co-Residency. The Monthly Fee and costs for additional services are billed by the fifth (5th) business day of each calendar month, with payment due from you by the fifteenth (15th) of the same month. The Forest reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Fee, The Forest reserves the right to terminate the Agreement. The Forest may add a service charge of one percent (1%) per month to fees and charges not paid by the fifteenth (15th) of the month. The Forest offers and encourages an automatic bank draft for the monthly charges.

E. Delayed Residency:

If you choose to defer occupancy, later than the Date of Occupancy as stated in Exhibit A, both the Entry Fee and the applicable Monthly Fee must still be paid as if you moved into The Forest on the Date of Occupancy. You will be credited as appropriate, with the Away Allowance as described in Section II. L until such time that you move to The Forest. Additionally, any refund will be calculated as of the Date of Occupancy as stated in Exhibit A.

F. Fee Increases:

It is understood by both parties that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Fee and all other fees and charges is made, in its sole discretion, by the Board of Directors of The Forest.

G. Financial Hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon reviewing your financial resources, it is determined that through no fault of your own, you are unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize your Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that you have voluntarily divested assets and resources, or have used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize your Monthly Fee, and may elect to terminate this Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

You agree to provide, if requested, financial statements and current financial information and copies of your tax returns for the purpose of demonstrating capacity to meet financial obligations to The Forest and other providers arising out of or in connection with this Agreement.

Under the terms of the Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

H. Subsidy by The Forest:

Should The Forest elect to subsidize your Monthly Fee, or any other cost for services or care which The Forest under this Agreement is not obligated to pay on your behalf, the accumulated amount of any such subsidy shall be offset against any refund that might become due to you, and any unrecovered balance shall also be a valid claim against your estate. This paragraph shall apply whether or not you reside at The Forest at the time of death or termination of this Agreement.

I. The Forest's Disclosure Requirements:

In keeping with North Carolina requirements for disclosure of financial information to the public and to The Forest's residents, The Forest will file an annual disclosure statement with the North Carolina Department of Insurance ("Disclosure Statement"). A copy of the most recent Disclosure Statement will be delivered to you prior to the execution of this Agreement and a copy of each subsequent Disclosure Statement shall be made available to you so long as you reside at The Forest.

J. The Resident's Disclosure Requirements:

During the process of applying for admission, you have disclosed your complete health status and history, and your complete financial position to The Forest as of the date of this Agreement. The Forest will not be responsible for any financial support, or for the cost of your care if the true and correct nature of your financial position and/or medical condition has not been revealed to The Forest as of the date of this Agreement or subsequent to the date of this Agreement based upon information you provided to The Forest, at its request. Upon the request of The Forest, you are obligated to provide us the current status of your health and/or financial position so long as you remain a resident of The Forest.

K. Addition of a Second Resident to Share a Living Accommodation with a Current Resident:

If, after the Date of Occupancy indicated on Exhibit A, you choose to have a second resident share your residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter, you are responsible for paying the applicable Double Occupancy Monthly Fee for the residence.

Second residents are subject to the same review and entrance requirements as initial residents and must sign a Residence and Care Agreement. If the second resident is an existing resident, the second resident is subject to the same entrance requirements as initial residents, except in regards to health status evaluation.

L. Away From The Forest:

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest's Health and Wellness Center. The Away Allowance will be the established, current per person, per day amount as stated on the "Schedule of Ancillary Charges". See attached Exhibit B. There is no Away Allowance offered for Meal Plan Two.

III. Terms of Residency**A. Rights of Resident:**

You have the right to occupy, use, and enjoy your assigned residence, together with the common areas, amenities, programs, and services of The Forest during your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by The Forest other than the rights and privileges as described in this Agreement.

B. Policies, Rules and Regulations:

You agree to abide by the policies, rules, and regulations of The Forest including such changes as may be adopted from time to time. These policies, rules, and regulations will be set forth in a Resident Handbook and will be made available to you prior to the execution of this Agreement, and at any time when it is updated.

C. Business and Health Care Directives:

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32C of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Occupancy. Additionally, you further agree to provide The Forest with a copy of any Living Will, or Durable Power of Attorney for health care decisions which may be in existence, and to provide such documentations which may develop subsequent to the execution of this Agreement. The Forest strongly encourages all residents to designate a Health Care Attorney in Fact capable of making health care decisions in the case of incapacity or emergency.

D. Property:

To the maximum extent permitted by law, The Forest will not be responsible for the loss or damage of any property not belonging to The Forest due to any cause. It is understood by both parties that you will have the responsibility for providing insurance protection covering any such loss or damage of personal property. Upon termination of this Agreement, The Forest has the right to promptly (within thirty (30) days) remove from the residence any and all of your property that remains therein or that is stored elsewhere on the property of The Forest, and The Forest may store such property either on or off the premises. You or your estate will be obligated for the payment of moving and storage charges and will reimburse The Forest for its incurred expenses.

Should such belongings remain stored for longer than ninety (90) days, The Forest shall have the right to sell such belongings and pay the proceeds from such sale to you or your estate, net of all expenses incurred to move, store and sell such property. If the proceeds are not adequate to fully reimburse The Forest for all such costs, you or your estate shall be responsible to The Forest for the deficiency.

E. Insurance:**1. Application for Benefits: Assignment of Benefits**

You shall apply for any federal, state or local benefits for which you may be eligible or entitled upon request by The Forest. If requested by The Forest, any or all such benefits will be applied to the daily fee or other charges incurred by you at The Forest.

You agree to assign to The Forest all insurance benefits received from third party payers for health services provided by The Forest. You agree to grant to The Forest a limited Power of Attorney for the purpose of permitting The Forest to act as your agent or attorney in fact in all matters relating to any such benefit.

2. Health Insurance:

You shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under your primary insurance policy. Your primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or you shall be responsible for services rendered that otherwise could be covered by insurance. You agree to furnish The Forest with evidence of such coverage prior to the Date of Occupancy as stated in Exhibit A and also upon request.

If your health insurance coverage lapses, The Forest may require you to reapply for suitable insurance coverage. If you are unable to obtain suitable insurance coverage, you shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by The Forest, you shall provide evidence of health insurance coverage.

3. Medicare-Certified Skilled Nursing Facility Beds:

The Forest maintains a limited number of Medicare-certified beds in the skilled nursing facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an “if and as available” basis. In the event that you need admission and the admission would qualify for Medicare payment, then your financial responsibility to The Forest will depend upon the type of Medicare coverage you have and whether The Forest is a contractual provider for your coverage.

a) Medicare-certified bed is not available.

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

b) Medicare-certified bed is available and you have traditional Medicare.

If you are admitted to a Medicare-certified bed in the skilled nursing facility and you have traditional Medicare coverage, The Forest will accept the Medicare reimbursement amount of such care while you shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that you maintain.

c) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is an in-network provider.

In the event that The Forest is an in-network provider for your Medicare Advantage coverage, then The Forest will accept the reimbursement amount from your Medicare Advantage insurance carrier while you shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that you maintain.

d) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is not an in-network provider.

The Forest will charge you the full private-payment amount for your admission into a Medicare-certified bed and credit against your financial obligation to The Forest the amount that is paid by your Medicare Advantage insurance if the insurance provides an out-of-pocket network benefit. In the event that your Medicare Advantage insurance will not pay any amount to an out-of-network provider, then you will not be admitted to a Medicare-certified bed at The Forest. A full private-pay resident in a Medicare-certified bed may be required by The Forest to relocate to a bed that is not Medicare-certified when such a bed becomes available.

F. Resident's Medical Examination:

You agree to be examined by a Forest physician when there is reasonable cause for concern for your health and well-being.

G. Subrogation Rights:

In case of injury to you by a third party, The Forest shall have the right to subrogation for all of its costs and expenses incurred by reason of such injuries, and shall have the right, in your name or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for the injury. You agree to cooperate fully and to assist The Forest in recovering any such costs and expenses.

H. Resident Representation:

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population.

I. Right of Entry:

The Forest recognizes your right to privacy, and The Forest shall limit entry to your residence to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby expressly authorize employees or agents of The Forest to enter your residence upon reasonable notice for all such purposes.

J. Appliances:

The Forest is not obligated to determine your ability to safely utilize the appliances in your residence. However, should The Forest determine that you have demonstrated an inability to safely operate the range, microwave, refrigerator, disposal unit, or any other appliances in your residence, The Forest will have the right to turn off the power serving such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for any extra meals that you may incur due to the unavailability of any appliance.

K. Guests:

Guests are welcome at The Forest, and may stay overnight in your residence for visits of limited duration. Guests may also use The Forest's guest room accommodations, subject to availability and based upon the Guest Room Reservation Policy in the Resident Handbook. At all times, you will be responsible for any injury to others, or damage to the property of others or of The Forest, caused by your guest(s). The Forest reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

L. Emergency Notification:

You agree to provide The Forest with the following information prior to the Date of Occupancy:

- Names, addresses, and phone numbers of persons to notify in an emergency, or death
- Names of persons having the right of entry into your residence
- Copy of current Durable Power of Attorney
- Copy of current Health Care Power of Attorney
- Copy of any Advance Directives
- Copy of current Insurance Coverages
- Name, address, and phone number of funeral director (prior arrangements are encouraged)
- Information necessary to complete a death certificate

The Forest shall not be responsible for funeral or burial arrangements or costs.

M. Compliance with Applicable Laws:

The Forest will operate in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities. Notwithstanding any other provisions of this Agreement, it shall have the right to change your residence, and the terms of this Agreement, to meet the requirements of any law or regulation.

N. Relocation:

The Forest reserves the right to relocate you to another accommodation when deemed necessary in order for The Forest to fulfill its strategic, financial or other obligations. The Forest will use reasonable efforts to relocate you to an accommodation of the same or similar type as your

accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. The Forest will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

IV. Resident Moves and Transfers

It is understood that when you move from one independent living residence to another, or if you move from one level of care to another, your status or rights as a Forest resident do not change. You may transfer and/or move on a temporary or a permanent basis, at the determination of The Forest.

A. Independent Internal Moves:

- 1. Move to a Larger Independent Living Residence** – Should you desire to transfer to a larger independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. An internal move fee may apply as noted in the policy. An additional Entry Fee equal to the difference between the then current Entry Fee for the larger residence and the Entry Fee you originally paid for the smaller residence will be due to The Forest prior to your move to the larger residence.

Any additional Entry Fee amounts paid shall be considered paid from the Date of Occupancy of the original residence (Exhibit A) for purposes of calculating any refund. You will also be responsible for the Monthly Fee associated with the larger residence from the Date of Occupancy, or the actual date of move-in, whichever is earlier. The Monthly Fee for the smaller residence is still in effect, and will be charged until all personal belongings have been removed, and a final walk-through has been completed as per the Internal Move Policy.

- 2. Move to a Smaller Independent Living Residence** – Should you desire to transfer to a smaller independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. You may be due a refund, depending on the Date of Occupancy of the original residence, reduced by amortization.

You will be responsible for the Monthly Fee associated with the smaller residence beginning on the Date of Occupancy, or the actual date of move-in, whichever is earlier. You will also be responsible for the Monthly Fee for the larger residence until all personal belongings have been removed from the larger residence, and a final walk-through has been completed as per the Internal Move Policy.

