



Well•Spring Retirement Community, Inc.

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Well•Spring, A Life Plan Community

4100 Well Spring Drive

Greensboro, NC 27410

(336) 545-5400

DISCLOSURE STATEMENT

June 1, 2021

**IN ACCORDANCE WITH CHAPTER 58, ARTICLE 64 OF THE
NORTH CAROLINA GENERAL STATUTES:**

- This Disclosure Statement may be delivered until revised, but not after October 29, 2022.
- Delivery of this 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.

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INTRODUCTION

Well•Spring, A Life Plan Community, Inc. (“Well•Spring”) owns a continuing care retirement facility located in Greensboro, North Carolina, which offers its Residents use of an independent living unit (“Living Unit” or “Independent Living Unit”) and/or care in the on-site Health Center and Resident Clinic in accordance with the terms of the Resident agreements described below.

The purpose of this Disclosure Statement is to make disclosures required by North Carolina law and to furnish information to prospective Residents, their families and their advisors concerning the ownership and operation of Well•Spring Community.

ORGANIZATION, OWNERSHIP AND MANAGEMENT OF WELL•SPRING, A LIFE PLAN COMMUNITY

Well•Spring, A Life Plan Community

Well•Spring was chartered on February 28, 1986 as a non-stock, non-profit North Carolina corporation to construct and operate a Lifecare retirement community in the City of Greensboro, North Carolina. The business address of Well•Spring is 4100 Well Spring Drive, Greensboro, North Carolina 27410. Well•Spring began operation of its newly constructed residential and health care facility (the “Facility”) in June 1993. Well•Spring is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code, and is exempt from sales tax. In addition, Well•Spring is entitled to file for property tax exemption under NCGS Section 105-278.6A, an exemption for certain qualified retirement facilities that provide charity care and/or community benefits.

Well•Spring began operation of its newly constructed residential and health care facility (The “Facility”) in June 1993. A history of the different Well•Spring units and their growth are shown in the following chart:

Year	Residential Living Units				Assisted Living	Memory Care	Rehab Transitional Stay	Skilled Nursing
	Apartments	Hybrid Apartments	Garden Homes	Villas				
1993	123	-	50	36	40	-	-	20
1997	123	-	50	40	61	14	6	40
2004	123	-	50	63	61	14	6	40
2007	123	-	50	65	61	20	10	40
2016	123	-	50	78	60	20	10	40
2017	123	-	50	88	60	20	10	40
2018	123	-	50	88	60	20	10	50
2022	123	24	50	88	60	20	10	50

Well•Spring Services, Inc. was incorporated in 2012 as a nonprofit corporation to provide support and to serve as the sole member of Well•Spring Retirement Community, Inc., Well•Spring Foundation (the “Foundation”), Adult Center for Enrichment, Inc. (“ACE”) and Well•Spring Management and Development, Inc. (“Management & Development”)

Well•Spring Foundation was incorporated in 2000 as an organization to serve exclusively as a supporting organization for the benefit of Well•Spring, A Life Plan Community. The mission of the Foundation is to strengthen the quality and expand the quantity of life-enriching programs for all residents of the Retirement Community.

Well•Spring Management & Development was incorporated in 2012 as a management company, organized to ultimately provide management services to Well•Spring, A Life Care Community and other health care organizations including The Village at Brookwood, a continuing care retirement community located in Burlington, North Carolina.

On January 1, 2013, Well•Spring Services, Inc. entered into an integration agreement with ACE in which Services became the sole member of ACE. In addition, the Board of Directors of Services has the authority to appoint the Board of Directors of ACE. The agreement was entered into to establish a collaborative arrangement for the creation, development and management of an aging services continuum centered around home and community-based services in Guilford County, North Carolina. ACE offers an adult day center, three group respite sites, and Caregiver Education. In addition, on January 1, 2016 Well•Spring Home Care, LLC entered into operations as a limited liability corporation whose sole member is ACE. The ACE governing Board governs the operations of Well•Spring Home Care.

In 2010, Well•Spring contributed \$76,500 to PACE of Guilford & Rockingham Counties, Inc. (“PGRC”), a non-profit aging services provider, and became a member of PGRC. PGRC, which was in its start-up phase in 2010 and 2011, provides services in the community under the Program of All Inclusive Care for the Elderly (PACE), a risk-based long-term care program. Well•Spring provides food services to PGRC at market rates. The Community’s membership interest in PGRC provides substantial benefits; however, the Community did not have a majority voting interest. During 2012, the Community transferred its membership interests in PGRC to Well•Spring Services.

During 2011, the Well•Spring Community contributed \$15,000 to PACE of the Southern Piedmont, Inc. (“PSP”), another non-profit aging services provider, and became a member. PSP, which was in its start-up phase in 2011 and 2012, also provides services for PACE. During 2012, the Well•Spring Retirement Community also transferred its membership interest in PSP to Well•Spring Services.

History of Affiliation with Religious Organizations

A multi-denominational group of churches, all in Greensboro, initially sponsored and provided leadership to Well•Spring. These nine churches are: All Saints Episcopal Church, Church of the Redeemer Episcopal Church, Episcopal Church of the Holy Spirit, Holy Trinity Episcopal Church, St. Francis Episcopal Church, St. Andrew’s Episcopal Church, St. Barnabas’ Episcopal Church, First Baptist Church and First Presbyterian Church. None of the churches have any pecuniary liability or financial responsibility for the operations or contractual obligations of Well•Spring. Admission to Well•Spring is not based on the applicant’s religion, national origin, sexual orientation or other protected status.

The Facilities

Description of Well•Spring

The Facility is located on 90 acres on Drawbridge Parkway in Greensboro, North Carolina. The Facility provides housing and services, including health care, to individuals of retirement age and currently consists of mid-rise apartment buildings, one-story garden apartment residential units and one-story residential units for a total of 261 residential units (285 by the end of the 1st quarter of 2022), a one-story building containing 50 skilled nursing rooms, 20 memory care rooms, 10 rehab/transitional stay rooms and a two-story building containing 61 assisted living apartments; an aquatic and fitness center and a central services building.

Well•Spring’s health care facilities are licensed as 72 adult care beds and 70 skilled nursing beds. As of December 31, 2020, there were 451 residents at Well•Spring.

The residential living units, which are contained in mid-rise apartments, single-story garden homes and single-story villas, have full baths, kitchens, emergency and fire safety systems and other special design features. Some of the mid-rise apartments have been combined to create larger living spaces. These combined apartments could be separated back into individual apartments. The 285 units that are available include:

MID-RISE APARTMENTS

<u>Unit Type</u>	<u>Unit Area</u>	<u>Number of Units</u>
1 Bedroom/1 Bath (Azalea)	675 sq. ft.	15
1 Bedroom/1 Bath (Birch)	750 sq. ft.	6
1 Bedroom/1 Bath (Camellia)	970 sq. ft.	60
2 Bedroom/1 Bath (Dogwood)	1,130 sq. ft.	12
2 Bedroom/2 Bath (Elm)	1,200 sq. ft.	30
Total Mid-Rise Apartments		123

GARDEN HOMES

<u>Unit Type</u>	<u>Unit Area</u>	<u>Number of Units</u>
1 Bedroom/1 Bath (Forsythia)	970 sq. ft.	26
2 Bedroom/ 2 Bath (Gardenia)	1,215 sq. ft.	8
2 Bedroom/1.5 Bath (Holly)	1,160 sq. ft.	16
Total Garden Homes		50

VILLAS

<u>Unit Type</u>	<u>Unit Area</u>	<u>Number of Units</u>
2 Bedroom/2 Bath (Ivy)	1,300 sq. ft.	22
2 Bedroom/2 Bath/ Study (Juniper)	1,580 sq. ft.	18
2 Bedroom/2 Bath/ (Laurel)	2,140 sq. ft.	15
3 Bedroom/2 Bath/ (Maple)	2,380 sq. ft.	10
2 Bedroom/2 Bath (Oak)	2,240 sq. ft.	12
3 Bedroom/ 2 Bath (Pine)	2,490 sq. ft.	11
Total Villas		88

HYBRID APARTMENTS

<u>Unit Type</u>	<u>Unit Area</u>	<u>Number of Units</u>
2 Bedroom/2 Bath (Rosemary)	1,632 sq. ft.	12
2 Bedroom/ 2 Bath (Sage)	1,998 sq. ft.	12
Total Hybrid Apartments		24

The central community building includes reception areas, dining rooms, lounges, auditorium, multi-purpose room, convenience/gift shop, beauty/barber shops, creative arts areas, wood working shop, walking trails, exercise room, library, administration offices, postal areas, game room, lobbies and house support services such as kitchen, maintenance and housekeeping.

Residents who require physical assistance or certain other health care services may be admitted to the Health Care Center. The Health Care Center includes an adult care unit, a skilled nursing care unit, a memory care unit, a skilled nursing rehab/transitional stay unit and a resident clinic for the use of all residents. Each unit contains separate lounging, dining and recreation facilities designed to meet the specific needs of the residents. The resident clinic is the site for resident physical and occupational therapy, health screenings such as audiology and podiatry, inoculations and consultations with medical personnel. Well•Spring provides office space and examination rooms to Piedmont Senior Care, a physicians practice specializing in geriatric care. Piedmont Senior Care provides physician services to residents at Well•Spring from the Health Care Center location.

Well•Spring opened an 8,200 square foot Aquatic and Fitness Center in December 2002. The Aquatic and Fitness Center includes an indoor pool, a hot tub, men's and lady's locker rooms, an exercise equipment room and an aerobic/exercise room.

On January 4, 1993, the North Carolina Department of Transportation (the "DOT") condemned and took a portion of Well•Spring property for use in connection for the right-of-way for the Greensboro Urban Loop, a multi lane highway which is part of Greensboro's transportation plan. The construction of the portion of the loop which is adjacent to Well•Spring has been completed

In September of 2018, Well•Spring completed construction on 10 new closed skilled nursing beds. In January of 2019, Well•Spring completed construction on a resident activity center which included a 320-seat theatre, visual art studios, a hobby/woodworking shop and rehearsal space. Also included in this project was the renovation of the existing dining venues and kitchen, and the addition of a bistro area and a resident bar.

In March of 2020, Well•Spring began construction on 24 new Hybrid Apartments. These apartments range in size from 1,632 square feet to 1,998 feet. Construction is expected to be completed the first quarter of 2022. All units are

currently reserved. The estimated cost of the project is \$22,410,000. The project is being financed through bank placed bonds with Truist, formerly BB&T. The impact of both the construction period and the ongoing operations is incorporated in the accompanying five-year forecast.

Affiliations, Accreditations & Awards

Well•Spring is a member of LeadingAge, LeadingAge NC, and the Greensboro Chamber of Commerce.

On September 7, 2003 Well•Spring was awarded accreditation by The Commission on Accreditation of Rehabilitation Facilities (CARF) and The Continuing Care Accreditation Commission (CCAC) and received re-accreditation in 2018.

In 2009, LeadingAge and LarsonAllen awarded Well•Spring with the prestigious 2009 Pathways to Greatness Award, presented annually to one organization in the United States. Well•Spring's path to greatness was derived from high employee and resident satisfactions scores, prudent financial management, a unique Growing Green Initiative, its commitment to ensuring a diverse resident population and a high-level of community involvement and commitment.

Board of Trustees

The business and affairs of Well•Spring are directed by a self-perpetuating Board of Trustees composed of 16 members. The President of the Residents' Association serves as a voting member of the Board of Trustees. The Board of Trustees currently meets five times a year and at times the Trustees may determine. The following is a list of the members of the Board of Trustees and the Officers of Well•Spring, their addresses and synopses of their relevant backgrounds and experience:

Kathryn Billings – Trustee and Chairperson of the Governance Committee. Mrs. Billings is a retired Town Manager for the City of Jamestown. Her address is 309 Winslow Drive Greensboro, North Carolina 27282.

Anthony Boyd – Trustee and Chairperson of the Finance Committee. Mr. Boyd is a Business Development Officer with First Bank located at 101 North Spring Street in Greensboro. He resides at 3814 Middlebury Way, Greensboro, North Carolina 27410.

Chris Brown – Trustee. Mr. Brown is V.P. of Cone Health Medical Group located at 300 Wendover Avenue, East in Greensboro. He resides at 1810 Carmel Road in Greensboro, North Carolina 27408

Wendy Gatlin – Trustee and Chairperson of the Benevolence Committee. Mrs. Gatlin is a Senior Vice President at US Trust, Bank of America Private Wealth Management located at 800 Green Valley Road, Suite 502 in Greensboro, North Carolina. Mrs. Gatlin resides at 2998 Grasmere Drive Greensboro, NC 27410.

LaDaniel Gatling – Trustee. Mr. Gatling is the V.P. of Institutional Advancement at Bennett College located at 900 E. Washington Street in Greensboro, North Carolina. He resides at 206 Mary Wil Court, Greensboro, North Carolina 27455.

Dr. Mark Hyman – Trustee. Dr. Hyman is a dentist in Greensboro. He resides at 8 Monmouth Court, Greensboro, North Carolina 27410.

Jennifer Koenig – Trustee. Mrs. Koenig is an attorney and Partner with Schell Bray located at 230 N. Elm in Greensboro. Mrs. Koenig currently resides at 1801 E. Market Street, Greensboro, North Carolina 27403.

Bonnie McAlister – Trustee, Board Chair and Well•Spring resident. Mrs. McAlister is a retired professor and resides at 3036 Verbena Lane Greensboro, North Carolina 27410.

Harold McLeod – Trustee and Chair of the Well•Spring Residents Association. Mr. McLeod resides at 3612A Wildflower Drive in Greensboro, North Carolina 27410.

Robert L. Powell – Trustee and Chairperson of the Building and Grounds Committee. Mr. Powell is an Associate Professor at North Carolina A&T University in the Civil, Architectural and Environmental Engineering Department in Greensboro. He resides at 2128 Wright Avenue, Greensboro, North Carolina 27403.

Susan Shumaker – Trustee and Chair of the HealthCare Committee. Ms. Shumaker is the President of the Cone Health Foundation. She resides at 6798 Meadow View Drive, Summerfield, North Carolina, 27358.

Leslye Tuck – Trustee. Mrs. Tuck is active in the Greensboro community and volunteers for several other non-profit organizations. Mrs. Tuck resides at 1510 Edgedale Road, Greensboro, North Carolina 27408.

Dale Whitfield – Trustee and Well•Spring resident. Mr. Whitfield resides at 4313 Galax Trail Greensboro, North Carolina 27410.

Ann Zuraw – Trustee. Mrs. Zuraw is President of Zuraw Financial Advisors located at 806 Green Valley Road, Suite 201 in Greensboro, North Carolina. Mrs. Zuraw currently resides at 313 Sunset Drive Greensboro, North Carolina 27408.

None of the members of the Board of Trustees of Well•Spring are employees of Well•Spring.

Management Staff

Stephen P. Fleming, NHA, MBA – *President and Chief Executive Officer* of The Well•Spring Group. Mr. Fleming joined Well•Spring Retirement as Executive Director in July 2000 having previously served as Chief Operating Officer of a multi-facility corporation from 1997 to 2000. Mr. Fleming was Executive Director of Kendal at Hanover, a 425-resident continuing care retirement community located in Hanover, New Hampshire from 1995 to 1997 and served as Administrator for Friends Homes, Inc. located in Greensboro, North Carolina from 1986-1995. Mr. Fleming obtained a Master of Business in Administration degree from Appalachian State University in 1990 and a Bachelor of Science degree in Public Health, Health Policy and Administration from The University of North Carolina at Chapel Hill in 1986. He is licensed by the State of North Carolina as a Nursing Home Administrator, is a past member and past Chair of the North Carolina Board of Examiners for Nursing Home Administrators. Mr. Fleming currently serves on of the LeadingAge National Board of Directors of which he was chair from 2017-2019. He is a former member of The Board of Directors of the LeadingAge NC and served as its Chair from 2008 – 2010. In addition, he serves as Chairman of PACE of the Triad Board of Directors.

K. Alan Tutterow, NHA, CPA, CASP – *Secretary, Chief Operating Officer*. Mr. Tutterow received his accounting degree at the University of North Carolina at Chapel Hill in 1984 and is a certified public accountant. Prior to joining Well•Spring in 1993, he was controller for First American Savings Bank and First American Mortgage Corporation. Mr. Tutterow also worked for KPMG Peat Marwick in the areas of tax and audit from 1984 – 1986. He is licensed by the State of North Carolina as a Nursing Home Administrator and is a Certified Aging Services Professional

(CASP). He is a past member of the Board of Directors and Treasurer of Hospice and Palliative Care of Greensboro. Mr. Tutterow serves as a financial surveyor of CARF-CCAC. Additionally, he serves on the Board of Directors for PACE of the Triad. Mr. Tutterow is a member of Phi Beta Kappa, Beta Alpha Psi and Beta Gamma Sigma.

Don Gwynn, CPA, *Treasurer, Chief Financial Officer*. Mr. Gwynn joined Well•Spring in 2007 as Controller and was promoted to Chief Financial Officer in 2015. He is a certified Public Accountant, receiving his license in 1997. He has over 20 years of accounting and finance experience in both private enterprise and public accounting. He attended Wake Forest University and is a graduate of the University of North Carolina at Chapel Hill with a Bachelor of Arts degree in Economics.

Lynn Wooten, *Vice President of Marketing and Public Relations*. Mr. Wooten joined Well•Spring in 2016. Prior to joining Well•Spring he served as Vice President of Marketing and Communications at The Community Foundation of Greater Greensboro and Assistant Director of Public Affairs and Marketing at the UNC Health Care System in Chapel Hill, N.C. Prior to moving into marketing and public relations, Mr. Wooten served as a reporter for the *Gaston Gazette* in Gastonia, N.C. and the *Goldsboro News-Argus* in Goldsboro, N.C. A native of Fayetteville, North Carolina, Lynn graduated from the University of North Carolina at Chapel Hill with a degree in Journalism.

Garrett Saake, NHA, DMA *Director of Resident Relations and Sales*. Dr. Saake earned his Doctoral degree in Music from the University of North Carolina at Greensboro in 2011. After joining Well Spring in 2013 he also earned his Nursing Home Administrators license in 2017, became a Certified Aging in Place Specialist in 2016, and completed certificates in Finance and Accounting for Managers from UNCG in 2015. He is a member of the board for the Interactive Resource Center (IRC) and Chair of the Executive Committee for the UNCG Spartan Club, the fundraising arm for the athletics department. Additionally, he serves as a program and administrative surveyor for CARF-CCAC.

George L. Galvin, *Director of Dining Services*. Mr. Galvin joined Well•Spring in October of 1995. He previously served as Executive Chef of Palms West Hospital, West Palm Beach, Florida where he received his Certified Dietary Managers Certification. Prior to this position, Mr. Galvin was the Director of Dining at the Worthington Club Retirement Community. His previous positions included a 1-year internship as a Chef Trainee at the Bridge Restaurant in Del Ray

Beach, Florida followed by six-years as a working Chef in several fine dining establishments.

Philip Johnson, *Director of Facility Operations*. Philip attended Bartlett Yancey Senior High School in Yanceyville, NC and Rockingham Community College in the Heating, Ventilation and Air Conditioning (HVAC) program and graduated in August 1993 with an Advanced Diploma from the program. Mr. Johnson joined Well•Spring as a Maintenance Assistant in 1993 and has served in several capacities, including Maintenance Technician I & III before being promoted into his current role. Mr. Johnson is certified in CFC/EPA Universal Refrigeration and FS-M Fire Sprinkler Maintenance Licenses – State of North Carolina Board of Examiners.

Misti L. Ridenour, NHA, *Director of Health Services*. Ms. Ridenour has her master's degree in Sociology from University of North Carolina at Greensboro, with a focus on Gerontology. Ms. Ridenour joined Well•Spring in June 1993 and has served in many capacities, including Medical Records, Marketing, Administrative Assistant and as Director of Social Services. She was promoted to Director of Health Services on January 1, 2008. Ms. Ridenour is a licensed Nursing Home Administrator (“NHA”). She was the recipient of the 2003 Resident Services Award from LeadingAge NC. She currently serves on the Guilford County Adult Care Home Community Advisory Committee.

Per GS 58-64-20(a) Well•Spring must disclose the relationships of officers, director or trustees who have financial relationships with Well•Spring. The name and address of any professional service firm, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within a year must be disclosed. Well•Spring currently has no relationships that fall within these parameters and therefore need to be disclosed per this General Statute.

Criminal Violation Statement

Well•Spring certifies that none of its Trustees nor Management Staff have ever been convicted of a felony or pleaded nolo contendere to a felony charge, or been held liable or enjoined in a civil action by final judgment, for any matter involving fraud, embezzlement, fraudulent conversion, or misappropriation of property. In addition, Well•Spring certifies that none of its Trustees nor Management

Staff is currently subject to 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 arising out of a related health care business activity in this or any other state. Finally, Well•Spring certifies that none of the Trustees nor Management Staff have had any State or Federal license or permit suspended or revoked.

Admissions Policies

Resident and Care Agreements

Well•Spring offers two Residence and Care Agreement options; Lifecare Residence and Care and Modified Lifecare Residence and Care, both of which require the payment of a one-time Entrance Fee. The payment of the Entrance Fee in conjunction with an ongoing monthly service fee provides the resident with the lifetime usage of the residence and the services and amenities available at the Community. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay a 10% Entrance Fee deposit to the community. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 60 days after the Residency Agreement is executed.

Well•Spring offers a Lifecare Residence and Care Agreement to Residents that meet the eligibility requirements described below. The Lifecare Residence Care Agreement provides financial options that allow the prospective resident to pay a one-time Entrance Fee and an ongoing monthly service fee. Should a Resident with a Lifecare Residence Care Agreement need additional services in either Well•Spring's Adult Care, Memory Care or Skilled Nursing areas, the base monthly fee will not increase over the Independent Living monthly service fee paid by the Resident except for additional meals and care related supplies.

Well•Spring offers a Modified Residence and Care Agreement to Residents that meet the eligibility requirement described below. The Modified Residence and Care Agreement provides financial options that allow the Prospective Resident to pay a one-time reduced Entrance Fee and an ongoing discounted monthly service fee. Should a Resident with a Modified Residence and Care Agreement need additional services in either Well•Spring's Adult Care, Memory Care or Skilled

Nursing areas, the monthly cost will be the then current per diem rate for the appropriate level of care, less a percentage discount.

A Prospective Resident(s) qualifying for the Lifecare Residence and Care Agreement may select either agreement. A Prospective Resident(s) that does not meet the medical criteria for the Lifecare Resident and Care Agreement may be offered the Modified Lifecare Residence and Care Agreement.

Process of Obtaining Residency in an Independent Living Unit

Prospective Residents desiring to occupy an Independent Living Unit will execute a Reservation Agreement to reserve a particular Living Unit (the "Reserved Unit"). Prospective Residents, who will occupy the same Independent Living Unit ("Co-residents"), will sign a single Reservation Agreement with Well•Spring for the Independent Living Unit they desire to occupy (as used in the Disclosure Statement, the term "Resident" includes Co-residents unless the context indicates otherwise). The current version of the Reservation Agreement for Independent Living Units is attached as Appendix E. This Reservation Agreement gives a prospective Resident first priority to enter into a Lifecare Residence and Care Agreement or a Modified Lifecare Residence and Care Agreement for a particular Living Unit at Well•Spring.

In order to become a Resident of the Community, a prospective resident(s) must complete and submit a Confidential Personal Health History, a Confidential Financial Profile (which provides Well•Spring with financial information necessary for the residency process), and the reservation fee (the "Reservation Fee"). Upon receipt of these items, the prospective resident(s) is then considered an applicant. The Reservation Fee is an amount equal to ten percent (10%) of the total Entrance Fee for the type of Living Unit and refund option selected (discussed below). The applicant chooses one of the three Entrance Fee Refund options available for Independent Living Units at the time of signing the Reservation Agreement. This Entrance Fee option may be changed prior to signing a Residence and Care Agreement. The Well•Spring staff will interview an applicant and may request other personal interviews.

The application for residency at Well•Spring and the Confidential Financial Profile will be reviewed by the Residency Review Committee (the "RRC"). The completed Confidential Personal Health History, which includes an authorization for release of medical information, will be forwarded to the applicant's physician with a request for further information. A physician examination within the past twelve (12)

months is a prerequisite before an applicant's physician can supply this information. If additional information is required, the applicant, or his or her physician, will be contacted. Well•Spring may also contact and request information from other physicians and health care providers who have provided the applicant with treatment. Once Well•Spring has received all pertinent medical information, the RRC will evaluate the applicant's eligibility for residency at Well•Spring in accordance with its residency criteria described above.

If an applicant is approved by the RRC for residency at Well•Spring, a notification of acceptance letter will be sent to welcome the applicant to the Well•Spring Community and document contractual arrangements available. The applicant must have paid the reservation fee (the "Reservation Fee") equal to ten percent (10%) of the total Entrance Fee amount and must execute a Residence and Care Agreement within seven (7) days after the notification date. The applicant will commence occupancy on a date established by Well•Spring (the "Occupancy Date"), not to exceed more than sixty (60) days after signing a Residence and Care Agreement. If the applicant desires an occupancy date more than sixty (60) days after signing a Residence and Care Agreement, an additional reservation fee deposit may be required. Well•Spring will use its best efforts to establish an Occupancy Date acceptable to the applicant.

The balance of the total Entrance Fee due must be paid on or before the Occupancy Date. If a Resident fails to occupy his or her Living Unit on the Occupancy Date, they will nevertheless remain obligated to pay the balance of their Entrance Fee and to begin and continue paying the Monthly Fee applicable to their Living Unit less the published meal credit, unless the Residence and Care Agreement is terminated as described below.

Residents are required to maintain Medicare (Part A & B) coverage or equivalent insurance coverage acceptable to Well•Spring, any other governmental health care benefit or entitlement for which they are eligible and supplemental insurance acceptable to Well•Spring.

Independent Living is open to persons 62 years of age or older (except that, in the case of a couple, one applicant may be 60), who are free from communicable disease and demonstrate an ability to meet their financial obligations as residents. Admission to the community is not based upon the applicant's religion, sexual orientation, national origin, or other protected status.

Changes of Condition of Resident Prior to Occupancy

Under the terms of the Residence and Care Agreement, in the event Well•Spring determines prior to or on the Occupancy Date that a Resident cannot occupy the Independent Living Unit selected because of a change in health status, the Resident and Well•Spring agree that the Resident will commence residency on the Occupancy Date in the Health Center in an accommodation suitable to his or her needs. Well•Spring agrees to consult with the Resident and his or her physician, or with anyone else the Resident designates as a primary contact, prior to making a determination that the Resident is unable to occupy his or her Independent Living Unit for health reasons. If a Resident is admitted directly into the Health Center because of a change in the Resident's health status, the Independent Living Unit he or she selected will be released and made available to a new applicant, unless the Resident was a Co-resident, in which case the other Co-resident shall be entitled to occupy the Independent Living Unit as provided in the Residence and Care Agreement. Should Well•Spring later determine that the Resident has become able to occupy a Living Unit and to live independently, then (i) if the Resident's Co-resident occupies the Living Unit, the Resident may return to that Living Unit with his or her Co-resident; or (ii) if the Resident's Living Unit was released, the Resident shall be entitled to return to that Living Unit if it is available; or (iii) the Resident may select another Living Unit of the type described in Exhibit A to the Residence and Care Agreement. If neither the Resident's Living Unit nor a Living Unit of the same type is available, in its discretion, Well•Spring shall offer the Resident a Living Unit of another type, until a Living Unit of the type selected in Exhibit A to the Residence and Care Agreement becomes available. Unless the Resident and Well•Spring agree otherwise, the Resident shall relocate to a Living Unit of the type originally selected in the Residence and Care Agreement upon the availability of such Living Unit. No refund of any portion of the Entrance Fee shall be due as a result of the Resident's transfer from the Health Center to an Independent Living Unit or the Resident's occupancy of an Independent Living Unit other than the type described in the Residence and Care Agreement.

If, after the consultations described above, Well•Spring determines that the Resident would require care that cannot be provided at Well•Spring due to changes in the Resident's health status, Well•Spring shall have the right to terminate the Residence and Care Agreement (or in the case of Co-residents, to terminate the Residence and Care Agreement with respect to the Resident whose health status changes), and any refunds of the Resident's Entrance Fee will be made in accordance with the provisions of Section VI and, if applicable, Section VII of the Residence and Care Agreements attached as Appendix C.

Co-applicants, who are accepted for residency at Well•Spring, will pay jointly the Reservation Fee and the balance of the total Entrance Fee due for the type of Living Unit and the refund option they select. Co-applicants will execute a Residence and Care Agreement jointly in order to occupy the Living Unit selected by them. Each Co-applicant is jointly and severally liable for all payments, including the Monthly Fee due and all obligations to be performed by the Co-residents under the terms of the Residence and Care Agreement.

Process of Obtaining Residency in an Adult Care Unit

The residency process for acceptance directly into an Adult Care Unit is essentially the same as the residency process for Independent Living Units (described above). To begin the process of obtaining residency in an Adult Care Unit, applicants must submit a Confidential Personal Health History and Confidential Financial Profile and pay a \$500 Reservation Fee. If the applicant's application for residency in an Adult Care Unit is approved by the RRC, the applicant must execute the then-current version of the Health Care Agreement (Appendix D) no later than the first day of occupancy.

The resident will begin paying the monthly residency fee from the day of occupancy, pro-rated if necessary.

Termination of the Reservation Agreement

Termination and Refunds

The Reservation Agreement for an Independent Living Unit will terminate upon any of the following occurrences:

- a) The applicant fails to pay the Reservation Fee;
- b) The applicant dies, or in the case of Co-applicants for an Independent Living Unit, one Co-applicant dies, before the Residence and Care Agreement becomes effective;
- c) The applicant submits to Well•Spring by registered or certified mail a written notice of termination of the Reservation Agreement for any reason;
- d) The applicant is not accepted for residency at Well•Spring;

- e) The applicant fails to sign either a Residence and Care Agreement or a Health Care Agreement (as appropriate) or to pay the Advance Payment or Entrance Fee in accordance with the terms of the Reservation Agreement;
- f) The applicant experiences changes in his or her financial status prior to occupancy at Well•Spring Community that cause the applicant to fail to meet Well•Spring's financial qualifications for acceptance; or
- g) The applicant's future health care needs exceed the level of service provided in the Health Center.

The Reservation Agreement will also terminate once the applicant signs a Residence and Care Agreement.

If either the applicant or Well•Spring terminates a Reservation Agreement for an Independent Living Unit for a reason other than the applicant's signing a Residence and Care Agreement, Well•Spring will have the right to reassign the Independent Living Unit reserved, and the applicant will have no further rights to that unit except that Well•Spring will give a surviving Co-applicant the opportunity to enter into a new Reservation Agreement for the Independent Unit reserved based on single occupancy or on joint occupancy with another Co-applicant before the unit is offered to others.

If the Reservation Agreement for either an Independent Living Unit or an Adult Care Unit is terminated because: 1) the applicant is not accepted for residency at Well•Spring; 2) the applicant dies (or, in the case of Co-applicants for an Independent Living Unit, one Co-applicant dies); 3) the applicant experiences changes in his or her financial status prior to occupancy at Well•Spring Community that cause the applicant to fail to meet Well•Spring's financial qualifications for admission; or 4) the applicant's future health care needs exceed the level of services provided in the Health Center, Well•Spring will return all Reservation Fees, less any fees charged, to the applicant or the applicant's legal representative. If the Reservation Agreement is terminated because: 1) the applicant notifies Well•Spring of his or her termination; 2) the applicant fails to sign a Residence and Care Agreement or Health Care Agreement (as applicable); or 3) the applicant fails to pay the Reservation Fee or Entrance Fee, then, in addition to any fees charged, Well•Spring reserves the right to withhold a non-refundable administrative charge

of two percent (2%) of the applicant's total Entrance Fee amount from any refunds due to the applicant to the extent permitted by law.

In the event the Reservation Agreement is terminated for any reason other than the applicant's signing a Residence and Care Agreement or a Health Care Agreement, Well•Spring shall refund any escrowed Entrance Fees, less any administrative charge, within five (5) working days after either: (i) Well•Spring receives written notification of the applicant's termination of the Reservation Agreement; or (ii) Well•Spring notifies the applicant in writing of termination of the Reservation Agreement by Well•Spring.

**Termination of the Residence and Care Agreement – Life Care
(All Exhibits and Sections referenced in this section refer to Residence and
Care Agreements found in Appendix C)**

This Agreement may be terminated in accordance with this Article VI. The effective date of termination of this Agreement, as established in the provisions below, is referred to hereinafter as the “Termination Date.”

Termination During 30 Day Opt-Out (“Rescission”) Period.

You may terminate this Agreement by giving written notice thereof to Well•Spring within thirty (30) days following the later of (i) the Effective Date of this Agreement (as defined in Section VIII, paragraph 4) or (ii) the receipt of a Disclosure Statement that meets the requirement of the laws of the State of North Carolina. You do not have to move in before the expiration of the 30-day rescission period. If you terminate this Agreement within this thirty (30) days period prior to your occupancy of your Living Unit and payment of the Entrance Fee, Well•Spring will refund your Reservation Fee, less two percent (2%) of the total Entrance Fee which is non-refundable.

Termination by You When Death, Illness, Injury or Incapacity Prevents Occupancy

If, at any time prior to occupancy, including the thirty (30) day rescission period described above, you are not able to commence occupancy of your Living Unit or an accommodation in the Health Center due to death, illness, injury or incapacity, you or your personal representative shall give written notice thereof to Well•Spring together with information to validate your claim. Upon validation of your claim, this Agreement would be automatically terminated, and the Termination Date shall be the date of the notice, and you or your legal representative shall receive a refund

of your Reservation Fee less any fees charged by Well•Spring to you or your legal representative within five (5) business days after it accepts your claim.

Voluntary Termination by You.

If you wish to voluntarily terminate this Agreement you must provide written notice to Well•Spring at least thirty (30) days prior to your desired termination date. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI before you commence occupancy of your Living Unit and before you pay the Entrance Fee, Well•Spring will refund your Reservation Fee less two percent (2%) of the total Entrance Fee which is non-refundable. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI after you commence occupancy of your Living Unit, you will receive a refund of the Entrance Fee to which you are entitled based on the Refund Option you selected. The Termination Date shall be thirty (30) days after the date Well•Spring receives your notice of termination or a date greater than 30 days as specified by you. Well•Spring reserves the right in its discretion to delay payment of any refund pursuant to this Section 3 until the earlier of (i) the date Well•Spring receives payment of an Entrance Fee from a successor resident of your Living Unit or (ii) two (2) years from the Termination Date.

Failure to Meet Admission Criteria.

If Well•Spring determines that you do not meet its admission criteria prior to your occupancy of the Living Unit, this Agreement shall terminate, and Well•Spring will refund your Reservation Fee less any fees charged by Well•Spring within five (5) business days after its determination.

Termination by Well•Spring.

Notwithstanding anything to the contrary contained herein, Well•Spring will have the right to terminate this Agreement for any cause which, in its judgment and sole discretion, shall be good and sufficient. Good and sufficient cause will include, without limitation, the following:

- Failure to perform your obligations under this Agreement, including, but not limited to the obligation to pay the Monthly Fees and other charges, within fifteen (15) days after they are due to be performed or paid.
- Failure to abide by the rules and regulations of Well•Spring Community, including such changes as may be adopted from time to time.

- Material misstatements or failure to state a material fact in your application, financial statement, and health history statement filed with Well•Spring or in your representations in this Agreement.
- Changes in your financial status prior to occupancy at Well•Spring Community that cause you to fail to meet Well•Spring’s financial qualifications for admission.
- Dissipation or commitment of your financial resources in a voluntary and discretionary manner that impairs your ability to meet your financial obligations to Well•Spring.
- Permanent transfer to another public or private institution.
- You develop a medical condition or illness, such that you can no longer live independently and require assisted living or skilled nursing care, as determined by one or more physicians (hereafter the “Consulting Physician”) selected by Well•Spring who will consult with your physician and you fail or refuse to leave and relinquish your Living Unit and be admitted to the Health Center within five (5) days after notice by Well•Spring.
- You give Well•Spring notice of your election to receive a refund of your Entrance Fee in accordance with Section VI, paragraph 9 below.

Well•Spring shall give you at least thirty (30) days’ prior written notice of your Termination Date unless your continued occupancy presents a threat to the safety of others or to yourself in which case Well•Spring shall have the right to reduce the prior notice period in its discretion and to make the termination immediately effective, if necessary. Well•Spring reserves the right in its discretion to delay payment of any refund due as a result of a termination under this paragraph 5 until Well•Spring receives payment of an Entrance Fee from a successor resident of your Living Unit.

Effect of Termination on Co-Residents.

In the case of Co-Residents, Well•Spring will have the right to terminate this Agreement only with respect to the Co-Resident to which the circumstances giving rise to termination apply, and this Agreement will remain in effect for the remaining Co-Resident. Notwithstanding any provision in this Agreement to the contrary, the rights and responsibilities of the Co-Residents with respect to any refund of Entrance

Fees and payment of Monthly Fees will be determined in accordance with Section VII, paragraph 3.

Refund of Entrance Fee Conditioned on Payment of Resident's Obligations.

Notwithstanding any provision in this Agreement to the contrary, Well•Spring shall be entitled to withhold the refund of an Entrance Fee pursuant to Sections 3, 4 and 5 above until the Resident entitled to the refund pays Well•Spring all amounts owed to it, including but not limited to Monthly Fees and any reasonable expenses incurred in connection with the termination, including, but not limited to:

- Cost of any repairs or replacement of property assigned to your use.
- Painting or other refurbishment of your Living Unit in excess of that required by normal wear.
- The cumulative amount of any financial assistance or other subsidies provided to you by Well•Spring.

Well•Spring may also set off any amounts owed against any refund due and against any Monthly Fee that was prepaid for periods after the Termination Date.

Limitation of Remedies and Damages for Default by Well•Spring.

Until you notify us in writing of an alleged default and afford us a reasonable time in which to cure the alleged default, no default by Well•Spring in the performance of any of the obligations or promises herein agreed to by Well•Spring or imposed by law shall constitute a material breach of this Agreement, and you shall have no right to terminate the Agreement for any such breach or suspend your performance under this Agreement. Regardless of their duration, the defective condition of or failure to repair, maintain, or provide any area, fixture, or facility used in connection with social or recreational activities will not constitute a material breach of this Agreement and you shall have no right to terminate this Agreement or suspend your performance under this Agreement.

Refunds Pursuant to a Refund Option.

In addition to the provisions for a refund of the Entrance Fee stated above, you shall have the rights to and shall be bound by the terms of the Refund Option selected by you on Exhibit A. and the provisions concerning Co-Residents' rights and responsibilities, if applicable. Your right to a refund under the Refund Option you selected will arise if any one of the following circumstances should occur:

You give Well•Spring notice of your election to receive a refund in which event this Agreement will terminate in accordance with Section VI, paragraphs 1, 2, and 3.

Well•Spring terminates this Agreement in accordance with Section VI, paragraph 4 or 5; or

This Agreement is terminated as a result of your death.

The amount of the refund, if any, to which you are entitled will be determined in accordance with the Refund Option selected by you. The Refund Options are as follows:

One year, Four Percent Per Month Declining Refund Option. If you have selected the One (1) Year, Four Percent (4%) Per Month Declining Refund Option, Well•Spring will refund to you or to your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy Date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well•Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less four percent (4%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date until the refund amount is equal to fifty percent (50%) of the Entrance Fee. In no event shall you be entitled to any refund if the Termination Date occurs more than twelve (12) months after the Occupancy Date. This option shall be referred to as the One (1) Year, Four Percent (4%) Per Month Declining Refund.

Ninety-Two Month, One Percent Per Month Declining Refund Option. If you have selected the One Percent (1%) Per Month Declining Refund Option, Well•Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well•Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less one percent (1%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date. In no event shall you be entitled to any refund if the Termination Date occurs more than ninety-two (92) months after the Occupancy Date. This option shall be referred to as the Ninety-Two Month, One Percent (1%) Per Month Declining Refund.

Ninety Percent Refund Option. If you have selected the Ninety Percent (90%) Refund Option, Well•Spring will refund to you or your estate ninety percent (90%) of the Entrance Fee paid. This option will be referred to as the Ninety Percent (90%) Refund.

For purposes of computing Entrance Fee Refunds, a partial calendar month of more than 15 days shall be treated as a full calendar month and a partial calendar month of 15 or fewer days shall be ignored. The Effective Date and Termination Date shall be counted as full calendar days.

Removal of Property.

You agree to the removal of your property from the Living Unit and the Well•Spring Community within either a two (2) week grace period if the Living Unit is in Independent Living or a one (1) week grace period if the Living Unit is in the Health Center after the Termination Date. After the applicable grace period, you or your estate shall pay a daily rate based on the Monthly Fee applicable to your Living Unit less the published Food Credit. Additionally, Well•Spring may store such property at your or your estate's expense for up to sixty (60) days after which it may be disposed of by Well•Spring without liability.

**Termination of the Residence and Care Agreement – Modified Life Care
(All Exhibits and Sections referenced in this section refer to Residence and
Care Agreements found in Appendix C)**

This Agreement may be terminated in accordance with this Article VI. The effective date of termination of this Agreement, as established in the provisions below, is referred to hereinafter as the "Termination Date."

Termination During 30 Day Opt-Out ("Rescission") Period.

You may terminate this Agreement by giving written notice thereof to Well•Spring within thirty (30) days following the later of (i) the Effective Date of this Agreement (as defined in Section VIII, paragraph 4) or (ii) the receipt of a Disclosure Statement that meets the requirement of the laws of the State of North Carolina. You do not have to move in before the expiration of the 30-day rescission period. If you terminate this Agreement within this thirty (30) days period prior to your occupancy of your Living Unit and payment of the Entrance Fee, Well•Spring will refund your Reservation Fee, less two percent (2%) of the total Entrance Fee which is non-refundable.

Termination by You When Death, Illness, Injury or Incapacity Prevents Occupancy.

If, at any time prior to occupancy, including the thirty (30) day rescission period described above, you are not able to commence occupancy of your Living Unit or an accommodation in the Health Center due to death, illness, injury or incapacity, you or your personal representative shall give written notice thereof to Well•Spring together with information to validate your claim. If your claim is accepted by Well•Spring, this Agreement shall terminate, and the Termination Date shall be the date of the notice, and you or your legal representative shall receive a refund your Reservation Fee less any fees charged by Well•Spring to you or your legal representative within five (5) business days after it accepts your claim.

Voluntary Termination by You.

If you wish to voluntarily terminate this Agreement you must provide written notice to Well•Spring at least 30 days prior to your desired termination date. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI before you commence occupancy of your Living Unit and before you pay the Entrance Fee, Well•Spring will refund your Reservation Fee less two percent (2%), of the total Entrance Fee which is non-refundable. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI after you commence occupancy of your Living Unit, you will receive a refund of the Entrance Fee to which you are entitled based on the Refund Option you selected. The Termination Date shall be thirty (30) days after the date Well•Spring receives your notice of termination or a date greater than 30 days as specified by you. Well•Spring reserves the right in its discretion to delay payment of any refund pursuant to this Section 3 until the earlier of (i) the date Well•Spring receives payment of an Entrance Fee from a successor resident of your Living Unit or (ii) two (2) years from the Termination Date.

Failure to Meet Admission Criteria.

If Well•Spring determines that you do not meet its admission criteria prior to your occupancy of the Living Unit, this Agreement shall terminate, and Well•Spring will refund your Reservation Fee within five (5) business days after its determination less any fees charged by Well•Spring.

Termination by Well•Spring.

Notwithstanding anything to the contrary contained herein, Well•Spring will have the right to terminate this Agreement for any cause which, in its judgment and

sole discretion, shall be good and sufficient. Good and sufficient cause will include, without limitation, the following:

- Failure to perform your obligations under this Agreement, including, but not limited to the obligation to pay the Monthly Fees and other charges, within fifteen (15) days after they are due to be performed or paid.
- Failure to abide by the rules and regulations of Well•Spring Community, including such changes as may be adopted from time to time.
- Material misstatements or failure to state a material fact in your application, financial statement, and health history statement filed with Well•Spring or in your representations in this Agreement.
- Changes in your financial status prior to occupancy at Well•Spring Community that cause you to fail to meet Well•Spring’s financial qualifications for admission.
- Dissipation or commitment of your financial resources in a voluntary and discretionary manner that impairs your ability to meet your financial obligations to Well•Spring.
- Permanent transfer to another public or private institution.
- You develop a medical condition or illness, such that you can no longer live independently and require assisted living or skilled nursing care, as determined by one or more physicians (hereafter the “Consulting Physician”) selected by Well•Spring who will consult with your physician.
- You give Well•Spring notice of your election to receive a refund of your Entrance Fee in accordance with Section VI, paragraph 9 below.

Well•Spring shall give you at least thirty (30) days’ prior written notice of your Termination Date unless your continued occupancy presents a threat to the safety of others or to yourself in which case Well•Spring shall have the right to reduce the prior notice period in its discretion and to make the termination immediately effective, if necessary. Well•Spring reserves the right in its discretion to delay payment of any refund due as a result of a termination under this paragraph 5 until Well•Spring receives payment of an Entrance Fee from a successor resident of your Living Unit.

Effect of Termination on Co-Residents.

In the case of Co-Residents, Well•Spring will have the right to terminate this Agreement only with respect to the Co-Resident to which the circumstances giving rise to termination apply, and this Agreement will remain in effect for the remaining Co-Resident. Notwithstanding any provision in this Agreement to the contrary, the rights and responsibilities of the Co-Residents with respect to any refund of Entrance Fees and payment of Monthly Fees will be determined in accordance with Section VII, paragraph 3.

Refund of Entrance Fee Conditioned on Payment of Resident's Obligations.

Notwithstanding any provision in this Agreement to the contrary, Well•Spring shall be entitled to withhold the refund of an Entrance Fee pursuant to Sections 3, 4 and 5 above until the Resident entitled to the refund pays Well•Spring all amounts owed to it, including but not limited to Monthly Fees and any reasonable expenses incurred in connection with the termination, including, but not limited to:

- Cost of any repairs or replacement of property assigned to your use.
- Painting or other refurbishment of your Living Unit in excess of that required by normal wear.
- The cumulative amount of any financial assistance or other subsidies provided to you by Well•Spring.

Well•Spring may also set off any amounts owed against any refund due and against any Monthly Fee that was prepaid for periods after the Termination Date.

Limitation of Remedies and Damages for Default by Well•Spring.

Until you notify us in writing of an alleged default and afford us a reasonable time in which to cure the alleged default, no default by Well•Spring in the performance of any of the obligations or promises herein agreed to by Well•Spring or imposed by law shall constitute a material breach of this Agreement, and you shall have no right to terminate the Agreement for any such breach or suspend your performance under this Agreement. Regardless of their duration, the defective condition of or failure to repair, maintain, or provide any area, fixture, or facility used in connection with social or recreational activities will not constitute a material breach of this Agreement and you shall have no right to terminate this Agreement or suspend your performance under this Agreement.

Refunds Pursuant to a Refund Option.

In addition to the provisions for a refund of the Entrance Fee stated above, you shall have the rights to and shall be bound by the terms of the Refund Option selected by you on Exhibit A, and the provisions concerning Co-Residents' rights and responsibilities, if applicable. Your right to a refund under the Refund Option you selected will arise if any one of the following circumstances should occur:

You give Well•Spring notice of your election to receive a refund in which event this Agreement will terminate in accordance with Section VI, paragraphs 1, 2, and 3.

Well•Spring terminates this Agreement in accordance with Section VI, paragraph 4 or 5; or

This Agreement is terminated as a result of your death.

The amount of the refund, if any, to which you are entitled will be determined in accordance with the Refund Option selected by you. The Refund Options are as follows:

One year, Four Percent Per Month Declining Refund Option. If you have selected the One (1) Year, Four Percent (4%) Per Month Declining Refund Option, Well•Spring will refund to you or to your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy Date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well•Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less four percent (4%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date until the refund amount is equal to fifty percent (50%) of the Entrance Fee. In no event shall you be entitled to any refund if the Termination Date occurs more than twelve (12) months after the Occupancy Date. This option shall be referred to as the One (1) Year, Four Percent (4%) Per Month Declining Refund.

Ninety-Two Month, One Percent Per Month Declining Refund Option. If you have selected the One Percent (1%) Per Month Declining Refund Option, Well•Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well•Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less one percent (1%)

of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date. In no event shall you be entitled to any refund if the Termination Date occurs more than ninety-two (92) months after the Occupancy Date. This option shall be referred to as the Ninety-Two Month, One Percent (1%) Per Month Declining Refund.

For purposes of computing Entrance Fee Refunds, a partial calendar month of more than 15 days shall be treated as a full calendar month and a partial calendar month of 15 or fewer days shall be ignored. The Effective Date and Termination Date shall be counted as full calendar days.

Removal of Property.

You agree to the removal of your property from the Living Unit and the Well•Spring Community within either a two (2) week grace period if the Living Unit is in Independent Living or a one (1) week grace period if the Living Unit is in the Health Center after the Termination Date. After the applicable grace period, you or your estate shall pay a daily rate based on the Monthly Fee applicable to your Living Unit less the published Food Credit. Additionally, Well•Spring may store such property at your or your estate's expense for up to sixty (60) days after which it may be disposed of by Well•Spring without liability.

**Termination of the Residence and Care Agreement – Health Care
(All Exhibits and Sections referenced in this section refer to Residence and
Care Agreements found in Appendix D)**

Termination Date

As used in this section, "Termination Date" shall mean the date on which this Agreement is terminated either (i) in accordance with the provisions of Article II above; or (ii) by either you or Well•Spring in accordance with the provisions of this Article VII.

Duties upon Termination

Your Daily Charge is to be paid through the Termination Date. In no event shall Well•Spring be obligated to refund more than one (1) month's payment of your Daily Charge. No refund of any portion of the Daily Charge shall be due as a result of your transfer to another institution or facility, unless this Agreement is terminated in accordance with its terms.

Upon termination by either you or Well•Spring pursuant to Article II above or the provisions of this section, you agree to pay Well•Spring all amounts owed to it any reasonable expenses incurred in connection with the termination of this Agreement, including, but not limited to:

- Cost of any repairs or replacement of property assigned to your use.
- Painting or other refurbishment of your Health Center Living Unit in excess of that required by normal wear.
- Well•Spring may set off any amounts owed it by you against any refund due.

Well•Spring shall refund any payment of your Daily Charge that may be due to you within five (5) working days after: (i) this Agreement has terminated in accordance with Section II above; (ii) Well•Spring receives written notification of your termination of this Agreement pursuant to the provisions of this section; or (iii) Well•Spring notifies you in writing of termination of this Agreement by Well•Spring pursuant to the provisions of this section.

Termination During 30 Day Opt-Out (“Rescission”) Period.

You may terminate this Agreement by giving written notice thereof to Well•Spring within thirty (30) days following the later of (i) the Effective Date of this Agreement (as defined in Section VIII, paragraph 2) or (ii) the receipt of a Disclosure Statement that meets the requirement of the laws of the State of North Carolina. You do not have to move in before the expiration of the 30-day rescission period. If you terminate this Agreement within this thirty (30) day period prior to your occupancy of your Living Unit, Well•Spring will refund your Deposit, less any fees charged to you by Well•Spring.

Termination by You When Death, Illness, Injury or Incapacity Prevents Occupancy.

If, at any time prior to occupancy, including the thirty (30) day rescission period described above, you are not able to commence occupancy of your Health Center Living Unit or an accommodation in the Health Center due to death, illness, injury or incapacity, you or your personal representative shall give written notice thereof to Well•Spring together with information to validate your claim. Upon validation of your claim, this Agreement would be automatically terminated, and the Termination Date shall be the date of the notice, and you or your legal representative shall receive a refund of your Reservation Fee less any fees charged by Well•Spring to you or your legal representative within five (5) business days after it accepts your claim.

(Note: this paragraph is not applicable to residents who transfer to the Health Center from a Living Unit.)

Voluntary Termination by You.

If you wish to voluntarily terminate this Agreement for reasons other than described stated in paragraphs 3 and 4 above, then you must provide written notice to Well•Spring at least 30 days prior to your desired termination date

Termination by Well•Spring

Well•Spring shall have the right to terminate this Agreement at any time for any cause which, in its judgment and sole discretion, shall be good and sufficient.

Good and sufficient cause shall include, without limitation, the following:

- Failure to perform your obligations under this Agreement, including, but not limited to, the obligation to pay the Daily Charge and other charges, within fifteen (15) days after they are due to be performed or paid.
- Failure to abide by the rules and regulations of Well•Spring Community, including such changes as may be adopted from time to time.
- Material misstatement or failure to state a material fact in your application, financial statement or health history statement filed with Well•Spring.
- Changes in your financial status prior to occupancy at Well•Spring Community that impair your ability to meet Well•Spring's financial qualifications for acceptance.
- Dissipation or commitment of your financial resources in a voluntary and discretionary manner that impairs your ability to meet your financial obligations to Well•Spring.
- Permanent transfer to another public or private institution.
- You develop a medical condition or illness, such that you can no longer live independently and require assisted living or skilled nursing facility care, as determined by one or more physicians (hereafter the “Consulting Physician”) selected by Well•Spring who will consult with your physician.

Well•Spring shall give you at least thirty (30) days prior written notice of your Termination Date unless your continued occupancy presents a threat to the safety of others or to yourself, in which case Well•Spring shall have the right to reduce the prior notice period in its discretion and to make the termination immediately effective, if necessary.

Limitation of Remedies and Damages for Default by Well•Spring.

Until you notify us in writing of an alleged default and afford us a reasonable time in which to cure the alleged default, no default by Well•Spring in the performance of any of the obligations or promises herein agreed to by Well•Spring

or imposed by law shall constitute a material breach of this Agreement, and you shall have no right to terminate the Agreement for any such breach or suspend your performance under this Agreement. Regardless of their duration, the defective condition of or failure to repair, maintain, or provide any area, fixture, or facility used in connection with social or recreational activities will not constitute a material breach of this Agreement and you shall have no right to terminate this Agreement or suspend your performance under this Agreement.

Removal of Property

You agree to the removal of your property from the Living Unit and the Well•Spring Community within either a two (2) week grace period if the Living Unit is in Independent Living or a one (1) week grace period if the Living Unit is in the Health Center after the Termination Date. After the applicable grace period, you or your estate shall pay a daily rate based on the Monthly Fee applicable to your Living Unit less the published Food Credit. Additionally, Well•Spring may store such property at your or your estate's expense for up to sixty (60) days after which it may be disposed of by Well•Spring without liability.

Changes During Residency Life Care

(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix C)

There may come a time when you, or if Co-Residents, one of you, must move from your Living Unit to the Health Center or to another facility which provides services not available at Well•Spring. Well•Spring is aware that this is a critical transition and shall adhere to the following procedures regarding any such transfer.

Consultations.

Except in case of emergency, Well•Spring shall not transfer you from your Living Unit or from the Health Center for health-related or other reasons until it has consulted with you and your physician, or with anyone else you designate as a primary contact. In the case of an emergency transfer, the consultations described above shall be scheduled by Well•Spring within five (5) days after transfer.

Consents.

When Well•Spring determines it to be appropriate, after the consultations provided for in the preceding paragraph have occurred, to transfer you from your Living Unit to the Health Center or to a suitable public or private facility for hospitalization, health care, or other health-related services, Well•Spring shall have the right and authority to transfer you without having to obtain your further consent.

In the event that Well•Spring determines that your continued occupancy of your Living Unit constitutes a danger to other residents or to yourself, or is detrimental to the peace or health of other residents, Well•Spring shall have the right and authority to transfer you to another Living Unit, to the Health Center, or to a suitable public or private facility without having to obtain your further consent.

Temporary Transfer.

When Well•Spring is persuaded that the condition which requires your transfer has the potential to be resolved in a manner which may allow you to return to your Living Unit, the unit will be held for your return in accordance with the provisions of this paragraph. The return to your Living Unit is subject to the approval of Well•Spring. You agree to pay the Monthly Fee applicable to your Living Unit during any temporary absence. During the first thirty (30) days (whether or not consecutive) of Health Center occupancy without a break of at least thirty (30) days, your Living Unit shall be held and reserved for you in the event you no longer need the services of the Health Center, at no extra cost. In the event you continue occupancy in the Health Center beyond thirty (30) days and wish to continue to reserve your Living Unit, Well•Spring may require you to pay a monthly Holding Fee in accordance with Well•Spring's Living Unit Holding Policy in effect at such time. Well•Spring's Living Unit Holding Policy may delay imposing the Holding Fee later than thirty (30) days, but in no circumstance will it begin earlier than the thirty (30) days stated above. The days you occupy the Health Center shall be counted, whether or not consecutive. After you have reoccupied your Living Unit for a period of thirty (30) consecutive days, your prior days of occupancy in the Health Center shall not be counted. You may not hold the Living Unit for more than ninety (90) days beyond the initial thirty (30) days of Health Center occupancy without the approval of Well•Spring. If you choose to surrender the Living Unit, and your physician and Well•Spring's Medical Director shall subsequently determine that you can resume occupancy in a Living Unit, you will receive a top priority for assignment to a comparable Living Unit as soon as such a unit becomes available.

Permanent Transfer.

When Well•Spring determines that the condition which required your transfer is not temporary in nature, your Living Unit shall be released and made available to a new resident except in the case of the permanent transfer of one Co-Resident, in which case the other Co-Resident shall be entitled to remain in the Living Unit in accordance with the provisions of Section VII, paragraph 4 below. Any decision by Well•Spring relating to your transfer or the release of your Living Unit may be

appealed to Well•Spring's Board of Trustees or to a duly designated committee thereof, whose decision shall be final and binding upon all parties.

Changes During Residency Modified Life Care
(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix C)

There may come a time when you, or if Co-Residents, one of you, must move from your Living Unit to the Health Center or to another facility which provides services not available at Well•Spring. Well•Spring is aware that this is a critical transition and shall adhere to the following procedures regarding any such transfer:

Consultations.

Except in case of emergency, Well•Spring shall not transfer you from your Living Unit or from the Health Center for health-related or other reasons until it has consulted with you and your physician, or with anyone else you designate as a primary contact. In the case of an emergency transfer, the consultations described above shall be scheduled by Well•Spring within five (5) days after transfer.

Consents.

When Well•Spring determines it to be appropriate, after the consultations provided for in the preceding paragraph have occurred, to transfer you from your Living Unit to the Health Center or to a suitable public or private facility for hospitalization, health care, or other health-related services, Well•Spring shall have the right and authority to transfer you without having to obtain your further consent.

In the event that Well•Spring determines that your continued occupancy of your Living Unit constitutes a danger to other residents or to yourself, or is detrimental to the peace or health of other residents, Well•Spring shall have the right and authority to transfer you to another Living Unit, to the Health Center, or to a suitable public or private facility without having to obtain your further consent.

Return to Living Unit and Release of Living Unit.

When you are transferred from your Living Unit to the Health Center, your Living Unit shall be reserved for you for the first 30 days of Health Center occupancy so that you may return to your Living Unit if your condition permits. Your Living Unit shall be released and made available to a new resident after 30 days of Health Center occupancy, unless you have reserved your Living Unit through payment of the Holding Fee as provided in Article IV, Section 3(c) above,

and except in the case of the permanent transfer of one Co-Resident, in which case the other Co-Resident shall be entitled to remain in the Living Unit in accordance with the provisions of Section VII, paragraph 4 below. Any decision by Well•Spring relating to your transfer or the release of your Living Unit may be appealed to Well•Spring’s Board of Trustees or to a duly designated committee thereof, whose decision shall be final and binding upon all parties.

Changes During Residency Health Care
(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix D)

There may come a time when you must move (i) from a Health Center Living Unit to a living unit in the Skilled Nursing area in the Health Center, if available, (a “Skilled Nursing Unit”) or (ii) to another facility which provides Skilled Nursing, hospital or other services not available at Well•Spring. Please note that Well•Spring makes no representations as to the availability of Skilled Nursing care on its campus. Well•Spring is aware that this is a critical transition and will observe the following procedures during any such transfer.

Consultations

Except in case of emergency, Well•Spring will not transfer you from a Health Center Living Unit in the Health Center for health-related or other reasons unless it has provided you with at least five (5) days advance notice and consulted with you and your physician, or with anyone else you designate as a primary contact. In the case of an emergency transfer, the consultations described above will be scheduled by Well•Spring within five (5) days after transfer.

Changes in Levels of Care in the Health Center

When Well•Spring determines it to be appropriate and after the consultations described in Section VI, paragraph 1 above, Well•Spring shall have the authority to transfer you from one type of Health Center Living Unit to another within the Health Center or to another facility. You agree to pay the Daily Charge then in effect for the type of Health Center Health Center Living Unit occupied by you, and this Agreement shall be amended to reflect the change in your Health Center Health Center Living Unit and the applicable Daily Charge.

Consents

When Well•Spring determines it is appropriate, after the consultations called for in Section VI, paragraph 1 above, to transfer you from your Health Center Living Unit to a Skilled Nursing Unit, if available, or from the Health Center to a suitable

public or private facility for skilled nursing, hospitalization, health care, or other health-related services, Well·Spring shall have full authority and right to transfer you without having to obtain your further consent.

In the event that Well·Spring determines that your continued occupancy of a Health Center Living Unit constitutes a danger to other residents or to yourself, or is detrimental to the peace or health of other residents, Well·Spring shall have full authority to transfer you to another Health Center Living Unit in the Health Center or to a suitable public or private facility without having to obtain your further consent.

Transfer within the Health Care Center and Holding Fee for Health Center Living Unit.

If you are transferred from your Health Center Living Unit (the “Original Health Center Living Unit”) to another Health Center Living Unit in the Health Center, you will immediately pay the Daily Charge for that other Health Center Living Unit. During the first fourteen (14) days (whether or not consecutive) of your occupancy of the other Health Center Living Unit, your Original Health Center Living Unit will be held for you at no extra cost to you in the event you no longer need the services provided by the other Health Center Living Unit. If you continue occupancy of the other Health Care Unit for more than fourteen (14) days (whether or not consecutive), and you wish to continue to hold your Original Health Care Living Unit, Well·Spring may require you to pay, in addition to the Daily Charge for other Health Care Living Unit, a Holding Fee equal to the Daily Charge for your Original Health Care Living Unit minus the cost of meals. You may not hold your Original Health Center Living Unit for more than 90 days without the approval of Well·Spring. If you choose to surrender your Original Health Center Living Unit, and your physician and Well·Spring’s Medical Director shall subsequently determine that you can resume occupancy in your Original Health Center Living Unit, you will receive a top priority for assignment to a comparable Health Care Living Unit as soon as such a unit becomes available.

Temporary Transfer From the Health Center

When Well·Spring is persuaded that the condition which requires your transfer from the Health Center to another public or private facility has the potential to be resolved in a manner which may allow you to return to a Health Center Health Center Living Unit, a Health Center Health Center Living Unit will be held for your return. The return to a Health Center Living Unit is subject to the approval of Well·Spring. During any temporary absence, you agree to pay the Daily Charge

applicable to the type of Health Center Living Unit occupied by you prior to your transfer.

Permanent Transfer From the Health Center

When Well·Spring determines that the condition which required your transfer from the Health Center to another public or private facility is not temporary in nature, your Health Center Living Unit shall be released and made available to a new resident, in which case Well·Spring shall have the right to terminate this Agreement. Any decision by Well·Spring relating to your permanent transfer from the Health Center to a public or private facility may be appealed to Well·Spring's Board of Trustees or to a duly designated committee thereof, whose decision shall be final and binding on all parties.

Changes in Occupancy By Co-residents

In the event that Co-residents occupy an Independent Living Unit and one Co-resident dies or the Residence and Care Agreement is terminated with respect to one of them, the total Entrance Fee paid by the Co-residents shall be deemed to have been paid on behalf of the remaining Resident, whose Residence and Care Agreement shall remain in effect. Any refund of an Entrance Fee will be calculated upon termination of the Residence and Care Agreement of the remaining Resident and be refunded upon termination of the Residence and Care Agreement with the remaining Resident. When the Agreement of one (1) Co-resident terminates, the remaining or surviving Resident shall have the option to remain in the same Independent Living Unit or move to a smaller Living Unit, if and when available, in accordance with the terms of Section VIII, paragraph 1 ("Change of Living Unit"), of the Residence and Care Agreement. The remaining Resident will pay the Monthly Fee for a single Resident associated with the Independent Living Unit occupied by the Resident. If under a Lifecare Residence and Care Agreement one (1) Co-resident transfers permanently from their Independent Living Unit to the Health Center, the Co-residents will continue to pay the Co-residents' Monthly Fee applicable to the Independent Living Unit that they occupied at the time of transfer, and the Resident, who is transferred to the Health Center, will also pay the cost of two additional meals each day.

Marriages/New Second Occupant

Married Co-residents shall be treated the same as other Co-residents. Co-residents' rights and responsibilities are set out in detail in Section VII of the Residence and Care Agreement. If a Resident marries another Resident, the two Residents must execute a new Residence and Care Agreement jointly in order to

occupy the Independent Living Unit of either Resident. Upon entering the new Residence and Care Agreement, the married Co-residents shall surrender the Independent Living Unit not to be occupied by them. No refund will be payable with respect to the Living Unit surrendered, except in accordance with the terms of the Refund Option chosen by the Resident surrendering the Living Unit. Such married Residents will pay the then-current Monthly Fee for Co-residents associated with the Living Unit occupied by them.

In the event that a Resident marries a person who is not a Resident of Well•Spring Community, the spouse may become a Co-resident if, in Well•Spring's sole judgment, such spouse meets all of the then current requirements for acceptance into Well•Spring Community. Before commencing occupancy, the spouse of the Resident must sign and become a Co-resident under the Residence and Care Agreement then in effect for the Independent Living Unit, which Agreement shall be amended to require: (i) payment by the Resident and spouse of an Entrance Fee amount equal to the difference between the then-current single Resident and the Co-resident Entrance Fee applicable to the type of Living Unit to be occupied by the Resident and spouse; and (ii) payment of the current Co-resident Monthly Fee associated with the Living Unit to be occupied by the Resident and spouse. If the Resident's spouse does not meet the requirements of Well•Spring for admission as a Resident, the Resident may terminate his or her Residence and Care Agreement, in which event the Resident shall be subject to the termination and refund provisions of his or her Residence and Care Agreement.

The Benevolent Trust Fund

It is the policy of Well•Spring to allow for financial assistance from its Benevolent Trust Fund, which had assets totaling approximately \$5,900,000 as of December 31, 2019, which is an asset of Well•Spring Foundation. This assistance is given to a limited number of applicants of modest means and/or to supplement current residents' monthly service fees if the need arises.

Such a request is considered by the Benevolence Committee of the Board of Trustees, which makes its decision primarily on the basis of the merits of the applicant and the funds available. Such use of the contributed funds is limited by Well•Spring's obligation to meet its commitment to all residents and to operate on a sound financial basis.

SERVICES AND FEES

Services Provided Pursuant To A Residence And Care Agreement Which Are Covered By The Entrance And Monthly Fees As Well As Services Which Are Not Covered Under The Residence And Care Agreement And Which Will Be At The Resident's Expense - Lifecare And Modified Lifecare Agreements

(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix C)

Well•Spring shall provide to you the following services and facilities upon your occupancy at Well•Spring. Unless otherwise specified, there shall be no additional charge made for any of these services and facilities other than payment of the Entrance Fee and Monthly Service Fees, each of which is hereafter described below.

- ***Living Unit.***

Well•Spring grants to you the right to occupy and use the independent living unit ("Living Unit"), described in Exhibit A and selected by you, subject to the terms and provisions of this Agreement.