B. Moves to the Health and Wellness Center:

The Forest expressly reserves the right to move you to an accommodation that can best provide for your safety and care. If your physical or mental condition deteriorates so that, in the best judgment of The Forest and upon the recommendation of The Forest's Medical Director, you are unable to live independently, or if you cannot live in an independent living residence without endangering yourself or the health or safety of others, The Forest may move you to a more appropriate accommodation. Such changes (if not at your request) shall be made only to protect your health or safety, or the general welfare of the residents of The Forest or others. Residents may request a meeting with The Forest for the discussion and consideration of any actions taken by the The Forest. Should you fail or refuse to cooperate with any such move, The Forest has the right to terminate this Agreement and require you to leave the Community altogether.

If in the sole discretion of The Forest, it determines that your transfer is permanent, The Forest may assign your independent living residence to another resident. Should your condition subsequently improve to a point that you are able to live independently, you may apply for an independent living residence upon the same basis as existed before the transfer. You shall bear all costs of moving and storing your furniture and belongings in the case of such transfer. In addition, if The Forest determines that you can resume occupancy in an independent living residence, you will have priority for a similar residence as soon as one is available.

C. Limitations of Care/Transfer:

The Forest's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should The Forest determine that your physical and/or mental condition becomes such that your continued presence at The Forest is dangerous or detrimental to your health or safety, or to others, The Forest may arrange for such transfer to a special service facility as may be required. The liability of The Forest for costs of such care shall be limited to the amount of your then prevailing Monthly Fee for each month that you continue to pay the Monthly Fee, or the then prevailing per diem rate, as applicable.

If you or your designee prefers a different institution or special service facility than that selected by The Forest, arrangements will be made to accommodate such preference with the understanding that The Forest is relieved of any increase in financial responsibility associated with such transfer, or the costs of such a transfer.

V. Health Care Services

During the process of applying to The Forest, you have disclosed a true and correct health status and history, and have been approved by The Forest for independent living. You have disclosed any significant changes in your health status since your initial review. It is understood by both parties that your health condition may change and that you will inform The Forest of any significant changes. If there is reasonable cause for concern, you agree that a Forest physician may examine you.

A. Health and Wellness Center:

The Forest's Health and Wellness Center includes a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

B. Continuing Care Services:

The Forest agrees to provide the health care services outlined below. These services are included in the Monthly Fee, except for those requiring additional payment as described below. The Forest will seek reimbursement from any and all third party payers to the fullest extent available.

- 1. Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
- 2. Emergency Response System** – Each residence will be equipped with an emergency response system, monitored twenty-four (24) hours a day.
- 3. Other Health Care Services:**
 - a) Primary Care** – The Forest will make available primary care services to you in the Wellness Clinic during regularly scheduled office hours. Trained health care personnel will be on-site twenty-four (24) hours a day. Physicians will be available for scheduled office visits and are on call for Forest residents twenty-four (24) hours a day, seven (7) days a week. The Forest physicians will refer you to specialists as needed. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
 - b) Laboratory Tests and Other Procedures** – Limited laboratory testing services and diagnostic procedures will be provided in the Wellness Clinic according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.
 - c) Visiting Nursing Services** – Visiting nursing services will be available for consultation and assistance to you in your residence on a short-term basis. Such services may require an additional charge.
 - d) Special Services** – The Forest will provide facilities to accommodate some special services such as Dentistry, Physical Therapy, Occupational Therapy, Speech Therapy, and Pharmacy Services. You will be responsible for the cost of these, and other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.
- 4. Assistance with Insurance Claims** – The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.

- 5. Personal Assistants** – You may arrange for limited assistance to accomplish activities of daily living. Personal assistants must be approved by The Forest before they are allowed access to The Forest facilities. You are responsible for any costs related to the services of any personal assistant. You are responsible for any injury to others or damage to the property of others or of The Forest by your assistant(s). The Forest may limit or terminate the services of any assistant and may refuse access to the grounds or facilities of The Forest by such assistant. You understand that arranging and receiving care from a personal assistant does not take the place of care that may best be provided in the Health and Wellness Center (See Section IV.B).
- 6. Hospitalization** – The Forest will assist you in arranging your inpatient hospital care when ordered by a physician. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
- 7. Health Care Services in The Forest Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:

 - a) Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Occupancy at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in paragraphs 7.b through 7.h below apply or the rates actually charged by the alternative health care facility.
 - b) Single Occupancy, Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
 - c) Single Occupancy, Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, all personal belongings have been removed from your independent living residence and a final walk-through has been completed, you will relinquish the independent living residence, and the Monthly Fee for the independent living residence will no longer be paid.

- d) Double Occupancy, One Resident Temporarily in Health and Wellness Center:** After pre-paid days have been used, the resident temporarily transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee, plus sixty percent (60%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- e) Double Occupancy, One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, the resident permanently transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee plus fifteen percent (15%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- f) Double Occupancy, Both Residents Temporarily in Health and Wellness Center:** After pre-paid days have been used, if both residents are temporarily transferred to the Health and Wellness Center, each will pay sixty percent (60%) of the per diem rate for health care services published by The Forest. In addition, one resident will continue to pay the Single Occupancy Monthly Fee and the other resident will pay the Second Person Monthly Fee.
- g) Double Occupancy, Both Residents Permanently in Health and Wellness Center:** After pre-paid days have been used, if both residents are permanently transferred to the Health and Wellness Center, each will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once all personal belongings have been removed from the independent living residence, and a final walk-through has been completed, you will relinquish the independent living residence and the Monthly Fee will no longer be paid for the independent living residence.
- h) Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, if one resident is temporarily transferred to the Health and Wellness Center, and the other resident is permanently transferred to the Health and Wellness Center, the rates outlined in Section V.B.7.e will apply. In addition, the resident temporarily transferred to the Health and Wellness Center will pay sixty percent (60%) of the per diem rate for health care services published by The Forest.

If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest's Health and Wellness Center.

The resident is responsible for the costs of care at the alternative health care facility. During the period of stay in an alternative health care facility, all costs of care will be billed to the resident by the alternative health care facility. If such costs are not covered by Medicare or other third party payer, the resident is responsible for the costs of care at

the alternative health care facility and, the resident may elect to use any available pre-paid days as described in paragraph 7.a above.

Should you elect to use any available pre-paid days, The Forest will either reimburse you or credit your account for the scope of services that would otherwise be included in the per diem rate, provided that The Forest's obligation shall not exceed the current prevailing per diem rate.

C. Direct Admission to the Health and Wellness Center:

After the execution of this Agreement and prior to the Date of Occupancy, you may be admitted directly to the Health and Wellness Center should it be determined that your physical or mental condition precludes you from living independently. Under this circumstance, health care services will be delivered as outlined below. Financial support as described in Section II.G will not apply unless a co-resident takes occupancy of an independent living residence. Should independent living status as determined by The Forest be regained, you will have a priority right to an independent living residence equivalent to the independent accommodation previously contracted, and you may move to the independent living residence by paying the balance of the current Entry Fee and the applicable Monthly Fee.

- 1. Direct Admission to Skilled Nursing** – If after execution of this Agreement and prior to the Date of Occupancy, it is determined that you require skilled nursing services, you may be admitted directly to a skilled nursing residence if accommodations are available. You will pay the Health Care Reserve Fee and the current monthly skilled nursing rate, instead of the Entry Fee and Monthly Fees. Should you subsequently move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, you would be eligible for the reduced rates outlined in Section V.B.7 of this Agreement, after an agreed upon, pre-determined time of independent residency has been established and met.
- 2. Direct Admission to Assisted Living** – If after execution of this Agreement and prior to the Date of Occupancy it is determined that assisted living services are required, you may be admitted directly to an assisted living residence if accommodations are available. You will pay the Health Care Reserve Fee, plus the current monthly assisted living rate instead of the Entry Fee and Monthly Fee. You may transfer to skilled nursing if more intensive care is needed and accommodations are available, and would then be charged the current monthly skilled nursing rate. Should you move to an independent living residence after having paid the remaining portion of the Entry Fee and again require Health and Wellness Center services, you would be eligible for the reduced rates outlined in Section V.B.7 of this Agreement, after an agreed upon, pre-determined time of independent residency has been established and met.
- 3. Double Occupancy and Direct Admission** – In the case of double occupancy, a resident entering an independent living residence with a co-resident directly admitted to the Health and Wellness Center will pay the Single Occupancy Entry Fee and Single Occupancy Monthly Fee for the independent living residence.

VI. Termination Prior to Occupancy and Terms of Refund

A. Termination by the Resident:

- 1. Termination Within the Thirty (30) Day Right of Rescission Period** – You may rescind this Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate. You are not required to take occupancy before the end of the thirty (30) day rescission period.
- 2. Termination After the Thirty (30) Day Right of Rescission Period** – After the thirty (30) day rescission period and prior to the Date of Occupancy, if you terminate this Agreement, you may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee for the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.

B. Termination by The Forest:

The Agreement may be terminated by The Forest if it is determined by The Forest that you have misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if your financial status changes prior to the Date of Occupancy such that you no longer meet The Forest's financial requirements for admission. In such event, you may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of written notice to terminate.

C. Termination as a Result of Death or Illness of Resident:

Prior to the Date of Occupancy, should you die, become ill, be injured or otherwise incapacitated such that The Forest determines that independent living is not possible, this Agreement will automatically be terminated and a refund shall be due to you within sixty (60) days, equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. In lieu of terminating this Agreement, you may elect to enter The Forest's Health and Wellness Center under the terms of the direct admissions policy outline in Section V.C.

VII. Conditions of Termination After Occupancy

A. Termination by the Resident: In addition to Section VI, this Agreement may be terminated by you in accordance with the following conditions:

1. The Agreement will be terminated upon your death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Section VII.C below.
2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
3. You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
4. Refunds to you shall be reduced by the amount of your outstanding charges due to The Forest.

B. Termination by The Forest: The Forest may terminate the Agreement with you if you breach this Agreement, or if you fail to pay the Monthly Fee and any other ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice to vacate your residence.

You must leave the Residence in condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.

Refunds to you shall be reduced by the amount of your outstanding fees and charges due to The Forest.

C. Termination Date: The "Termination Date" of this Agreement will be the date on which your personal property has been removed from the residence or sixty (60) days following written notice, whichever is later. You will be required to continue paying the Monthly Fee until the Termination Date or until your personal belongings have been removed and a walk-through has been completed by you or your designee and management, whichever is later.

VIII. Conditions for Refund After Occupancy

- A. Termination of Agreement by Resident:** You may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- B. Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VII.B, you may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- C. Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding fees and charges due to The Forest by you have been paid, your personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by you is re-occupied and a full Entry Fee is received by The Forest for the residence. Refunds will be paid to you, or in the event of your death, to your estate. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due to you or your estate.
- D. Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under Sections VI and VIII of this Agreement.

IX. Miscellaneous

- A. Rights, Privileges and Limitations:** The rights and privileges to you under this Agreement for living accommodations, facilities, and services are personal and non-transferable and do not include any proprietary interest in the properties or assets of The Forest.

Your rights shall at all times be subordinate to any obligations of The Forest. Upon request by The Forest, you agree to execute and deliver a subordination agreement to establish the priority of such obligations as a lien or liens against the property.