- ***Common Facilities.***

You may use, in common with other Residents, the common facilities of Well•Spring including, but not limited to, the dining room, lounges, lobbies, libraries, social and recreation rooms and designated outdoor activity areas. At times, advance reservation may be required for certain common facilities. There will be additional charges for your use of special services, such as beauty/barber shop and convenience store/gift shop.

- ***Emergency and Temporary Illnesses.***

- ***Emergencies.*** The Health Center Staff and/or Safety Staff employed by Well•Spring shall be available to you for emergencies.
- ***Temporary Illnesses.*** For temporary illness, care will be available in the Health Center under the direction of Well•Spring's Medical Director. Well•Spring operates a licensed home care agency which is available to you for temporary illnesses. You shall pay for any home health care you may require to the extent it is not covered by your

insurance or by government programs. Well•Spring's Health Center is available on a temporary basis in accordance with Section V, paragraph 3.

- ***Exclusions.***

The health and medical care for which you are responsible for payment includes, but is not limited to:

- charges of any physician, podiatrist, nurse practitioner, therapist or other health care provider;
- rehabilitative and therapeutic services;
- laboratory, X-ray and other diagnostic services;
- home health care and hospice;
- prescription drugs and supplies or equipment;
- vision, hearing, and dental care, including all supplies, equipment and appliances;
- orthopedic appliances;
- mental health services
- hospital charges;
- ambulatory surgical services;
- ambulance services;
- all other services for which you otherwise expressly agreed to pay under the terms of this Agreement.

- ***Food and Meals.***

- ***Dining Room Service.*** Three (3) meals will be served in the dining room on Monday through Saturday; and brunch will be served on Sunday. Your Monthly Service Fee will include a meal plan, which you may choose in accordance with Well•Spring dining service procedures. You may purchase additional meals or additional dining services separately. Any unused meals or unused account balance for any meal cycle period shall be forfeited and shall not be applied as a credit against meal charges for any other period. Well•Spring will periodically publish a schedule of meal rates ("meal rates") to establish the cost of additional meals or additional dining services. When you give Well•Spring advance notice that you are going to be away from Well•Spring for more than seven (7) consecutive nights, you will be credited for the missed meals, according to a schedule periodically published by Well•Spring (the "Food Credit").

- *Meals in Living Units.* When authorized by Well•Spring, meal delivery shall be provided to you in your Living Unit. Well•Spring may make additional charges for meals delivered to Living Units.
- *Dietary Service.* When authorized by Well•Spring's medical and dietary personnel, meals accommodating special diets may be provided. Well•Spring may make additional charges for special diets.
- *Dining Room Service for Guests.* Dining room service shall be available for your guests. You may purchase guest meals at any time or use your meal plan or account balance for guest meals during your meal cycle period. This arrangement may be altered for special events and holidays, and it is subject to reasonable prior notice and availability.

- ***Furnishings.***

Well•Spring shall furnish your Living Unit with wall-to-wall carpeting, vinyl, sink, stove, garbage disposal, window blinds, washing machine and dryer, refrigerator with freezer, dishwasher, emergency call system, daily courtesy check-in system, bathroom with grab bars in the tub and/or shower, individual thermostatic control for heating and air-conditioning, cable television outlets, telephone outlets and smoke alarm. All other furnishings shall be provided by you.

- ***Grounds.***

Well•Spring shall furnish basic grounds-keeping care, including lawn service. You, at your own expense, may plant and maintain areas designated by Well•Spring, subject to the prior approval of Well•Spring.

- ***Guests.***

You shall be free to invite guests to your Living Unit for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. Well•Spring reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than you or a Co-Resident (as described below), if any, may reside in the Living Unit without the approval of Well•Spring.

- ***Health Center and Resident Clinic.***

Well•Spring shall provide the following health care services and facilities:

- *Health Center – Lifecare Resident Agreement.* In its Health Center (“Health Center”), Well•Spring shall provide (i) licensed nursing care and (ii) licensed adult care. When a determination is made by your physician and approved by Well•Spring’s Medical Director (as defined below) that you need licensed nursing care or licensed adult care, Well•Spring shall provide such care in the Health Center, or arrange for your transfer to another facility.
- *Health Center – Modified Lifecare Resident Agreement.* In its Health Center (“Health Center”), Well•Spring shall provide (i) licensed nursing care and (ii) licensed adult care. When a determination is made by your physician and approved by Well•Spring’s Medical Director (as defined below) that you need licensed nursing care or licensed adult care, Well•Spring shall provide such care in the Health Center or arrange for your transfer to another facility. If you remain in the Health Center for more than 14 days, you will begin paying the Discounted Per Diem Rate instead of the Monthly Fee, as provided in Article IV, Section 3.
- *Health Center - Non-Residents.*
If Non-Resident patients are admitted to the Health Center from the outside community, they shall be admitted under the condition that they may be discharged in order to make a bed available for a Resident, if needed.
- *Transfer to Another Facility.*
In the rare event that space for a Resident is for some reason not available in the Health Center, Well•Spring shall arrange and pay for your temporary care in another facility that can provide you the same care that would otherwise have been provided by Well•Spring until space in the Health Center becomes available. You will continue to pay Well•Spring the monthly fee. Well•Spring will pay the difference between your payments and the cost of the other facility.
- *Resident Clinic.*
Well•Spring shall provide a Resident Clinic (“Clinic”) on the premises where Residents may be seen and treated as outpatients. Arrangements shall be made for one (1) or more physicians, selected by Well•Spring (“Clinic Physicians”), to keep scheduled office hours at the Clinic. There is no charge for the service of the Well•Spring nurse in the Frank Reid

Brown Clinic or the satellite clinic. There is a nominal charge for procedures that are routinely done, such as blood sugar testing. The cost of care related supplies used shall be charged to you. You shall pay for office visits with Clinic Physicians or other Clinic health professionals including nurse practitioners and other non-physician providers. There is no obligation to use the Clinic or the Clinic Physicians. You remain free to engage, at your expense, the services of any physician or other health care provider of your choice.

- ***Hospital Coverage and Transfer Agreements.***

Well•Spring is not obligated to pay any charges for hospitalization or costs related thereto. In the event it becomes necessary for you to be transferred to a hospital, Well•Spring shall provide any information available to meet the provisions of any hospital transfer agreement, and you agree that Well•Spring has the right to provide such information, which may include part or all of your medical records, in accordance with applicable privacy and confidentiality laws.

Well•Spring is not designed or staffed to care for persons afflicted with certain diseases including, but not limited to, psychosis, substance abuse and addiction, or contagious disease. If you require care for a disease or condition which Well•Spring in consultation with your physician determines is a potential danger to the health and welfare of yourself, other residents or staff, you agree that Well•Spring has the authority, after consultations described in the transfer provisions of this Agreement have occurred, to transfer you elsewhere for hospitalization or nursing care as may be deemed necessary by the Medical Director, whether or not the condition is deemed to be temporary in nature. If the transfer is deemed permanent by the Medical Director, your Living Unit may be released and refunds shall be made in accordance with the termination provisions of this Agreement and the provisions describing Co-Resident's rights and responsibilities, if applicable. Well•Spring will not pay for treatment for conditions that cannot be treated by Well•Spring.

- ***Housekeeping***

Well•Spring shall provide certain housekeeping services in your Living Unit on a weekly basis. Time allotted shall be determined by the type of Living Unit in accordance with a schedule published periodically by Well•Spring. These housekeeping services include vacuuming, floor maintenance, necessary cleaning of bathroom and kitchen, dusting, and other such tasks Well•Spring deems necessary

under the circumstances. Additional housekeeping services may be made available at your expense.

- ***Illness or Injury Away from Well•Spring.***

If you become ill or are injured or develop a condition while you are away from Well•Spring which requires medical attention or treatment away from Well•Spring, all charges for any offsite medical attention or treatment for you shall be your personal responsibility. Upon your return to Well•Spring, Well•Spring shall resume providing all services to which you are entitled under this Agreement. For purposes of this paragraph, you shall be considered to be away from Well•Spring if your illness or injury or condition occurs when you are not on the grounds of Well•Spring.

- ***Mail.***

Well•Spring shall provide a mailbox for each Living Unit.

- ***Maintenance and Repair.***

Well•Spring shall perform all necessary repairs, maintenance, and replacement of its property and equipment. Necessary repairs, maintenance and replacement of your personal property shall be your responsibility.

- ***Medical Director.***

Well•Spring shall retain the services of a qualified physician (“Medical Director”) to be responsible for the quality of all medical services and medically related activities provided by Well•Spring.

- ***Meetings with Residents.***

At least quarterly, Well•Spring shall hold meetings with the residents of Well•Spring for the purpose of free discussion of subjects of interest. Reasonable advance notice of each meeting shall be given. Upon request of the Residents’ Association, a member of the Board of Trustees shall attend such meetings. An agenda and any materials that are distributed at the meeting shall be available for review upon request.

- ***Parking.***

One (1) parking space shall be provided per Living Unit. Parking places shall be assigned by Well•Spring based upon established policy. Parking spaces shall be provided only if you maintain a vehicle.

- ***Private Caregivers and Personal Aides.***

You shall pay for all expenses (including meals if desired) of private caregivers and personal aides whom you employ and all of these individuals shall be subject to all rules and regulations in effect at the Well•Spring Community. No private caregivers or personal aides may be employed without prior notice to Well•Spring, and at all times they are subject to Well•Spring's Private Caregiver Policy.

- ***Programs.***

Well•Spring shall provide programs of social, educational and recreational activities. Religious services shall be provided on a regular basis.

- ***Real Estate Taxes.***

Well•Spring shall be responsible for the payment of all real estate taxes, if any, assessed upon its property comprising the Well•Spring Community.

- ***Rehabilitation Therapies and Specialists.***

You or your medical insurance shall pay for all diagnostic, therapeutic and rehabilitative services. Well•Spring may make arrangements for the services of a physical therapist, occupational therapist, speech therapist, or other health professionals such as podiatrist, dentist, and audiologist on the premises by appointment, but you are free to engage the services of any health professional of your choice at his or her office or elsewhere off the premises.

- ***Rights of Subrogation.***

Should you be injured by a third party and should such injury require Well•Spring to provide health care services for you under this Agreement, Well•Spring shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third party to the extent necessary to reimburse Well•Spring for the costs incurred in providing health care services for you under this Agreement.

To the extent allowed by North Carolina law, this right of subrogation authorizes Well•Spring to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

- ***Security.***

Well•Spring shall use reasonable care in providing security on the premises for you and your property. Well•Spring shall not be responsible for loss or damage to your personal property.

- ***Storage.***

Storage space for your use shall be allocated to your Living Unit.

- ***Transportation.***

Well•Spring shall provide regularly scheduled local transportation. Additional special transportation for personal or group trips shall be available at additional cost. Transportation is reserved by calling the front desk.

- ***Utilities.***

Well•Spring shall provide utilities to your Living Unit such as water, sewer, heating, electricity, and air-conditioning. Well•Spring shall not be responsible for any periods of service disruption regarding these utilities. Well•Spring will provide basic cable television service to your Living Unit. You may purchase the premium cable television channels that may be available at the Well•Spring Community at monthly rates established by the local cable provider. You shall install and maintain telephone service in your Living Unit and you shall pay the cost of telephone service (landline or cellular), installation, maintenance and use. The Well•Spring campus has a wireless internet network available for resident use. Additionally, you may install and maintain cable internet access and high-speed wireless internet access in your Living Unit. You shall pay the cost of additional internet service, installation, maintenance and use.

Your Rights And Responsibilities As A Resident – Life Care And Modified Life Care

(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix C)

- ***Commencing Occupancy.***

You agree to pay the balance of your Entrance Fee and to commence occupancy of your Living Unit on the Occupancy Date set forth in the attached Exhibit A (the “Occupancy Date”). If Well•Spring is unable to make the Living Unit available to you on the Occupancy Date, a revised Occupancy Date shall be established by written mutual agreement. If you fail to occupy the Living Unit on the Occupancy Date, you shall nevertheless become obligated on that date to pay the balance of your Entrance Fee and to begin and continue paying the Monthly Fee applicable to your Living Unit less the published Food Credit, unless this Agreement is terminated in accordance with Section VI. If the occupancy date on Exhibit A falls within the rescission period and you have not occupied your unit, you will not be required to occupy the unit or pay the monthly fee on the unit until the earlier of either actual occupancy or the end of the rescission period.

In the event that Well•Spring determines prior to or on the Occupancy Date that you cannot occupy the Living Unit selected by you because of a change in your health status, you agree to commence occupancy on the Occupancy Date in the Health Center in an accommodation suitable to your needs. Well•Spring agrees to consult with you and your physician, or with anyone else you designate as a primary contact, prior to making a determination that you are unable to occupy your Living Unit for health reasons. If you are admitted directly into the Health Center because of a change in your health status prior to your Occupancy Date, the Living Unit you selected shall be released and made available to a new Resident unless you were a Co-Resident, in which case, your Co-Resident shall be entitled to occupy your Living Unit as provided below. Should Well•Spring later determine that you have become able to occupy the Living Unit and to live independently, then (i) if your Co-Resident occupies your Living Unit, you may return to that Living Unit with your Co-Resident; or (ii) if your Living Unit was released, you shall be entitled to return to that Living Unit if it is available; or (iii) you may select another available Living Unit of the type described in Exhibit A. If neither your Living Unit nor a Living Unit of the type described in Exhibit A is available, Well•Spring, in its discretion, shall offer you a Living Unit of another type, until a Living Unit of the type described in Exhibit A becomes available. Unless you and Well•Spring agree

otherwise, you shall relocate to a Living Unit of the type you originally selected in Exhibit A, upon the availability of such Living Unit. No refund of any portion of the Entrance Fee shall be due as a result of your transfer from the Health Center to a Living Unit or your occupancy of a Living Unit other than the type described in Exhibit A.

If, after the consultations described above, Well•Spring determines that you require care that cannot be provided at Well•Spring due to changes in your health status, Well•Spring shall have the right to terminate this Agreement (or in the case of Co-Residents, to terminate this Agreement with respect to the Resident whose health status has changed), and any refund of your Entrance Fee shall be made in accordance with the provisions of Section VI and Section VII below if applicable.

- ***Financial Statements.***

If Well•Spring has reason to believe that your affairs are not being managed in accordance with the preservation of your assets section, you agree to provide Well•Spring with financial statements, including copies of your federal, state and gift tax returns or other financially related information.

- ***Furnishings.***

You shall be responsible for furnishing your Living Unit. All furniture and electrical and other appliances provided by you shall be subject to Well•Spring's approval in order to keep the Living Units safe and sanitary.

- ***Health Information***

You agree to provide any and all health information as requested by Well•Spring. Said information may include, but shall not be limited to: (a) medical history, (b) report of current physical examination and current physician's orders, including diet, treatment, and current medications; and (c) a physician's statement that you are free from a communicable disease within 30 days prior to admission. If you are suffering from a communicable disease, you will provide a physician's certificate that the disease is not in a transferable stage. Any health information requested by Well•Spring shall be kept confidential and will only be used to determine a resident's fitness to remain in your Living Unit.

- ***Housekeeping.***

You agree to maintain your Living Unit in a clean, safe and orderly condition, in conformance with all applicable health regulations, and to perform all usual housekeeping not provided by Well•Spring. You shall notify Well•Spring immediately in the event of any damage to your Living Unit, any water leakage, or

any other necessary repairs or maintenance. Maintenance or repairs required as a result of damage caused by you or your guests, as opposed to normal wear and tear, is not included in the Monthly Occupancy Fee and will be billed to you.

- ***Indemnification.***

You shall indemnify, defend and hold Well•Spring and its members, directors, trustees, officers, agents and employees harmless from and against any and all claims, causes of action, damages, costs, and expenses, including, without limitation, attorney's fees and expenses and court costs resulting from any injury or death to persons or any damage to property caused by, resulting from, or attributable to, or in any way connected with your negligent or intentional acts or omissions. (You may wish to obtain insurance at your own expense to cover this obligation.)

- ***Linens.***

You shall provide your own bed and bath linens.

- ***Medicare and Supplemental Insurance Requirements.***

You shall enroll in and maintain Medicare (Part A and Part B) coverage (or equivalent insurance coverage acceptable to Well•Spring if you do not qualify for Medicare coverage), and you shall furnish Well•Spring with evidence of such coverage upon request. You shall also enroll in and maintain participation in any governmental program or entitlement for which you qualify that provides medical or nursing care or financial assistance for medical or nursing care. You shall also provide Well•Spring with evidence of such participation upon request.

You shall secure and maintain a supplemental insurance policy (such as Medicare supplemental insurance) approved by Well•Spring to pay for charges for care not covered by Medicare (or by equivalent coverage required by the preceding paragraph, if applicable) or by other governmental programs or entitlements. You shall not be required to provide such supplemental insurance if you show evidence satisfactory to Well•Spring that you are able to personally pay for such charges. This supplemental insurance coverage is not provided by Well•Spring.

If at any time you become eligible for payments for health services from governmental agencies, you agree to make prompt application for such payments. Well•Spring shall not pay for any nursing or medical care or related supplies that are covered by Medicare, any governmental programs or entitlements or by supplemental insurance which you are obligated to maintain or participate in under this Agreement. You agree that upon receiving third-party reimbursement, you shall repay Well•Spring for any reimbursable costs which Well•Spring incurred or paid on your behalf while your reimbursement approval was pending.

If any care provided to you by Well•Spring is covered by insurance or some other kind of third-party payor coverage, you shall nevertheless be primarily responsible for all payments due Well•Spring pursuant to this Agreement regardless of such third-party benefits. Well•Spring shall assist you by providing information in our possession you may need in applying for health services or benefits under any programs for which you might qualify. In addition, Well•Spring shall provide you information you may need in filing claims for payment of services provided by Well•Spring. Upon request, you agree to execute benefit assignments to Well•Spring.

- ***Non-Transferable.***

Your rights under this Agreement to the Living Unit, facilities or services provided for herein are personal to you and these rights cannot be transferred or assigned by you to any other person or entity.

- ***Pets.***

Pets or animals of any kind shall be allowed on the premises only in strict compliance with Well•Spring's written policies and with the prior written consent of Well•Spring. Well•Spring retains the right to modify pet policies at any time as it deems necessary to assure the safety and comfort of all Residents.

- ***Policies, Rules and Regulations.***

You agree to abide by the policies, rules and regulations of Well•Spring including such changes as may be adopted from time to time. These policies shall be set forth in a Resident Handbook and shall be made available to you by the management of Well•Spring.

- ***Power of Attorney***

You agree to execute and maintain in effect a limited Durable Power of Attorney as provided in Chapter 32A, Article 2 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, a relative or some 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 you could if acting personally. It shall be in a form which survives your incapacity or disability and it shall otherwise be satisfactory to Well•Spring. You shall deliver a fully executed copy of this Durable Power of Attorney to Well•Spring prior to the Occupancy Date and you must notify Well•Spring in writing of any subsequent changes to your Power of Attorney, including the appointment of a new legal representative.

If you revoke your Power of Attorney and do not name a new personal representative, or if your personal representative dies, becomes incapacitated or cannot be located after a reasonable search, then you agree that Well•Spring will be your Attorney-in-Fact, coupled with an interest, for the sole purpose of giving Well•Spring the authority to nominate a legal guardian for you to serve when approved by a court as provided by law.

- ***Preservation of Your Assets.***

You agree to manage your financial resources so as not to threaten or impair your ability or the ability of your estate to satisfy your financial obligations as set forth in this Agreement. At the request of Well•Spring, you agree to make arrangements for the preservation and management of your financial resources by a third-party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Well•Spring, it appears that your continued management of your financial affairs may make you unable to meet your financial obligations to Well•Spring.

Well•Spring shall have no obligation to see to the proper management of your financial affairs, and you shall be solely responsible for the proper management or arranging for the proper management of your financial affairs.

- ***Protection of Personal Property.***

Well•Spring shall not be responsible for the loss of any personal property belonging to you due to theft, fire or any other cause, unless such property is specifically entrusted in writing to Well•Spring's care and control and then only for gross negligence in failing to safeguard and account for such property. (You may wish to obtain insurance at your own expense to protect against such losses.)

- ***Real Property.***

Your rights and privileges, as granted herein, do not include any right, title or interest whether legal, equitable, beneficial or otherwise, in or to any part of the real property, including land, buildings and improvements owned or operated by Well•Spring.

- ***Relationships between Residents and Staff Members.***

Employees of Well•Spring are supervised solely by Well•Spring’s management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment or any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. You acknowledge and agree that you or your family will not hire Well•Spring employees or solicit such employees to resign their employment at Well•Spring in order to work for you or your family. You also acknowledge and agree that, unless consented to by Well•Spring, you will not hire any former Well•Spring employee until three (3) months has elapsed from the date of termination of the person’s employment at Well•Spring.

- ***Representations Made by You in Connection with Application for Residency.***

Your application forms, including the statements of your finances and health history, which you filed with Well•Spring as part of the residency application process described in the Reservation Agreement, are incorporated into this Agreement by reference and all statements therein are deemed to be true as of the date made. You represent and warrant that you have disclosed to Well•Spring all material changes in this information occurring since the date of your application.

Any material misstatement, or any material omission to state a fact called for, shall entitle Well•Spring to terminate this Agreement under Section VI, paragraph 5. By executing this Agreement, you represent and warrant that your sources of income are adequate to meet your financial responsibilities to Well•Spring and to pay all of your personal and incidental expenses. You represent and warrant that you have not made any gift or transfer for less than fair value of real or personal property in contemplation of the execution of this Agreement. You also agree that no such gift or transfer for less than fair value will be made subsequent to the execution of this Agreement that would impair your ability to satisfy your financial obligations under this Agreement. If you are unable to meet such financial obligations, you agree to make every reasonable effort to obtain assistance through or by means of your family or otherwise except as acknowledged in writing by Well•Spring.

- ***Residents’ Association***

Residents shall have the right to organize and operate a Residents’ Association at Well•Spring Community, and shall have the right to meet privately to conduct business as an association. The officers of the Residents’ Association shall serve as liaison between the residents and Well•Spring.

- ***Resident Physician.***

You shall designate and provide Well•Spring with the name of your attending physician. Well•Spring shall not be responsible for the professional medical services provided by your attending physician.

- ***Responsibility for Damages.***

You shall be responsible for any costs incurred in replacing, maintaining or repairing any loss or damage to the real or personal property of Well•Spring caused by the negligence or willful misconduct of you, your guests, agents, employees or pets. (You may wish to obtain insurance at your own expense to cover this obligation.)

- ***Right of Entry.***

You shall permit authorized employees of Well•Spring to enter your Living Unit at all reasonable times for inspection, housekeeping and maintenance and at any time in case of emergencies. Well•Spring recognizes your right to privacy and it shall limit entry to your Living Unit to emergencies and as described above.

- ***Rights of Residents.***

Your rights as a Resident under this Agreement are those rights and privileges expressly granted to you by this Agreement or by North Carolina law.

- ***Structural Changes.***

Any structural or physical change of any kind within or about your Living Unit shall require Well•Spring's prior written approval and thereafter may be subject to its supervision. The cost of any changes you request, and the cost of restoring the Living Unit to its original condition upon the termination of this Agreement, if deemed necessary by Well•Spring, shall be your personal obligation. All built-in changes shall immediately become and remain the property of Well•Spring. You agree to permit access by Well•Spring to your Living Unit in order to make any structural or mechanical changes that may be required to comply with local building codes or otherwise needed in connection with any construction or improvement projects at Well•Spring.

- ***Subordination of Rights.***

Notwithstanding anything to the contrary your rights, privileges or benefits arising under this Agreement shall be subordinate and inferior to all mortgages, security interests, deeds of trust and leasehold interests granted to secure any loans or advances made to Well•Spring, its related entities, or its successors, now outstanding or made in the future, in the real property and improvements constituting

the Well•Spring Community, and also subordinate and inferior to all amendments, modifications, replacements, refunding or refinancings thereof. You agree that, at the request of Well•Spring, you shall execute and deliver any and all documents which are deemed by Well•Spring to be necessary or required to effect or evidence such subordination.

- ***Taxes on Personal Property.***

You shall pay all taxes assessed regarding your personal property.

- ***Will and Funeral Arrangements.***

If you have not already done so, you agree to make a will providing for disposal of your personal property, the appointment of an executor of your estate, and funeral and burial arrangements, within sixty (60) days after the date of this Agreement. You agree to provide Well•Spring with written verification from your attorney or from another independent source that these arrangements have been made within sixty (60) days of the date of this Agreement. You acknowledge that while Well•Spring shall not be responsible for making arrangements relating to disposal of personal property and funeral and burial arrangements, if Well•Spring must do so, you agree that Well•Spring shall be reimbursed by your estate for all such expenses.

Fees – Lifecare

(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix C)

- ***Statement of Fees.***

You shall pay the total Entrance Fee and the Monthly Fees set forth in attached Exhibit A, which represent payment for the services to be provided by Well•Spring under this Agreement. If you are a Co-Resident as defined in Section VII, paragraph 1 below, the total Entrance Fee for Co-Residents shown on Exhibit A is the total Entrance Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment. If you are a Co-Resident, the Co-Resident's Monthly Fee shown on Exhibit A is the total Monthly Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment.

Any Reservation Fee (as defined in the Reservation Agreement) and other Entrance Fee payments to Well•Spring shall be credited to reduce the Entrance Fee balance due. The total Entrance Fee shall be due and payable on or before the date your Living Unit is physically occupied or the recorded Occupancy Date, whichever comes first. After your Occupancy Date, earnings on the Entrance Fee will become the property of Well•Spring and will not be refunded.

• ***Monthly Fees for Occupancy of Living Unit.***

You agree to pay Well•Spring the Monthly Fee in advance by the 15th day of each calendar month beginning with the Occupancy Date of your living unit. This fee shall be prorated for any applicable period of less than one month. Unless expressly stated in this Agreement, fees shall not be waived, suspended, or reduced. The Monthly Fee may be adjusted periodically by Well•Spring at its sole discretion upon at least sixty (60) days advance written notice to you.

If this Agreement is terminated, Monthly Fees prepaid for periods after the termination date shall be refunded to you; provided that Well•Spring shall not be obligated to refund more than one (1) month's Monthly Fee and provided further that Well•Spring shall be entitled to set off against any refund any amounts that you may owe to it.

Well•Spring shall endeavor to maintain the Monthly Fee at the lowest feasible rate consistent with sound financial practice and maintenance of the quality of services including health care services to be provided by Well•Spring. When Well•Spring does adjust those fees, you shall pay the adjusted fee. You agree that you shall have no right to offset or withhold payment for the Monthly Fee or any other amounts you owe Well•Spring under this Agreement for any reason.

You agree to pay the Monthly Fee applicable to your Living Unit whether you are residing in your Living Unit or in the Health Center.

In the Health Center, you will be served three meals each day and agree to pay such additional charges as may be due thereby. You will be invoiced monthly for any services and supplies provided for you that Well•Spring is not obligated to provide without additional charge, and such invoices will be due and payable by the 15th day of each calendar month.

Fees – Modified Lifecare

(All Exhibits and Sections referenced in this section refer to Residence and Care Agreements found in Appendix C)

- ***Statement of Fees.***

You shall pay the total Entrance Fee and either the Monthly Fee or the Discounted Per Diem Rate (as applicable) set forth in attached Exhibit A, which charges represent payment for the services to be provided by Well•Spring under this Agreement. If you are a Co-Resident as defined in Section VII, paragraph 1, the total Entrance Fee for Co-Residents shown on Exhibit A is the total Entrance Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment. If you are a Co-Resident, the Co-Resident's Monthly Fee shown on Exhibit A is the total Monthly Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment.

Any Reservation Fee (as defined in the Reservation Agreement) and other Entrance Fee payments to Well•Spring shall be credited to reduce the Entrance Fee balance due. The total Entrance Fee shall be due and payable on or before the date your Living Unit is physically occupied or the recorded Occupancy Date, whichever comes first.

- ***Monthly Fees for Occupancy of Living Unit.***

You agree to pay Well•Spring the Monthly Fee in advance by the 15th day of each calendar month beginning with the Occupancy Date of your Living Unit. This fee shall be prorated for any applicable period of less than one month. Unless expressly stated in this Agreement, fees shall not be waived, suspended, or reduced. The Monthly Fee may be adjusted periodically by Well•Spring at its sole discretion upon at least sixty (60) days' advance written notice to you.

Well•Spring shall endeavor to maintain the Monthly Fee at the lowest feasible rate consistent with sound financial practice and maintenance of the quality of services (including health care services) to be provided by Well•Spring. When Well•Spring does adjust those fees, you shall pay the adjusted fee. You agree that you shall have no right to offset or withhold payment for the Monthly Fee or any other amounts you owe Well•Spring under this Agreement for any reason.

You agree to pay the Monthly Fee applicable to your Living Unit so long as you are residing in your Living Unit or your Living Unit is being reserved for you.

You shall be invoiced monthly for any services and supplies provided for you, and such invoices shall be due and payable by the 15th day of each calendar month.

• ***Per Diem Rates and Holding Fees for Occupancy in Health Center.***

• Well•Spring shall establish, amend from time to time, and publish per diem rates for accommodations and services in the Health Center (the “Health Center Per Diem Rates”), taking into account rates being charged by other comparable nursing centers and the costs of operation of the Health Center.

• In the event you are transferred from your Living Unit to the Health Center in accordance with Article II, Section 3(a), or are transferred from a hospital or other facility to the Health Center, you shall continue to pay the Monthly Service Fee (or a prorated portion thereof) for the first fourteen (14) days (whether or not consecutive) of occupancy in the Health Center. Beginning on day 15 of Health Center occupancy, you shall cease paying the Monthly Service Fee and shall begin paying a discounted Health Center Per Diem Rate (the “Discounted Per Diem Rate”) as published by Well•Spring.

• During the first thirty (30) days (whether or not consecutive) of Health Center occupancy, your living unit shall be held for you in the event you no longer need the services of the Health Center, at no extra cost beyond that indicated in Article IV, Section 3(b) above. In the event you continue occupancy in the Health Center beyond thirty (30) days (whether or not consecutive) and wish to continue to hold your Living Unit, Well•Spring may require you to pay, in addition to the Discounted Per Diem Rate for the Health Center, a monthly Holding Fee equal to the Monthly Fee for your Living Unit minus the cost of meals. The days you occupy the Health Center shall be counted, whether or not consecutive. After you have reoccupied your Living Unit for a period of thirty (30) consecutive days, your prior days of occupancy in the Health center shall not be counted. You may not hold the Living Unit for more than ninety (90) days beyond the initial thirty (30) days of Health Center occupancy without the approval of Well•Spring. If you choose to surrender the Living Unit, and you physician and Well•Spring’s Medical Director shall subsequently determine that you can resume occupancy in a Living Unit, you will receive a top priority for assignment to a comparable Living Unit as soon as such a unit becomes available.

• If you have permanently transferred from your Living Unit to a Health Center Living Unit (the “Original Health Center Living Unit”) and then you are transferred from your Original Health Center Living Unit to another Health Center Living in the Health Center, you will immediately pay the Discounted

Daily Charge for the other Health Center Living Unit. During the first fourteen (14) days (whether or not consecutive) of your occupancy of the other Health Center Living Unit, your Original Health Center Living Unit will be held for you at no extra cost to you in the event you no longer need the services provided by the other Health Care Living Unit. If you continue occupancy of the other Health Care Living Unit for more than fourteen (14) days (whether or not consecutive), and you wish to continue to reserve your Original Health Care Living Unit, Well•Spring may require you to pay, in addition to the Discounted Daily Charge for other Health Care Living Unit, a Holding Fee equal to the Daily Charge for your Original Health Care Living Unit minus the cost of meals. You may not reserve your Original Health Center Living Unit for more than ninety (90) days without the approval of Well•Spring. If you choose to surrender your Original Health Center Living Unit, you will receive a top priority for assignment to a comparable Health Care Living Unit as soon as such a unit becomes available.

**Services Provided Pursuant To A Health Care Agreement
Which Are Covered By Monthly Fees And Services Which
Are Not Covered Under The Health Care Agreement As
Well As Which Will Be A The Resident's Expense -
Healthcare Agreement**

**(All Exhibits and Sections referenced in this section refer to Healthcare
Agreement found in Appendix D)**

Upon your occupancy in Well•Spring's Health Care Center (as defined in Section III, paragraph 2), Well•Spring shall provide to you during the Term of this Agreement the Living Unit and care shown on Exhibit A to this Agreement ("Health Center Living Unit") and shall make available to you the facilities of Well•Spring Community. Unless otherwise specified, there shall be no charge made for any of these services and facilities other than payment of the standard daily charge on Exhibit A (the "Daily Charge").

• *Living Unit in the Health Care Center*

Well•Spring confers on you the right to occupy and use the Health Center Living Unit during the Term of this Agreement of the type selected by you and described in Exhibit A, subject to the terms and provisions of this Agreement.

- ***Adult Care, Resident Clinic, Skilled Nursing and Licensed Nursing Care***
Well•Spring will provide the following health care services and facilities to residents occupying Living Units in the Health Care Center:

- Assisted Living Care - Assisted Living Care shall be provided in accordance with North Carolina licensure statutes and regulations for licensed adult care. Well•Spring will provide you with licensed adult care in the Well•Spring Community Health Care Center (the "Health Care Center"). Responsible staff will be on duty at all times in the Health Care Center to assist you when necessary with bathing, dressing, grooming, eating, ambulation, and other activities of daily living. Well•Spring reserves the right to change the services provided under this Agreement at any time in order to comply with licensure laws and regulations from time to time in effect.
- Resident Clinic - Well•Spring will provide a Resident Clinic ("Clinic") on the Health Care Center premises where residents may be seen and treated as outpatients. Arrangements may be made for one (1) or more physicians, affiliated with Well•Spring ("Clinic Physicians"), to keep scheduled office hours at the Clinic. Routine services provided by the Clinic nursing staff will be provided at no additional charge. You shall pay an additional charge for office visits to Clinic Physicians or other Clinic health professionals including nurse practitioners and other physician extenders. There is no obligation to use the Clinic or the Clinic Physicians. You remain free to engage at your expense the services of a physician of your choice.
- Skilled Nursing Care & Licensed Nursing Care - Well•Spring may provide the following health care services and facilities to residents occupying Skilled Nursing Units in the Health Care Center, if available. Well•Spring makes no representations as to the availability of Skilled Nursing care on its campus. Well•Spring may provide licensed nursing care to you in the Health Care Center. Well•Spring reserves the right to change the services provided under this Agreement at any time in order to comply with licensure laws and regulations from time to time in effect.

- ***Common Facilities***

You may use, in common with other residents, the common facilities of Well•Spring's Health Care Center including but not limited to the dining room,

lounges, lobbies, libraries, social and recreation rooms, and designated outdoor activity areas. At times, advance reservation may be required for certain common facilities. There will be additional charges for your use of special services, such as beauty/barber shop and convenience store/gift shop.

- ***Emergencies***

The Health Care Center staff and/or safety staff employed by Well•Spring will be available to you in case of emergencies.

- ***Exclusions***

You agree that you or your insurance shall pay for all costs of your health and medical care except as follows:

- If you occupy a Living Unit, you shall be provided (i) assisted living (licensed as adult care) care in accordance with Section III, paragraph 2(a); (ii) care provided by Well•Spring in the Resident Clinic in accordance with Section III, paragraph 2(b); (iii) care provided by Well•Spring in emergencies in accordance with Section III, paragraph 4 and (iv) care provided for temporary illness.
- The health and medical care for which you are responsible for payment includes, but is not limited to:
 - charges of any physician, dentist, podiatrist, nurse practitioner or other physician extenders or therapists;
 - rehabilitative, and therapeutic services, including, but not limited to, speech therapy, occupational therapy, physical therapy, and respiratory therapy;
 - laboratory, X-ray, and other diagnostic services;
 - home health care and hospice;
 - prescription drugs and supplies or equipment;
 - oxygen supplies
 - vision, hearing, and dental care, including all supplies, equipment and appliances;
 - orthopedic appliances;
 - mental health services;
 - hospital charges;
 - ambulatory surgical services;
 - ambulance services;
 - all other services for which you otherwise expressly agreed to pay under the terms of this Agreement.

- ***Food and Meals***

- Meals - Your Daily Charge includes three (3) meals per day for each day of a month. Meals will be served in the dining room, which is located in the Health Care Center. When authorized by Well•Spring, meal delivery service will be provided to your Living Unit.
- Food Credit - When you give Well•Spring advance notice that you are going to be away from Well•Spring for more than seven (7) consecutive nights or if you are hospitalized, you will be credited for the missed meals, according to a schedule periodically published by Well•Spring (the "Food Credit").
- Dietary Service - When authorized by Well•Spring's medical and dietary personnel, meals accommodating special diets may be provided.
- Dining Room for Guests - Dining room service will be available for your guests. Guests will be charged for meals at the currently published meal rate and charges for such meals will be included in your monthly service charge statements (referred to as the "Monthly Statement").

- ***Furnishings***

Well•Spring will furnish your Living Unit in the Health Care Center with mini-blinds, emergency nurse call system, bathroom with grab bars, individual thermostatic control for heating and air-conditioning, cable television outlet, telephone outlet, and smoke alarm. All other furnishings shall be provided by you and are subject to Well•Spring's approval in order to keep the Health Care Center safe and sanitary.

- ***Grounds***

Well•Spring will furnish basic grounds keeping care. Well•Spring Community will have conveniently located garden areas for Health Care Center residents.

- ***Guests***

You will be free to invite guests to your Living Unit for daily visits. Guest rooms may be available at a published rate for overnight stays by your guests from time to time. Well•Spring reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. No person other than you may reside in your Living Unit.

- ***Hospital Coverage and Transfer Agreements***

Well•Spring is not obligated to pay any charges for hospitalization or costs related thereto. In the event it becomes necessary for you to be transferred to a hospital, Well•Spring shall provide any medical or financial information available to meet the provisions of any hospital admissions agreement, and you agree that Well•Spring has the right to disclose such information, which may include part or all of your records.

Well•Spring is not designed or staffed to care for persons afflicted with certain diseases including, but not limited to, psychosis, substance abuse and addiction or contagious disease. If you require care for a disease or condition which Well•Spring in consultation with your physician determines is a potential danger to the health and welfare of you, other residents or staff, you agree that Well•Spring has the authority, after consultations described in the transfer provisions of this Agreement, to transfer you elsewhere for hospitalization or nursing care as may be deemed necessary by the Medical Director, whether or not the condition is deemed to be temporary in nature. If the transfer is deemed permanent by the Medical Director, your Living Unit may be released and made available to another Resident in accordance with the provisions of Section VI below, in which case Well•Spring shall have the right to terminate this Agreement.

- ***Housekeeping***

Well•Spring will provide certain housekeeping services in your Living Unit on a weekly basis and as required by applicable licensing regulations.

- ***Illness or Injury Away from Well•Spring Community***

If you become ill or are injured or develop a condition while you are away from Well•Spring which requires medical attention or treatment away from Well•Spring, all charges for any offsite medical attention or treatment for you shall be your personal responsibility. Upon your return to Well•Spring, Well•Spring shall assume providing all services to which you are entitled under this Agreement. For purposes of this paragraph, you shall be considered to be away from Well•Spring if your illness or injury or condition occurs when you are not on the grounds of Well•Spring.

- ***Mail***

A mailbox for each Living Unit will be provided in a central location in Assisted Living. Mail will be delivered to your room by staff in Skilled Nursing, Memory Care and Rehab.

- ***Maintenance and Repairs***

Well•Spring will perform all necessary repairs, maintenance and replacement of its property and equipment. Necessary repairs, maintenance and replacement of your personal property shall be your responsibility.

- ***Medical Director***

Well•Spring will retain the services of a qualified physician ("Medical Director") to be responsible for the quality of all medical services and medically related activities provided by Well•Spring.

- ***Meetings with Residents***

Well•Spring will hold at least quarterly meetings with the residents of Well•Spring Community for the purpose of free discussion of subjects of interest. Notice of each meeting will be given. Residents may, however, bring any grievances concerning the Health Care Center or suggestions for changes in rules and policies to the attention of Health Care Center staff at any time.

- ***Private Caregivers and Personal Aides***

You shall pay for all expenses (including meals if desired) of private caregivers and personal aides whom you employ, and all of these individuals shall be subject to all rules and regulations in effect at the Well•Spring Community. No private caregivers or personal aides may be employed without prior notice to Well•Spring, and at all times they are subject to Well•Spring's Private Caregiver Policy.

- ***Programs***

Well•Spring will provide programs of social, educational and recreational activities. Religious services will be provided on a regular basis.

- ***Real Estate Taxes***

Well•Spring will be responsible for the payment of all real estate taxes, if any, assessed on its property comprising Well•Spring Community.

- ***Rehabilitation Therapies, etc.***

You or your medical insurance will pay for all diagnostic, therapeutic and rehabilitative services. Well•Spring will make arrangements for specialized rehabilitative services, such as physical therapy, occupational therapy and speech therapy, on the Health Care Center premises. Well•Spring may also make

arrangements for the services of other health care professionals on the Health Care Center premises by appointment. You are free to engage the services of the health care professional of your choice.

- ***Right of Subrogation***

Should you be injured by a third party and such injury requires Well•Spring to provide health care services under this Agreement, Well•Spring shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third party to the extent necessary to reimburse Well•Spring for all of its costs and expenses incurred by reason of such injuries.

To the extent allowed under North Carolina law, this right of subrogation authorizes Well•Spring to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

- ***Security***

Well•Spring will use reasonable care in providing security on the premises for you and your property. Well•Spring shall not be responsible for loss or damage to personal property. Well•Spring strongly discourages the keeping of valuable jewelry, papers, large sums of money or other items of value in the Health Care Center.

- ***Storage***

Limited storage space for clothing and possessions will be allocated to your Living Unit.

- ***Transportation***

Well•Spring will provide regularly scheduled local transportation and will assist in arranging for transportation at other times. Additional special transportation for personal or group trips will be available at additional cost.

- ***Utilities***

Well•Spring will provide utilities to your Living Unit such as water, sewer, heating, electricity, and air-conditioning. Well•Spring will not be responsible for periods of disruption of these utilities. You may install and maintain telephone service in your Living Unit and you shall pay the costs of its installation, maintenance and use. Well•Spring will provide basic cable television service to your Living Unit. You may install and maintain cable internet access and wireless internet access in your Living Unit. You shall pay the cost of internet service, installation, maintenance and use.

**Your Rights And Responsibilities As A Resident - Healthcare
(All Exhibits and Sections referenced in this section refer to
Healthcare Agreement found in Appendix D)**

• ***Commencing Occupancy***

You agree to commence occupancy of your Living Unit on the occupancy date set forth in Exhibit A (the "Occupancy Date"). If Well•Spring is unable to make a Living Unit available to you on the Occupancy Date, a revised Occupancy Date shall be established by written mutual agreement. Both the Occupancy Date and any revised Occupancy Date established pursuant to the terms of this paragraph shall be referred to as the "Occupancy Date." If you fail to occupy your Living Unit on the Occupancy Date, you shall nevertheless become obligated on that date to begin paying and to continue paying the Daily Charge set out in Exhibit A, less the published Food Credit.

If you are scheduled to enter a Living Unit but Well•Spring determines prior to or on the Occupancy Date that you are unable to occupy the Living Unit because of a change in your health status, you have the option of either: (i) terminating this Agreement, in which case neither party shall have any further obligations to the other; or (ii) if you meet Well•Spring's criteria for residency in a Skilled Nursing Unit (defined in Section VI), you may occupy a Skilled Nursing Unit (provided a Nursing Unit is available and such occupancy is permitted under applicable law and regulation), in which case this Agreement shall be amended to require you to pay the Daily Charge applicable to care in a Skilled Nursing Care Unit. Well•Spring agrees to consult with you and your physician or with anyone else you designate as a primary contact pursuant to Section VI below, prior to making a determination that you are unable to occupy a Living Unit. If, after the consultations described above, Well•Spring determines that you would require care that cannot be provided at Well•Spring due to changes in your health status, Well•Spring shall have the right to terminate this Agreement.

• ***Financial Statements***

If Well•Spring has reason to believe that your affairs are not being managed in accordance with Section IV, paragraph 11, you agree to provide Well•Spring with

financial statements, including copies of your federal, state and gift tax returns or other financially related information.

• ***Health Information***

You agree to provide any and all health information as requested by Well•Spring. Said information may include, but shall not be limited to: (a) medical history, (b) report of current physical examination and current physician's orders, including diet, treatment, and current medications; and (c) a physician's statement that you are free from a communicable disease within 30 days prior to admission. If you are suffering from a communicable disease, you shall provide a physician's certificate that the disease is not in a transferable stage. Any health information requested by Well•Spring shall be kept confidential and will only be used to determine a resident's fitness to remain in a Living Unit.

• ***Housekeeping***

You agree to maintain your Living Unit in a clean, safe and orderly condition, in conformance with all applicable health regulations, and to perform all usual housekeeping not provided by Well•Spring. You shall notify Well•Spring immediately in the event of any damage to your Living Unit, any water leakage, or any other necessary repairs or maintenance. Maintenance or repairs required as a result of damage caused by you or your guests, as opposed to normal wear and tear, is not included in the Daily Rate and will be billed to you.

• ***Indemnification***

You shall indemnify, defend and hold Well•Spring and its members, directors, trustees, officers, agents and employees harmless from and against any and all claims, causes of action, damages, costs, and expenses, including, without limitation, attorneys fees and expenses and court costs resulting from any injury or death to persons or any damage to property caused by, resulting from, or attributable to, or in any way connected with your negligent or intentional acts or omissions. (You may wish to obtain insurance at your own expense to cover this obligation.)

• ***Medicare and Supplemental Insurance Requirements***

You shall enroll in and maintain Medicare (Part A and Part B) coverage (or equivalent insurance coverage acceptable to Well•Spring if you do not qualify for Medicare coverage) and shall furnish Well•Spring with evidence of such coverage upon request. You shall also enroll in and maintain participation in any governmental program or entitlement for which you qualify that provides medical

or nursing care or financial assistance for medical or nursing care. You shall also provide Well•Spring with evidence of such participation on request.

You are required to secure and maintain a supplemental insurance policy (such as Medicare supplemental insurance) approved by Well•Spring to pay for charges for care not covered by Medicare (or by equivalent coverage required by the preceding paragraph, if applicable) or by other governmental programs or entitlements. You will not be required to provide such supplemental insurance if you show evidence satisfactory to Well•Spring that you have the financial ability to pay for such charges. This coverage is not provided by Well•Spring.

If at any time you become eligible for payments for health services from governmental agencies, you agree to make prompt application for such payments. Well•Spring will not pay for any nursing or medical care or related supplies that are covered by Medicare, any governmental programs or entitlements, or supplemental insurance which you are obligated to maintain or participate in under this Agreement. You agree that upon receiving third-party reimbursement, you will repay Well•Spring for any third-party reimbursable costs which Well•Spring incurred or paid on your behalf while your reimbursement approval was pending.

If care provided to you by Well•Spring is covered by insurance or some other third-party payer coverage, you shall nevertheless be primarily responsible for making all payments due Well•Spring pursuant to this Agreement regardless of such third-party benefits. Well•Spring will assist you in applying for health services or third-party benefits under any programs for which you might qualify. In addition, Well•Spring will assist you in filing claims for payment for services rendered by Well•Spring. Upon request you agree to execute assignments of benefits to Well•Spring

- ***Non-Transferable***

Your rights under this Agreement to a Living Unit or services provided for herein are personal to you and cannot be transferred or assigned by you to any other person or entity.

- ***Pets***

Pets are allowed to reside in Health Care with prior approval by the Director of Health Services. Pets are defined as dogs, cats, (limit one per resident), birds (kept in a cage), and fish (maximum aquarium size of 10 gallons). Pets must be registered with Health Care and you must provide vaccination and licensing records to Health Care. Health Care staff is not responsible for the care of resident pets. If you become unable to care for your pet, a pet sitter may be hired or you will be asked to find a

new home for your pet. Pet owners are responsible for any damage that occurs to Well•Spring premises as a result of their pet.

• ***Policies, Rules and Regulations***

You agree to abide by the policies, rules, and regulations of Well•Spring including such changes as may be adopted from time to time. These policies shall be set forth in a Resident Handbook and will be made available to you through the management of Well•Spring.

• ***Power of Attorney***

You agree to execute and maintain in effect a limited Durable Power of Attorney as provided in Chapter 32A, Article 2 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, 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 you would if acting personally. It shall be in a form which survives your incapacity or disability and be otherwise satisfactory to Well•Spring. You shall deliver a fully executed copy of this Power of Attorney to Well•Spring upon Occupancy and you must notify Well•Spring in writing of any subsequent changes to your Power of Attorney, including the appointment of a new legal representative. If you revoke your Power of Attorney and do not name a new personal representative, or if your personal representative dies, becomes incapacitated or cannot be located after a reasonable search, then you agree that Well•Spring shall be your Attorney-in-Fact, coupled with an interest, for the sole purpose of giving Well•Spring the authority to nominate a legal guardian for you, to serve when approved by a court as provided by law.

• ***Preservation of Your Assets***

You agree to manage your financial resources so as not to threaten or impair your ability or the inability of your estate to satisfy your financial obligations as set forth in this Agreement. At the request of Well•Spring, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgement of Well•Spring, it appears that your continued management of your financial affairs may make you unable to meet your financial obligations to Well•Spring.

Well•Spring shall have no obligation to see to the proper management of your financial affairs, and you shall be solely responsible for proper management or arranging for the proper management of your financial affairs.

- ***Protection of Personal Property***

Well•Spring is not responsible for the loss of any personal property belonging to you due to theft, fire, or any other cause, unless said property is specifically entrusted in writing to Well•Spring's care and control and then only for gross negligence in failing to safeguard and account for such property. (You may wish to obtain insurance at your own expense to protect against such losses.)

- ***Real Property***

Your rights and privileges, as granted herein, do not include any right, title or interest whether legal, equitable, beneficial or otherwise, in or to any part of the real property, including land, buildings and improvements, owned or operated by Well•Spring.

- ***Relationships between Resident and Staff Members***

Employees of Well•Spring are supervised solely by Well•Spring's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. You acknowledge and agree that you or your family will not hire Well•Spring employees or solicit such employees to resign their employment at Well•Spring in order to work for you or your family. You also acknowledge and agree that, unless consented to by Well•Spring, you will not hire any former Well•Spring employee until three (3) months elapse from the date of termination of the person's employment at Well•Spring.

- ***Representations Made by You in Connection with Application for Residency***

Your application forms, including the statements of your finances and health history, which you filed with Well•Spring as part of the residency application process described in the Reservation Agreement are incorporated into this Agreement by reference, and all statements therein are deemed to be true as of the date made. You represent and warrant that you have disclosed to Well•Spring all material changes in this information occurring since the date of your application. Any material misstatement, or any material omission to state a fact called for, shall entitle Well•Spring to terminate this Agreement. By executing this Agreement, you represent and warrant that your sources of income are adequate to meet your financial responsibilities to Well•Spring and to pay all of your personal and incidental expenses. You represent and warrant that you have not made any gift or

transfer for less than fair value of real or personal property in contemplation of the execution of this Agreement. You also agree that no such gift or transfer for less than fair value will be made subsequent to the execution of this Agreement that would impair your ability to satisfy your financial obligations under this Agreement. If you are unable to meet such financial obligations, you agree to make every reasonable effort to obtain assistance through or by means of your family or otherwise except as acknowledged in writing by Well•Spring.

- ***Resident Physician***

You shall designate and provide Well•Spring with the name of your attending physician. Well•Spring shall not be responsible for the professional medical services provided by your attending physician.

- ***Residents' Association***

Residents shall have the right to organize and operate a residents' association at Well•Spring Community, and shall have the right to meet privately to conduct business as an association. The officers of the residents' association shall serve as a liaison between the residents and Well•Spring.

- ***Responsibility for Damages***

You shall be responsible for any costs incurred in replacing, maintaining or repairing any loss or damage to the real or personal property of Well•Spring caused by the negligence or willful misconduct of you, your guests, agents, employees. (You may wish to obtain insurance at your own expense to cover this obligation.)

- ***Right of Entry***

You shall permit authorized employees of Well•Spring into your Living Unit at all reasonable times for purposes of providing care, inspection, housekeeping, maintenance, and at any time in case of emergencies.

- ***Rights of Residents***

Your rights as a resident under this Agreement are those rights and privileges expressly granted to you in this Agreement or by North Carolina law.

- ***Structural Changes***

You shall not make any structural or physical change of any kind within or about a Living Unit occupied by you.

- ***Subrogation of Rights***

Notwithstanding anything to the contrary herein, your rights, privileges or

benefits arising under this Agreement shall be subordinate and inferior to all mortgages, security interests, deeds of trust and leasehold interests granted to secure any loans or advance made to Well•Spring, its related entities, or its successors, now outstanding or made in the future, in the real property and improvements constituting Well•Spring Community, and subordinate and inferior to all amendments, modifications, replacements, refunding or refinancing thereof. You agree that, upon the request of Well•Spring, you shall execute and deliver any and all documents which are deemed by Well•Spring to be necessary or required to effect or evidence such subordination.

- ***Taxes on Personal Property***

You shall pay all taxes assessed on your personal property.

- ***Will and Funeral Arrangements***

If you have not already done so, you agree to make a will providing for disposal of your personal property, the appointment of an executor of your estate, and funeral and burial arrangements, within sixty (60) days after the date of this Agreement. You agree to provide Well•Spring with written verification from your attorney or from another independent source that these arrangements have been made within sixty (60) days of the date of this Agreement. You acknowledge that while Well•Spring shall not be responsible for making arrangements relating to disposal of personal property and funeral and burial arrangements, if Well•Spring must do so, you agree that Well•Spring shall be reimbursed by your estate for all such expenses.

Fees – Healthcare Agreement

**(All Exhibits and Sections referenced in this section refer to
Healthcare Agreement found in Appendix D)**

- ***Payment of Daily Charge and Additional Charges***

You agree to pay Well•Spring the Daily Charge set forth in Exhibit A, which represents payment for the facilities and services to be provided to you under this Agreement. The Daily Charge shall be prorated for any applicable period of less than one month. Unless expressly stated in this Agreement, charges shall not be waived, suspended, or reduced. The Daily Charge may be adjusted periodically by Well•Spring at its sole discretion upon at least sixty (60) day notice to you.

Well•Spring will endeavor to maintain the Daily Charge applicable to your Living Unit at the lowest possible rate consistent with sound financial practice and maintenance of quality health care services to be provided by Well•Spring. When Well•Spring does adjust those fees, you agree to pay the adjusted charge. You agree

that you have no right to offset or withhold payment of the Daily Charge or any other amounts you owe Well•Spring under this Agreement for any reason.

You will be invoiced for any medical and health care services, supplies or equipment provided for you that Well•Spring is not obligated to provide under the terms of this Agreement without additional charge, and such invoices shall be due and payable by the fifteen (15th) day of the month.

Entrance Fees Independent Living

Well•Spring offers three entrance fee refund options. Well•Spring's 90% Refund Option is only applicable to the Lifecare Residence and Care Agreement. The entrance fee refund plans differ only in the amount of the entrance fee required and the amount of refund available, if any, upon termination of the Residence and Care Agreement. The entrance fee refund plans are described below.

One Year, Four Percent Per Month Declining Refund Option - (Plan A) (Lifecare & Modified Lifecare)

A resident or his or her estate will receive 90% of the entrance fee paid in the event the termination date occurs within 60 days after the scheduled date of move-in. Thereafter, the refund will be equal to 90% of the entrance fee paid less 4% of the entrance fee per month of occupancy after the initial 60 days. After 12 months of occupancy, no refund will be paid under this option.

Ninety-two Month, One Percent Per Month Declining Refund Option - (Plan B)

(Lifecare & Modified Lifecare)

Same as Plan A during the initial 60 day occupancy period. Thereafter, the refund is equal to 90% of the entrance fee paid less 1% of the entrance fee per month of occupancy after the initial 60 days. No refund will be paid after 92 months of occupancy.

Ninety Percent Refund Option - (Lifecare Only)

Under Well•Spring's 90% Refund Option, Well•Spring will refund an amount equal to 90% of the entrance fee paid, regardless of when the termination date occurs.

ENTRANCE FEES

LIFECARE RESIDENCE AND CARE AGREEMENT

Effective: January 1, 2021

	Plan A		Plan B*		90% Refund Option*	
	One Person	Two Person	One Person	Two Person	One Person	Two Person
APARTMENTS:						
1 Bedroom/1 Bath (Azalea)	\$133,700	N/A	\$145,600	N/A	\$251,182	N/A
1 Bedroom/1 Bath (Birch)	\$133,700	N/A	\$145,600	N/A	\$251,182	N/A
1 Bedroom/1 Bath (Camellia)	\$177,200	\$242,900	\$193,000	\$264,500	\$332,905	\$456,336
2 Bedroom/1 Bath (Dogwood)	\$236,400	\$310,600	\$257,400	\$338,200	\$444,124	\$583,523
2 Bedroom/2 Bath (Elm)	\$256,000	\$330,900	\$278,800	\$360,400	\$480,947	\$621,661

	Plan A		Plan B*		90% Refund Option*	
	One Person	Two Person	One Person	Two Person	One Person	Two Person
GARDEN HOMES:						
1 Bedroom/1 Bath (Forsythia)	\$177,200	\$242,900	\$193,000	\$264,500	\$332,905	\$456,336
2 Bedroom/2 Bath (Gardenia)	\$251,800	\$323,100	\$274,200	\$351,900	\$473,056	\$607,007
2 Bedroom/1½ Bath (Holly)	\$243,300	\$314,400	\$265,000	\$342,400	\$457,087	\$590,662

	Plan A		Plan B*		90% Refund Option*	
	One Person	Two Person	One Person	Two Person	One Person	Two Person
VILLAS:						
2 Bedroom/2 Bath (Ivy)	\$266,000	\$338,200	\$289,700	\$368,300	\$499,734	\$635,375
2 Bedroom/2 Bath/Study (Juniper)	\$320,800	\$399,500	\$349,400	\$435,100	\$602,686	\$750,540
2 Bedroom/2 Bath (Laurel)	\$348,500	\$432,900	\$379,500	\$471,400	\$654,726	\$813,288
3 Bedroom/2 Bath (Maple)	\$432,900	\$541,400	\$471,400	\$589,600	\$813,288	\$1,017,127
2 Bedroom/2 Bath (Oak)	\$348,500	\$432,900	\$379,500	\$471,400	\$654,726	\$813,288
3 Bedroom/2 Bath (Pine)	\$432,900	\$541,400	\$471,400	\$589,600	\$813,288	\$1,017,127

	Plan A		Plan B*		90% Refund Option*	
	One Person	Two Person	One Person	Two Person	One Person	Two Person
HYBRID APARTMENTS: **						
2 Bedroom/2 Bath (Rosemary)	\$350,000	\$440,000	\$381,200	\$479,200	\$657,544	\$826,627
2 Bedroom/2 Bath (Sage)	\$390,000	\$480,000	\$424,700	\$522,700	\$732,692	\$901,775

* Entrance fees under Entrance Fee Refund Plan B & Well•Spring's 90% Refund Option are determined based on a prospective resident's age at the time the Residence and Care Agreement is signed. Entrance fees shown are for a person who is seventy-five (75) years of age at the time the Resident and Care Agreement is signed. Entrance fees for people of other ages are available from Well•Spring upon request.

** Construction of Hybrid Apartments is projected to be completed the first quarter of 2022.

ENTRANCE FEES

MODIFIED LIFECARE RESIDENCE AND CARE AGREEMENT

Effective: January 1, 2021

	Plan A		Plan B*	
	One Person	Two Person	One Person	Two Person
APARTMENTS:				
1 Bedroom/1 Bath (Azalea)	\$93,590	N/A	\$ 120,170	N/A
1 Bedroom/1 Bath (Birch)	\$93,590	N/A	\$ 120,170	N/A
1 Bedroom/1 Bath (Camellia)	\$124,040	\$170,030	\$159,270	\$218,320
2 Bedroom/1 Bath (Dogwood)	\$165,480	\$217,420	\$212,480	\$279,170
2 Bedroom/2 Bath (Elm)	\$179,200	\$231,630	\$230,090	\$297,410

	Plan A		Plan B*	
	One Person	Two Person	One Person	Two Person
GARDEN HOMES:				
1 Bedroom/1 Bath (Forsythia)	\$124,040	\$170,030	\$159,270	\$218,320
2 Bedroom/2 Bath (Gardenia)	\$176,260	\$226,170	\$226,320	\$290,400
2 Bedroom/1½ Bath (Holly)	\$170,310	\$220,080	\$218,680	\$282,580

	Plan A		Plan B*	
	One Person	Two Person	One Person	Two Person
VILLAS:				
2 Bedroom/2 Bath (Ivy)	\$186,200	\$236,740	\$239,080	\$303,970
2 Bedroom/2 Bath/Study (Juniper)	\$224,560	\$279,650	\$288,340	\$359,070
2 Bedroom/2 Bath (Laurel)	\$243,950	\$303,030	\$313,230	\$389,090
3 Bedroom/2 Bath (Maple)	\$303,030	\$378,980	\$389,090	\$486,610
2 Bedroom/ 2 Bath (Oak)	\$243,950	\$303,030	\$313,230	\$389,090
3 Bedroom/ 2 Bath (Pine)	\$303,030	\$378,980	\$389,090	\$486,610

	Plan A		Plan B*	
	One Person	Two Person	One Person	Two Person
HYBRID APARTMENTS: **				
2 Bedroom/2 Bath (Rosemary)	\$245,000	\$308,000	\$314,580	\$395,470
2 Bedroom/2 Bath (Sage)	\$273,000	\$336,000	\$350,530	\$431,420

* Entrance fees under Entrance Fee Refund Plan B are determined based on a prospective resident's age at the time of the Residence and Care Agreement is signed. Entrance fees shown are for a person who is seventy-five (75) years of age at the time the Resident and Care Agreement is signed. Entrance fees for people of other ages are available from Well•Spring upon request.

** Construction of Hybrid Apartments is projected to be completed the first quarter of 2022.

Lifecare Residence and Care Agreement Monthly Service Fees*

Apartments:	<u>Single Occupancy</u>	<u>Double Occupancy</u>
1 Bedroom/1 Bath (Azalea)	\$3,347	N/A
1 Bedroom/1 Bath (Birch)	\$3,347	N/A
1 Bedroom/1 Bath (Camellia)	\$4,008	\$5,935
2 Bedroom/1 Bath (Dogwood)	\$4,295	\$6,222
2 Bedroom/2 Bath (Elm)	\$4,500	\$6,427

Garden Homes:	<u>Single Occupancy</u>	<u>Double Occupancy</u>
1 Bedroom/1 Bath (Forsythia)	\$4,116	\$6,043
2 Bedroom/2 Bath (Gardenia)	\$4,510	\$6,437
2 Bedroom/1½ Bath (Holly)	\$4,408	\$6,335

Villas:	<u>Single Occupancy</u>	<u>Double Occupancy</u>
2 Bedroom/2 Bath (Ivy)	\$4,690	\$6,617
2 Bedroom/2 Bath/Study (Juniper)	\$5,228	\$7,155
2 Bedroom/2 Bath (Laurel)	\$5,387	\$7,314
3 Bedroom/2 Bath (Maple)	\$5,658	\$7,585
2 Bedroom/2 Bath (Oak)	\$5,387	\$7,314
3 Bedroom/2 Bath (Pine)	\$5,658	\$7,585

HYBRID APARTMENTS: **	<u>Single Occupancy</u>	<u>Double Occupancy</u>
2 Bedroom/2 Bath (Rosemary)	\$5,400	\$7,350
2 Bedroom/2 Bath (Sage)	\$5,600	\$7,550

Modified Lifecare Residence and Care Agreement Monthly Service Fees*

Apartments:	<u>Single Occupancy</u>	<u>Double Occupancy</u>
1 Bedroom/1 Bath (Azalea)	\$2,912	N/A
1 Bedroom/1 Bath (Birch)	\$2,912	N/A
1 Bedroom/1 Bath (Camellia)	\$3,487	\$5,164
2 Bedroom/1 Bath (Dogwood)	\$3,737	\$5,414
2 Bedroom/2 Bath (Elm)	\$3,915	\$5,592

Garden Homes:	<u>Single Occupancy</u>	<u>Double Occupancy</u>
1 Bedroom/1 Bath (Forsythia)	\$3,581	\$5,258
2 Bedroom/2 Bath (Gardenia)	\$3,924	\$5,601
2 Bedroom/1½ Bath (Holly)	\$3,835	\$5,512

Villas:	<u>Single Occupancy</u>	<u>Double Occupancy</u>
2 Bedroom/2 Bath (Ivy)	\$4,081	\$5,758
2 Bedroom/2 Bath/Study (Juniper)	\$4,549	\$6,226
2 Bedroom/2 Bath (Laurel)	\$4,687	\$6,364
3 Bedroom/2 Bath (Maple)	\$4,923	\$6,600
2 Bedroom/ 2 Bath (Oak)	\$4,687	\$6,364
3 Bedroom/ 2 Bath (Pine)	\$4,923	\$6,600

HYBRID APARTMENTS: **	<u>Single Occupancy</u>	<u>Double Occupancy</u>
2 Bedroom/2 Bath (Rosemary)	\$4,698	\$6,395
2 Bedroom/2 Bath (Sage)	\$4,872	\$6,569

**Effective: January 1, 2021*

The fee for Adult Care Units is \$256 per day, effective 1/1/21.

The fee for Skilled Nursing & Memory Care Units is \$409 per day, effective 1/1/21.

** Construction of Hybrid Apartments is projected to be completed the first quarter of 2022.

Notification of Fee Increase

Under the Residence and Care Agreement and the Health Care Agreement, Well•Spring has the authority to adjust the service fee from time to time. Well•Spring will endeavor to maintain the service fee at the lowest possible rate consistent with sound financial practice and maintenance of the quality of services. Well•Spring will notify Residents sixty (60) days in advance of any changes in the service fee.

Changes in Fees for the Previous Five Years

During the past five years Well•Spring has increased service fees as follows:

Effective Date	Residential Living LifeCare & Modified LifeCare		Assisted Living Per Diem		Skilled Nursing & Memory Care Per Diem	
	% Per Month (Weighted Average across all unit types)	\$ Per Month (Weighted Average across all unit types)	% Per Day	\$ Per Day	% Per Day	\$ Per Day
01/01/17	3.10%	\$115	3.30%	\$ 7	3.60%	\$ 12
01/01/18	3.09%	\$121	4.10%	\$ 9	4.30%	\$ 15
01/01/19	3.19%	\$129	4.40%	\$ 10	4.40%	\$ 16
01/01/20	3.75%	\$157	4.20%	\$ 10	3.70%	\$ 14
01/01/21	2.50%	\$110	3.64%	\$ 9	3.54%	\$ 14

FINANCIAL INFORMATION

- **Financial Statements**

Audited financial statement and Forecast Financial Statements are included in the appendices.

- **Operating Reserves**

Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities, such as the facility, maintain operating reserves equal to 50% of the total operating costs (as defined in Section 58-64-33) (or 25% of the total operating costs if such facilities maintain an occupancy level in excess of 90% and the North Carolina Commissioner of Insurance so approves) projected for the twelve-month period following the period covered by the most recent annual statement filed with the North Carolina Department of Insurance. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. As such, the ability of the Master Trustee to perfect or enforce its security interest in any funds constituting Pledged Assets held as operating reserves pursuant to Section 58-64-33 may be limited. The investments of the operating reserves are directed by Well•Spring Board of Trustees' Finance Committee. The Finance Committee may select an investment manager to assist in the investment of the operating reserves.

- **Compliance With Operating Reserve Requirement**

N.C. Gen. Stat. Section 58-64-33 required Well•Spring to establish by March, 1997 an operating reserve equal to fifty percent (50%) of the total operating costs projected for the 12-month period ending December 31, 1997 or twenty-five percent (25%) of such total operating costs, if occupancy at Well•Spring is in excess of ninety percent (90%) (the "Operating Reserve Requirement").