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any

person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.
- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.
- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.
- F. Indemnity:** You agree to indemnify, defend and hold The Forest harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section IX. F shall survive termination of this Agreement.
- G. Affiliation:** The Forest holds membership in LeadingAge and LeadingAge NC.
- H. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.
- I. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.
- J. Amendment of Residence and Care Agreement and General Conditions:** The Forest reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or

whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

- K. Entire Contract in this Agreement:** This Agreement, Exhibit A, Exhibit B, and any attached Addenda, Application Forms, and Requests for Changes to the Living Residence constitute the entire contract between The Forest and you. The Forest is not liable for, nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent The Forest unless such statements, representations, or promises are set forth in this Agreement. Except as set forth in Section IX.J, this Agreement may not be amended or modified except by written agreement signed by the parties hereto and incorporated herein by reference.
- L. Governing Law: Venue:** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. To the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Durham County or the United States District Court for the Eastern District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

M. Notice Provisions:

Any notices, consents, or other communications to The Forest shall be in writing and addressed as follows:

President/CEO
The Forest at Duke
2701 Pickett Road
Durham, NC 27705

Your address for the purpose of giving notice prior to your move to The Forest is the address appearing after your signature on the following page or other such address you provide to The Forest in writing.

Acknowledgements

Your signature below certifies that you have received, read, understand, and accept this Residence and Care Agreement and the current Disclosure Statement for The Forest at Duke.

Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

Co-Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

By _____
President/CEO

Date

EXHIBIT A

Your signature below certifies that you understand and accept the following terms:

DATE OF OCCUPANCY: _____

RESIDENCE NUMBER/TYPE: _____

REFUND PLAN: () Standard Amortized

RESIDENCY: () Single Occupancy () Double Occupancy

TOTAL ENTRY FEE: _____

LESS; FUTURE RESIDENCY DEPOSIT: _____

LESS: RESERVATION DEPOSIT: _____

LESS: 15% DEPOSIT: _____

CURRENT MONTHLY FEE: _____

ADDENDA: _____

Resident's Signature **Date**

Co-Resident's Signature **Date**

By _____
President/CEO **Date**

| |
|------------------|
| EXHIBIT B |
|------------------|

**Schedule of Ancillary Charges
March 1, 2021**

| <u>Dining Services</u> | <u>Price</u> |
|--|--|
| Adult Guest Meal in Main Dining Room | \$18.00 |
| Child Guest Meal in Main Dining Room (12 years and under) | 9.00 |
| Adult Holiday Guest Meal in Main Dining Room | 25.00 |
| Child Holiday Guest Meal in Main Dining Room (12 years and under) (Holidays: Easter, Mother's Day, Thanksgiving, Christmas) | 15.00 |
| Guest Meals in Health and Wellness Center: \$3.50 Breakfast; \$4.50 Lunch; \$9.00 Dinner | |
| * Catering Services through Dining Services based on Catering Menu | |
| | |
| <u>General Services</u> | |
| Maintenance Labor per hour | \$ 30.00 |
| Housekeeping per hour | 20.00 |
| Roll Away Bed/Crib per night | 10.00 |
| Laundry per pound | 3.00 |
| Key Replacement | 5.00 |
| Access Fob Replacement | 10.00 |
| Pendant | 50.00 |
| Transponder | 35.00 |
| | |
| <u>Administration Services</u> | |
| Guest Room per night | \$85.00 |
| Fax – up to 5 pages | 3.00 |
| Fax – each additional page | 1.00 |
| Away Allowance per night/per person | 5.75 |
| Resident Computer Support per hour | 50.00 |
| Resident Computer Support – minimum charge | 25.00 |
| Return Check Fee | 25.00 |
| | |
| <u>Healthcare Services</u> | |
| Medical Records Copy Fee (per Federal Guidelines) | |
| Pages 1-25: per page | \$ 0.75 |
| Pages 26-100: per page | 0.50 |
| Pages 100+: per page | 0.25 |
| Minimum charge | 10.00 |
| | |
| <u>Transportation</u> | |
| Concierge Hourly Rate (standard vehicle/commercial vehicle) | \$17.00 / \$25.00 |
| One-Way Flat Fee to Raleigh-Durham International Airport | 30.00 |
| Medical Transportation (after one local trip per week): | |
| Durham | 18.00 |
| Chapel Hill | 20.00 |
| | |
| <u>Activities</u> | |
| Please refer to Activities Fee Sheet | |
| | <u>Hair Salon</u> |
| | Please refer to prices listed in the salon |

Prices subject to modification by The Forest at Duke

Exhibit F

Early Acceptance Agreement

EARLY ACCEPTANCE AGREEMENT



THE **FOREST** AT **DUKE**

THE FOREST AT DUKE

EARLY ACCEPTANCE AGREEMENT

This Early Acceptance Agreement (together with all exhibits and schedules attached and incorporated herein, the "Agreement") is entered into between THE FOREST AT DUKE, INC. ("The Forest") located in Durham County at 2701 Pickett Road, Durham, NC and _____, ("you") on this day _____. In this paragraph and throughout the rest of the Agreement, the words "we", "us", "our" or "The Forest" refer to The Forest at Duke, Inc., and the words "you", "your", and "Resident(s)" refer to _____.

Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the "Community") created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of two residents residing together, one resident may be as young as sixty-two (62).

The Forest and you agree that you will assume all rights and responsibilities as stated in this Agreement beginning on _____, your "Date of Financial Responsibility".

You desire to enter into this Agreement as an off-campus resident of The Forest in connection with The Forest's offering continuing care without lodging through its "Early Acceptance Program" in order for you to access some of the services provided by The Forest while remaining in your home and not residing on campus.

The Forest and you agree to the following:

I. Early Acceptance as a Forest Resident

A. General:

You have gone through the admissions process, and The Forest has accepted you as an off-campus resident of The Forest in connection with The Forest's Early Acceptance Program in order for you to access some of the services provided by The Forest while remaining in your home and not residing on campus. As a resident of The Forest, you are entitled to the general services provided on The Forest's campus, as outlined in this Agreement. If there is a fee related to a particular service provided to you as a resident, you will be charged the then prevailing fee that corresponds to being a resident of The Forest rather than a guest.

As a resident of The Forest under this Agreement, if you are already in our Future Residency Program, you will remain in the Future Residency Program unless you request to be removed. Your priority number will remain _____, which was provided when you joined our Future Residency Program originally. Your status and your rights as a member of the Future Residency Program will not change as a result of entering into this Agreement. You will be offered on-campus accommodations in accordance with the then current Future Residency Program.

If you are not already in the Future Residency Program, you may join, and your priority number will be provided to you as of the date you are added to the Future Residency Program. Your

status and your rights as a member of the Future Residency Program will not change as a result of entering into this Agreement. You will be offered on-campus accommodations in accordance with the then current Future Residency Program.

At the time you choose to accept an accommodation on The Forest's campus, having already been accepted as a resident, you will not have to repeat an admission process. Since time will have passed since the date of your original acceptance, The Forest reserves the right to seek updated medical and financial information in order to determine your appropriate level of care or ability to live independently and to have maintained sufficient assets for any additional entry fee and higher monthly fees then in effect required for residency in the particular reserved residence.

B. Execution of Residence and Care Agreement Following Early Acceptance:

Prior to taking occupancy and financial responsibility for a particular residence on The Forest's campus, you agree to execute the "Residence and Care Agreement Following Early Acceptance" then in effect. Your occupancy of a residence shall be expressly conditioned upon your execution of such agreement. The executed Residence and Care Agreement Following Early Acceptance shall supersede and replace this Agreement in its entirety.

If the Residence and Care Agreement Following Early Acceptance is subsequently terminated, as outlined in that agreement, this Agreement may be re-executed, allowing you to remain a resident of The Forest who does not reside on campus, as long as the reason for termination of the Residence and Care Agreement Following Early Acceptance does not preclude continuation of a contractual relationship.

II. Pledge of Service

The Forest will provide you the following services and facilities upon Date of Financial Responsibility. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement, and outlined in Exhibit A. A "Schedule of Ancillary Charges" for certain services and items not covered by the Entry Fee and Monthly Fees is included as Exhibit B. This schedule is updated periodically and will be made available to you each time it is updated.

A. Community Facilities:

You may use, along with other residents, the common facilities of The Forest including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreation rooms and designated outdoor activity areas.

B. Services:

- 1. Dining Services** – You may eat in The Forest dining venues and be charged at the prevailing resident rate.

2. **Security** – The Forest will use reasonable care in providing security on the premises of The Forest. Twenty-four (24) hour security staffing, including regular security patrols is provided. You are responsible for taking appropriate security measures to protect yourself and your personal property at the Community. The Forest is not responsible to provide security to you in your home nor for the loss or damage to your property.
3. **Activities** – The Forest provides scheduled social, recreational, spiritual, educational and cultural activities, creative arts, exercise and wellness programs, and other activities designed to meet the interest of the residents. There may be a charge associated with certain activities.
4. **Parking** – The Forest will provide and maintain unassigned parking areas for residents and guests.
5. **Wellness and Health Services** – The Forest offers primary care, assisted living, skilled nursing, and dementia care services with oversight provided by a licensed physician serving as the Medical Director in accordance with Section VI of this Agreement.

III. Financial Provisions

A. Statement of Fees:

You agree to pay The Forest an Entry Fee and the Monthly Fee as outlined in Exhibit A. You are required to make the full payment of the Entry Fee prior to the Date of Financial Responsibility, as stated on Exhibit A. You agree to pay all fees and charges as set forth in this Agreement.

B. Entry Fee:

The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs, or execution of a subsequent Residence and Care Agreement Following Early Acceptance, should you move to The Forest sometime in the future.

The Entry Fee is comprised of two parts: a Residence Fee, all or some of which may be refundable in accordance with Section IX, plus a non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section VI.

In the event you decide to move to The Forest and enter into a Residence and Care Agreement Following Early Acceptance, notwithstanding the amortization of the Entry Fee for refund purposes as set forth in Section IX of this Agreement, the full amount of the Entry Fee will be applied towards the then prevailing Entry Fee for the residence you select. Should you choose to terminate this Agreement and not execute a Residence and Care Agreement Following Early Acceptance, you may receive a refund of the unamortized portion of the Entry Fee in accordance with Section IX of this Agreement, and you will not receive a credit for future on-campus residency.

C. Monthly Fee:

The Monthly Fee and costs for additional services are billed by the fifth (5th) business day of each calendar month, with payment due from you by the fifteenth (15th) of the same month. The Forest reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Fee, The Forest reserves the right to terminate this Agreement. The Forest may add a service charge of one percent (1%) per month to fees and charges not paid by the fifteenth (15th) of the month. The Forest offers and encourages an automatic bank draft for the monthly charges.

D. Fee Increases:

It is understood by you that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. You also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Fee and any and all other fees and charges is made, in its sole discretion, by the Board of Directors of The Forest.

E. Financial Hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon reviewing your financial resources, it is determined that through no fault of your own, you are unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize your Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that you have voluntarily divested assets and resources, or have used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize your Monthly Fee, and may elect to terminate this Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

You agree to provide, if requested, financial statements and current financial information and copies of your tax returns for the purpose of demonstrating capacity to meet financial obligations to The Forest and other providers arising out of or in connection with this Agreement.

Under the terms of this Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

F. Subsidy by The Forest:

Should The Forest elect to subsidize your Monthly Fee, or any other cost for services or care which The Forest under this Agreement is not obligated to pay on your behalf, the accumulated amount of any such subsidy shall be offset against any refund that might become due to you, and any unrecovered balance shall also be a valid claim against your estate. This paragraph shall apply whether or not you reside at The Forest at the time of death or termination of this Agreement.

G. The Forest's Disclosure Requirements:

In keeping with North Carolina requirements for disclosure of financial information to the public and to The Forest's residents, The Forest will file an annual disclosure statement with the North Carolina Department of Insurance ("Disclosure Statement"). A copy of the most recent Disclosure Statement will be delivered to you prior to the execution of this Agreement and a copy of each subsequent Disclosure Statement shall be made available to you so long as you remain a resident at The Forest.

H. The Resident's Disclosure Requirements:

During the process of applying for admission, you have disclosed your complete health status and history, and your complete financial position to The Forest as of the date of this Agreement. The Forest will not be responsible for any financial support, or for the cost of your care if the true and correct nature of your financial position and/or medical condition has not been revealed to The Forest as of the date of this Agreement or subsequent to the date of this Agreement based upon information you provided to The Forest, at its request. Upon the request of The Forest, you are obligated to provide us the current status of your health and/or financial position so long as you remain a resident of The Forest.

IV. Terms of Residency

A. Rights of Resident:

You have the right to use and enjoy the common areas, amenities, programs, and services of The Forest during your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by The Forest other than the rights and privileges as described in this Agreement.

B. Policies, Rules and Regulations:

You agree to abide by the policies, rules, and regulations of The Forest including such changes as may be adopted from time to time. These policies, rules, and regulations will be set forth in a

Resident Handbook and will be made available to you prior to the execution of this Agreement, and at any time when it is updated.

C. Business and Health Care Directives:

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32C of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Financial Responsibility.

You agree to provide to The Forest, upon request, the following information:

- Names, addresses, and phone numbers of persons to notify in an emergency, or death
- Copy of current Durable Power of Attorney
- Copy of current Health Care Power of Attorney
- Copy of any Advance Directives
- Copy of current Insurance Coverages

D. Property:

To the maximum extent permitted by law, The Forest will not be responsible for the loss or damage of any property not belonging to The Forest due to any cause. It is understood by both parties that you will have the responsibility for providing insurance protection covering any such loss or damage of your property.

E. Insurance:

1. Application for Benefits: Assignment of Benefits

You shall apply for any federal, state or local benefits for which you may be eligible or entitled upon request by The Forest. If requested by The Forest, any or all such benefits will be applied to the daily fee or other charges incurred by you at The Forest.

You agree to assign to The Forest all insurance benefits received from third party payers for health services provided by The Forest. You agree to grant to The Forest a limited Power of Attorney for the purpose of permitting The Forest to act as your agent or attorney in fact in all matters relating to any such benefit.

2. Health Insurance:

You shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under your primary insurance policy. Your primary and secondary insurance coverage must

recognize The Forest as a healthcare provider, or you shall be responsible for services rendered that otherwise could be covered by insurance. You agree to furnish The Forest with evidence of such coverage prior to the Date of Financial Responsibility as stated in Exhibit A and also upon request.

If your health insurance coverage lapses, The Forest may require you to reapply for suitable insurance coverage. If you are unable to obtain suitable insurance coverage, you shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by The Forest, you shall provide evidence of health insurance coverage.

3. Medicare-Certified Skilled Nursing Beds:

The Forest maintains a limited number of Medicare-certified beds in the skilled nursing facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an “if and as available” basis. In the event that you need admission and the admission would qualify for Medicare payment, then your financial responsibility to The Forest will depend upon the type of Medicare coverage you have and whether The Forest is a contractual provider for your coverage.

a) Medicare-certified bed is not available.

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

b) Medicare-certified bed is available and you have traditional Medicare.

If you are admitted to a Medicare-certified bed in the skilled nursing facility and you have traditional Medicare coverage, The Forest will accept the Medicare reimbursement amount of such care while you shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that you maintain.

c) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is an in-network provider.

In the event that The Forest is an in-network provider for your Medicare Advantage coverage, then The Forest will accept the reimbursement amount from your Medicare Advantage insurance carrier while you shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that you maintain.

d) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is not an in-network provider.

The Forest will charge you the full private-payment amount for your admission into a Medicare-certified bed and credit against your financial obligation to The Forest the

amount that is paid by your Medicare Advantage insurance if the insurance provides an out-of-pocket network benefit. In the event that your Medicare Advantage insurance will not pay any amount to an out-of-network provider, then you will not be admitted to a Medicare-certified bed at The Forest. A full private-pay resident in a Medicare-certified bed may be required by The Forest to relocate to a bed that is not Medicare-certified when such a bed becomes available.

F. Resident's Medical Examination:

You agree to be examined by a Forest physician when there is reasonable cause for concern for your health and well-being.

G. Subrogation Rights:

In case of injury to you by a third party, The Forest shall have the right to subrogation for all of its costs and expenses incurred by reason of such injuries, and shall have the right, in your name or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for the injury. You agree to cooperate fully and to assist The Forest in recovering any such costs and expenses.

H. Resident Representation:

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population.

I. Compliance with Applicable Laws:

The Forest will operate in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities. Notwithstanding any other provisions of this Agreement, it shall have the right to change the terms of this Agreement, to meet the requirements of any law or regulation.

V. Care Management and Transfers

A. Care Management:

The Forest shall furnish the following Care Management services to you by qualified staff to assist in decisions related to transfers to the Health and Wellness Center, special service facility or hospital. Staff members may assist with (i) assessing your needs, (ii) developing a plan of care with you to address needs that are identified, (iii) helping identify reputable providers in the area to whom you can be referred for services to meet those needs, and (iv) following up to ensure that those services are meeting your needs and the goals of your care plan. The assessments shall be conducted annually.

If more frequent assessments are needed, or if any needs are identified that may require subsequent services, The Forest's staff will assist you either by providing such services to you in

the event The Forest is licensed to provide such services and you choose The Forest to provide such services or by referring you to services that may be available to you in the community outside of The Forest. If more frequent assessments are needed beyond the annual assessment, or if any needs are identified that may require subsequent services of The Forest's staff or other providers, those assessments and services will be provided to you at the then prevailing rates.

You hereby acknowledge and agree that The Forest is not responsible for furnishing you or causing to be furnished to you medical or other personal care services in your home unless recommended and approved by The Forest as part of your care management plan and requested by you and your physician, as appropriate.

All decisions regarding your care management plan, including the prospect of your need for support services in your home, temporary or permanent transfer to the Health and Wellness Center, or to another licensed facility, or to a special service facility, or to a hospital will be made after consultation with you and, when appropriate, your designee.

If it is determined by The Forest and upon the recommendation of The Forest's Medical Director, that your needs require temporary or permanent transfer to The Forest's Health and Wellness Center or to another licensed facility, or to a special care facility, or to a hospital and if you choose not to make the move to those facilities, then you must agree to sufficient services to provide for appropriate care and safety in your home. If, in The Forest's sole judgment, the services you elect to receive are insufficient for appropriate care and safety in your home, you must move to an appropriate care level at The Forest, or to another licensed facility, or to a special care facility, or The Forest will have the right to terminate this Agreement.

No entry fee adjustment is made with temporary or permanent transfer from your home to The Forest's Health and Wellness Center, or to another licensed facility, or to a special service facility, or to a hospital.

In the event you make a temporary or permanent transfer from your home to The Forest's Health and Wellness Center, you will be charged The Forest's current prevailing Monthly Fee and/or per diem rates for such services, as outlined in Section VI of this Agreement. The new Monthly Fee and/or per diem rates take effect on the date that you make such a temporary or permanent transfer.

In the event that you make a temporary or permanent transfer from your home to another licensed facility, or to a special service facility, or to a hospital, you will be charged the other facility's prevailing Monthly Fee and/or per diem rates for such services.

B. Limitations of Care/Transfer:

The Forest's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should The Forest determine that your physical and/or mental condition becomes such that your continued participation in The Forest's Early Acceptance Program is dangerous or detrimental to your health or safety, or to others, The Forest may arrange for such transfer to a special service facility as may be required. The liability of The Forest for costs of

such care shall be limited to the amount of your then prevailing Monthly Fee for each month that you continue to pay the Monthly Fee, or the then prevailing per diem rate, as applicable.

If you or your designee prefers a different institution or special service facility than that selected by The Forest, arrangements will be made to accommodate such preference with the understanding that The Forest is relieved of any increase in financial responsibility associated with such transfer, or the costs of such a transfer.

VI. Health Care Services

During the process of applying to The Forest, you have disclosed a true and correct health status and history, and have been approved by The Forest for early acceptance residency. You have disclosed any significant changes in your health status since your initial review. It is understood by both parties that your health condition may change and that you will inform The Forest of any significant changes. If there is reasonable cause for concern, you agree that a Forest physician may examine you.

A. Health and Wellness Center:

The Forest's Health and Wellness Center includes a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

B. Continuing Care Services:

The Forest agrees to provide the health care services outlined below. These services are included in the Monthly Fee, except for those requiring additional payment as described below. The Forest will seek reimbursement from any and all third party payers to the fullest extent available.

- 1. Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
- 2. Other Health Care Services:**
 - a) Primary Care** – Primary care services are available to residents of the Early Acceptance Program during regularly scheduled office hours if they select The Forest as their primary care provider. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
 - b) Laboratory Tests and Other Procedures** – Should you elect The Forest's primary care clinic as your primary provider, you may be eligible to receive limited laboratory testing services and diagnostic procedures according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.
 - c) Special Services** – Should you elect The Forest's primary care clinic as your primary care provider, you may be eligible to receive some special services such as dentistry, physical therapy, occupational therapy, speech therapy and pharmacy services. All

such services shall be coordinated through The Forest's Care Coordinator. You are responsible for the costs of these, and other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.

- d) Assistance with Insurance Claims Related to Services Provided by The Forest –** The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.
- 3. Hospitalization –** The Forest's Care Coordinator may assist you in arranging your inpatient hospital care. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
- 4. Health Care Services in The Forest's Health and Wellness Center –** The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:
- a) Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Financial Responsibility at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in Section VI. 4.b and 4.c below apply or the rates actually charged by the alternative health care facility.
- b) Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
- c) Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, the Monthly Fee will no longer be paid.

If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest's Health and Wellness Center.

The resident is responsible for the costs of care at the alternative health care facility. During the period of stay in an alternative health care facility, all costs of care will be billed to the resident by the alternative health care facility. If such costs are not covered by Medicare or other third party payer, the resident is responsible for the costs of care at the alternative health care facility and, the resident may elect to use any available pre-paid days as described in paragraph 4.a above.

Should you elect to use any available pre-paid days, The Forest will either reimburse you or credit your account for the scope of services that would otherwise be included in the per diem rate, provided that The Forest's obligation shall not exceed the current prevailing per diem rate.

VII. Other Services Excluded in This Agreement

1. Transportation – The Forest will not be responsible for providing any type of transportation to you during this Agreement, including but not limited to any transportation to or from The Forest campus and emergency transportation to any hospital or other health care facility.

2. Security – The Forest will not be responsible for providing any type of security, staff emergency response, emergency response devices, smoke detectors or the like to your home or personal residence during this Agreement.

3. Housekeeping, Maintenance and Grounds Keeping – The Forest will not be responsible for providing any type of laundry or housekeeping services to your home or personal residence during this Agreement. The Forest will not be responsible for providing any type of home maintenance or grounds keeping care to your home or personal residence during this Agreement.

4. Utilities – The Forest will not be responsible for furnishing any type of utilities, including but not limited to heating, air conditioning, water, electricity, and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to you during this Agreement.

5. Taxes – The Forest will not be responsible for paying any taxes owed by you, including without limitation, any income taxes or personal or real property taxes assessed on your personal or real property during this Agreement. You are solely responsible for all taxes, owed by you, including, without limitation, all personal income taxes and all taxes assessed on your personal and real property.