Well•Spring achieved an occupancy rate in excess of 90% in June, 1996 and expects to maintain an occupancy rate in excess of ninety percent. See Summary of Significant Assumptions to Financial Forecasts (Appendix B). Based on the financial forecasts (Appendix B) and the plan of tax-exempt bond financing, Management believes that Well•Spring will possess sufficient reserves to satisfy the Operating Reserve Requirement as shown below.

• **Total Operation Costs for 2021**

Total Operating Expenses	32,981,000
Plus principal payment-any long term debt or mortgage payment	1,234,000
less Depreciation Expense	(6,750,000)
less Amortized Expenses	(67,000)
Less Debt Service portion, if provided for by way of a separate reserve account	-
	27,398,000

Operating Reserve Requirement

Total Operating Costs for 2021	27,398,000
Reduction to Reflect 90% Occupancy	<u>X 25%</u>
Total Operating Reserve Required for 2021	6,850,000

See Statement of Forecasted revenues and Expenses, Appendix B.

• **Assets Available to Fund Operating Reserve as of January 1, 2021**

Cash & Cash Equivalents	2,683,870
Investments	35,812,575
Operating Reserve Funds	<u>6,579,000</u>
Total Available to Fund Operating Reserve	45,075,445

Sources of Reserve Funds by Year (in Thousands of Dollars)

	2021	2022	2023	2024	2025
Cash & Cash Equivalents	3,747	3,891	4,030	4,171	4,317
Investments	36,146	37,634	40,310	42,681	45,079
Operating Reserve Funds	6,850	7,242	7,487	7,815	8,033
	46,743	48,767	51,827	54,667	57,429
Total Operating Expenses	32,981	34,849	35,516	35,945	36,838
Bond Principal Payments*	1,234	1,425	1,462	1,882	1,912
Depreciation Expense	(6,750)	(7,239)	(6,964)	(6,499)	(6,553)
Amortization Expense	(67)	(67)	(67)	(67)	(67)
Operating Cost	27,398	28,968	29,947	31,261	32,130
50% Current Year's Operating Cost	13,699	14,484	14,974	15,631	16,065
25% Current Year's Operating Cost	6,850	7,242	7,487	7,815	8,033

N.C. Gen. Stat. Section 58-64-33 permits the exclusion of debt service from total operating costs, if this debt service portion is accounted for by way of another reserve account. At this time, Well•Spring does not have an exclusion under this statute.

Well•Spring, A Life Plan Community

Narrative describing material difference between forecasted financial data as part of previous Disclosure Statement and actual results

	12/31/20 Audit	12/31/20 Compilation		
	Actual	Forecast	Variance \$	
Revenues				
Resident fees earned	29,249,546	28,914,000	335,546	1.1%
Investment Income	5,711,406	550,000	5,161,406	938.4%
Net assets released from restrictions for use in operations	107,107	344,000	(236,893)	68.8%
Other revenue	1,244,702	1,008,000	112,195	11%
Total	36,312,761	30,816,000	5,496,761	

Investment income variance is due to realized and unrealized gains on investments due to movement in the market during 2020. No realized or unrealized gains/losses are forecasted in the Compilation.

Net assets released from restrictions for use in operation variance is due to the release of temporarily restricted assets to provide benevolence assistance and other resident support services. Less funds were released than budgeted.

Variance threshold amount used to determine the material differences above was 15% or \$500,000.

Expenses

Health Care/Resident Services	8,793,725	9,228,000	434,275	4.7%
Dietary	4,656,667	4,808,000	151,333	.3%
Housekeeping/Laundry	1,462,531	1,873,000	410,469	21.9%
Plant Operations	3,767,885	4,001,000	233,115	5.8%
General & Administrative	4,952,833	4,250,000	(702,833)	16.5%
Depreciation	6,529,438	6,799,000	269,562	3.9%
Interest/Amortization	1,074,734	890,000	(184,734)	20.7%
Total	31,237,813	31,849,000	611,187	

Variance in Housekeeping/Laundry is due lower than expected wages due to open positions throughout the year due to COVID. Other savings came in renegotiation of Linen contract resulting in significant savings and the ability to perform more of the laundry duties on site due to the expansion of our in-house laundry facility. Also, compilation has costs from healthcare allocated to it, thus artificially increasing compilation costs. Negative variance in General & Administrative is due to COVID costs such as testing, screening and PPE. Variance in interest expense is due to the issuance of new bonds 2020.

Variance threshold amount used to determine the material differences above was 15% or \$500,000.

Well•Spring, A Life Plan Community

Narrative describing material difference between forecasted financial data as part of previous Disclosure Statement and actual results

Balance Sheet - Assets				
Cash	2,683,870	3,773,000	(1,089,130)	28.8%
Investments	35,812,575	30,126,000	5,686,575	18.8%
Assets whose use is limited - current portion	55,081	261,000	(205,919)	78.8%
Entrance Fees Receivable	70,581	700,000	(629,419)	89.9%
Accounts Receivable	232,749	328,000	(95,251)	29.0%
Pledges Receivable	898,548	913,000	(14,452)	1.5%
Other Receivables	704,280	903,000	(198,720)	22.0%
Assets whose use is limited - Under loan and trust agreements net of current portion	-	-	-	0%
Assets whose use is limited - Operating Reserves	6,579,000	6,579,000	-	.1%
Assets whose use is limited - Refundable entrance fees and admission deposits	1,514,149	1,541,000	(26,851)	1.7%
Other assets whose use is limited - Internally designated	-	41,000	(41,000)	100%
Property and equipment, net	73,320,743	80,344,000	(7,023,257)	8.7%
Asset under SWAP agreements	-	-	-	0%
TOTAL ASSETS	121,871,576	125,509,000	(3,637,424)	

Cash variance is due primarily to the reduced amount of entrance fees received due to COVID. Maintain cash balances for potential short term operating & capital needs in addition to approximately one month of cash operating needs.

Investment's variance is due to continued market performance in 2020 and transfer of operating cash surpluses to investments. Realized and Unrealized gains are not forecasted.

Assets whose use is limited both LT and current was lower than expected due to slower than expected draw down on construction bonds.

Entrance Fees Receivable variance is due to the payoff of multiple promissory notes at the end of 2020.

Accounts Receivable collections were better than anticipated.

Other Receivables less than anticipated due to lower-than-expected sales tax refund due to slower than anticipated construction progress on Hybrid Apartments.

Other assets whose use are limited were fully utilized in 2020.

Property and Equipment Variance due to lower-than-expected capital expenditures for 2020 and less construction in process as of 12/31/20 due to slower than anticipated progress on new Hybrid Apartments due to COVID.

Variance threshold amount used to determine the material differences above was 15% or \$500,000.

Well•Spring, A Life Plan Community

Narrative describing material difference between forecasted financial data as part of previous Disclosure Statement and actual results

Balance Sheet - Liabilities and Net Assets				
Accrued Interest payable	86,699	122,000	35,301	28.9%
Accounts Payable and Accrued Liabilities	3,473,675	3,412,000	(61,675)	1.8%
Deferred Resident Fee Revenue	115,684	109,000	(6,684)	6.1%
Bonds payable-current portion	1,362,500	6,493,000	5,130,500	79.0%
Refundable Admission Fees	1,158,153	777,000	(381,153)	49.0%
Deferred Revenue - Non-refundable	43,298,380	42,321,000	(977,380)	2.3%
Refundable Entrance Fees & Deferred Revenue	355,996	1,091,000	735,004	67.3%
Liability under Interest Rate Swap Agreement	3,345,220	580,000	(2,765,220)	476.7%
Bonds payable-non-current portion	32,268,569	37,995,000	5,726,431	15.0%
Net Assets – Without Donor Restrictions	36,039,669	32,393,000	(3,646,669)	11.2%
Net Assets – With Donor Restrictions	367,031	216,000	(151,031)	69.9%
TOTAL LIABILITIES AND NET ASSETS	121,871,576	125,509,000	3,637,424	

Accrued Interest payable less than expected due to slower draw down on construction bonds.
Bonds Payable current in compilation projected completion of project in 2021. Project to be completed first quarter of 2022.

Refundable Admission Fees variance due to deposits for new hybrid apartments.

Deferred Revenue - Non-Refundable variance is due to lower than anticipated fee amortization for 2020.

Deferred Revenue - Refundable variance is due to a refund on a 90% contract in 2020.

SWAP agreements liability continued to increase as interest rates continued to decline and remained at an all-time low in 2020.

Bonds Payable – non-current variance due to delay in construction costs for Hybrid Apartments. Slower than expected bond draw down.

Net Assets – Without Donor Restrictions and With Donor Restrictions variance is due to the Statement of Operations activity explained above, especially the positive stock market movement in 2020, and increased donor restricted contributions related to COVID.

Variance threshold amount used to determine the material differences above was 15% or \$500,000.

WellSpring, A Life Plan Community

Narrative describing material difference between forecasted financial data as part of previous Disclosure Statement and actual results

Cash Flow				
Change in Net Assets	2,764,237	(1,033,000)	3,797,237	367%
Depreciation and Amortization	6,596,786	6,846,000	(249,214)	3.6%
Amortization of Deferred Revenue	(5,137,322)	(5,600,000)	462,678	8.2%
Entrance Fees Received	4,140,080	4,510,000	(369,920)	8.2%
Net Unrealized Gains – Investments, Swaps & Equipment	(1,475,217)	-	(1,475,217)	
Changes in Operating Assets and Liabilities	1,116,642	195,000	921,642	473%
Net Change in Investments & Assets Whose Use is Limited	(2,282,512)	(1,360,000)	(922,512)	67.8%
Capital Expenditures	(5,276,604)	(12,533,000)	7,256,396	57.8%
Payments on Bonds Payable/ New Financing Net	(592,218)	9,993,000	(10,585,218)	106%
Entrance Fees Refunded	(319,515)	(470,000)	150,485	32.0%
NET INCREASE (DECREASE) IN CASH	(465,643)	548,000	(1,013,643)	

Change in net assets variance is due primarily to large unrealized gains on investments and swaps augmented by better than expected results from operations.

Unrealized (Gains) and losses are not forecasted.

Changes in Operating Assets and Liabilities variance are due primarily to decreases in resident accounts receivable, other receivables and pledges receivable and a larger than anticipated decrease in accounts payable and accrued wages at year end.

Investments and Assets Whose Use is Limited variance is due primarily to unrealized gains on investments for 2020.

Capital Expenditures were lower than anticipated due to COVID. COVID delayed routine capital projects as well as the Hybrid Apartment capital project.

Payments on Bonds Payable/New Financing variance is due to the delay in accessing bond funds for our Hybrid Apartment project due to the delay in the beginning of the project and pace of construction impacted by COVID.

Entrance Fees Refunded variance is due to the fact that less entrance fees were actually refunded than projected.

Variance threshold amount used to determine the material differences above was 15% or \$500,000.

TABLE OF APPENDICES

<u>Appendix</u>	<u>Title</u>
A	Audited Financial Statements as of December 31, 2020 and 2019
B	Forecasted Financial Statements
C	Residence and Care Agreements
D	Health Care Agreement
E	Reservation Agreement
F	Summary of Report of Actuary
G	Interim Financial Statements

APPENDIX A



Well•Spring, A Life Plan Community

AUDITED FINANCIAL STATEMENTS

December 31, 2020 and 2019

**WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2020 AND 2019



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WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Well•Spring Retirement Community, Inc.
(An Affiliate of Well•Spring Services, Inc.)
Greensboro, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Well•Spring Retirement Community, Inc. (an affiliate of Well•Spring Services, Inc.) (the Community), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Community'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 Community's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Trustees
Well•Spring Retirement Community, Inc.
(An Affiliate of Well•Spring Services, Inc.)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community as of December 31, 2020 and 2019, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
March 16, 2021

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,683,870	\$ 3,225,308
Investments	35,812,575	29,222,559
Assets Limited as to Use, Required for Current Liabilities	55,081	-
Resident Accounts Receivable, Net	232,749	347,310
Pledges Receivable	240,048	274,281
Entrance Fees Receivable	70,581	864,036
Related Party Receivable	12,121	35,162
Other Receivables	220,230	300,810
Other Current Assets	160,078	186,583
Total Current Assets	<u>39,487,333</u>	<u>34,456,049</u>
ASSETS LIMITED AS TO USE		
Under Loan and Trust Agreements, Held by Trustee	55,081	-
Statutory Operating Reserves	6,579,000	6,636,000
Admissions Deposits	1,158,153	776,898
Refundable Entrance Fees	355,996	675,511
Other	-	41,026
Total	<u>8,148,230</u>	<u>8,129,435</u>
Less: Current Portion	<u>(55,081)</u>	<u>-</u>
Assets Limited as to Use	8,093,149	8,129,435
PROPERTY AND EQUIPMENT, NET	73,320,743	74,444,516
PLEDGES RECEIVABLES, NET OF CURRENT PORTION	658,500	889,000
OTHER ASSETS	<u>311,851</u>	<u>211,936</u>
Total Assets	<u>\$ 121,871,576</u>	<u>\$ 118,130,936</u>

See accompanying Notes to Financial Statements.

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accrued Interest Payable	\$ 86,699	\$ 90,606
Accounts Payable and Other Accrued Expenses	1,896,135	1,553,357
Accrued Salaries and Wages	909,590	1,166,950
Related Party Payable	163,809	233,505
Deferred Resident Fee Revenue	115,684	109,313
Deferred Revenue from Entrance Fees	300,000	300,000
Current Portion of Long-Term Debt	1,362,500	1,333,333
Other Liabilities	504,141	558,485
Total Current Liabilities	<u>5,338,558</u>	<u>5,345,549</u>
LONG-TERM LIABILITIES		
Admission Deposits	1,158,153	776,898
Deferred Revenue from Entrance Fees, Net of Current Portion	42,998,380	43,995,622
Refundable Entrance Fees	355,996	675,511
Liabilities under Interest Rate Swap Agreements	3,345,220	580,313
Long-Term Debt, Net	32,268,569	33,114,580
Total Long-Term Liabilities	<u>80,126,318</u>	<u>79,142,924</u>
Total Liabilities	85,464,876	84,488,473
NET ASSETS		
Net Assets without Donor Restrictions	36,039,669	33,426,406
Net Assets with Donor Restrictions	367,031	216,057
Total Net Assets	<u>36,406,700</u>	<u>33,642,463</u>
Total Liabilities and Net Assets	<u>\$ 121,871,576</u>	<u>\$ 118,130,936</u>

See accompanying Notes to Financial Statements.

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUE, GAINS, AND OTHER SUPPORT		
Resident Fees Earned, Including Amortization of Deferred Revenue from Nonrefundable Entrance Fees of \$5,137,322 in 2020 and \$5,856,833 in 2019	\$ 29,249,546	\$ 28,129,020
Investment Income, Net	5,711,406	5,512,426
Net Assets Released from Restrictions for Use in Operations	107,107	96,805
Other Revenue	1,244,702	1,106,195
Total Revenue, Gains, and Other Support	36,312,761	34,844,446
EXPENSES		
Resident Care	8,793,725	8,855,871
Dietary	4,656,667	4,526,339
Housekeeping	1,462,531	1,424,442
Plant Operations	3,767,885	3,969,369
General and Administrative	4,952,833	4,341,813
Depreciation	6,529,438	6,383,788
Interest and Amortization	1,074,734	1,094,278
Total Expenses	31,237,813	30,595,900
OPERATING INCOME	5,074,948	4,248,546
OTHER LOSS		
Change in Value of Interest Rate Swap Agreements	(2,764,907)	(1,997,392)
Loss on Disposal of Property and Equipment	(10,380)	(71,098)
Total Other Loss	(2,775,287)	(2,068,490)
EXCESS OF REVENUE, GAINS, AND OTHER SUPPORT OVER EXPENSES	\$ 2,299,661	\$ 2,180,056

See accompanying Notes to Financial Statements.

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Net Assets</u>
BALANCE - DECEMBER 31, 2018	\$ 28,770,235	\$ 266,011	\$ 29,036,246
Excess of Revenue, Gains, and Support Over Expenses	2,180,056	-	2,180,056
Donor Restricted Contributions	-	2,332,775	2,332,775
Net Assets Released from Restrictions for Use in Operations	-	(96,805)	(96,805)
Net Assets Released from Restrictions for Purchase of Property and Equipment	2,285,924	(2,285,924)	-
Transfer of Net Assets from Foundation to Well•Spring	290,191	-	290,191
Transfer of Net Assets from Well•Spring to Services	(100,000)	-	(100,000)
Increase (Decrease) in Net Assets	<u>4,656,171</u>	<u>(49,954)</u>	<u>4,606,217</u>
BALANCE - DECEMBER 31, 2019	33,426,406	216,057	33,642,463
Excess of Revenue, Gains, and Support Over Expenses	2,299,661	-	2,299,661
Donor Restricted Contributions	-	279,708	279,708
Net Assets Released from Restrictions for Use in Operations	-	(107,107)	(107,107)
Net Assets Released from Restrictions for Purchase of Property and Equipment	21,627	(21,627)	-
Transfer of Net Assets from Foundation to Well•Spring	391,975	-	391,975
Transfer of Net Assets from Well•Spring to Services	(100,000)	-	(100,000)
Increase in Net Assets	<u>2,613,263</u>	<u>150,974</u>	<u>2,764,237</u>
BALANCE - DECEMBER 31, 2020	<u>\$ 36,039,669</u>	<u>\$ 367,031</u>	<u>\$ 36,406,700</u>

See accompanying Notes to Financial Statements.

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 2,764,237	\$ 4,606,217
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	6,529,438	6,383,788
Amortization of Deferred Financing Costs	67,348	38,328
Amortization of Deferred Revenues	(5,137,322)	(5,856,833)
Entrance Fees Received	4,140,080	8,604,361
Transfers from Related Organizations, Net	(291,975)	(190,191)
Increase in Admission Deposits	381,255	430,738
Net Unrealized and Realized Gains on Investments	(4,250,504)	(4,205,835)
Loss on Disposal of Property and Equipment	10,380	71,098
Change in Value of Interest Rate Swap Agreements	2,764,907	1,997,392
(Increase) Decrease in Resident Accounts Receivable, Other Receivables, and Deferred Resident Fees	994,967	(511,937)
Decrease in Pledges Receivable	264,733	393,584
Decrease in Other Current Assets	49,546	23,031
Increase in Other Assets	(99,915)	(6,105)
Increase (Decrease) in Accounts Payable and Other Accrued Expenses	203,337	(167,733)
Increase (Decrease) in Accrued Salaries and Wages	(257,360)	57,069
Decrease in Accrued Interest Payable	(3,907)	(12,652)
Increase (Decrease) in Other Liabilities	(124,039)	478,354
Net Cash Provided by Operating Activities	<u>8,005,206</u>	<u>12,132,674</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments and Assets Limited as to Use	(2,282,512)	(5,616,507)
Capital Expenditures	(5,276,604)	(9,049,869)
Net Cash Used by Investing Activities	<u>(7,559,116)</u>	<u>(14,666,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	750,000	-
Principal Payments on Long-Term Debt	(1,333,333)	(2,317,500)
Payment of Deferred Financing Costs	(300,860)	-
Transfers from Related Organizations, Net	291,975	190,191
Entrance Fees Refunded	(319,515)	(593,871)
Net Cash Used by Financing Activities	<u>(911,733)</u>	<u>(2,721,180)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(465,643)	(5,254,882)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>4,718,743</u>	<u>9,973,625</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 4,253,100</u>	<u>\$ 4,718,743</u>
Cash and Cash Equivalents	\$ 2,683,870	\$ 3,225,308
Cash and Cash Equivalents included in Assets Limited as to Use	1,514,149	1,493,435
Restricted Cash included in Assets Limited as to Use	55,081	-
	<u>\$ 4,253,100</u>	<u>\$ 4,718,743</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Paid During the Year for Interest, Net of Amounts Capitalized	<u>\$ 999,293</u>	<u>\$ 1,056,602</u>
Purchases of Capital Assets in Accounts Payable	<u>\$ 604,116</u>	<u>\$ 464,675</u>

See accompanying Notes to Financial Statements.

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying financial statements are of Well•Spring Retirement Community, Inc. (the Community). The Community, a nonstock, nonprofit organization was established to develop and operate a continuing care retirement community and to provide housing, health care, and related services to older adults. The Community is an affiliate of Well•Spring Services, Inc. (Services), the sole member of the Community. Services was created as part of a corporate restructuring that was completed during 2012. Services also functions as the sole member of Well•Spring Foundation (Foundation), Well•Spring Management and Development, Inc. (Management & Development), and the Adult Center for Enrichment, Inc. (ACE). ACE functions as the sole member of Well•Spring Home Care, LLC (Home Care). Home Care began operations in January 2016 and provides home care services that were previously provided by the Community. Services, as well as the Foundation, Management & Development, ACE and Home Care, are considered related parties to the Community.

The Community offers two residence and care agreement options: Lifecare Residence and Care and Modified Lifecare Residence and Care. Both of these options require payment of a one-time entrance fee and monthly service fees. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community. On a limited basis, a per-diem option in health care may be available. All residents are fully responsible for payment of the above fees.

The Community consists of approximately 90 acres in Greensboro, North Carolina, and Guilford County, North Carolina, a mid-rise apartment building containing 123 residential units; 50 one-story garden apartment residential units and 88 one-story villa residential units, for a total of 261 residential units; a health care center consisting of 71 assisted living units and 70 skilled nursing units; an aquatic and fitness center; a central services building, and a resident activities center which includes a 340 seat state of the art theatre and multiple resident art, craft and hobby studios. The Community currently has 24 hybrid apartments under construction, which have all been reserved. The hybrid apartments are scheduled to be completed in the first quarter of 2022.

In 2017, Services and the related organizations went through an organization-wide rebranding effort. As a result of the rebranding effort, the Community is now doing business as Well•Spring, A Life Plan Community. Services is now doing business as The Well•Spring Group. ACE is now doing business as Well•Spring Solutions. Home Care is now doing business as Home Care from Well•Spring Solutions.

Basis of Accounting

The Community classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions. Under these provisions, net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Community and changes therein are classified and reported as follows:

WELL•SPRING RETIREMENT COMMUNITY, INC.
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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Accounting (Continued)

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Estimates made by the Community relate primarily to the collectability of accounts and pledges receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Community considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Restricted cash included in assets limited as to use represents funds held by the trustee for use on expansion expenditures as required under the Community's bond agreements.

Investments

Investments are measured at fair market value in the accompanying balance sheets based on quoted market values. The Community considers its investment portfolio to be a trading portfolio and, accordingly, all investment income or loss (including realized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law.

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

Assets Limited as to Use

Assets limited as to use include assets held by a trustee under the terms of the loan and trust agreements whose use is specified in such agreements, amounts set aside for statutory operating reserves, amounts held as admission deposits, and amounts held as refundable entrance fees.

Property and Equipment

Property and equipment are recorded at cost. All items with a cost of over \$1,000 and an estimated useful life of three years or more are capitalized. Donated property and equipment are recorded as an addition to net assets when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset, and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets.

The following estimated useful lives are used to calculate depreciation:

Land Improvements	3 to 25 Years
Buildings	20 to 40 Years
Building Improvements	3 to 40 Years
Furniture and Equipment	3 to 20 Years

The Community periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if estimated net realizable value is less than the carrying amount. Management has determined that no such impairment exists at December 31, 2020 and 2019.

Pledges Receivable

Pledges are recognized as revenue in the period in which the unconditional pledge is made. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. Pledges receivable that are restricted by the donor for the acquisition of long-term assets or other purposes are classified as long-term assets. A current portion of the pledge receivable is included the accompanying balance sheets for the amount that is scheduled to be received within the next year. The Community had \$950,050 and \$1,235,710 of pledges receivable at December 31, 2020 and 2019, respectively.

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

Pledges Receivable (Continued)

Pledges receivable have been recorded at net present value as of December 31, 2020 and were as follows:

Due in Less than One Year	\$	250,050
Due in Two Years or More		700,000
		950,050
Less: Current Portion		(240,048)
Less: Present Value Discount		(27,751)
Less: Allowance for Doubtful Accounts		(23,751)
Pledges Receivable, Net	\$	658,500

Deferred Financing Costs

Deferred financing costs include costs incurred in connection with the bond financing and issuance of bank-qualified debt. Such costs are amortized using the straight-line method, which approximates the effective interest method, over the term of the bonds and the term of the bank-qualified debt. Amortization of \$67,348 and \$38,328 in 2020 and 2019, respectively, is included with interest expense in the accompanying financial statements.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

Entrance fees from the Community's residency and care agreements, excluding the portion thereof that is estimated to be refundable to the resident, are recorded as deferred revenue from nonrefundable entrance fees, and recognized as income over the estimated life expectancy, adjusted annually, for each resident.

A portion of the entrance fee may be refundable when the residency is terminated. In accordance with the continuing care contract, the nonrefundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Under certain contracts, a minimum of 90% of the original entrance fee will be refunded. Such minimum refundable amounts are shown as refundable entrance fees in the accompanying balance sheets. Total contractual refund obligations in the event of move-out, death, or termination at December 31, 2020 and 2019 were \$3,555,920 and \$6,601,556, respectively. Management's estimate of the portion of this amount that will actually be refunded in addition to the minimum amount is recorded as deferred revenue from entrance fees – refundable in the accompanying balance sheets.

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

Liabilities Under Interest Rate Swap Agreements

The Community entered into interest rate swap agreements to limit the effect of increases in the interest rates of variable rate debt. These interest rate swap agreements are reported in the accompanying balance sheets at the estimated fair value at December 31, 2020 and 2019. The Community does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

Obligation to Provide Future Services

The Community annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that 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 (obligation to provide future services). The obligation is discounted at 5.5%. The Community recorded no net obligation associated with Lifecare or Modified Lifecare contract holders for the years ended December 31, 2020 and 2019.

Statements of Operations

Provision of resident care services is the sole function of the Community. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of resident care services are reported within revenues, gains and other support over expenses.

Benevolent Assistance

The Community has a benevolent assistance policy to identify residents who are unable to pay and uses certain funds designated for benevolent assistance to subsidize the charges for entrance fees and services provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Community does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue.

The Community has estimated its direct and indirect costs of providing benevolent assistance under its benevolent assistance policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the cost to provide services to residents and amount charged to residents. The cost-to-charge ratio is applied to the charges foregone to calculate the estimated direct and indirect cost of providing benevolent assistance. Using this methodology, the Community has estimated the costs for services under the Community's benevolent assistance policy to be approximately \$586,000 and \$682,000 for the years ended December 31, 2020 and 2019, respectively.

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

Benevolent Assistance (Continued)

The Foundation received approximately \$545,000 and \$376,000 to subsidize the Community's costs of providing benevolent assistance under its benevolent assistance policy for the years ended December 31, 2020 and 2019, respectively. The Foundation transferred approximately \$392,000 and \$290,000 to the Community for the years ended December 31, 2020 and 2019, respectively.

Contributions

The Community reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of operations and changes in net assets as net assets released from restrictions.

The Community reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these must be maintained, the Community reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were approximately \$144,000 and \$251,000 for the years ended December 31, 2020 and 2019, respectively.

Excess of Revenue, Gains, and Other Support over Expenses

The statements of operations and changes in net assets include excess of revenue, gains, and other support over expenses, which the Community uses as its measure of operations. Changes in net assets without donor restrictions which are excluded from the operating measure, consistent with industry practice, are net assets released from restrictions for purchase of property, plant, and equipment, transfers to and from related organizations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Concentration of Credit Risk

Financial instruments, which potentially subject the Community to concentrations of credit risk, consist principally of cash and cash equivalents. The Community places its cash and cash equivalents with federally insured financial institutions, the balances of which exceed the federally insured limits from time to time. Management believes the risk of loss associated with these excess funds to be remote.

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

Income Tax Status

The Community is a nonprofit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The Community files as a tax-exempt organization. Should any status be challenged in the future, the Community is open for examination by federal, state, and local authorities. Management is not aware of any activities that would jeopardize the tax-exempt status of the Community. Management is not aware of any significant activities that are subject to tax on unrelated business income or excise or other taxes for the Community.

The Community follows guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. This guidance has had no impact on the Community's financial statements.

Fair Value Measurements

Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Community emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

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

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

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

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

WELL•SPRING RETIREMENT COMMUNITY, INC.
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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurements (Continued)

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

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

Subsequent Events

In preparing these financial statements, the Community has evaluated events and transactions for potential recognition or disclosure through March 16, 2021, the date the financial statements were available to be issued.

WELL•SPRING RETIREMENT COMMUNITY, INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 RESIDENT FEES EARNED

Resident fees earned are reported at the amount that reflects the consideration to which the Community expects to be entitled in exchange for providing resident care. These amounts are due from residents. Service fees paid by residents for maintenance, meals, and other services are assessed monthly and are recognized as revenue in the period services are rendered. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Community. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Community believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing services or residents receiving residential services in the facilities. The Community considers daily services provided to residents of the skilled nursing facilities, and monthly rental for residential services as a separate performance obligation and measures this on a monthly basis, or upon move-out within the month, whichever is shorter. Nonrefundable entrance fees are considered to contain a material right associated with access to future services, which is the related performance obligation. Revenue from nonrefundable entrance fees is recognized ratably in future periods covering a resident's life expectancy using a time-based measurement similar to the output method. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Community does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Community has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Community determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided to uninsured patients in accordance with the Community's policy, and/or implicit price concessions provided to residents. The Community determines its estimate of implicit price concessions based on its historical collection experience.

All resident fees earned are from private pay individuals. The Community has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: service line, method of reimbursement, and timing of when revenue is recognized.

WELL•SPRING RETIREMENT COMMUNITY, INC.
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NOTE 2 RESIDENT FEES EARNED (CONTINUED)

The composition of resident fees earned based on the Community's lines of business, method of reimbursement, and timing of revenue recognition for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Service Lines:		
Independent Living	\$ 19,068,074	\$ 18,328,060
Assisted Living	3,677,274	3,116,578
Health Care Services	6,504,198	6,684,382
Total	<u>\$ 29,249,546</u>	<u>\$ 28,129,020</u>
Method of Reimbursement:		
Monthly Service Fees	\$ 21,774,614	\$ 20,499,013
Amortization of Entrance Fees	5,137,322	5,856,833
Fee for Service	2,337,610	1,773,174
Total	<u>\$ 29,249,546</u>	<u>\$ 28,129,020</u>
Timing of Revenue and Recognition:		
Health Care Services Transferred Over Time	<u>\$ 29,249,546</u>	<u>\$ 28,129,020</u>

Financing Component

The Community has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents for the effects of a significant financing component due to its expectation that the period between the time the service is provided to a resident and the time that the resident pays for that service will be one year or less. However, the Community does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

WELL•SPRING RETIREMENT COMMUNITY, INC.
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NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use, which are primarily cash, money market funds, mutual funds, and equities, are carried at market value. The following table summarizes the investments and assets limited as to use of the Community:

	2020	2019
INVESTMENTS AND ASSETS LIMITED AS TO USE		
Cash and Money Market	\$ 1,569,230	\$ 1,493,435
Equities	1,253,596	2,603,046
Mutual Funds - Fixed Income	14,473,204	14,588,214
Mutual Funds - Equities	26,585,317	18,576,730
Limited Partnership	79,458	90,569
	\$ 43,960,805	\$ 37,351,994

Investment Income

Investment income for the years ended December 31 is comprised of the following:

	2020	2019
Interest and Dividends	\$ 1,460,902	\$ 1,306,591
Net Realized Gains	666,477	57,948
Subtotal	2,127,379	1,364,539
Net Change in Unrealized Gains	3,584,027	4,147,887
Total	\$ 5,711,406	\$ 5,512,426

The Community's investment portfolio is managed by an outside investment advisor and management does not maintain control over individual investments decisions. Although the Community provides overall directions to the investment advisor, the determination as to when to buy or sell a specific investment is made by the outside investment advisor. Therefore, the Community has classified its investment portfolio as a trading investment portfolio and all investment income, including unrealized gains and losses on investments, is included in the excess of revenues, gains, and other support over expenses.

Statutory Operating Reserve

Under regulations of the North Carolina Insurance Commission, the Community is required to maintain an operating reserve equal to 25% of the total occupancy costs projected for the period covered by the most recent statements filed with the Department of Insurance. The operating reserve of 25% is based upon an occupancy percentage of 90% or more.

At December 31, 2020 and 2019, management has estimated that \$6,579,000 and \$6,636,000, respectively, would be necessary to meet the operating reserve requirement. Investments and assets limited as to use for statutory operating reserves are both available to fund the operating reserve requirement. The Community has adequate reserves to meet this requirement.

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NOTE 3 INVESTMENTS AND ASSETS LIMITED AS TO USE (CONTINUED)

Admission Deposits

Admission deposits consist of future occupancy list fees and reservations fees. The Community collects an admission deposit of \$1,000 to secure a space on the future occupancy list for a residential unit. A reservation fee of 10% of the entrance fee is received when a unit is available and a reservation agreement is executed. When a 10% reservation fee is received, a residential unit is considered reserved.

When the applicant takes occupancy of a unit and becomes a resident, the entire admission deposit of \$1,000 is applied toward the entrance fee due. In the event of withdrawal from the future occupancy list or termination of the reservation, the applicant receives a refund of the admission deposit paid, less an administrative fee of \$250. If the Community terminates agreement, or the applicant is not accepted for admission, the entire admission deposit of \$1,000 is refunded.