6. Other Excluded Services – The Forest will not be responsible for payment of any services not described in Section VI. B. These excluded services include, but are not limited to prescription and non-prescription medications, refractions, eye glasses, contact lenses, audio logical tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.

7. Illness or Accident – If you have an accident or if you are ill, The Forest will have no responsibility to pay for costs resulting from or in connection with such accident or illness.

VIII. Conditions of Termination

- A. Termination Within the Thirty (30) Day Right of Rescission Period** - You may rescind this Agreement prior to the Date of Financial Responsibility by giving written notice to The Forest within thirty (30) days following the later of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You may receive a refund equal to the funds paid toward the Entry Fee without interest. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.
- B. Termination After the Thirty (30) Day Right of Rescission Period** – After the thirty (30) day rescission period and prior to the Date of Financial Responsibility, if you terminate this Agreement, you may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.
- C. Termination by the Resident:** In addition to Sections VIII. A and B, this Agreement may be terminated by you in accordance with the following conditions:
1. The Agreement will be terminated upon your death. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Section VIII. E below.
 2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
 3. You or your estate may be entitled to a prorated refund of the Residence Fee pursuant to Section IX. Refunds to you or your estate shall be reduced by the amount of your outstanding charges due to The Forest.
- D. Termination by The Forest:** The Forest may terminate the Agreement with you if you breach this Agreement, or if you fail to pay the Monthly Fee and any other ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice of termination. You may be entitled

to a prorated refund of the Residence Fee pursuant to Section IX. Refunds shall be reduced by the amount of your outstanding fees and charges due to The Forest.

- E. Termination Date:** The Termination Date of this Agreement will be sixty (60) days following written notice, or in the case of death, the date of death. You will be required to continue paying the Monthly Fee until the Termination Date.

IX. Conditions for Refund

- A. Termination of Agreement by Resident:** You may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first twenty-five (25) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that this Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- B. Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VIII. D, you may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first twenty-five (25) months of this Agreement, you may be entitled to a partial refund of the Residence Fee. You will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) four percent (4%) for each month that this Agreement has been in effect for up to twenty-five (25) months; less (iii) any amounts due to The Forest. After twenty-five (25) months, there is no refund of the Residence Fee.
- C. Payment of Refunds:** Any refund of the Residence Fee will be paid within sixty (60) days after all outstanding fees and charges due to The Forest by you have been paid. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due to you or your estate. Refunds will be paid to you, or in the event of your death, to your estate.
- D. Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under Sections VIII and IX of this Agreement.

X. Miscellaneous

- A. Rights, Privileges and Limitations:** The rights and privileges to you under this Agreement for facilities and services are personal and non-transferable and do not include any proprietary interest in the properties or assets of The Forest.

Your rights shall at all times be subordinate to any obligations of The Forest. Upon request by The Forest, you agree to execute and deliver a subordination agreement to establish the priority of such obligations as a lien or liens against the property.

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.
- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.
- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.
- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical, and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.
- F. Indemnity:** You agree to indemnify, defend and hold The Forest harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section X. F shall survive termination of this Agreement.
- G. Affiliations:** The Forest holds membership in LeadingAge and LeadingAge NC.
- H. No Guarantee of Residence:** The Forest's execution of this Agreement does not guarantee that any apartment or home at The Forest will be available for your occupancy during your lifetime or prior to the termination of this Agreement for any reason.
- I. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.
- J. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.

- K. Amendment of Early Acceptance Agreement and General Conditions:** The Forest reserves the right, upon thirty (30) days prior written notice to you, to modify or amend the Early Acceptance Agreement whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.
- L. Entire Contract in this Agreement:** This Agreement, Exhibit A, Exhibit B, and any attached Addenda and Application Forms constitute the entire contract between The Forest and you. The Forest is not liable for, nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent The Forest unless such statements, representations, or promises are set forth in this Agreement. Except as set forth in Section X. K, this Agreement may not be amended or modified except by written agreement signed by the parties hereto and incorporated herein by reference.
- M. Governing Law: Venue:** This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. To the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Durham County or the United States District Court for the Eastern District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

N. Notice Provisions:

Any notices, consents, or other communications to The Forest shall be in writing and addressed as follows:

President/CEO
The Forest at Duke
2701 Pickett Road
Durham, NC 27705

Your address for the purpose of giving notice to The Forest is the address appearing after your signature on the following page or other such address you provide to The Forest in writing.

Acknowledgements

Your signature below certifies that you have received, read, understand, and accept this Early Acceptance Agreement and the current Disclosure Statement for The Forest at Duke.

Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

By _____
President/CEO

Date

EXHIBIT A

Your signature below certifies that you understand and accept the following terms:

DATE OF FINANCIAL RESPONSIBILITY: _____

RESIDENCE FEE: _____

HEALTH CARE RESERVE FEE: _____

TOTAL ENTRY FEE: _____

CURRENT MONTHLY FEE: _____

ADDENDA: _____

Resident's Signature **Date**

By _____
President/CEO **Date**

| |
|------------------|
| EXHIBIT B |
|------------------|

**Schedule of Ancillary Charges for Early Acceptance Program
March 1, 2021**

| <u>Dining Services</u> | <u>Price</u> |
|--|---------------------|
| Adult Guest Meal in Main Dining Room | \$18.00 |
| Child Guest Meal in Main Dining Room (12 years and under) | 9.00 |
| Adult Holiday Guest Meal in Main Dining Room | 25.00 |
| Child Holiday Guest Meal in Main Dining Room (12 years and under) (Holidays: Easter, Mother's Day, Thanksgiving, Christmas) | 15.00 |
| Guest Meals in Health and Wellness Center: \$3.50 Breakfast; \$4.50 Lunch; \$9.00 Dinner | |
| * Catering Services through Dining Services based on Catering Menu | |
| | |
| <u>General Services</u> | |
| Access Fob Replacement | 10.00 |
| Transponder | 35.00 |
| | |
| <u>Administration Services</u> | |
| Fax – up to 5 pages | 3.00 |
| Fax – each additional page | 1.00 |
| Return Check Fee | 25.00 |
| | |
| <u>Healthcare Services</u> | |
| Medical Records Copy Fee (per Federal Guidelines) | |
| Pages 1-25: per page | \$ 0.75 |
| Pages 26-100: per page | 0.50 |
| Pages 100+: per page | 0.25 |
| Minimum charge | 10.00 |
| | |
| <u>Activities</u> | |
| Please refer to Activities Fee Sheet | |

Prices subject to modification by The Forest at Duke

Exhibit G

Residence and Care Agreement Following Early Acceptance Agreement

**RESIDENCE AND CARE
AGREEMENT
FOLLOWING EARLY
ACCEPTANCE**



THE **FOREST** AT **DUKE**

THE FOREST AT DUKE

RESIDENCE AND CARE AGREEMENT FOLLOWING EARLY ACCEPTANCE

This Residence and Care Agreement Following Early Acceptance (together with all exhibits and schedules attached and incorporated herein, the "Agreement") is entered into between THE FOREST AT DUKE, INC. ("The Forest") located in Durham County at 2701 Pickett Road, Durham, NC and _____, ("you") on this day _____. If two persons enter into this Agreement as co-residents, the word "you" will apply to both unless the context requires otherwise. All residents that are parties to this Agreement shall be jointly and severally responsible for all fees, charges and obligations under this Agreement. In this paragraph and throughout the rest of the Agreement, the words "we", "us", "our" or "The Forest" refer to The Forest at Duke, Inc., and the words "you", "your", and "Resident(s)" refer to _____.

Under the laws of the State of North Carolina, The Forest is organized as a nonprofit corporation and operates a continuing care retirement community (the "Community") created to provide housing, recreation, health care and other services to people sixty-five (65) years of age or older. In the case of co-residents, one resident may be as young as sixty-two (62).

The Forest is pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. The Forest encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status or national origin.

The Forest and you agree that prior to you entering into this Agreement, you and The Forest were a party to an Early Acceptance Agreement dated _____, 20____, pursuant to which you were a resident of The Forest without lodging in order for you to access some of the services provided by The Forest while remaining in your home and not residing in the Community.

The Forest and you agree that this Agreement will supersede the Early Acceptance Agreement.

The Forest and you agree that you will assume all rights and responsibilities as stated in this Agreement beginning on _____, your "Date of Occupancy". This is the date that The Forest has determined your residence, _____, will be readied and available to you.

The Forest and you agree to the following:

I. Pledge of Service

The Forest will provide you the following services and facilities upon occupancy. Unless otherwise specified in this Agreement, there will be no additional charge made for any of these services and facilities other than payment of the Entry Fee and Monthly Fees, each of which is described in this Agreement, and outlined in Exhibit A. A "Schedule of Ancillary Charges" for certain services and items not covered by the Entry Fee and Monthly Fees is included as Exhibit

B. This schedule is updated periodically and will be made available to you each time it is updated.

A. Community Facilities:

You may use, along with other residents, the common facilities of The Forest including, but not limited to, the dining rooms, lounges, lobbies, library, social and recreation rooms and designated outdoor activity areas.

B. Living Accommodations:

1. **Right to Reside** – You have a non-transferable right to reside in the independent living residence described in Exhibit A, subject to the terms and conditions of this Agreement.
2. **Furnishings** – The Forest provides standard carpeting, window coverings, refrigerator, range, garbage disposal, microwave, and dishwasher. A washer and dryer are provided for apartments, and washer and dryer hook-ups are provided for the cottages. Twenty-four (24) hour emergency call system, individual thermostatic control for heating and air conditioning, cable television outlets, telephone outlets, and smoke alarms are also provided.
3. **Changes to Your Residence** – The Forest allows limited non-structural changes to personalize your residence. Any such changes must have prior written approval by The Forest. You are responsible for the cost of any custom changes, and are required to use installers and contractors approved or provided by The Forest. All such changes become the property of The Forest. You may be responsible for costs associated with restoring the residence to its standard condition prior to occupancy by a subsequent resident. You may also be responsible for the cost of repairing or replacing finishes or appliances damaged as the result of extraordinary wear and tear.

C. Services:

1. **Dining Services** - The Forest provides dining services. A choice of meal plan options described below is included in your Monthly Fee. In the case of co-occupancy, both residents will participate in the same plan.
 - a. Meal Plan One – The choice of one meal per day per person is included in the Monthly Fee.
 - b. Meal Plan Two – Flexible quarterly dining credits per person, used at the resident’s choosing and in accordance with the current Meal Plan Two policy, are included in the Monthly Fee.
2. **Utilities** – Water, sewer service, electricity, heat, air conditioning, basic cable television and wireless internet services are provided. Although telephone access is provided, if you elect to have telephone service, you are responsible for the establishment of telephone hook-up and ongoing service.