NOTE 4 LIQUIDITY

The Community invests cash in excess of short-term requirements in short-term investments. The Community has long-term mutual funds and equity investments which are liquid within one week. In addition, the Community has a line of credit available for borrowings up to \$3,000,000. As of December 31, 2020 and 2019, the Community had working capital of \$33,829,260 and \$29,110,500, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,683,870	\$ 3,225,308
Investments	35,812,575	29,222,559
Statutory Operating Reserves	6,579,000	6,636,000
Current Receivables	775,729	1,821,599
Less: Purpose Restricted Net Assets	<u>(367,031)</u>	<u>(216,057)</u>
Total	<u>\$ 45,484,143</u>	<u>\$ 40,689,409</u>

WELL•SPRING RETIREMENT COMMUNITY, INC.
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NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment for the years ended December 31 follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,402,472	\$ 3,402,472
Land Improvements	7,177,798	6,876,838
Buildings	75,506,019	75,392,401
Building Improvements	23,238,658	22,043,019
Furniture and Equipment	<u>13,694,995</u>	<u>13,752,106</u>
Subtotal	123,019,942	121,466,836
Less: Accumulated Depreciation	<u>(53,106,293)</u>	<u>(48,739,052)</u>
Subtotal	69,913,649	72,727,784
Construction-in-Progress	<u>3,407,094</u>	<u>1,716,732</u>
Total	<u>\$ 73,320,743</u>	<u>\$ 74,444,516</u>

The Community had remaining commitments of approximately \$17,640,000 and \$1,961,000 related to certain capital projects that were in progress as of December 31, 2020 and 2019, respectively. Construction in progress at December 31, 2020 is related to the construction of the 24 new hybrid apartments. Construction in progress at December 31, 2019 is related to renovations of the hallways and rotunda. The Community capitalized interest of approximately \$39,000 and \$32,000 during the years ended December 31, 2020 and 2019, respectively, related to its capital projects.

WELL•SPRING RETIREMENT COMMUNITY, INC.
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NOTE 6 LONG-TERM DEBT

A summary of long-term debt outstanding at December 31 is as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Series 2016A-1, bank qualified debt. Monthly payment of principal is due beginning November 25, 2016. All unpaid principal and interest is due January 1, 2021. Interest is payable monthly at a variable interest rate (0.997% at December 31, 2020).	\$ 62,083	\$ 812,917
Series 2016A-2, bank qualified debt. Monthly payment of principal is due beginning November 25, 2016. All unpaid principal and interest is due January 1, 2027. Interest is payable monthly at a variable interest rate (1.234% at December 31, 2020).	4,586,250	4,601,250
Series 2016B; interest only through January 2019. Monthly payment of principal is due beginning January 25, 2019. All unpaid principal and interest is due January 1, 2041. Interest is payable monthly at a variable rate (1.471% at December 31, 2020).	28,782,917	29,350,417
Series 2020A-2; interest only through April 2023. Monthly payment of principal is due beginning April 1, 2023. All unpaid principal and interest is due April 1, 2025. Interest is payable monthly at a variable rate (0.8% at December 31, 2020).	<u>750,000</u>	<u>-</u>
Total	34,181,250	34,764,584
Less: Current Maturities	(1,362,500)	(1,333,333)
Less: Unamortized Deferred Financing Costs	<u>(550,181)</u>	<u>(316,671)</u>
Total	<u>\$ 32,268,569</u>	<u>\$ 33,114,580</u>

WELL•SPRING RETIREMENT COMMUNITY, INC.
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NOTE 6 LONG-TERM DEBT (CONTINUED)

In October 2016, the Community issued two loan agreements totaling \$40,000,000 in relation to the Public Finance Authority Retirement Facilities Revenue Refunding Bonds (Series 2016A Bonds) and the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2016B). Proceeds of the Series 2016A Bonds, broken into two parts, Series 2016A-1 and Series 2016A-2, were used to refund the then outstanding Series 2003 Bonds and taxable variable rate debt. The bonds are secured by a lien on substantially all of the real and personal property comprising the Community and by a security interest in the Community's unrestricted revenues. During 2017, the Series 2016A-1, 2016A-2, and 2016B Bonds bore interest at an adjustable rate which was 68% of One-Month LIBOR, as adjusted monthly with changes in One-Month LIBOR, plus 0.715%, 0.910% and 1.105% per annum, respectively. Effective January 1, 2018 these interest rates changed on the Community's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-1, 2016A-2 and 2016B Bonds now bear interest at an adjustable rate which is 82.646% of One-Month LIBOR, as adjusted monthly with changes in One-Month LIBOR, plus 0.869%, 1.106% and 1.343% per annum, respectively.

In March 2020, the Community issued a loan agreement totaling \$22,410,000 in relation to the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2020A Bonds). Proceeds of the Series 2020A Bonds, broken into two parts, Series 2020A-1 and Series 2020A-2, are to be used to fund the construction of 24 new hybrid apartments. The bonds are secured by a lien on substantially all of the real and personal property comprising the Community. The Series 2020A-2 bond, amounting to \$8,250,000, will be repaid with entrance fees received on the initial occupants of the apartments. The Community drew down \$750,000 on the 2020A-2 bond as of December 31, 2020. Interest will be payable monthly and all principal and accrued interest will be due April 2025 for this portion of the bonds. The Series 2020A-2 bond will accrue interest at 79% of 1-Month LIBOR plus 0.6715%. The remaining bond proceeds of \$14,160,000 relate to the Series 2020A-1 bond. The first 36 months of the Series 2020A-1 bond requires payments of interest only, with principal payable monthly starting April 2023. The Series 2020A-1 bond matures in April 2048. The Series 2020A-1 bond will accrue interest at 79% of 1-Month LIBOR plus 1.0665%. There was no outstanding balance on the Series 2020A-1 bond at December 31, 2020.

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 LONG-TERM DEBT (CONTINUED)

The Amended and Restated Master Trust Indenture and Continuing Covenants Agreements require the maintenance of a long-term debt service coverage ratio in excess of 1.20 and 1.25, respectively. In addition, they contain other covenants restricting, among other things, incurrence of indebtedness, existence of liens on property, consolidation, and merger, and disposition of assets. At December 31, 2020 and 2019, management believes the Community was in compliance with such restrictions and had satisfied all measures of financial performance.

The maturities of long-term debt for the years subsequent to December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 1,362,500
2022	1,390,000
2023	1,424,201
2024	1,450,763
2025	1,484,237
Thereafter	27,069,549
Total	<u>\$ 34,181,250</u>

Interest Rate Swap Agreements

During 2016, the Community entered into three variable-to-fixed interest rate swap agreements to manage the interest rate risk on the variable rate indebtedness on the Series 2016A and Series 2016B Bonds. Under the first swap agreement (Series 2016A-1 Swap), the Community's variable rate on the Series 2016A-1 borrowings is effectively converted to 1.435%. The Series 2016A-1 Swap has an effective date of October 18, 2016 and terminates on January 1, 2021. Under the second swap agreement (Series 2016A-2 Swap), the Community's variable rate on the Series 2016A-2 borrowings is effectively converted to 1.905% on a notional amount of \$4,647,500. The Series 2016A-2 Swap has an effective date of October 18, 2016 and terminates on January 1, 2027. Under the third swap agreement (Series 2016B Swap), the Community's variable rate on the Series 2016B borrowings is effectively converted to 2.385% on the assumed notional amount of \$30,795,000. The Series 2016B Swap was a forward swap on the Series 2016B Bonds (as defined above). The Community entered into the Series 2016B Swap on October 12, 2016 to secure a favorable fixed rate and received no benefits of the Series 2016B Swap until the effective date of July 1, 2018, and terminates on November 1, 2031. The Series 2016A-1 Swap, Series 2016A-2 Swap and Series 2016B Swap will be collectively referred to as the "2016 Swap Agreements."

**WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Interest Rate Swap Agreements (Continued)

In January of 2018, the 2016 Swap Agreements were amended due to an interest rate reset on the Community's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-1 Swap now has an effective date of January 1, 2018. The Community now pays a fixed rate of 1.914% on a notional amount of \$812,917. The Series 2016A-2 Swap now has an effective date of January 1, 2018. The Community now pays a fixed rate of 2.479% on a notional amount of \$4,601,250. The Series 2016B Swap now has an effective date of July 1, 2018. The Community now pays a fixed rate of 3.024% on a notional amount of \$30,350,417.

In February of 2020, the Community entered into an additional variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on the Series 2020A-1 Bonds. Under the swap agreement (Series 2020A-1 Swap), the Community's variable rate on the Series 2020A-1 borrowings is effectively converted to 2.213% on a notional amount of \$14,160,000. The Series 2020A-1 Swap has an effective date of September 1, 2021 and terminates on March 1, 2035.

The total estimated fair value of the Swap Agreements as of December 31, 2020 and 2019 were liabilities of \$3,345,220 and \$580,313, respectively. These amounts are included on the balance sheets as Liabilities Under Interest Rate Swap Agreements. The change in fair value was a loss of \$2,764,907 and \$1,997,392 and is included in Other Loss in the statements of operations for the years ended December 31, 2020 and 2019, respectively.

NOTE 7 LINE OF CREDIT

The Community maintains a line of credit agreement with a financial institution which provides for borrowings up to \$3,000,000. The line of credit is collateralized by the Community's personal property. This agreement is dated May 21, 2020 and expires on May 20, 2021. Interest on outstanding advances is payable monthly and accrues at the LIBOR rate plus 1.5% per annum (1.64% at December 31, 2020). There was no outstanding balance on this line of credit at December 31, 2020.

**WELL-SPRING RETIREMENT COMMUNITY, INC.
 (AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020 AND 2019**

NOTE 8 COMMITMENTS AND CONTINGENCIES

The Community leases certain equipment used in its operations under operating leases that have noncancelable terms through 2024. Rent expense for the years ended December 31, 2020 and 2019 was \$81,170 and \$67,539, respectively. These leases have future minimum annual rental payments as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 153,132
2022	118,548
2023	118,548
2024	59,274
Total	<u>\$ 449,502</u>

Self-Insured Health Plan

Effective January 1, 2018, the Community changed from a fully insured health insurance plan for its employees to a self-insured employee health plan. The Community has purchased specific stop-loss protection for all claims over \$130,000 and aggregate stop-loss protection for total claims which exceed \$2,744,367. An accrual for the self-insurance program was established to estimate claims incurred through December 31, 2020 but not reported. This accrual totaled approximately \$180,000 and \$325,000 at December 31, 2020 and 2019, respectively, and is included in Accounts Payable and Other Accrued Expenses on the balance sheets.

Professional Malpractice Liability Insurance

The Community maintains insurance coverage for general and professional liability on an occurrence basis. Management is not aware of any claims, asserted or unasserted. Excess coverage is provided by an umbrella insurance policy.

Note Payable Guarantor

ACE has entered into a note agreement with a financial institution, in which the Community is the guarantor. The remaining amounts due on the note payable at December 31, 2019 is approximately \$296,000. ACE paid off the remaining balance of the note payable in full during the year ended December 31, 2020.

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 RETIREMENT PLAN

The Community has a tax-deferred retirement savings plan (the Plan) that covers all employees age 21 and older who have completed at least one year of service. The Plan provides for a tax-deferred contribution by the Community (except for key employees covered under a tax-deferred 457 plan) and an employee elective contribution. The Community's tax-deferred contribution was \$166,647 and \$191,011 in 2020 and 2019, respectively. Assets of the Plan are held in a trust fund managed by the Variable Annuity Life Insurance Company. Administrative expenses are paid from the assets of the Plan. In addition, the Community's tax deferred contributions related to key employees included in the 457 plan were \$25,177 and \$18,410 in 2020 and 2019, respectively. The assets of the 457 plan are held in trust by CUNA Mutual Group.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions at December 31 are available for the following purposes:

	2020	2019
Subject to Expenditure for Specific Purpose:		
Chaplain Fund	\$ 19,932	\$ 23,076
Library Fund	13,983	14,258
COVID Relief Fund	128,500	-
Other	204,616	178,723
Total	\$ 367,031	\$ 216,057

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time as follows:

	2020	2019
Purpose Restrictions Accomplished:		
Campus Expansions	\$ 21,627	\$ 2,243,443
Chaplain Fund	9,344	13,987
Library Fund	876	43,077
Other	96,887	82,222
Total	\$ 128,734	\$ 2,382,729

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 FAIR VALUE MEASUREMENTS

The Community uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Community measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Community measured at fair value on a recurring basis as of December 31:

	2020			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments and Assets Limited as to Use:				
Mutual Funds - Fixed Income	\$ 14,473,204	\$ -	\$ -	\$ 14,473,204
Equities	1,253,596	-	-	1,253,596
Mutual Funds - Equities	26,585,317	-	-	26,585,317
Total Investments and Assets Limited as to Use Measured at Fair Value	<u>\$ 42,312,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,312,117</u>
Liabilities:				
Liability Under Interest Rate Swap Agreements	<u>\$ -</u>	<u>\$ 3,345,220</u>	<u>\$ -</u>	<u>\$ 3,345,220</u>
	2019			Total
	Level 1	Level 2	Level 3	
Assets:				
Investments and Assets Limited as to Use:				
Mutual Funds - Fixed Income	\$ 14,588,214	\$ -	\$ -	\$ 14,588,214
Equities	2,603,046	-	-	2,603,046
Mutual Funds - Equities	18,576,730	-	-	18,576,730
Total Investments and Assets Limited as to Use Measured at Fair Value	<u>\$ 35,767,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,767,990</u>
Liabilities:				
Liability Under Interest Rate Swap Agreements	<u>\$ -</u>	<u>\$ 580,313</u>	<u>\$ -</u>	<u>\$ 580,313</u>

During 2014, the Community entered into a subscription agreement (the Agreement) to purchase units of limited partnership interests (Units) from a limited partnership (the Fund). Under the terms of the Agreement, the Community has committed to purchasing one-half of a Unit, representing a commitment of \$125,000. The Fund was created for the purpose of making equity investments in companies that provide health care services and health care technology focused on the senior living and aging population market. Under the terms of the Agreement, the Fund may make calls for payment of capital commitments at any time and from time to time after the closing date until the fourth anniversary of the closing date. Each call period shall be 12 months in length with each call not to exceed 35% of total capital commitments. As of December 31, 2020 and 2019, the carrying value of the Fund is \$79,458 and \$90,569, respectively, which represents the Community's capital commitments net of return of capital distributions. As of December 31, 2020 and 2019, these amounts are being carried at cost and are shown as Investments within the balance sheets.

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12 CARES ACT FUNDING

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Total grant funds approved and received by the Community was \$577,931. The PRF's are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At December 31, 2020, the Community recognized the entire amount of funding received as other operating revenue in the statement of operations. Management believes the amounts have been recognized appropriately as of December 31, 2020.

NOTE 13 RELATED PARTY TRANSACTIONS

The Community received approximately \$758,000 and \$851,000 in management services from Management & Development during the years ended December 31, 2020 and 2019, respectively.

NOTE 14 RISK AND UNCERTAINTIES

In March 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Community's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Community is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 FUNCTIONAL EXPENSES

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

	2020			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 9,555,646	\$ 1,579,671	\$ -	\$ 11,135,317
Payroll Tax	808,315	133,790	-	942,105
Employee Benefits	1,579,123	261,169	-	1,840,292
Management Services	-	813,107	38,712	851,819
Legal Fees	-	56,624	-	56,624
Accounting Fees	-	95,004	-	95,004
Lobbying Services	-	4,250	-	4,250
Outside Services	1,680,327	-	-	1,680,327
Community Outreach	-	912,506	-	912,506
Advertising and Marketing	23,774	148,828	-	172,602
Office Expenses	1,254,779	10,043	-	1,264,822
Occupancy	1,142,078	9,171	-	1,151,249
Travel	4,952	819	-	5,771
Conferences and Meetings	17,224	2,851	-	20,075
Interest	1,074,734	-	-	1,074,734
Depreciation	6,476,887	52,551	-	6,529,438
Insurance	281,274	2,268	-	283,542
Food	1,670,010	-	-	1,670,010
Equipment Rental and Maintenance	1,045,600	-	-	1,045,600
Resident Activities	164,268	-	-	164,268
Maintenance and Horticultural	302,919	-	-	302,919
Miscellaneous	34,539	-	-	34,539
Total Expenses by Function	<u>\$ 27,116,449</u>	<u>\$ 4,082,652</u>	<u>\$ 38,712</u>	<u>\$ 31,237,813</u>

WELL•SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL•SPRING SERVICES, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 FUNCTIONAL EXPENSES (CONTINUED)

	2019			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 9,515,391	\$ 1,458,671	\$ -	\$ 10,974,062
Payroll Tax	790,214	121,720	-	911,934
Employee Benefits	1,557,684	238,603	-	1,796,287
Management Services	-	758,301	-	758,301
Legal Fees	-	13,189	-	13,189
Accounting Fees	-	95,004	-	95,004
Lobbying Services	-	4,000	-	4,000
Outside Services	1,469,559	-	-	1,469,559
Community Outreach	-	701,116	-	701,116
Advertising and Marketing	37,738	249,444	-	287,182
Office Expenses	930,017	7,421	-	937,438
Occupancy	1,261,164	10,125	-	1,271,289
Travel	21,140	3,243	-	24,383
Conferences and Meetings	38,610	5,925	-	44,535
Interest	1,094,278	-	-	1,094,278
Depreciation	6,332,628	51,160	-	6,383,788
Insurance	216,303	1,744	-	218,047
Food	1,613,508	-	-	1,613,508
Equipment Rental and Maintenance	1,511,669	-	-	1,511,669
Resident Activities	236,017	-	-	236,017
Maintenance and Horticultural	208,547	-	-	208,547
Miscellaneous	41,767	-	-	41,767
Total Expenses by Function	<u>\$ 26,876,234</u>	<u>\$ 3,719,666</u>	<u>\$ -</u>	<u>\$ 30,595,900</u>

APPENDIX B



Well•Spring, A Life Plan Community

FORECASTED FINANCIAL STATEMENTS

INDEX

Statements of Forecasted Financial Position

Statements of Forecasted Activities and Changes in Net Assets

Statements of Forecasted Cash Flows

Summary of Significant Forecast Assumptions and Accounting Policies

The following financial forecasts present to the best of its knowledge and belief, Well•Spring's expected financial position, results of operations, and changes in cash flow through 2025. These financial forecasts reflect current judgment regarding the expected conditions and courses of action. There will usually be differences between the forecasted and actual results because events and circumstances do not occur as expected. These differences may be material. The assumptions disclosed herein are those that Well•Spring believes are significant to the financial forecasts.

**WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)**

COMPILATION OF A FINANCIAL PROJECTION

**FOR THE YEARS ENDING
DECEMBER 31, 2021 THROUGH DECEMBER 31, 2025**



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
Well-Spring Retirement Community, Inc.
(An Affiliate of Well-Spring Services, Inc.)
Greensboro, North Carolina

Management is responsible for the accompanying projected financial statements of Well-Spring Retirement Community, Inc. (an affiliate of Well-Spring Services, Inc.) (the "Community"), which comprise the projected balance sheets as of December 31, 2021, 2022, 2023, 2024, and 2025, and the related projected statements of operations and changes in net assets, and cash flows for the years then ending, and the related summaries of significant projection assumptions and accounting policies in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projected financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these projected financial statements or the assumptions. Furthermore, even if the Community is able to achieve the hypothetical assumptions as noted in Management's Summary of Significant Projection Assumptions and Accounting Policies on page 6 (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 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 projection, and this report, are intended solely for the information and use of management, the Board of Trustees, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Community's disclosure statement filing) and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
April 13, 2021

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
PROJECTED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS ASSUMING HYPOTHETICAL ASSUMPTIONS
NOTED ON PAGE 6
YEARS ENDING DECEMBER 31,
(000s Omitted)

	2021	2022	2023	2024	2025
REVENUES, GAINS, AND OTHER SUPPORT					
Resident Fees Earned	\$ 24,378	\$ 26,557	\$ 27,945	\$ 28,947	\$ 29,970
Amortization of Entrance Fees	5,600	6,328	6,392	6,501	6,601
Support from Affiliates, Net	150	150	150	150	150
Healthcare Endowment Income	160	166	173	180	187
Investment Income	550	999	1,049	1,108	1,165
Other Revenue - Provider Relief Funds	375	-	-	-	-
Other Revenue	845	1,060	1,098	1,136	1,176
Total Revenues, Gains, and Other Support	32,058	35,260	36,807	38,022	39,249
EXPENSES					
Health Care	8,386	8,680	8,984	9,298	9,623
Resident Services	1,239	1,392	1,441	1,491	1,543
Dietary	4,979	5,212	5,412	5,604	5,800
Housekeeping	1,598	1,736	1,796	1,860	1,925
Laundry	303	314	325	336	348
Plant Operations	4,071	4,409	4,564	4,723	4,888
General and Administrative	4,753	4,557	4,717	4,882	5,053
Depreciation	6,750	7,239	6,964	6,499	6,553
Interest and Amortization	902	1,310	1,313	1,252	1,105
Total Expenses	32,981	34,849	35,516	35,945	36,838
EXCESS (DEFICIT) OF REVENUES, GAINS, AND OTHER SUPPORT OVER (UNDER) EXPENSES AND INCREASE (DECREASE) IN NET ASSETS					
	(923)	411	1,291	2,077	2,411
Change in Net Assets With Donor Restrictions					
	-	-	-	-	-
Increase (Decrease) in Net Assets	(923)	411	1,291	2,077	2,411
Net Assets - Beginning of Year	36,407	35,484	35,895	37,186	39,263
Net Assets - End of Year	\$ 35,484	\$ 35,895	\$ 37,186	\$ 39,263	\$ 41,674

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

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
PROJECTED STATEMENTS OF CASH FLOWS ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 6
YEARS ENDING DECEMBER 31,
(000s Omitted)

	2021	2022	2023	2024	2025
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (Decrease) in Net Assets	\$ (923)	\$ 411	\$ 1,291	\$ 2,077	\$ 2,411
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:					
Depreciation	6,750	7,239	6,964	6,499	6,553
Amortization of Deferred Revenues	(5,600)	(6,328)	(6,392)	(6,501)	(6,601)
Amortization of Deferred Financing Costs	67	67	67	67	67
Entrance Fees Received	6,500	6,533	7,222	7,684	7,722
Changes in Operating Assets and Liabilities	87	273	316	267	93
Net Cash Provided by Operating Activities	6,881	8,195	9,468	10,093	10,245
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in Investments, Net	(649)	(1,230)	(2,677)	(2,371)	(2,398)
Change in Assets Limited as to Use	(271)	(392)	(245)	(328)	(218)
Capital Expenditures	(24,226)	(4,475)	(4,575)	(4,950)	(5,150)
Interest Costs Capitalized During Construction, Net of Interest Earnings	(411)	(39)	-	-	-
Net Cash Used by Investing Activities	(25,557)	(6,136)	(7,497)	(7,649)	(7,766)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal Payments on Long-Term Debt	(1,234)	(9,675)	(1,462)	(1,882)	(1,912)
Proceeds from Issuance of Long-Term Debt	21,660	-	-	-	-
Entrance Fees Received - Project	-	8,250	-	-	-
Entrance Fees Refunded	(325)	(327)	(361)	(405)	(407)
Net Cash Provided by (Used by) Financing Activities	20,101	(1,752)	(1,823)	(2,287)	(2,319)
INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,425	307	148	157	160
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,253	5,678	5,985	6,133	6,290
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 5,678	\$ 5,985	\$ 6,133	\$ 6,290	\$ 6,450
Cash and Cash Equivalents	\$ 3,747	\$ 3,891	\$ 4,030	\$ 4,171	\$ 4,317
Cash and Cash Equivalents included in Assets Limited as to Use	1,931	2,094	2,103	2,119	2,133
	\$ 5,678	\$ 5,985	\$ 6,133	\$ 6,290	\$ 6,450

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

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
PROJECTED BALANCE SHEETS ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 6
AT DECEMBER 31,
(000s Omitted)

	2021	2022	2023	2024	2025
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 3,747	\$ 3,891	\$ 4,030	\$ 4,171	\$ 4,317
Investments	36,462	37,692	40,369	42,740	45,138
Resident Accounts Receivable, Net	338	372	388	401	414
Pledges Receivable	238	235	186	-	-
Entrance Fees Receivable	71	71	71	71	71
Related Party Receivable	12	12	12	12	12
Other Receivables	338	372	388	401	414
Other Current Assets	253	279	291	301	310
Total Current Assets	41,459	42,924	45,735	48,097	50,676
ASSETS LIMITED AS TO USE					
Statutory Operating Reserves	6,850	7,242	7,487	7,815	8,033
Admissions Deposits	1,158	1,158	1,158	1,158	1,158
Refundable Entrance Fees	773	936	945	961	975
Total Assets Limited as to Use	8,781	9,336	9,590	9,934	10,166
PLEDGES RECEIVABLES, NET OF CURRENT PORTION	421	186	-	-	-
OTHER ASSETS	312	312	312	312	312
PROPERTY AND EQUIPMENT, NET	91,208	88,483	86,094	84,545	83,142
Total Assets	\$ 142,181	\$ 141,241	\$ 141,731	\$ 142,888	\$ 144,296

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

WELL-SPRING RETIREMENT COMMUNITY, INC.
(AN AFFILIATE OF WELL-SPRING SERVICES, INC.)
PROJECTED BALANCE SHEETS ASSUMING HYPOTHETICAL ASSUMPTIONS NOTED ON PAGE 6 (CONTINUED)
AT DECEMBER 31,
(000s Omitted)

	2021	2022	2023	2024	2025
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accrued Interest Payable	\$ 90	\$ 87	\$ 82	\$ 69	\$ 61
Accounts Payable and Other Accrued Expenses	1,874	1,945	2,015	2,086	2,159
Accrued Salaries and Wages	1,180	1,225	1,269	1,313	1,359
Related Party Payable	164	164	164	164	164
Deferred Resident Fee Revenue	116	116	116	116	116
Current Portion of Long-Term Debt	1,425	1,462	1,882	1,912	1,942
Other Current Liabilities	416	432	448	463	480
Total Current Liabilities	5,265	5,431	5,976	6,123	6,281
LONG-TERM LIABILITIES					
Admission Deposits	1,158	1,158	1,158	1,158	1,158
Deferred Revenue from Entrance Fees - Refundable	329	410	415	422	430
Deferred Revenue from Entrance Fees - Nonrefundable	43,127	51,011	51,466	52,221	52,913
Refundable Entrance Fees	773	936	945	961	975
Long-Term Debt, Less Current Maturities and Unamortized Deferred Financing Costs	52,700	43,055	41,240	39,395	37,520
Liability Under Interest Rate Swap Agreements	3,345	3,345	3,345	3,345	3,345
Total Long-Term Liabilities	101,432	99,915	98,569	97,502	96,341
Total Liabilities	106,697	105,346	104,545	103,625	102,622
NET ASSETS					
Net Assets Without Donor Restrictions	35,117	35,528	36,819	38,896	41,307
Net Assets With Donor Restrictions	367	367	367	367	367
Total Net Assets	35,484	35,895	37,186	39,263	41,674
Total Liabilities and Net Assets	\$ 142,181	\$ 141,241	\$ 141,731	\$ 142,888	\$ 144,296

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

Introduction, Background Information and Summary of Significant Projection Assumptions

Basis of Presentation

The accompanying financial projection presents, to the best of the knowledge and belief of management (“Management”) the expected financial position, results of operations and changes in net assets and cash flows of Well-Spring Retirement Community, Inc. (an affiliate of Well-Spring Services, Inc.) (the “Community” or “Well-Spring”) as of and for each of the five years ending December 31, 2025 (the “Projection Period”).

The Community is a nonstock, nonprofit organization established to develop and operate a continuing care retirement community and provide housing, health care and related services to the elderly. The Community is an affiliate of Well-Spring Services, Inc. (“Services”). Services was created as part of a corporate restructuring that was completed during 2012. Services functions as the sole member of the Community, Well-Spring Foundation (“Foundation”) and Well-Spring Management and Development, Inc. (“Management & Development”). Services, as well as the Foundation and Management & Development, are considered related parties to the Community. The accompanying financial projection only includes the Community and none of the other affiliates.

Accordingly, the projection reflects Management’s judgment as of April 13, 2021, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

Management has prepared its financial projection with the following hypothetical assumptions:

- The Project (as defined hereinafter) is constructed for amounts and under the timing as projected;
- Management fills and sells any Project-related units, at the disclosed fee levels, as projected;
- Management operates its Project as projected; and,
- The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Well-Spring, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its skilled nursing occupancies would recover to historical operating levels in the fiscal year ending December 31, 2021. Management has not projected that its access to labor would be materially adversely impacted by COVID-19. In addition, Management has projected utilizing \$375,000 in other COVID relief funds from the State of North Carolina and the Federal Emergency Management Agency in fiscal year 2021 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.

This financial projection is intended solely for the information and use of Management, the Board of Trustees, and the North Carolina Department of Insurance (pursuant to the requirements of North Carolina General Statutes, Chapter 58, Article 64 and included in the Community’s disclosure statement filing), and is not intended to be and should not be used by anyone other than these specified parties.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Background

As of December 31, 2020, Well-Spring consisted of approximately 90 acres in Greensboro, North Carolina, and Guilford County, North Carolina, a mid-rise apartment building containing 123 residential units; 50 one-story garden apartment residential units and 88 one-story villa residential units, for a total of 261 residential units; a health care center licensed for 71 assisted living units (one currently offline) and 70 skilled nursing units, with 10 assisted living and 10 skilled nursing units designated as memory care units (the “Health Care Center”); an aquatic and fitness center; a central services building, and a resident activities center which includes a 340-seat state of the art theatre and multiple resident art, craft, and hobby studios, collectively referred to as the “Existing Facility”. In January 2019, Management put into service the renovated and expanded dining facility and a 340-seat theater and fine art studios. For purposes of this report, Management has presented all 20 memory care units with the skilled nursing units, as noted in Table 2, as Management has projected all of these residents to be charged the same rates during the Projection Period.

Well-Spring offers two residence and care agreement options: Lifecare Residence and Care, and Modified Lifecare Residence and Care. Both of these options require payment of a one-time entrance fee and monthly service fees. Generally, payment of these fees entitles residents to the use and privileges of the facility for life. The occupancy agreement does not entitle the residents to an interest in the real estate or other property owned by the Community. All residents are fully responsible for payment of the above fees.

The following table summarizes the type, number, approximate square footage, monthly service fees and entrance fees for the existing independent living units, in fiscal year 2021 dollars.

Table 1
Projected Existing Independent Living Units Configuration and Pricing

Independent Living	Type	Square Feet	Number of Units	Monthly Service Fee		Entrance Fee	
				Plan A		Plan A	
				Modified Life Care	Plan A Life Care	Modified Life Care	Plan A Life Care
<i>Apartments</i>							
Azalea	1 Bedroom / 1 Bath	675	15	\$ 2,912	\$ 3,347	\$ 93,590	\$ 133,700
Birch	1 Bedroom / 1 Bath	750	6	\$ 2,912	\$ 3,347	\$ 93,590	\$ 133,700
Camellia	1 Bedroom / 1 Bath	970	60	\$ 3,487	\$ 4,008	\$ 124,040	\$ 177,200
Dogwood	1 Bedroom / 1 Bath	1,130	12	\$ 3,737	\$ 4,295	\$ 165,480	\$ 236,400
Elm	2 Bedroom / 2 Bath	1,200	30	\$ 3,915	\$ 4,500	\$ 179,200	\$ 256,000
<i>Garden Home</i>							
Forsythia	1 Bedroom / 1 Bath	970	26	\$ 3,581	\$ 4,116	\$ 124,040	\$ 177,200
Gardenia	2 Bedroom / 2 Bath	1,215	8	\$ 3,924	\$ 4,510	\$ 176,260	\$ 251,800
Holly	2 Bedroom / 1.5 Bath	1,160	16	\$ 3,835	\$ 4,408	\$ 170,310	\$ 243,300
<i>Villa</i>							
Ivy	2 Bedroom / 2 Bath	1,300	24	\$ 4,080	\$ 4,690	\$ 186,200	\$ 266,000
Juniper	2 Bedroom / 2 Bath	1,580	16	\$ 4,548	\$ 5,228	\$ 224,560	\$ 320,800
Laurel	2 Bedroom / 2 Bath	2,140	15	\$ 4,687	\$ 5,387	\$ 243,950	\$ 348,500
Maple	3 Bedroom / 2 Bath	2,380	10	\$ 4,922	\$ 5,658	\$ 303,030	\$ 432,900
Oak	2 Bedroom / 2 Bath	2,115	13	\$ 4,687	\$ 5,387	\$ 243,950	\$ 348,500
Pine	3 Bedroom / 2 Bath	2,380	10	\$ 4,922	\$ 5,658	\$ 303,030	\$ 432,900
Total / Weighted Average		1,301	261	\$ 3,904	\$ 4,487	\$ 172,730	\$ 246,757
Second Person Fee				\$ 1,676	\$ 1,927	\$ 65,700	\$ 65,700

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

The following table summarizes the type, number, approximate square footage, and monthly service fees for the Health Care Center, in fiscal year 2021 dollars.

Table 2
Projected Health Care Center Configuration and Pricing

Level of Care	Type	Square Feet	Number of Units	Per Diem	Monthly Service Fee	
					Plan A Modified Life Care	Plan A Life Care
Assisted Living Apartments	1 Bedroom / 1 Bath	475	60	\$6,760	\$ 5,577	(1)
Skilled Nursing / Memory Care	1 Bedroom / 1 Bath	273	80	\$9,431	\$ 7,781	(1)

Source: Management

Notes:

- (1) Residents under the Lifecare contract requiring skilled nursing and assisted living services receive no increase over their independent living monthly service fee, other than the charge for two additional daily meals not provided for in the monthly service fee and certain other items used for their care such as pharmaceuticals and supplies.

The Project

In March 2020, the Community began construction on 24 new hybrid apartments (the “Project”). The Project was financed through revenue bonds (the Series 2020 Bonds, as defined herein after) placed with Truist Bank, with a total value of \$22,410,000.

The Project will consist of two buildings at completion. Each building will have three floors with four units per floor. There will be 12 units designated as Rosemary units with an average square footage of 1,632 square feet, and 12 units designated as Sage units with an average square footage of 1,998 square feet.

The following table summarizes the type, number, approximate square footage, monthly service fees and entrance fees, in fiscal year 2021 dollars, of the Project units.