3. **Housekeeping** – Housekeeping Services are provided weekly based upon the Housekeeping Services schedule. These services include vacuuming, dusting and cleaning of bathrooms and kitchens.
4. **Maintenance** – The Forest performs the necessary repairs, maintenance, and reasonable replacement of its own property, common facilities and equipment.
5. **Security** – The Forest will use reasonable care in providing security on the premises of The Forest. Emergency response devices and smoke detectors are provided in all residences. Twenty-four (24) hour security staffing, including regular security patrols, is provided. You are responsible for taking appropriate security measures to protect yourself and your property at the Community.
6. **Groundskeeping** – Basic groundskeeping service, including lawn, tree, and shrubbery care, is provided. You may plant and maintain certain areas designated and approved by The Forest.
7. **Activities** – The Forest provides scheduled social, recreational, spiritual, educational and cultural activities, creative arts, exercise and wellness programs, and other activities designed to meet the interest of the residents. There may be a charge associated with certain activities.
8. **Transportation** – Scheduled transportation is provided to shopping centers, public events, and other destinations as determined by The Forest. One round trip per resident per week is provided to local outside medical facilities. Unused medical trips may not be saved or accumulated. Should transportation be desired at times or to places not included in the standard schedule, The Forest will assist with those transportation needs to the degree staff and equipment are available, and an additional charge may apply.
9. **Storage** – Limited storage space is provided.
10. **Parking** – One reserved automobile parking space per independent residence is provided. Additional limited parking is available.
11. **Wellness and Health Services** – The Forest offers primary care, assisted living, skilled nursing, and dementia care services with oversight provided by a licensed physician serving as the Medical Director in accordance with Section V of this Agreement.
12. **Insurance** – The Forest maintains insurance on all of its property and its operations to include general public liability insurance, property insurance including coverage for acts of God, vandalism and theft, professional liability insurance and worker’s compensation. You are required to maintain a personal insurance policy for coverage of your personal belongings.
13. **Taxes** – Any real estate taxes are paid by The Forest.

II. Financial Provisions

A. Deposits:

Funds paid toward the Entry Fee may be refundable as outlined in Sections VI and VIII of this Agreement.

B. Statement of Fees:

You agree to pay The Forest an Entry Fee and the Monthly Fee for the selected residence as outlined in Exhibit A. The Entry Fee is in addition to the Entry Fee that you paid under the Early Acceptance Agreement. The total Entry Fee that you previously paid when you executed the Early Acceptance Agreement will be credited to the total Entry Fee as set forth in Exhibit A.

Within five (5) days of the date of this Agreement, you agree to pay a fifteen percent (15%) deposit to secure the residence as outlined in Exhibit A. You are then required to make the final balance payment of the Entry Fee fourteen (14) days prior to the Date of Occupancy, as stated on Exhibit A. You agree to pay all fees and charges as set forth in this Agreement.

C. Entry Fee:

The Entry Fee is comprised of two parts: a Residence Fee, all or some of which may be refundable in accordance with Sections VI and VIII, plus a non-refundable Health Care Reserve Fee. The Health Care Reserve Fees provide additional resources, which allow The Forest to establish and charge discounted fees for health care services as outlined in Section V. The Health Care Reserve Fee was included in the previously paid Early Acceptance Entry Fee and will be fully credited to the total Entry Fee as set forth in Exhibit A.

D. Monthly Fee:

The Monthly Fee varies depending upon the type of residence. A Second Person Monthly Fee is charged for Co-Residency. The Monthly Fee and costs for additional services are billed by the fifth (5th) business day of each calendar month, with payment due from you by the fifteenth (15th) of the same month. The Forest reserves the right, with thirty (30) days' notice, to change the billing date and the payment due date. For a partial first month, the Monthly Fee is pro-rated on a per diem basis. Thereafter, Monthly Fees are paid in advance and are not pro-rated at termination. If you fail to pay the Monthly Fee, The Forest reserves the right to terminate this Agreement. The Forest may add a service charge of one percent (1%) per month to fees and charges not paid by the fifteenth (15th) of the month. The Forest offers and encourages an automatic bank draft for the monthly charges.

E. Delayed Residency:

If you choose to defer occupancy, later than the Date of Occupancy as stated in Exhibit A, both the Entry Fee and the applicable Monthly Fee must still be paid as if you moved into The Forest on the Date of Occupancy. You will be credited as appropriate, with the Away Allowance as

described in Section II. L until such time that you move to The Forest. Additionally, any refund will be calculated based on the Date of Occupancy as stated in Exhibit A.

F. Fee Increases:

It is understood by both parties that The Forest is a nonprofit corporation dedicated to providing high quality services, facilities, and care at the lowest feasible cost. The parties also recognize the uncertain nature of future costs and expenses for goods and services and their mutual need to maintain a sound financial basis for the continued operation of the facility. You agree that The Forest may adjust the Monthly Fee and any and all other fees and charges upon a thirty (30) day written notice to you, as may be reasonably necessary according to the economic requirements and conditions, and the level of services offered. The decision to adjust the Monthly Fee and any and all other fees and charges is made, in its sole discretion, by the Board of Directors of The Forest.

G. Financial Hardship:

It is the intent of The Forest to admit only those persons who are able to pay its current and projected Entry Fee, Monthly Fee and any additional charges. If upon reviewing your financial resources, it is determined that through no fault of your own, you are unable to continue to pay a part or all of the Monthly Fee, The Forest may elect to subsidize your Monthly Fee. A Benevolent Fund was established to assist those residents who encounter financial hardship through no fault of their own. The Benevolent Fund and the other resources of The Forest however, are limited, and The Forest's policy to subsidize residents who have encountered financial hardship is expressly limited by its obligation to meet its commitments to all residents, and to operate on a sound financial basis. If it is apparent to The Forest that you have voluntarily divested assets and resources, or have used resources in a manner other than to meet ordinary and customary living expenses, The Forest may refuse to subsidize your Monthly Fee, and may elect to terminate this Agreement if payments for all fees and charges are not received in a timely manner. The use of the Benevolent Fund to subsidize residents who have encountered financial hardship is at the sole discretion of The Forest. Contributions to the Benevolent Fund are tax deductible, and residents and others may support this Fund with gifts, bequests and other fund-raising activities.

You agree to provide, if requested, financial statements and current financial information and copies of your tax returns for the purpose of demonstrating capacity to meet financial obligations to The Forest and other providers arising out of or in connection with this Agreement.

Under the terms of this Agreement, residents agree that they have not and will not make gifts of real or personal property for the purpose of evading their financial obligations to The Forest.

H. Subsidy by The Forest:

Should The Forest elect to subsidize your Monthly Fee, or any other cost for services or care which The Forest under this Agreement is not obligated to pay on your behalf, the accumulated amount of any such subsidy shall be offset against any refund that might become due to you, and

any unrecovered balance shall also be a valid claim against your estate. This paragraph shall apply whether or not you reside at The Forest at the time of death or termination of this Agreement.

I. The Forest’s Disclosure Requirements:

In keeping with North Carolina requirements for disclosure of financial information to the public and to The Forest’s residents, The Forest will file an annual disclosure statement with the North Carolina Department of Insurance (“Disclosure Statement”). A copy of the most recent Disclosure Statement will be delivered to you prior to the execution of this Agreement and a copy of each subsequent Disclosure Statement shall be made available to you so long as you reside at The Forest.

J. The Resident’s Disclosure Requirements:

During the process of applying for admission, you have disclosed your complete health status and history, and your complete financial position to The Forest as of the date of this Agreement. The Forest will not be responsible for any financial support, or for the cost of your care if the true and correct nature of your financial position and/or medical condition has not been revealed to The Forest as of the date of this Agreement or subsequent to the date of this Agreement based upon information you provided to The Forest, at its request. Upon the request of The Forest, you are obligated to provide us the current status of your health and/or financial position so long as you remain a resident of The Forest.

K. Addition of a Second Resident to Share a Living Accommodation with a Current Resident:

If, after the Date of Occupancy indicated on Exhibit A, you choose to have a second resident share your residence, The Forest may charge the second resident an Entry Fee equal to the current applicable Single Occupancy Entry Fee for such living accommodation, or such lesser amount as The Forest may determine in its discretion. Thereafter, you are responsible for paying the applicable Double Occupancy Monthly Fee for the residence.

Second residents are subject to the same review and entrance requirements as initial residents and must sign a Residence and Care Agreement Following Early Acceptance. If the second resident is an existing resident, the second resident is subject to the same entrance requirements as initial residents, except in regards to health status evaluation.

L. Away From The Forest:

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest’s Health and Wellness Center. The Away Allowance will be the established, current per person, per day amount as stated on the “Schedule of Ancillary Charges”. See attached Exhibit B. There is no Away Allowance offered for Meal Plan Two.

III. Terms of Residency

A. Rights of Resident:

You have the right to occupy, use, and enjoy your assigned residence, together with the common areas, amenities, programs, and services of The Forest during your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement is not a lease and does not transfer or grant any interest in the real or personal property owned by The Forest other than the rights and privileges as described in this Agreement.

B. Policies, Rules and Regulations:

You agree to abide by the policies, rules, and regulations of The Forest including such changes as may be adopted from time to time. These policies, rules, and regulations will be set forth in a Resident Handbook and will be made available to you prior to the execution of this Agreement, and at any time when it is updated.

C. Business and Health Care Directives:

You agree to execute and maintain in effect a North Carolina Durable Power of Attorney valid and enforceable in accord with the provisions of Chapter 32C of the General Statutes of North Carolina (or similar laws subsequently enacted). This Power of Attorney shall designate as your attorney-in-fact, a bank, a lawyer, relative or other responsible person or persons of your choice, to act for you in managing your financial affairs and filing for your insurance or other benefits as fully and completely as if you would be acting personally. It shall be in a form which survives your incapacity or disability and otherwise be satisfactory to The Forest. You will deliver a fully executed copy of this Power of Attorney to The Forest prior to the Date of Occupancy. Additionally, you further agree to provide The Forest with a copy of any Living Will, or Durable Power of Attorney for health care decisions which may be in existence, and to provide such documentations which may develop subsequent to the execution of this Agreement. The Forest strongly encourages all residents to designate a Health Care Attorney in Fact capable of making health care decisions in the case of incapacity or emergency.

D. Property:

To the maximum extent permitted by law, The Forest will not be responsible for the loss or damage of any property not belonging to The Forest due to any cause. It is understood by both parties that you will have the responsibility for providing insurance protection covering any such loss or damage of personal property. Upon termination of this Agreement, The Forest has the right to promptly (within thirty (30) days) remove from the residence any and all of your property that remains therein or that is stored elsewhere on the property of The Forest, and The Forest may store such property either on or off the premises. You or your estate will be obligated for the payment of moving and storage charges and will reimburse The Forest for its incurred expenses.

Should such belongings remain stored for longer than ninety (90) days, The Forest shall have the right to sell such belongings and pay the proceeds from such sale to you or your estate, net of all expenses incurred to move, store and sell such property. If the proceeds are not adequate to fully reimburse The Forest for all such costs, you or your estate shall be responsible to The Forest for the deficiency.

E. Insurance:

1. Application for Benefits: Assignment of Benefits

You shall apply for any federal, state or local benefits for which you may be eligible or entitled upon request by The Forest. If requested by The Forest, any or all such benefits will be applied to the daily fee or other charges incurred by you at The Forest.

You agree to assign to The Forest all insurance benefits received from third party payers for health services provided by The Forest. You agree to grant to The Forest a limited Power of Attorney for the purpose of permitting The Forest to act as your agent or attorney in fact in all matters relating to any such benefit.

2. Health Insurance:

You shall maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under your primary insurance policy. Your primary and secondary insurance coverage must recognize The Forest as a healthcare provider, or you shall be responsible for services rendered that otherwise could be covered by insurance. You agree to furnish The Forest with evidence of such coverage prior to the Date of Occupancy as stated in Exhibit A and also upon request.

If your health insurance coverage lapses, The Forest may require you to reapply for suitable insurance coverage. If you are unable to obtain suitable insurance coverage, you shall be responsible for any healthcare services rendered that otherwise could be covered by insurance. Upon request by The Forest, you shall provide evidence of health insurance coverage.

3. Medicare-Certified Skilled Nursing Facility Beds:

The Forest maintains a limited number of Medicare-certified beds in the skilled nursing facility, which are available for use by residents whose skilled nursing care would qualify for Medicare payment on an "if and as available" basis. In the event that you need admission and the admission would qualify for Medicare payment, then your financial responsibility to The Forest will depend upon the type of Medicare coverage you have and whether The Forest is a contractual provider for your coverage.

a) *Medicare-certified bed is not available.*

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing

facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

b) Medicare-certified bed is available and you have traditional Medicare.

If you are admitted to a Medicare-certified bed in the skilled nursing facility and you have traditional Medicare coverage, The Forest will accept the Medicare reimbursement amount of such care while you shall be responsible for any applicable deductible, co-payment and/or co-insurance amounts that are not paid by Medicare and any supplemental Medicare insurance that you maintain.

c) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is an in-network provider.

In the event that The Forest is an in-network provider for your Medicare Advantage coverage, then The Forest will accept the reimbursement amount from your Medicare Advantage insurance carrier while you shall be responsible for any deductible, co-payment and/or co-insurance amounts that are not paid by the Medicare Advantage insurance that you maintain.

d) Medicare-certified bed is available and you have Medicare Advantage coverage for which The Forest is not an in-network provider.

The Forest will charge you the full private-payment amount for your admission into a Medicare-certified bed and credit against your financial obligation to The Forest the amount that is paid by your Medicare Advantage insurance if the insurance provides an out-of-pocket network benefit. In the event that your Medicare Advantage insurance will not pay any amount to an out-of-network provider, then you will not be admitted to a Medicare-certified bed at The Forest. A full private-pay resident in a Medicare-certified bed may be required by The Forest to relocate to a bed that is not Medicare-certified when such a bed becomes available.

F. Resident's Medical Examination:

You agree to be examined by a Forest physician when there is reasonable cause for concern for your health and well-being.

G. Subrogation Rights:

In case of injury to you by a third party, The Forest shall have the right to subrogation for all of its costs and expenses incurred by reason of such injuries, and shall have the right, in your name or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for the injury. You agree to cooperate fully and to assist The Forest in recovering any such costs and expenses.

H. Resident Representation:

Residents have the right of self-organization through a residents' association which may convene to arrange social and recreational programs and to review the interests of the resident population.

I. Right of Entry:

The Forest recognizes your right to privacy, and The Forest shall limit entry to your residence to legitimate emergencies and to scheduled work, including housekeeping, repairs, maintenance, and inspections. You hereby expressly authorize employees or agents of The Forest to enter your residence upon reasonable notice for all such purposes.

J. Appliances:

The Forest is not obligated to determine your ability to safely utilize the appliances in your residence. However, should The Forest determine that you have demonstrated an inability to safely operate the range, microwave, refrigerator, disposal unit, or any other appliances in your residence, The Forest will have the right to turn off the power serving such appliance(s) and/or to remove any and all such appliances. In any such instance, you shall remain obligated to pay for any extra meals that you may incur due to the unavailability of any appliance.

K. Guests:

Guests are welcome at The Forest, and may stay overnight in your residence for visits of limited duration. Guests may also use The Forest's guest room accommodations, subject to availability and based upon the Guest Room Reservation Policy in the Resident Handbook. At all times, you will be responsible for any injury to others, or damage to the property of others or of The Forest, caused by your guest(s). The Forest reserves the right and authority to limit or terminate the stay of any guest at any time and for any reason.

L. Emergency Notification:

You agree to provide The Forest with the following information prior to the Date of Occupancy:

- Names, addresses, and phone numbers of persons to notify in an emergency, or death
- Names of persons having the right of entry into your residence
- Copy of current Durable Power of Attorney
- Copy of current Health Care Power of Attorney
- Copy of any Advance Directives
- Copy of current Insurance Coverages
- Name, address, and phone number of funeral director (prior arrangements are encouraged)
- Information necessary to complete a death certificate

The Forest shall not be responsible for funeral or burial arrangements or costs.

M. Compliance with Applicable Laws:

The Forest will operate in full compliance with all laws, rules, regulations, and ordinances promulgated by lawful governmental authorities. Notwithstanding any other provisions of this Agreement, it shall have the right to change your residence, and the terms of this Agreement, to

meet the requirements of any law or regulation.

N. Relocation:

The Forest reserves the right to relocate you to another accommodation when deemed necessary in order for The Forest to fulfill its strategic, financial or other obligations. The Forest will use reasonable efforts to relocate you to an accommodation of the same or similar type as your accommodation. Any such decision to relocate you will be discussed thoroughly with you in order to enlist your understanding of the need for and cooperation with the relocation. The Forest will pay all required packing and moving costs, and all reasonable refurbishing costs necessary to achieve substantial comparability between your accommodation and any new accommodation to which you may be relocated.

IV. Resident Moves and Transfers

It is understood that when you move from one independent living residence to another, or if you move from one level of care to another, your status or rights as a Forest resident do not change. You may transfer and/or move on a temporary or a permanent basis, at the determination of The Forest.

A. Independent Internal Moves:

- 1. Move to a Larger Independent Living Residence** – Should you desire to transfer to a larger independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. An internal move fee may apply as noted in the policy. An additional Entry Fee equal to the difference between the then current Entry Fee for the larger residence and the Entry Fee you originally paid for the smaller residence will be due to The Forest prior to your move to the larger residence.

Any additional Entry Fee amounts paid shall be considered paid from the Date of Occupancy of the original residence (Exhibit A) for purposes of calculating any refund. You will also be responsible for the Monthly Fee associated with the larger residence from the Date of Occupancy, or the actual date of move-in, whichever is earlier. The Monthly Fee for the smaller residence is still in effect, and will be charged until all personal belongings have been removed, and a final walk-through has been completed as per the Internal Move Policy.

- 2. Move to a Smaller Independent Living Residence** – Should you desire to transfer to a smaller independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. You may be due a refund, depending on the Date of Occupancy of the original residence, reduced by amortization.

You will be responsible for the Monthly Fee associated with the smaller residence beginning on the Date of Occupancy, or the actual date of move-in, whichever is earlier.

You will also be responsible for the Monthly Fee for the larger residence until all personal belongings have been removed from the larger residence, and a final walk-through has been completed as per the Internal Move Policy.

B. Moves to the Health and Wellness Center:

The Forest expressly reserves the right to move you to an accommodation that can best provide for your safety and care. If your physical or mental condition deteriorates so that, in the best judgment of The Forest and upon the recommendation of The Forest's Medical Director, you are unable to live independently, or if you cannot live in an independent living residence without endangering yourself or the health or safety of others, The Forest may move you to a more appropriate accommodation. Such changes (if not at your request) shall be made only to protect your health or safety, or the general welfare of the residents of The Forest or others. Residents may request a meeting with The Forest for the discussion and consideration of any actions taken by The Forest. Should you fail or refuse to cooperate with any such move, The Forest has the right to terminate this Agreement and require you to leave the Community altogether.

If in the sole discretion of The Forest, it determines that your transfer is permanent, The Forest may assign your independent living residence to another resident. Should your condition subsequently improve to a point that you are able to live independently, you may apply for an independent living residence upon the same basis as existed before the transfer. You shall bear all costs of moving and storing your furniture and belongings in the case of such transfer. In addition, if The Forest determines that you can resume occupancy in an independent living residence, you will have priority for a similar residence as soon as one is available.

C. Limitations of Care/Transfer:

The Forest's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should The Forest determine that your physical and/or mental condition becomes such that your continued presence at The Forest is dangerous or detrimental to your health or safety, or to others, The Forest may arrange for such transfer to a special service facility as may be required. The liability of The Forest for costs of such care shall be limited to the amount of your then prevailing Monthly Fee for each month that you continue to pay the Monthly Fee, or the then prevailing per diem rate, as applicable.

If you or your designee prefers a different institution or special service facility than that selected by The Forest, arrangements will be made to accommodate such preference with the understanding that The Forest is relieved of any increase in financial responsibility associated with such transfer, or the costs of such a transfer.

V. Health Care Services

During the process of applying to The Forest, you have disclosed a true and correct health status and history, and have been approved by The Forest for independent living. You have disclosed any significant changes in your health status since your initial review. It is understood by both parties that your health condition may change and that you will inform The Forest of any

significant changes. If there is reasonable cause for concern, you agree that a Forest physician may examine you.

A. Health and Wellness Center:

The Forest's Health and Wellness Center includes a primary care clinic, assisted living residences, skilled nursing residences, and residences offering special care/dementia services.

B. Continuing Care Services:

The Forest agrees to provide the health care services outlined below. These services are included in the Monthly Fee, except for those requiring additional payment as described below. The Forest will seek reimbursement from any and all third party payers to the fullest extent available.

1. **Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
2. **Emergency Response System** – Each residence will be equipped with an emergency response system, monitored twenty-four (24) hours a day.
3. **Other Health Care Services:**
 - a) **Primary Care** – The Forest will make available primary care services to you in the Wellness Clinic during regularly scheduled office hours. Trained health care personnel will be on-site twenty-four (24) hours a day. Physicians will be available for scheduled office visits and are on call for Forest residents twenty-four (24) hours a day, seven (7) days a week. The Forest physicians will refer you to specialists as needed. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
 - b) **Laboratory Tests and Other Procedures** – Limited laboratory testing services and diagnostic procedures will be provided in the Wellness Clinic according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.
 - c) **Visiting Nursing Services** – Visiting nursing services will be available for consultation and assistance to you in your residence on a short-term basis. Such services may require an additional charge.
 - d) **Special Services** – The Forest will provide facilities to accommodate some special services such as Dentistry, Physical Therapy, Occupational Therapy, Speech Therapy, and Pharmacy Services. You will be responsible for the cost of these, and other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.

4. **Assistance with Insurance Claims** – The Forest will assist you with the filing of health care insurance claims for services rendered by The Forest. Whenever The Forest files insurance claims for you, you agree to promptly and fully cooperate in the filing of all such claims.
5. **Personal Assistants** – You may arrange for limited assistance to accomplish activities of daily living. Personal assistants must be approved by The Forest before they are allowed access to The Forest facilities. You are responsible for any costs related to the services of any personal assistant. You are responsible for any injury to others or damage to the property of others or of The Forest by your assistant(s). The Forest may limit or terminate the services of any assistant and may refuse access to the grounds or facilities of The Forest by such assistant. You understand that arranging and receiving care from a personal assistant does not take the place of care that may best be provided in the Health and Wellness Center (See Section V.B).
6. **Hospitalization** – The Forest will assist you in arranging your inpatient hospital care when ordered by a physician. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
7. **Health Care Services in The Forest Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:
 - a) **Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Occupancy at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in paragraphs 7.b through 7.h below apply or the rates actually charged by the alternative health care facility.
 - b) **Single Occupancy, Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
 - c) **Single Occupancy, Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a

- permanent resident of the Health and Wellness Center, all personal belongings have been removed from your independent living residence and a final walk-through has been completed, you will relinquish the independent living residence, and the Monthly Fee for the independent living residence will no longer be paid.
- d) **Double Occupancy, One Resident Temporarily in Health and Wellness Center:** After pre-paid days have been used, the resident temporarily transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee, plus sixty percent (60%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- e) **Double Occupancy, One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, the resident permanently transferred to the Health and Wellness Center will continue to pay the Second Person Monthly Fee plus fifteen percent (15%) of the per diem rate for health care services published by The Forest. The resident remaining in the independent living residence will pay the Single Occupancy Monthly Fee.
- f) **Double Occupancy, Both Residents Temporarily in Health and Wellness Center:** After pre-paid days have been used, if both residents are temporarily transferred to the Health and Wellness Center, each will pay sixty percent (60%) of the per diem rate for health care services published by The Forest. In addition, one resident will continue to pay the Single Occupancy Monthly Fee and the other resident will pay the Second Person Monthly Fee.
- g) **Double Occupancy, Both Residents Permanently in Health and Wellness Center:** After pre-paid days have been used, if both residents are permanently transferred to the Health and Wellness Center, each will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once all personal belongings have been removed from the independent living residence, and a final walk-through has been completed, you will relinquish the independent living residence and the Monthly Fee will no longer be paid for the independent living residence.
- h) **Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center:** After pre-paid days have been used, if one resident is temporarily transferred to the Health and Wellness Center, and the other resident is permanently transferred to the Health and Wellness Center, the rates outlined in Section V.B.7.e will apply. In addition, the resident temporarily transferred to the Health and Wellness Center will pay sixty percent (60%) of the per diem rate for health care services published by The Forest.