Table 3
Projected Project Unit Configuration and Pricing

Independent Living	Type	Square Feet	Number of Units	Monthly Service Fee		Entrance Fee	
				Plan A Modified Life Care	Plan A Life Care	Plan A Modified Life Care	Plan A Life Care
<i>Apartments</i>							
Rosemary	2 Bedroom / 2 Bath	1,632	12	\$ 4,698	\$ 5,400	\$ 238,000	\$ 350,000
Sage	2 Bedroom / 2 Bath	1,998	12	\$ 4,872	\$ 5,600	\$ 265,200	\$ 390,000
Total / Weighted Average		1,815	24	\$ 4,785	\$ 5,500	\$ 251,600	\$ 370,000
Second Person Fee				\$ 1,697	\$ 1,950	\$ 63,000	\$ 90,000

Source: Management

The architect for the project is TFF Architects and the general contractor is Samet Construction. Management entered into a guarantee maximum price (“GMP”) contract with Samet Construction in February 2020 with a total construction cost of \$18,504,235. In addition, architect and engineering fees are estimated to total approximately \$523,000. The project is scheduled to be completed by the first quarter of 2022, with Project opening and fill beginning in February 2022. Stabilized occupancy of 95% is anticipated to be reached by July 2022. As of December 31, 2020, all units of the Project had been presold.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Occupancy

Residential Living

Based on the marketing efforts, the move-ins experience to date, projected Project move-ins, and historical occupancy experience, utilization of the residential units is projected as noted below. Resident attrition as a result of mortality and permanent transfer to the health center is estimated based on actuarial projections. The following tables summarize the projected utilization during the Projection Period.

**Table 4
Projected Utilization of the Independent Living Units**

Year Ending <u>December 31,</u>	Average Units Available			Average Units Occupied			Average Occupancy Percent		
	Existing <u>Units</u>	Project <u>Units</u>	Total <u>IL Units</u>	Existing <u>Units</u>	Project <u>Units</u>	Total <u>IL Units</u>	Existing <u>Units</u>	Project <u>Units</u>	Total <u>IL Units</u>
2021	261.0	0.0	261.0	256.0	0.0	256.0	98.1%	N/A	98.1%
2022	261.0	22.0	283.0	256.0	17.8	273.8	98.1%	80.9%	96.7%
2023	261.0	24.0	285.0	256.0	23.7	279.7	98.1%	98.8%	98.1%
2024	261.0	24.0	285.0	256.0	23.7	279.7	98.1%	98.8%	98.1%
2025	261.0	24.0	285.0	256.0	23.7	279.7	98.1%	98.8%	98.1%

Source: Management

Note: IL = Independent Living

Health Care Center

Occupancy of the Health Care Center units is estimated as follows:

Assisted Living

**Table 5
Projected Utilization of the Assisted Living Units**

Year Ending <u>December 31,</u>	Average Units <u>Available</u>	Average Independent Living <u>Residents</u>	Average Per Diem <u>Residents</u>	Average Total Units <u>Occupied</u>	Average <u>Occupancy</u>
2021	60.0	42.0	10.0	52.0	86.7%
2022	60.0	42.0	10.0	52.0	86.7%
2023	60.0	42.0	10.0	52.0	86.7%
2024	60.0	42.0	10.0	52.0	86.7%
2025	60.0	42.0	10.0	52.0	86.7%

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Skilled Nursing and Memory Care

Table 6
Projected Utilization of the Skilled Nursing and Memory Care Units

<u>Year Ending</u> <u>December 31,</u>	<u>Average</u> <u>Units</u> <u>Available</u>	<u>Average</u> <u>Units</u> <u>Occupied</u>	<u>Average</u> <u>Occupancy</u>
2021	80.0	67	83.8%
2022	80.0	68	85.0%
2023	80.0	69	86.3%
2024	80.0	70	87.5%
2025	80.0	71	88.8%

Source: Management

Revenues

Entrance fees generated are based on the projected number of independent living units occupied each year. The entrance fees that are earned into revenue over the life expectancy of residents are reflected as amortization of entrance fees. The unearned portion of entrance fees is classified as Deferred Revenue on the accompanying projected balance sheets. During the Projection Period, the entrance fees for the Existing Facility are expected to average \$217,000 in 2021 and inflate 0.50% annually thereafter over the Projection Period.

Residents under the lifecare ("Lifecare") contract requiring skilled nursing and assisted living services receive priority for admission to the health center and receive such services at no increase over their independent living monthly service fee, other than the charge for two additional daily meals not provided for in the monthly service fee and certain other items used for their care including pharmaceuticals and supplies. Residents under the modified lifecare ("Modified Lifecare") contract requiring skilled nursing and assisted living services also receive priority admission to the health center but pay a discounted rate based on the current per diem rates in place. The discount currently ranges between 15% and 20% of the per diem rates.

A portion of the entrance fee may be refundable when the residency is terminated based upon the plan selected under either the Lifecare or Modified Lifecare contracts. The refund options available to the Lifecare and Modified Lifecare contracts are:

- One year, four percent per month declining refund option ("Plan A"). If the prospective resident selects this plan the Community will refund an amount equal to ninety percent of the entrance fee paid in the event that the termination date occurs within sixty days after the occupancy date. If the termination date occurs more than sixty days but less than 12 months after the occupancy date, the Community will refund an amount equal to ninety percent of the entrance fee paid less four percent of the total entrance fee for each calendar month prior to the termination date. However, in no event shall any refund occur if the termination date occurs more than twelve months after the occupancy date.
- Ninety-two month, one percent per month declining refund option ("Plan B"). If the prospective resident selects this plan the Community will refund an amount equal to ninety percent of the entrance fee paid in the event that the termination date occurs within sixty days after the occupancy date. If the termination date occurs more than sixty days after the occupancy date, the Community will refund an amount equal to ninety percent of the entrance fee paid less one percent of the total entrance fee for each calendar month between the end of the initial sixty-day period and the termination date. In no event shall any refund occur more than ninety-two months after the occupancy date.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

- 90% refund option (“Plan D”) – Only available to Lifecare contract. If the prospective resident selects this plan an amount equal to ninety percent of the entrance fee paid will be refunded upon contract termination.

Management has projected that 100% of the residents would select Plan A during the Projection Period. Management has not projected any incoming resident selecting Plan B or Plan D during the Projection Period.

The following table summarizes entrance fees received and refunded during the Projection Period.

	2021	2022	2023	2024	2025
Initial Entrance Fees Received	\$ -	\$ 8,250	\$ -	\$ -	\$ -
Entrance Fees from Turnover	6,500	6,533	7,222	7,684	7,722
Entrance Fees Refunded	(325)	(327)	(361)	(405)	(407)
Total Entrance Fees, Net	\$ 6,175	\$ 14,456	\$ 6,861	\$ 7,279	\$ 7,315

Source: Management

Resident fee revenues are based on the projected utilization and the 2021 fee schedules in the information that follows. Management has assumed that the number of units to have double occupancy is approximately 28% for existing and Project turnover independent living units for all years in the Projection Period, and approximately 60% for initial entrants of the Project independent living units. It is projected that the monthly service fees for independent living will increase 3.5% for 2022 and each year thereafter. The monthly service fees for per diem residents in assisted living, skilled nursing and memory care are projected to increase 3.5% for 2022 and each year thereafter. On a limited basis, the Community would provide benevolence assistance to residents, who, through no fault of their own, outlive their financial resources, provided that this assistance does not jeopardize the financial stability of the Community. Management has projected the benevolence credit for 2021 to be approximately \$625,000 and has assumed that it would increase by 2.0% in fiscal year 2021 and thereafter.

Other revenue relates to both residential living and health care ancillary services and includes income from personal care services, guest meals, rental of retail space, rental income for guest rooms, respite care revenue, and other miscellaneous revenue sources and has been projected based on Management’s historical experience and approximates 3.4% of resident fee revenues in 2021 and 4.1% of resident fee revenues in 2022 and thereafter.

Management has projected the following existing resident mix, by contract type, for the Projection Period.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 8
Projected Existing Facility Resident Mix

Forecasted as of December 31,

	Independent Living		Assisted Living			Skilled Nursing, Memory Support, and Rehabilitation		
	Lifecare	Modified Lifecare	Lifecare	Modified Lifecare	Per Diem	Lifecare	Modified Lifecare	Per Diem ⁽¹⁾
2021	39%	61%	40%	37%	23%	39%	39%	22%
2022	39%	61%	39%	38%	23%	39%	40%	21%
2023	39%	61%	38%	39%	23%	38%	41%	21%
2024	39%	61%	38%	39%	23%	38%	41%	21%
2025	39%	61%	38%	39%	23%	38%	41%	21%

Source: Management

Notes:

(1) Per Diem for Skilled Nursing, Memory Support, and Rehabilitation represents residents who have transferred from assisted living.

Management has projected the resident mix for the Project to be 42% Lifecare and 58% Modified Lifecare throughout the Projection Period.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Operating Expenses

Staffing of the Community is based on the Community's existing staffing levels and the experience of management giving effect to the level of services offered at the Community. The Community is estimated to employ 288 full-time equivalent (FTEs) employees during the Projection Period. For the Project, Management has assumed an additional 4.5 full-time equivalents ("FTEs") beginning in February 2022. Average salary and wage rates are based on current rates paid. Beginning January 1, 2022, on an annual basis, Management is projecting salary and wage rates of the Community to increase approximately 4.0% for healthcare employees and 3.0% for non-healthcare employees during the Projection Period.

The costs of employee's fringe benefits are assumed to approximate 26% of salaries and wages, and include FICA, medical and dental insurance, long-term disability, life insurance, and retirement benefits.

Also included in operating expenses during the fiscal year ending December 31, 2021, Management has projected COVID-related administration expenses of approximately \$375,000 and included in the projected statements of operations and changes in net assets.

The cost of supplies, utilities and other non-salary expenses of the Community were based on the experience of the Community and are projected to increase due to changes in occupancies as well as at an average annual rate as follows:

	2021	2022	2023	2024	2025
Health Care Supplies	n/a	3.5%	3.5%	3.5%	3.5%
Utilities	n/a	4.0%	4.0%	4.0%	4.0%
Other Non-salary expenses	n/a	3.5%	3.5%	3.5%	3.5%

Source: Management

Note that the Project expenses are inflating at the same rates as the Existing Facility, with the exception of utilities expense, which has an assumed inflation rate of 3.5% each year of the Projection Period.

Property and Equipment and Depreciation Expense

The projected balance sheets reflect the cost of constructing and equipping the Community. The projected statements of operations and changes in net assets include the related depreciation and interest expense. Estimated provisions for depreciation during the Projection Period were computed on the straight-line method using an average 32-year life for construction-related costs and an 8-year life for furniture, fixtures, equipment and capital equipment additions.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Amortization Expense

Financing expenses incurred in conjunction with issuance of long-term debt are assumed to be amortized over the perspective period the bonds are outstanding and is included as a component of interest expense on the projected statements of operations and changes in net assets.

Interest and Long-Term Debt

Long-term debt, totaling \$34,181,250 at December 31, 2020, consisted of the following maturities and annual interest rates:

Series 2016A-1, bank qualified debt. Monthly payment of principal is due beginning November 25, 2016. All unpaid principal and interest is due January 1, 2021. Interest is payable monthly at a variable interest rate (0.997% at December 31, 2020).	\$ 62,083
Series 2016A-2, bank qualified debt. Monthly payment of principal is due beginning November 25, 2016. All unpaid principal and interest is due January 1, 2027. Interest is payable monthly at a variable interest rate (1.234% at December 31, 2020).	4,586,250
Series 2016B; interest only through January 2019. Monthly payment of principal is due beginning January 25, 2019. All unpaid principal and interest is due January 1, 2041. Interest is payable monthly at a variable rate (1.471% at December 31, 2020).	28,782,917
Series 2020A-2; interest only through April 2023. Monthly Payment of principal is due beginning April 1, 2023. All unpaid principal and interest is due April 1, 2025. Interest is payable monthly at a variable rate (0.8% at December 31, 2020).	750,000
	<u>34,181,250</u>
Less: Current Maturities	(1,362,500)
Less: Unamortized Deferred Financing Costs	(550,181)
Total	<u>\$ 32,268,569</u>

In October 2016, the Community issued two loan agreements totaling \$40,000,000 in relation to the Public Finance Authority Retirement Facilities Revenue Refunding Bonds (Series 2016A Bonds) and the Public Finance Authority Retirement Facilities Revenue Bonds (Series 2016B). Proceeds of the Series 2016A bonds, broken into two parts, Series 2016A-1 and Series 2016A-2, were used to refund the outstanding Series 2003 bonds and taxable variable rate debt. Proceeds from the Series 2016B bonds were drawn down by the Community as needed to fund the expansion and renovation of resident amenities at the Community. These bonds are secured by a lien on substantially all of the real and personal property comprising the Community and by a security interest in the Community's unrestricted revenues. The Series 2016A-1, 2016A-2 and 2016B Bonds bear interest at an adjustable rate which is 68% of One-Month LIBOR, as adjusted monthly with changes in One-Month LIBOR, plus 0.715%, 0.910% and 1.105% per annum, respectively. Effective January 1, 2018, these interest rates changed on the Community's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-1, 2016A-2, and 2016B Bonds now bear interest at an adjustable rate, which is 82.646% of One Month LIBOR, as adjusted monthly with changes in One-Month LIBOR, plus 0.869%, 1.106%, and 1.343% per annum, respectively. The Community had fully drawn the Series 2016B Bonds to \$30,795,000 by December 31, 2018.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

In March 2020, the Community entered into a debt agreement with Truist Bank, formerly known as Branch Banking and Trust Company at the time of the transaction, for the issuance of non bank-qualified tax-exempt bonds totaling \$22,410,000 (the "Series 2020 Bonds"). Proceeds from the Series 2020 Bonds are being used to finance the costs of construction of the Project, fund capitalized interest, and pay certain expenses in connection with the issuance of the Series 2020 Bonds. Interest on the long-term bond series (the "Series 2020A1 Bonds") is payable monthly, beginning on April 1, 2020, at a rate equal to (79% of 1-Month LIBOR) plus 1.0665% through the maturity date of April 1, 2048. Interest on the short-term entrance fee bond series (the "Series 2020A2 Bonds") is payable monthly, beginning on April 1, 2020, at a rate equal to (79% of 1-Month LIBOR) plus 0.6715% through the maturity date of March 1, 2025. The Series 2020 Bonds are secured by a lien on substantially all of the real and personal property comprising the Community and by a security interest in the Community's unrestricted revenues.

The Amended and Restated Master Trust Indenture and Continuing Covenants Agreement require the maintenance of a long-term debt service coverage ratio in excess of 1.20 and 1.25, respectively. In addition, they contain other covenants restricting, among other things, incurrence of indebtedness, existence of liens on property, consolidation and merger, and disposition of assets.

Projected principal payments on the Community's total long-term debt is presented in the following table, which is presented on a December 31, fiscal year basis.

Table 10
Projected Principal Payments (in \$000s)

<u>Year Ending December 31,</u>	<u>Series 2016A-1</u>	<u>Series 2016A-2</u>	<u>Series 2016B</u>	<u>Series 2020A1</u>	<u>Series 2020A2</u>	<u>Total</u>
2021	\$ 62	\$ 597	\$ 575	\$ -	\$ -	\$ 1,234
2022	-	710	715	-	8,250	9,675
2023	-	747	680	35	-	1,462
2024	-	782	680	420	-	1,882
2025	-	822	670	420	-	1,912
Thereafter	-	928	25,463	13,285	-	39,676
Total	\$ 62	\$ 4,586	\$ 28,783	\$ 14,160	\$ 8,250	\$ 55,841

Source: Management

Interest Rate Swap Agreements

During 2016, the Community entered into three variable-to-fixed interest rate swap agreements to manage the interest rate risk on the variable rate indebtedness on the Series 2016A and Series 2016B bonds. Under the first swap agreement (Series 2016A-1 Swap), the Community's variable rate on the Series 2016A-1 borrowings is effectively converted to 1.435%, on a notional amount of \$4,375,000. The Series 2016A-1 Swap has an effective date of October 18, 2016 and terminates on January 1, 2021. Under the second swap agreement (Series 2016A-2 Swap), the Community's variable rate on the Series 2016A-2 borrowings is effectively converted to 1.905%, on a notional amount of \$4,647,500. The Series 2016A-2 Swap has an effective date of October 18, 2016 and terminates on January 1, 2027. Under the third swap agreement (Series 2016B Swap), the Community's variable rate on the Series 2016B borrowings is effectively converted to 2.385%, on a notional amount of \$30,795,000. The Series 2016B Swap was a forward swap on the Series 2016B Bonds (as defined above). The Community entered into the Series 2016B Swap on October 12, 2016 to secure a favorable fixed rate and received no benefits of the Series 2016B Swap until the effective date of July 1, 2018 and terminates on November 1, 2031. The Series 2016A-1 Swap, Series 2016A-2 Swap, and Series 2016B Swap are collectively referred to as the "Existing Swap Agreements."

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

In January of 2018, the Existing Swap Agreements were amended due to an interest rate reset on the Community's debt related to provisions in the debt agreements triggered by a decrease in the corporate tax rate. The Series 2016A-1 Swap now has an effective date of January 1, 2018. The Community now pays a fixed rate of 1.914% on a notional amount of \$812,917. The Series 2016A-2 Swap now has an effective date of January 1, 2018. The Community now pays a fixed rate of 2.479% on a notional amount of \$4,601,250. The Series 2016B Swap now has an effective date of July 1, 2018. The Community now pays a fixed rate of 3.024% on a notional amount of \$30,350,417.

In February 2020, the Community entered into a variable-to-fixed interest rate swap agreement to manage the interest rate risk on the variable rate indebtedness on the Series 2020A1 Bonds (the "Series 2020A-1 Swap Agreement"). Under terms of the Series 2020A-1 Swap Agreement, the Community's variable rate on the Series 2020A1 Bonds is effectively converted to a fixed interest rate of 2.213% on a notional amount of \$14,160,000, with an effective date of September 1, 2021 and a termination date of March 1, 2035. Collectively, the Existing Swap Agreements and the Series 2020A-1 Swap Agreement are referred to as the "Swap Agreements".

The total estimated fair value of the Swap Agreements as of December 31, 2020 was a liability of \$3,345,220. The amount is included on the projected balance sheet as a Liability Under Interest Rate Swap Agreements. Management has not projected any change in the fair value of the Swap Agreements during the Projection Period.

Current Assets and Current Liabilities

Cash

Cash balances for the Projection Period are based on the results of the Projected Statements of Cash Flows.

Resident Accounts Receivable, Net

Resident accounts receivable, net of allowance for non-collectible accounts, are projected based on historical levels at 4 days of total resident revenue.

Other Receivables

Other receivables are projected based on historical levels at 4 days of total resident revenue.

Other Current Assets

Other current assets are projected based on historical levels at 3 days of total resident revenue.

Accrued Interest Payable

Accrued interest payable has been calculated based on interest expense requirements of outstanding debt.

Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses are projected based on historical levels and have been projected based on 27 days of operating expenses less depreciation, amortization, and interest expense.

Accrued Salaries and Wages

Accrued salaries and wages are projected to approximate historical levels of 17 days of operating expenses excluding depreciation, amortization, and interest expense.

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Other Current Liabilities

Other current liabilities are projected to approximate historical levels of 6 days of operating expenses excluding depreciation, amortization, and interest expense.

Assets Limited as to Use

A narrative description of the assets limited as to use follows.

Admissions Deposits – Consists of future occupancy list fees and reservations fees. The Community collects an admission deposit of \$1,000 to secure a space on the future occupancy list for a residential unit. A reservation fee of 10% of the entrance fee is received when a unit is available and a reservation agreement is executed. When a 10% reservation fee is received, a residential unit is considered reserved.

When the applicant takes occupancy of a unit and becomes a resident, the entire admission deposit of \$1,000 is applied toward the entrance fee due. In the event of withdrawal from the future occupancy list or termination of the reservation, the applicant receives a refund of the admission deposit paid, less an administrative fee of \$250. If the Community terminates the agreement, or the applicant is not accepted for admission, the entire admission deposit of \$1,000 is refunded.

Refundable Entrance Fees – Under certain contracts, a minimum of 90% of the original entrance fee will be refunded. Such minimum refundable amounts are shown as refundable entrance fees in the projected balance sheets.

Statutory Operating Reserves – Assets limited as to use includes amounts set aside for statutory operating reserves. Assets limited as to use also includes assets set aside by the Board of Trustees (the “Board”), over which the Board retains control and may, at its discretion, subsequently use for another purpose. The Board has limited as to use admission deposits and refundable entrance fees. Refundable entrance fees and admission deposits are assumed to equal the related liability. The Capitalized Interest Fund includes funded interest amounts related to the portion of Series 2020 Bonds allocable to the Project.

Under regulations of the North Carolina Insurance Commission, the Community is required to maintain an operating reserve equal to 25% of the total occupancy costs projected for the current 12-month period. The operating reserve of 25% is based upon an occupancy percentage of 90% or more.

Statutory Operating Reserve Assets on the accompanying projected balance sheets incorporated the assumptions set forth following:

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Table 11
Projected Statutory Operating Reserve Calculation (in \$000s)
Years Ending December 31,

	2021	2022	2023	2024	2025
Total Operating Expenses	\$ 32,981	\$ 34,849	\$ 35,516	\$ 35,945	\$ 36,838
Include:					
Bond Principal Payments	1,234	9,675	1,462	1,882	1,912
Exclude:					
Depreciation	(6,750)	(7,239)	(6,964)	(6,499)	(6,553)
Amortization of Deferred Financing Costs included in					
Interest Expense	(67)	(67)	(67)	(67)	(67)
Principal Paid by Entrance Fees	-	(8,250)	-	-	-
Total Operating Costs	\$ 27,398	\$ 28,968	\$ 29,947	\$ 31,261	\$ 32,130
Operating Reserve Percentage ⁽¹⁾	25%	25%	25%	25%	25%
Operating Reserve at 12/31	\$ 6,850	\$ 7,242	\$ 7,487	\$ 7,815	\$ 8,033

Notes:

(1) Occupancy Percentage at Year-end:

	2021	2022	2023	2024	2025
Available Units:					
Independent Living	261	285	285	285	285
Assisted Living	60	60	60	60	60
Total Available Units	321	345	345	345	345
Occupied Units:					
Independent Living	256	280	280	280	280
Assisted Living	52	52	52	52	52
Total Occupied Units	308	332	332	332	332
Occupancy at Year-end	96.0%	96.2%	96.2%	96.2%	96.2%

Source: Management

Investment Income

Investment income consists of interest earnings on cash, cash equivalents, investments, and assets limited as to use, as provided by Management. The Community considers its investment portfolio to be a trading portfolio and, accordingly, all investment income or loss (including realized and unrealized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law.

Summary of Significant Projection Assumptions and Accounting Policies

Introduction, Background Information and Summary of Significant Projection Assumptions (Continued)

Management does not assume any changes in the underlying values of investments during the Projection Period that would result in unrealized gains or losses. Investment income (including realized gains and losses on investments, interest, and dividends) included in the accompanying projected statements of operations and changes in net assets is based on an assumed blended rate of return of approximately 1.1% for 2021 and 2.0% for 2022-2025.

Other Revenue Items

During the year ending December 31, 2020, the Community received approximately \$578,000 of CARES Act funding during the COVID-19 pandemic. Management utilized all of these funds as of December 31, 2020.

In addition, Management has projected the receipt of approximately \$375,000 in other COVID relief funds from the State of North Carolina and the Federal Emergency Management Agency in the fiscal year ending December 31, 2021 and has included these amounts as other revenue - provider relief funds on the projected statement of operations and changes in net assets, as Management assumes the Community will be able to comply with all term and conditions of these funds in order to project as other revenue in 2021.

Other Items

Related Party Transactions

The Community is projected to receive management services from Management & Development during the Projection Period.

Risks and Uncertainties

The World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Well-Spring, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. The full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection. Management has projected that its skilled nursing occupancies would recover to historical operating levels in the fiscal year ending December 31, 2021. Management has not projected that its access to labor would be materially adversely impacted by COVID-19. In addition, Management has projected utilizing \$375,000 in other COVID relief funds from the State of North Carolina and the Federal Emergency Management Agency in fiscal year 2021 on expenses related to preventing, preparing for, or responding to the COVID-19 pandemic.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies

Basis of Accounting

The Community maintains its accounting and financial records according to the accrual basis of accounting. The Community classifies its funds for accounting and reporting purposes as without donor restrictions or with donor restriction:

Without Donor Restrictions – Resources of the Community that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.

With Donor Restrictions – Resources that carry a donor-imposed restriction that permits the Community to use or expend the donated assets as specified, is satisfied by the passage of time or by actions of the Community, or that the assets be maintained in perpetuity. Donor restricted net assets are available primarily to fund certain resident care expenses.

Use of Estimates

The preparation of projected financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported as assets and liabilities and disclosure of contingent assets and liabilities in the projected financial statements and accompanying notes. Estimates also affect the reported amount of revenues and expenses during the reporting period. Estimates made by the Community relate primarily to the collectability of accounts and pledges receivable, the obligation to provide future services, the life expectancy used to amortize deferred revenue from entrance fees and the portion of entrance fees to be refunded. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Community considers all highly liquid investments, other than those included in assets limited as to use, with a maturity of three months or less when purchased, to be cash equivalents.

Restricted cash included in assets limited as to use represents funds held by the trustee for use on expansion expenditures as required under the Community's bond agreements.

Investments

Investments are measured at fair market value based on quoted market values. The Community considers its investment portfolio to be a trading portfolio and, accordingly, all investment income or loss (including realized and unrealized gains and losses on investments) is included in the excess of revenue, gains and other support over expenses, unless the income is restricted by donor or by law.

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use includes assets held by a trustee under the terms of the loan and trust agreements whose use is specified in such agreements, amounts set aside for North Carolina statutory operating reserves, amounts held as admission deposits, and amounts held as refundable entrance fees. Any portion of AWUIL that is estimated to be utilized in the following period is shown as current on the projected balance sheets. Management has not projected any AWUIL as current during the Projection Period.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded as an addition to net assets when received, based on the fair value of the asset on the date contributed. Depreciation is provided over the estimated useful life of each class of depreciable asset, and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the costs of acquiring these assets. The following estimated useful lives are used to calculate depreciation:

Land Improvements	3 - 25 years
Buildings	20 - 40 years
Building Improvements	3 - 40 years
Furniture and Fixtures	3 - 20 years

The Community periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is determined to exist for assets to be held and used if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Impairment is determined to exist for assets to be disposed of if the estimated net realizable value is less than the carrying amount.

For construction in progress costs, depreciation expense is deferred until the projects are completed and placed into service, at which time these costs are depreciated over the useful life of the asset. If any of the projects are cancelled, the costs incurred will be expensed in the year determined.

The following table reflects routine capital additions during the Projection Period and construction expenditures associated with the completion of the Project.

	2021	2022	2023	2024	2025
Project Costs	\$ 18,851	\$ -	\$ -	\$ -	\$ -
Routine Capital Additions	5,375	4,475	4,575	4,950	5,150
Interest Capitalized, Net	411	39	-	-	-
Total	\$ 24,637	\$ 4,514	\$ 4,575	\$ 4,950	\$ 5,150

Source: Management

Summary of Significant Projection Assumptions and Accounting Policies

Summary of Significant Accounting Policies (Continued)

The following table reflects the major categories of property and equipment throughout the Projection Period:

	2021	2022	2023	2024	2025
Land	\$ 3,402	\$ 3,402	\$ 3,402	\$ 3,402	\$ 3,402
Land Improvements	7,715	10,163	10,621	11,116	11,631
Buildings	75,917	95,094	95,094	95,094	95,094
Building Improvements	26,732	29,641	32,615	35,833	39,181
Furniture and Equipment	15,040	16,758	17,901	19,138	20,425
	128,806	155,058	159,633	164,583	169,733
Less: Accumulated Depreciation	(59,856)	(67,095)	(74,059)	(80,558)	(87,111)
	68,950	87,963	85,574	84,025	82,622
Plus: Construction in Progress	22,258	520	520	520	520
Property and Equipment, Net	\$ 91,208	\$ 88,483	\$ 86,094	\$ 84,545	\$ 83,142

Source: Management

Pledges Receivable

Pledges are recognized as revenue in the period in which the unconditional pledge is made. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. Pledges receivables that are restricted by the donor for the acquisition of long-term assets or other purposes are classified as long-term assets. A current portion of the pledge receivable is included in the accompanying projected balance sheets for the amount that is projected to be received within the next year.

Deferred Financing Costs

Deferred financing costs include costs incurred in connection with Series 2016 Bonds and Series 2020 Bonds. Such costs are amortized using the effective interest method over the term of the Series 2016 Bonds and Series 2020 Bonds. The Community presents debt issuance costs as a direct deduction from the face amount of the related borrowings, amortizes debt issuance costs using the effective interest method over the life of the debt, and records the amortization as a component of interest expense.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

Entrance fees from the Community's residency and care agreements, excluding the portion that is estimated to be refundable to the resident, are recorded as deferred revenue from entrance fees, nonrefundable and recognized as income over the estimated life expectancy, adjusted annually, for each resident.

A portion of the entrance fee may be refundable when the residency is terminated. In accordance with the continuing care contract, the refundable portion is reduced each month, commencing with the date of occupancy and recognized as income over the estimated life expectancy, annually, for each resident. Under certain contracts, a minimum of 90% of the original entrance fee will be refunded. Such minimum refundable amounts are shown as Entrance Fees - Refundable in the accompanying projected balance sheets and are not amortized into income.

Summary of Significant Accounting Policies (Continued)

Obligation to Provide Future Services

The Community calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred 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 (obligation to provide future services) is recorded. No liability has been recorded for the year ended December 31, 2020, because the present value of the estimated net cost of future services and use of facilities is less than deferred revenue from entrance fees. Management has not projected a future service obligation during the Projection Period.

Projected Statements of Operations and Changes in Net Assets

Provision of resident care services is the sole function of Well-Spring. For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of resident care services are reported as revenues, gains and other support and expenses. Peripheral or incidental transactions are reported as non-operating gains and losses.

Resident Fees Earned

Resident fees earned represent the estimated net realizable amounts from residents for services rendered, including the portion of the deferred entrance fees and customization fees earned in the current year. The Community performs ongoing evaluations of resident accounts receivable and provides an allowance for doubtful accounts based upon its assessment of the credit risk of specific residents, historical trends and other information, if necessary.

Benevolent Assistance

The Community has a benevolent assistance policy to identify residents who are unable to pay and uses the Community's funds designated by the Board of Trustees for benevolent assistance to subsidize the charges for services provided to those residents. Such residents are identified based on financial information obtained from the resident and subsequent review and analysis. Since the Community does not charge the residents for services provided, estimated charges for benevolent assistance are not included in revenue. Well-Spring Foundation has a Benevolence Assistance fund to support this program.

Contributions

The Community reports contributions of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying projected statements of operations and changes in net assets as net assets released from restrictions.

The Community reports contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these assets must be maintained, the Community reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs are expensed as incurred.

Excess (Deficiency) of Revenue, Gains and Other Support Over (Under) Expenses

The projected statements of operations and changes in net assets include excess (deficiency) of revenue, gains, and other support over (under) expenses, which the Community uses as its measure of operations. Changes in net assets without donor restrictions, which are excluded from the operating measure, consistent with industry practice, are net assets released from restrictions for purchase of property, plant and equipment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Income Tax Status

Well-Spring is organized as a non-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and under similar state statutes. In addition, the Community qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization that is not a private foundation under Section 509(a)(2). Accordingly, no provision for income taxes is included in the accompanying projected statements of operations and changes in net assets.

APPENDIX C



Well•Spring, A Life Plan Community

RESIDENCE AND CARE AGREEMENTS



Well-Spring

A LIFE PLAN COMMUNITY

LIFECARE
RESIDENCE AND CARE AGREEMENT

4100 Well Spring Drive, Greensboro, NC 27410
Phone (336)545-5400/Fax (336)545-5411
5/6/2019

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**WELL • SPRING, A LIFE PLAN COMMUNITY
LIFECARE RESIDENCE AND CARE AGREEMENT**

I. INTRODUCTION

This Residence and Care Agreement is entered into between **WELL • SPRING, A LIFE PLAN COMMUNITY**, a North Carolina non-profit corporation with its principal office in Greensboro, North Carolina (referred to as “Well • Spring”) and _____ (referred to as “you”). If two persons enter into this Agreement as Co-Residents (as defined below), the word “you” shall apply to both unless the context requires otherwise.

Well • Spring owns a retirement community in Greensboro, North Carolina known as “Well • Spring, A Life Plan Community” (“Well • Spring”). You desire to become a Resident (or Residents) of Well • Spring and to use and enjoy the facilities, programs, and services provided by Well • Spring, and Well • Spring desires for you to become a Resident or (Residents) of Well • Spring in accordance with the terms and conditions of this Residence and Care Agreement (hereinafter referred to as this “Agreement”). This Agreement is divided into several parts in order to make it easier to read and to allow you to find the particular terms and conditions pertaining to each aspect of your residency.

NOW THEREFORE, Well • Spring and you agree to the following:

**II. RESIDENCY AND WELL • SPRING'S
RESPONSIBILITIES TO YOU AS A RESIDENT**

Well • Spring shall provide to you the following services and facilities upon your occupancy at Well • Spring. Unless otherwise specified, there shall be no additional charge made for any of these services and facilities other than payment of the Entrance Fee and Monthly Service Fees, each of which is hereinafter described.

1. Living Unit.

Well • Spring grants to you the right to occupy and use the independent living unit (“Living Unit”), described in Exhibit A and selected by you, subject to the terms and provisions of this Agreement.

2. Common Facilities.

You may use, in common with other Residents, the common facilities of Well • Spring including, but not limited to, the dining room, lounges, lobbies, libraries, social and recreation rooms, and designated outdoor activity areas. At times, advance reservation may be required for certain common facilities. There will be additional charges for your use of special services, such as the beauty/barber shop and the convenience store/gift shop.