If appropriate accommodations suited to meet your needs are not available, The Forest will be responsible for identifying alternative health care facilities for you, until such time as an appropriate accommodation is available in The Forest's Health and Wellness Center.

The resident is responsible for the costs of care at the alternative health care facility. During the period of stay in an alternative health care facility, all costs of care will be billed to the resident by the alternative health care facility. If such costs are not covered by Medicare or other third party payer, the resident is responsible for the costs of care at the alternative health care facility and, the resident may elect to use any available pre-paid days as described in paragraph 7.a above.

Should you elect to use any available pre-paid days, The Forest will either reimburse you or credit your account for the scope of services that would otherwise be included in the per diem rate, provided that The Forest's obligation shall not exceed the current prevailing per diem rate.

VI. Termination Prior to Occupancy and Terms of Refund

A. Termination by the Resident:

- 1. Termination Within the Thirty (30) Day Right of Rescission Period** – You may rescind this Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of this Agreement or of the date that you received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. You may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate. You are not required to take occupancy before the end of the thirty (30) day rescission period.
- 2. Termination After the Thirty (30) Day Right of Rescission Period** – After the thirty (30) day rescission period and prior to the Date of Occupancy, if you terminate this Agreement, you may receive a refund equal to the funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee for the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of receipt of your written notice to terminate.

B. Termination by The Forest:

The Agreement may be terminated by The Forest if it is determined by The Forest that you have misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if your financial status changes prior to the Date of Occupancy such that you no longer meet The Forest's financial requirements for admission. In such event, you may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of written notice to terminate.

C. Termination as a Result of Death or Illness of Resident:

Prior to the Date of Occupancy, should you die, become ill, be injured or otherwise incapacitated such that The Forest determines that independent living is not possible, this Agreement will automatically be terminated and a refund shall be due to you within sixty (60) days, equal to the funds paid toward the Entry Fee without interest, less any non-standard costs incurred by The Forest at your request.

VII. Conditions of Termination After Occupancy

A. Termination by the Resident: In addition to Section VI, this Agreement may be terminated by you in accordance with the following conditions:

1. The Agreement will be terminated upon your death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Section VII.C below.
2. Except in the case of death, you must give The Forest sixty (60) days written notice of your intent to terminate the Agreement.
3. You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
4. Refunds to you shall be reduced by the amount of your outstanding charges due to The Forest.

B. Termination by The Forest: The Forest may terminate the Agreement with you if you breach this Agreement, or if you fail to pay the Monthly Fee and any other ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice to vacate your residence.

You must leave the Residence in a condition satisfactory to The Forest. The Forest may charge you for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.

Refunds to you shall be reduced by the amount of your outstanding fees and charges due to The Forest.

- C. **Termination Date:** The “Termination Date” of this Agreement will be the date on which your personal property has been removed from the residence or sixty (60) days following written notice, whichever is later. You will be required to continue paying the Monthly Fee until the Termination Date or until your personal belongings have been removed and a walk-through has been completed by you or your designee and management, whichever is later.

VIII. Conditions for Refund After Occupancy

- A. **Termination of Agreement by Resident:** You may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- B. **Termination of Agreement by The Forest:** If The Forest terminates this Agreement pursuant to Section VII.B, you may be entitled to a refund of the Residence Fee. If termination of this Agreement occurs during the first fifty (50) months of this Agreement, you or your estate may be entitled to a partial refund of the Residence Fee. You or your estate will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent (2%) for each month that this Agreement has been in effect for up to fifty (50) months; less (iii) any amounts due to The Forest. After fifty (50) months, there is no refund of the Residence Fee. Residence Fees will not be pro-rated for a period less than one month.
- C. **Payment of Refunds:** Any refund of the Residence Fee will be paid after all outstanding fees and charges due to The Forest by you have been paid, your personal belongings have been removed, and a final walk-through has been completed. Such payment shall be deferred until thirty (30) days after the independent living residence formerly occupied by you is re-occupied and a full Entry Fee is received by The Forest for the residence. Refunds will be paid to you, or in the event of your death, to your estate. The Forest shall have the right to offset any fees and charges owed to The Forest with any refund due to you or your estate.
- D. **Release upon Termination:** Upon termination of this Agreement, The Forest is released from any further obligations to you except for the payment of any refund which may be due under Sections VI and VIII of this Agreement.

IX. Miscellaneous

- A. **Rights, Privileges and Limitations:** The rights and privileges to you under this Agreement for living accommodations, facilities, and services are personal and non-

transferable and do not include any proprietary interest in the properties or assets of The Forest.

Your rights shall at all times be subordinate to any obligations of The Forest. Upon request by The Forest, you agree to execute and deliver a subordination agreement to establish the priority of such obligations as a lien or liens against the property.

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.
- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.
- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.
- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.
- F. Indemnity:** You agree to indemnify, defend and hold The Forest harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section IX.F shall survive termination of this Agreement.
- G. Affiliation:** The Forest holds membership in LeadingAge and LeadingAge NC.
- H. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.
- I. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this

Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.

J. Amendment of Residence and Care Agreement Following Early Acceptance and General Conditions: The Forest reserves the right, upon thirty (30) days prior written notice to all residents, to modify or amend the Residence and Care Agreement Following Early Acceptance whenever doing so is necessary to correct errors, omissions, or inconsistencies, to provide clarification of intent, or to conform the documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or whenever doing so is deemed by the Board of Directors of The Forest to be in the best interest of The Forest and the residents in light of changes in health insurance laws and coverages and/or local, state or federal tax laws or regulations.

K. Entire Contract in this Agreement: This Agreement, Exhibit A, Exhibit B, and any attached Addenda, Application Forms, and Requests for Changes to the Living Residence constitute the entire contract between The Forest and you. The Forest is not liable for, nor bound in any manner by any statements, representations, or promises made by any person representing or purporting to represent The Forest unless such statements, representations, or promises are set forth in this Agreement. Except as set forth in Section IX. J, this Agreement may not be amended or modified except by written agreement signed by the parties hereto and incorporated herein by reference.

L. Governing Law: Venue: This Agreement shall be governed by, interpreted, construed and enforced in accordance with the laws of the State of North Carolina, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of laws or any jurisdiction other than North Carolina. To the full extent permitted by law, any action, suit or proceeding arising out of or relating to this Agreement shall be brought and enforced in the courts of the State of North Carolina located in Durham County or the United States District Court for the Eastern District of North Carolina, and the parties hereby irrevocably submit to the exclusive jurisdiction of such courts and irrevocably waive any objection that they may now or hereafter have to the laying of venue of any such action or proceeding in such courts. In the event of any such dispute, the non-prevailing party shall pay all reasonable costs, expenses and attorneys' fees incurred by the prevailing party.

M. Notice Provisions:

Any notices, consents, or other communications to The Forest shall be in writing and addressed as follows:

President/CEO
The Forest at Duke
2701 Pickett Road
Durham, NC 27705

Your address for the purpose of giving notice prior to your move to The Forest is the address appearing after your signature on the following page or other such address you provide to The Forest in writing.

Acknowledgements

Your signature below certifies that you have received, read, understand, and accept this Residence and Care Agreement Following Early Acceptance and the current Disclosure Statement for The Forest at Duke.

Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

Co-Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

By _____
President/CEO

Date

EXHIBIT A

Your signature below certifies that you understand and accept the following terms:

DATE OF OCCUPANCY: _____

RESIDENCE NUMBER/TYPE: _____

REFUND PLAN: () Standard Amortized

RESIDENCY: () Single Occupancy () Double Occupancy

TOTAL ENTRY FEE: _____

LESS: EARLY ACCEPTANCE ENTRY FEE: _____

LESS: FUTURE RESIDENCY DEPOSIT: _____

LESS: RESERVATION DEPOSIT: _____

LESS: 15% DEPOSIT: _____

CURRENT MONTHLY FEE: _____

ADDENDA: _____

Resident's Signature **Date**

Co-Resident's Signature **Date**

By _____
President/CEO **Date**

| |
|------------------|
| EXHIBIT B |
|------------------|

**Schedule of Ancillary Charges
March 1, 2021**

| <u>Dining Services</u> | <u>Price</u> |
|--|--|
| Adult Guest Meal in Main Dining Room | \$18.00 |
| Child Guest Meal in Main Dining Room (12 years and under) | 9.00 |
| Adult Holiday Guest Meal in Main Dining Room | 25.00 |
| Child Holiday Guest Meal in Main Dining Room (12 years and under) (Holidays: Easter, Mother's Day, Thanksgiving, Christmas) | 15.00 |
| Guest Meals in Health and Wellness Center: \$3.50 Breakfast; \$4.50 Lunch; \$9.00 Dinner | |
| * Catering Services through Dining Services based on Catering Menu | |
| | |
| <u>General Services</u> | |
| Maintenance Labor per hour | \$ 30.00 |
| Housekeeping per hour | 20.00 |
| Roll Away Bed/Crib per night | 10.00 |
| Laundry per pound | 3.00 |
| Key Replacement | 5.00 |
| Access Fob Replacement | 10.00 |
| Pendant | 50.00 |
| Transponder | 35.00 |
| | |
| <u>Administration Services</u> | |
| Guest Room per night | \$85.00 |
| Fax – up to 5 pages | 3.00 |
| Fax – each additional page | 1.00 |
| Away Allowance per night/per person | 5.75 |
| Resident Computer Support per hour | 50.00 |
| Resident Computer Support – minimum charge | 25.00 |
| Return Check Fee | 25.00 |
| | |
| <u>Healthcare Services</u> | |
| Medical Records Copy Fee (per Federal Guidelines) | |
| Pages 1-25: per page | \$ 0.75 |
| Pages 26-100: per page | 0.50 |
| Pages 100+: per page | 0.25 |
| Minimum charge | 10.00 |
| | |
| <u>Transportation</u> | |
| Concierge Hourly Rate (standard vehicle/commercial vehicle) | \$17.00 / \$25.00 |
| One-Way Flat Fee to Raleigh-Durham International Airport | 30.00 |
| Medical Transportation (after one local trip per week): | |
| Durham | 18.00 |
| Chapel Hill | 20.00 |
| | |
| <u>Activities</u> | |
| Please refer to Activities Fee Sheet | |
| | <u>Hair Salon</u> |
| | Please refer to prices listed in the salon |

Prices subject to modification by The Forest at Duke