3. Emergency and Temporary Illnesses.

- (a) Emergencies. The Health Center Staff and/or Safety Staff employed by Well•Spring shall be available to you for emergencies.
- (b) Temporary Illnesses. For temporary illness, care will be available in the Health Center under the direction of Well•Spring's Medical Director. Well•Spring operates a licensed home care agency which is available to you for temporary illnesses. You shall pay for any home health care you may require to the extent it is not covered by your insurance or by government programs. Well•Spring's Health Center is available on a temporary basis in accordance with Section V, paragraph 3.

4. Exclusions.

The health and medical care for which you are responsible for payment includes, but is not limited to:

- charges of any physician, podiatrist, nurse practitioner, therapist, or other health care provider;
- rehabilitative and therapeutic services;
- laboratory, X-ray, and other diagnostic services;
- home health care and hospice;
- prescription drugs and supplies or equipment;
- vision, hearing, and dental care, including all supplies, equipment, and appliances;
- orthopedic appliances;
- mental health services
- hospital charges;
- ambulatory surgical services;
- ambulance services;
- all other services for which you otherwise expressly agreed to pay under the terms of this Agreement.

5. Food and Meals.

- (a) Dining Room Service. Three (3) meals will be served in the dining room on Monday through Saturday; and brunch will be served on Sunday. Your Monthly Service Fee will include a meal plan, which you may choose in accordance with Well•Spring dining service procedures. You may purchase additional meals or additional dining services separately. Any unused meals or unused account balance for any meal cycle period shall be forfeited and shall not be applied as a credit against meal charges for any other period. Well•Spring will periodically publish a schedule of meal rates ("meal rates") to establish the cost of additional meals or additional dining services. When you give Well•Spring advance notice that you are going to be away from Well•Spring for more than seven (7) consecutive nights, you will be credited for the missed meals, according to a schedule periodically published by Well•Spring (the "Food Credit").
- (b) Meals in Living Units. When authorized by Well•Spring, meal delivery shall be provided to you in your Living Unit. Well•Spring may make additional charges for meals delivered to Living Units.

(c) Dietary Service. When authorized by Well•Spring's medical and dietary personnel, meals accommodating special diets may be provided. Well•Spring may make additional charges for special diets.

(d) Dining Room Service for Guests. Dining room service shall be available for your guests. You may purchase guest meals at any time or use your meal plan for guest meals during your meal cycle period. This arrangement may be altered for special events and holidays, and it is subject to reasonable prior notice and availability.

6. Furnishings.

Well•Spring shall furnish your Living Unit with wall-to-wall carpeting, vinyl, sink, stove, garbage disposal, window blinds, washing machine and dryer, refrigerator with freezer, dishwasher, emergency call system, daily courtesy check-in system, bathroom with grab bars in the tub and/or shower, individual thermostatic control for heating and air-conditioning, cable television outlets, telephone outlets, and smoke alarm. All other furnishings shall be provided by you.

7. Grounds.

Well•Spring shall furnish basic grounds-keeping care, including lawn service. You, at your own expense, may plant and maintain areas designated by Well•Spring, subject to the prior approval of Well•Spring.

8. Guests.

You shall be free to invite guests to your Living Unit for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. Well•Spring reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two (2) weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than you or a Co-Resident (as described below), if any, may reside in the Living Unit without the prior approval of Well•Spring.

9. Health Center and Resident Clinic.

Well•Spring shall provide the following health care services and facilities:

(a) Health Center. In its Health Center ("Health Center"), Well•Spring shall provide (i) licensed nursing care and (ii) licensed adult care. When a determination is made by your physician and approved by Well•Spring's Medical Director (as defined below) that you need licensed nursing care or licensed adult care, Well•Spring shall provide such care in the Health Center or arrange for your transfer to another facility.

- (b) Non-Residents. If Non-Resident patients are admitted to the Health Center from the outside community, they shall be admitted under the condition that they may be discharged in order to make a bed available for a Resident, if needed.
- (c) Transfer to Another Facility. In the rare event that space for a Resident is for some reason not available in the Health Center, Well·Spring shall arrange and pay for your temporary care in another facility that can provide you the same care that would otherwise have been provided by Well·Spring until space in the Health Center becomes available. You will continue to pay Well·Spring the Monthly Fee. Well·Spring will pay the difference between your payments and the cost of the other facility.
- (d) Resident Clinic. Well·Spring shall provide a Resident Clinic (“Clinic”) on the premises where Residents may be seen and treated as outpatients. Arrangements shall be made for one (1) or more physicians, selected by Well·Spring (“Clinic Physicians”), to keep scheduled office hours at the Clinic. There is no charge for the service of the Well·Spring nurse in the Frank Reid Brown Clinic or the satellite clinic. There is a nominal charge for procedures that are routinely done, such as blood sugar testing. The cost of care related supplies used shall be charged to you. You shall pay for office visits with Clinic Physicians or other Clinic health professionals including nurse practitioners and other non-physician providers. There is no obligation to use the Clinic or the Clinic Physicians. You remain free to engage, at your expense, the services of any physician or other health care provider of your choice.

10. Hospital Coverage and Transfer Agreements.

Well·Spring is not obligated to pay any charges for hospitalization or costs related thereto. In the event it becomes necessary for you to be transferred to a hospital, Well·Spring shall provide any information available to meet the provisions of any hospital transfer agreement, and you agree that Well·Spring has the right to provide such information, which may include part or all of your medical records, in accordance with applicable privacy and confidentiality laws.

Well·Spring is not designed or staffed to care for persons afflicted with certain diseases, including, but not limited to, psychosis, substance abuse and addiction, or a contagious disease. If you require care for a disease or condition which Well·Spring in consultation with your physician determines is a potential danger to the health and welfare of yourself, other residents or staff, you agree that Well·Spring has the authority, after the consultations described in the transfer provisions of this Agreement have occurred, to transfer you elsewhere for hospitalization or nursing care as may be deemed necessary by the Medical Director, whether or not the condition is deemed to be temporary in nature. If the transfer is deemed permanent by the Medical Director, your Living Unit may be released and refunds shall be made in accordance with the termination provisions of this Agreement and the provisions describing any Co-Resident’s rights and responsibilities, if applicable. Well·Spring

shall not pay for treatment for medical or other conditions that cannot be treated by Well·Spring.

11. Housekeeping.

Well·Spring shall provide certain housekeeping services in your Living Unit on a weekly basis. Time allotted shall be determined by the type of Living Unit in accordance with a schedule published periodically by Well·Spring. These housekeeping services include vacuuming, floor maintenance, necessary cleaning of bathroom and kitchen, dusting, and other such tasks Well·Spring deems necessary under the circumstances. Additional housekeeping services may be made available at your expense.

12. Illness or Injury Away from Well·Spring.

If you become ill or are injured or develop a condition while you are away from Well·Spring which requires medical attention or treatment away from Well·Spring, all charges for any offsite medical attention or treatment for you shall be your personal responsibility. Upon your return to Well·Spring, Well·Spring shall resume providing all services to which you are entitled under this Agreement. For purposes of this paragraph, you shall be considered to be away from Well·Spring if your illness or injury or condition occurs when you are not on the grounds of Well·Spring.

13. Mail.

Well·Spring shall provide a mailbox for each Living Unit.

14. Maintenance and Repair.

Well·Spring shall perform all necessary repairs, maintenance, and replacement of its property and equipment. Necessary repairs, maintenance and replacement of your personal property shall be your responsibility.

15. Medical Director.

Well·Spring shall retain the services of a qualified physician (“Medical Director”) to be responsible for the quality of all medical services and medically related activities provided by Well·Spring.

16. Meetings with Residents.

At least quarterly, Well·Spring shall hold meetings with the residents of Well·Spring for the purpose of free discussion of subjects of interest. Reasonable advance notice of each meeting shall be given. Upon request of the Residents’ Association, a member of the Board of Trustees shall attend such meetings. An agenda and any materials that are distributed at the meeting shall be available for review upon request.

17. Parking.

One (1) parking space shall be provided per Living Unit. Parking places shall be assigned by Well·Spring based upon established policy. Parking spaces shall be provided only if you maintain a vehicle.

18. Private Caregivers and Personal Aides.

You shall pay for all expenses (including meals if desired) of private caregivers and personal aides whom you employ, and all of these individuals shall be subject to all rules and regulations in effect at the Well·Spring Community. No private caregivers or personal aides may be employed without prior notice to Well·Spring, and at all times they are subject to Well·Spring Private Caregiver Policy.

19. Programs.

Well·Spring shall provide programs of social, educational, and recreational activities. Religious services shall be provided on a regular basis.

20. Real Estate Taxes.

Well·Spring shall be responsible for the payment of all real estate taxes, if any, assessed upon its property comprising the Well·Spring Community.

21. Rehabilitation Therapies and Specialists.

You or your medical insurance shall pay for all diagnostic, therapeutic, and rehabilitative services. Well·Spring may make arrangements for the services of a physical therapist, occupational therapist, speech therapist, or other health professionals such as podiatrist, dentist, and audiologist on the premises by appointment, but you are free to engage the services of any health professional of your choice at his or her office or elsewhere off the premises.

22. Rights of Subrogation.

Should you be injured by a third party and should such injury require Well·Spring to provide health care services for you under this Agreement, Well·Spring shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third party to the extent necessary to reimburse Well·Spring for the costs incurred in providing health care services for you under this Agreement.

To the extent allowed by North Carolina law, this right of subrogation authorizes Well·Spring to institute legal action in your name, provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

23. Security.

Well·Spring shall use reasonable care in providing security on the premises for you and your property. Well·Spring shall not be responsible for loss or damage to your personal property.

24. Storage.

Storage space for your use shall be allocated to your Living Unit.

25. Transportation.

Well·Spring shall provide regularly scheduled local transportation. Additional special transportation for personal or group trips shall be available at additional cost.

26. Utilities.

Well·Spring shall provide utilities to your Living Unit such as water, sewer, heating, electricity, and air-conditioning. Well·Spring shall not be responsible for any periods of service disruption regarding these utilities. Well·Spring shall provide basic cable television service to your Living Unit. You may purchase the premium cable television channels that may be available at the Well·Spring Community at monthly rates established by the local cable provider. You shall install and maintain telephone service (land line or cellular) in your Living Unit and you shall pay the cost of telephone service, installation, maintenance, and use.

The Well·Spring campus has a wireless internet network available for resident use. Additionally, you may install and maintain cable internet access and high-speed wireless internet access in your Living Unit. You shall pay the cost of additional internet service, installation, maintenance, and use.

III. YOUR RIGHTS AND RESPONSIBILITIES AS A RESIDENT

1. Commencing Occupancy.

You agree to pay the balance of your Entrance Fee and to commence occupancy of your Living Unit on the Occupancy Date set forth in the attached Exhibit A (the "Occupancy Date"). If Well·Spring is unable to make the Living Unit available to you on the Occupancy Date, a revised Occupancy Date shall be established by written mutual agreement. If you fail to occupy the Living Unit on the Occupancy Date, you shall nevertheless become obligated on that date to pay the balance of your Entrance Fee and to begin and continue paying the Monthly Fee applicable to your Living Unit less the published Food Credit, unless this Agreement is terminated in accordance with Section VI below.

In the event that Well·Spring determines prior to or on the Occupancy Date that you cannot occupy the Living Unit selected by you because of a change in your health status, you agree to commence occupancy on the Occupancy Date in the Health Center in an accommodation suitable to your needs. Well·Spring agrees to consult with you and your physician, or with anyone else you designate as a primary contact, prior to making a determination that you are unable to occupy your Living Unit for health reasons. If you are admitted directly into the Health Center because of a change in your health status prior to your Occupancy Date, the Living Unit you selected shall be released and made available to a new Resident unless you were a Co-Resident, in which case, your Co-Resident shall be entitled

to occupy the Living Unit as provided below. Should Well•Spring later determine that you have become able to occupy your Living Unit and to live independently, then (i) if your Co-Resident occupies your Living Unit, you may return to that Living Unit with your Co-Resident; or (ii) if your Living Unit was released, you shall be entitled to return to that Living Unit if it is available; or (iii) you may select another available Living Unit of the type described in Exhibit A. If neither your Living Unit nor a Living Unit of the type described in Exhibit A is available, Well•Spring, in its discretion, shall offer you a Living Unit of another type, until a Living Unit of the type described in Exhibit A becomes available. Unless you and Well•Spring agree otherwise, you shall relocate to a Living Unit of the type you originally selected in Exhibit A, upon the availability of such Living Unit. No refund of any portion of the Entrance Fee shall be due as a result of your transfer from the Health Center to a Living Unit or your occupancy of a Living Unit other than the type described in Exhibit A.

If, after the consultations described above, Well•Spring determines that you require care that cannot be provided at Well•Spring due to changes in your health status, Well•Spring shall have the right to terminate this Agreement (or in the case of Co-Residents, to terminate this Agreement with respect to the Resident whose health status has changed), and any refund of your Entrance Fee shall be made in accordance with the provisions of Section VI and Section VII below if applicable.

2. Financial Statements.

If Well•Spring has reason to believe that your affairs are not being managed in accordance with paragraph 13 below, you agree to provide Well•Spring with financial statements, including copies of your federal, state, and gift tax returns or other financially related information.

3. Furnishings.

You shall be responsible for furnishing your Living Unit. All furniture and electrical and other appliances provided by you shall be subject to Well•Spring's approval in order to keep the Living Units safe and sanitary.

4. Health Information

You agree to provide any and all health information as requested by Well•Spring. Said information may include, but shall not be limited to: (a) medical history; (b) report of current physical examination and current physician's orders, including diet, treatment, and current medications; and (c) a physician's statement that you are free from a communicable disease within thirty (30) days prior to admission. If you are suffering from a communicable disease, you will provide a physician's certificate that the disease is not in a transferable stage. Any health information requested by Well•Spring shall be kept confidential and will only be used to determine a resident's fitness to remain in your Living Unit.

5. Housekeeping.

You agree to maintain your Living Unit in a clean, safe, and orderly condition, in conformance with all applicable health regulations, and to perform all usual housekeeping not provided by Well•Spring. You shall notify Well•Spring immediately in the event of any

damage to your Living Unit, any water leakage, or any other necessary repairs or maintenance. Maintenance or repairs required as a result of damage caused by you or your guests, as opposed to normal wear and tear, is not included in the Monthly Occupancy Fee and will be billed to you.

6. Indemnification.

You shall indemnify, defend, and hold Well·Spring and its members, directors, trustees, officers, agents, and employees harmless from and against any and all claims, causes of action, damages, costs, and expenses, including, without limitation, attorneys' fees and expenses and court costs resulting from any injury or death to persons or any damage to property caused by, resulting from, attributable to, or in any way connected with your negligent or intentional acts or omissions. (You may wish to obtain insurance at your own expense to cover this obligation.)

7. Linens.

You shall provide your own bed and bath linens.

8. Medicare and Supplemental Insurance Requirements.

You shall enroll in and maintain Medicare (Part A and Part B) coverage (or equivalent insurance coverage acceptable to Well·Spring if you do not qualify for Medicare coverage), and you shall furnish Well·Spring with evidence of such coverage upon request. You shall also enroll in and maintain participation in any governmental program or entitlement for which you qualify that provides medical or nursing care or financial assistance for medical or nursing care. You shall also provide Well·Spring with evidence of such participation upon request.

You shall secure and maintain a supplemental insurance policy (such as Medicare supplemental insurance) approved by Well·Spring to pay for charges for care not covered by Medicare (or by equivalent coverage required by the preceding paragraph, if applicable) or by other governmental programs or entitlements. You shall not be required to provide such supplemental insurance if you show evidence satisfactory to Well·Spring that you are able to personally pay for such charges. This supplemental insurance coverage is not provided by Well·Spring.

If at any time you become eligible for payments for health services from governmental agencies, you agree to make prompt application for such payments. Well·Spring shall not pay for any nursing or medical care or related supplies that are covered by Medicare, any governmental programs or entitlements, or by supplemental insurance which you are obligated to maintain or participate in under this Agreement. You agree that upon receiving third-party reimbursement, you shall repay Well·Spring for any third-party reimbursable costs which Well·Spring incurred or paid on your behalf while your reimbursement approval was pending.

If any care provided to you by Well·Spring is covered by insurance or some other kind of third-party payor coverage, you shall nevertheless be primarily responsible for all payments

due Well•Spring pursuant to this Agreement regardless of such third-party benefits. Well•Spring shall assist you by providing information in our possession you may need in applying for health services or benefits under any programs for which you might qualify. In addition, Well•Spring shall provide you information you may need in filing claims for payment of services provided by Well•Spring. Upon request, you agree to execute benefit assignments to Well•Spring.

9. Non-Transferable.

Your rights under this Agreement to the Living Unit, facilities, or services provided for herein are personal to you, and these rights cannot be transferred or assigned by you to any other person or entity.

10. Pets.

Pets or animals of any kind shall be allowed on the premises only in strict compliance with Well•Spring's written policies and with the prior written consent of Well•Spring. Well•Spring retains the right to modify its pet policies at any time as it deems necessary to assure the safety and comfort of all Residents.

11. Policies, Rules and Regulations.

You agree to abide by the policies, rules, and regulations of Well•Spring including such changes as may be adopted from time to time. These policies shall be set forth in a Resident Handbook and shall be made available to you by the management of Well•Spring.

12. Power of Attorney.

You agree to execute and maintain in effect a limited Durable Power of Attorney as provided in Chapter 32A, Article 2 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, a relative, or some 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 you could if acting personally. It shall be in a form which survives your incapacity or disability and it shall otherwise be satisfactory to Well•Spring. You shall deliver a fully executed copy of this Durable Power of Attorney to Well•Spring prior to the Occupancy Date and you must notify Well•Spring in writing of any subsequent changes to your Power of Attorney, including the appointment of a new legal representative. If you revoke your Power of Attorney and do not name a new personal representative, or if your personal representative dies, becomes incapacitated, or cannot be located after a reasonable search, then you agree that Well•Spring will be your Attorney-in-Fact, coupled with an interest, for the sole purpose of giving Well•Spring the authority to nominate a legal guardian for you, to serve when approved by a court as provided by law.

13. Preservation of Your Assets.

You agree to manage your financial resources so as not to threaten or impair your ability or the ability of your estate to satisfy your financial obligations as set forth in this Agreement. At the request of Well•Spring, you agree to make arrangements for the

preservation and management of your financial resources by a third-party (or parties), including, but not limited to, the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Well•Spring, it appears that your continued management of your financial affairs may make you unable to meet your financial obligations to Well•Spring.

Well•Spring shall have no obligation to see to the proper management of your financial affairs, and you shall be solely responsible for the proper management or arranging for the proper management of your financial affairs.

14. Protection of Personal Property.

Well•Spring shall not be responsible for the loss of any personal property belonging to you due to theft, fire, or any other cause, unless such property is specifically entrusted in writing to Well•Spring's care and control, and then only for gross negligence in failing to safeguard and account for such property. (You may wish to obtain insurance at your own expense to protect against such losses.)

15. Real Property.

Your rights and privileges, as granted herein, do not include any right, title, or interest whether legal, equitable, beneficial, or otherwise, in or to any part of the real property, including land, buildings, and improvements owned or operated by Well•Spring.

16. Relationships between Residents and Staff Members.

Employees of Well•Spring are supervised solely by Well•Spring's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. You acknowledge and agree that you or your family will not hire Well•Spring employees or solicit such employees to resign their employment at Well•Spring in order to work for you or your family. You also acknowledge and agree that, unless consented to by Well•Spring, you will not hire any former Well•Spring employee until three (3) months has elapsed from the date of termination of the person's employment at Well•Spring.

17. Representations Made by You in Connection with Application for Residency.

Your application forms, including the statements of your finances and health history, which you filed with Well • Spring as part of the residency application process described in the Reservation Agreement, are incorporated into this Agreement by reference and all statements therein are deemed to be true as of the date made. You represent and warrant that you have disclosed to Well • Spring all material changes in this information occurring since the date of your application. Any material misstatement, or any material omission to state a fact called for, shall entitle Well • Spring to terminate this Agreement under Section VI, paragraph 5. By executing this Agreement, you represent and warrant that your sources of income are adequate to meet your financial responsibilities to Well • Spring and to pay all of your personal and incidental expenses. You represent and warrant that you have not made any gift or transfer for less than fair value of real or personal property in contemplation of the execution of this Agreement. You also agree that no such gift or transfer for less than fair value will be made subsequent to the execution of this Agreement that would impair your ability to satisfy your financial obligations under this Agreement. If you are unable to meet such financial obligations, you agree to make every reasonable effort to obtain assistance through or by means of your family or otherwise except as acknowledged in writing by Well • Spring.

18. Residents' Association.

Residents shall have the right to organize and operate a Residents' Association at the Well • Spring Community, and they shall have the right to meet privately to conduct business as an association. The officers of the Residents' Association shall serve as liaison between the residents and Well • Spring.

19. Resident Physician.

You shall designate and provide Well • Spring with the name of your attending physician. Well • Spring shall not be responsible for the professional medical services provided by your attending physician.

20. Responsibility for Damages.

You shall be responsible for any costs incurred in replacing, maintaining, or repairing any loss or damage to the real or personal property of Well • Spring caused by the negligence or willful misconduct of you, your guests, agents, employees, or pets. (You may wish to obtain insurance at your own expense to cover this obligation.)

21. Right of Entry.

You shall permit authorized employees of Well • Spring to enter your Living Unit at all reasonable times for inspection, housekeeping, and maintenance, and at any time in case of emergencies. Well • Spring recognizes your right to privacy, and it shall limit entry to your Living Unit to emergencies and as described above.

22. Rights of Residents.

Your rights as a Resident under this Agreement are those rights and privileges expressly granted to you by this Agreement or by North Carolina law.

23. Structural Changes.

Any structural or physical change of any kind within or about your Living Unit shall require Well·Spring prior written approval and thereafter may be subject to its supervision. The cost of any changes you request, and the cost of restoring the Living Unit to its original condition upon the termination of this Agreement, if deemed necessary by Well·Spring, shall be your personal obligation. All built-in changes shall immediately become and remain the property of Well·Spring. You agree to permit access by Well·Spring to your Living Unit in order to make any structural or mechanical changes that may be required to comply with local building codes or otherwise needed in connection with any construction or improvement projects at Well·Spring.

24. Subordination of Rights.

Notwithstanding anything to the contrary, your rights, privileges, or benefits arising under this Agreement shall be subordinate and inferior to all mortgages, security interests, deeds of trust, and leasehold interests granted to secure any loans or advances made to Well·Spring, its related entities, or its successors, now outstanding or made in the future, in the real property and improvements constituting the Well·Spring Community, and also subordinate and inferior to all amendments, modifications, replacements, refundings or refinancings thereof. You agree that, at the request of Well·Spring, you shall execute and deliver any and all documents which are deemed by Well·Spring to be necessary or required to effect or evidence such subordination.

25. Taxes on Personal Property.

You shall pay all taxes assessed regarding your personal property.

26. Will and Funeral Arrangements.

If you have not already done so, you agree to make a will providing for disposal of your personal property, the appointment of an executor of your estate, and funeral and burial arrangements, within sixty (60) days after the date of this Agreement. You agree to provide Well·Spring with written verification from your attorney or from another independent source that these arrangements have been made within sixty (60) days of the date of this Agreement. You acknowledge that while Well·Spring shall not be responsible for making arrangements relating to disposal of personal property and funeral and burial arrangements, if Well·Spring must do so, you agree that Well·Spring shall be reimbursed by your estate for all such expenses.

IV. FEES

1. Statement of Fees.

You shall pay the total Entrance Fee and the Monthly Fees set forth in attached Exhibit A, which represent payment for the services to be provided by Well•Spring under this Agreement. If you are a Co-Resident as defined in Section VII, paragraph 1 below, the total Entrance Fee for Co-Residents shown on Exhibit A is the total Entrance Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment. If you are a Co-Resident, the Co-Resident's Monthly Fee shown on Exhibit A is the total Monthly Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment.

Any Reservation Fee (as defined in the Reservation Agreement) and other Entrance Fee payments to Well•Spring shall be credited to reduce the Entrance Fee balance due. The total Entrance Fee shall be due and payable on or before the date your Living Unit is physically occupied or the recorded Occupancy Date, whichever comes first. After your Occupancy Date, earnings on the Entrance Fee will become the property of Well•Spring and will not be refunded.

2. Monthly Fees for Occupancy of Living Unit.

You agree to pay Well•Spring the Monthly Fee in advance by the 15th day of each calendar month beginning with the Occupancy Date of your Living Unit. This fee shall be prorated for any applicable period of less than one month. Unless expressly stated in this Agreement, fees shall not be waived, suspended, or reduced. The Monthly Fee may be adjusted periodically by Well•Spring at its sole discretion upon at least sixty (60) days' advance written notice to you. If this Agreement is terminated, Monthly Fees prepaid for periods after the termination date shall be refunded to you, provided that Well•Spring shall not be obligated to refund more than one (1) month's Monthly Fee and provided further that Well•Spring shall be entitled to set off against any refund any amounts that you may owe to it.

Well•Spring shall endeavor to maintain the Monthly Fee at the lowest feasible rate consistent with sound financial practice and maintenance of the quality of services including health care services to be provided by Well•Spring. When Well•Spring does adjust those fees, you shall pay the adjusted fee. You agree that you shall have no right to offset or withhold payment for the Monthly Fee or any other amounts you owe Well•Spring under this Agreement for any reason.

You agree to pay the Monthly Fee applicable to your Living Unit so long as you are residing in your Living Unit or in the Health Center.

In the Health Center, you will be served three (3) meals each day and agree to pay such additional charges as may be due thereby. You will be invoiced monthly for any services and supplies provided for you that Well•Spring is not obligated to provide without additional charge, and such invoices shall be due and payable by the 15th day of each calendar month.

3. Late Payments.

You agree to pay Well•Spring interest on any Monthly Fees or any other amounts you owe Well•Spring which are not paid within fifteen (15) days of becoming due at an annual rate of interest equal to the prime rate established by BB&T (or such other bank as Well•Spring shall

designate from time to time) plus two percent (2%) until any such amounts are paid in full, provided, however, that the interest rate shall not exceed the maximum interest rate permitted under North Carolina law.

4. Reduction in Income.

If your funds become substantially reduced or depleted and your income reduced to the extent that you are eligible to receive public or other benefits and entitlements including, but not limited to, Social Security Supplemental Income and Medicaid, you agree to obtain and maintain all such benefits and entitlements. Failure to do so may result in the termination of this Agreement by Well·Spring.

5. Subsidy Assistance.

It is Well·Spring's desire that this Agreement shall not be terminated solely because of your financial inability to continue to pay the Monthly Fee or other charges payable under the terms of this Agreement by reason or circumstances beyond your control, provided, however, that this policy shall not be construed to qualify or limit Well·Spring's right to terminate this Agreement in accordance with its terms under Section VI, paragraph 5. If you present facts which in the opinion of Well·Spring justify special financial consideration, Well·Spring shall give careful consideration to subsidizing in whole or in part the Monthly Fee and other charges payable by you under the terms of this Agreement so long as such subsidy can be made without impairing the ability of Well·Spring to attain its objectives while operating on a sound financial basis. Any determination by Well·Spring with regard to the granting of financial assistance shall be within the sole discretion of Well·Spring, and any decision to provide such financial assistance shall continue in effect only so long as Well·Spring, in its sole discretion, determines that it can continue to attain its objectives while operating on a sound financial basis. No Resident shall have any expectation of receiving, or continuing to receive, subsidy assistance by Well·Spring.

As a means of providing financial assistance to Residents, Well·Spring has established an endowment fund known as the Benevolence Fund. Income from the Benevolence Fund may be used to provide financial assistance in accordance with the subsidy policy described above.

In the event that Well·Spring continues to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly Fee or other charges payable under the terms of this Agreement, Well·Spring shall be entitled to require you to move to a smaller or less costly accommodation.

V. TRANSFER FROM YOUR LIVING UNIT OR THE HEALTH CENTER

There may come a time when you, or if Co-Residents, one of you, must move from your Living Unit to the Health Center or to another facility which provides services not available at Well·Spring. Well·Spring is aware that this is a critical transition and shall adhere to the following procedures regarding any such transfer.

1. Consultations.

Except in case of emergency, Well•Spring shall not transfer you from your Living Unit or from the Health Center for health-related or other reasons until it has consulted with you and your physician, or with anyone else you designate as a primary contact. In the case of an emergency transfer, the consultations described above shall be scheduled by Well•Spring within five (5) days after transfer.

2. Consents.

When Well•Spring determines it to be appropriate, after the consultations provided for in the preceding paragraph have occurred, to transfer you from your Living Unit to the Health Center or to a suitable public or private facility for hospitalization, health care, or other health-related services, Well•Spring shall have the right and authority to transfer you without having to obtain your further consent.

In the event that Well•Spring determines that your continued occupancy of your Living Unit constitutes a danger to other residents or to yourself, or is detrimental to the peace or health of other residents, Well•Spring shall have the right and authority to transfer you to another Living Unit, to the Health Center, or to a suitable public or private facility without having to obtain your further consent.

3. Temporary Transfer.

When Well•Spring is persuaded that the condition which requires your transfer has the potential to be resolved in a manner which may allow you to return to your Living Unit, the unit will be held for your return in accordance with the provisions of this paragraph. The return to your Living Unit is subject to the approval of Well•Spring. You agree to pay the Monthly Fee applicable to your Living Unit during any temporary absence. During the first thirty (30) days (whether or not consecutive) of Health Center occupancy without a break of at least thirty (30) days, your Living Unit shall be held and reserved for you in the event you no longer need the services of the Health Center, at no extra cost. In the event you continue occupancy in the Health Center beyond thirty (30) days and wish to continue to reserve your Living Unit, Well•Spring may require you to pay a monthly Holding Fee in accordance with Well•Spring's Living Unit Holding Policy in effect at such time. Well•Spring's Living Unit Holding Policy may delay imposing the Holding Fee later than thirty (30) days, but in no circumstance will it begin earlier than the thirty (30) days stated above. The days you occupy the Health Center shall be counted, whether or not consecutive. After you have reoccupied your Living Unit for a period of thirty (30) consecutive days, your prior days of occupancy in the Health Center shall not be counted. You may not hold the Living Unit for more than ninety (90) days beyond the initial thirty (30) days of Health Center occupancy without the approval of Well•Spring. If you choose to surrender the Living Unit, and your physician and Well•Spring's Medical Director shall subsequently determine that you can resume occupancy in a Living Unit, you will receive a top priority for assignment to a comparable Living Unit as soon as such a unit becomes available.

4. Permanent Transfer.

When Well•Spring determines that the condition which required your transfer is not temporary in nature, your Living Unit shall be released and made available to a new resident

except in the case of the permanent transfer of one Co-Resident, in which case the other Co-Resident shall be entitled to remain in the Living Unit in accordance with the provisions of Section VII, paragraph 4 below. Any decision by Well·Spring relating to your transfer or the release of your Living Unit may be appealed to Well·Spring's Board of Trustees or to a duly designated committee thereof, whose decision shall be final and binding upon all parties.

VI. TERMINATION OF AGREEMENT

This Agreement may be terminated in accordance with this Article VI. The effective date of termination of this Agreement, as established in the provisions below, is referred to hereinafter as the "Termination Date."

1. Termination During 30 Day Opt-Out ("Rescission") Period.

You may terminate this Agreement by giving written notice thereof to Well·Spring within thirty (30) days following the later of (i) the Effective Date of this Agreement (as defined in Section VIII, paragraph 4) or (ii) the receipt of a Disclosure Statement that meets the requirement of the laws of the State of North Carolina. You do not have to move in before the expiration of the 30-day rescission period. If you terminate this Agreement within this thirty (30) days period prior to your occupancy of your Living Unit and payment of the Entrance Fee, Well·Spring will refund your Reservation Fee, less two percent (2%) of the total Entrance Fee which is non-refundable.

2. Termination by You When Death, Illness, Injury, or Incapacity Prevents Occupancy.

If, at any time prior to occupancy, including the thirty (30) day rescission period described above, you are not able to commence occupancy of your Living Unit or an accommodation in the Health Center due to death, illness, injury, or incapacity, you or your personal representative shall give written notice thereof to Well·Spring together with information to validate your claim. If your claim is accepted by Well·Spring, this Agreement shall terminate, and the Termination Date shall be the date of the notice, and you or your legal representative shall receive a refund your Reservation Fee less any fees charged by Well·Spring to you or your legal representative within five (5) business days after it accepts your claim.

3. Voluntary Termination by You.

If you wish to voluntarily terminate this Agreement, you must provide written notice to Well·Spring at least thirty (30) days prior to your desired termination date. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI before you commence occupancy of your Living Unit and before you pay the Entrance Fee, Well·Spring will refund your Reservation Fee less two percent (2%) of the total Entrance Fee which is non-refundable. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI after you commence occupancy of your Living Unit, you will receive a refund of the Entrance Fee to which you are entitled based on the Refund Option you selected. The Termination Date shall be thirty (30) days after the date Well·Spring receives your notice of termination or a date greater than 30 days as specified by you. Well·Spring reserves the right in its discretion to delay payment of any refund pursuant to

this Section 3 until the earlier of (i) the date Well•Spring receives payment of an Entrance Fee from a successor resident of your Living Unit or (ii) two (2) years from the Termination Date.

4. Failure to Meet Admission Criteria

If Well•Spring determines that you do not meet its admission criteria prior to your occupancy of the Living Unit, this Agreement shall terminate, and Well•Spring will refund your Reservation Fee less any fees charged by Well•Spring within five (5) business days after its determination.

5. Termination by Well•Spring.

Notwithstanding anything to the contrary contained herein, Well•Spring will have the right to terminate this Agreement for any cause which, in its judgment and sole discretion, shall be good and sufficient. Good and sufficient cause will include, without limitation, the following:

- Failure to perform your obligations under this Agreement, including, but not limited to the obligation to pay the Monthly Fees and other charges, within fifteen (15) days after they are due to be performed or paid.
- Failure to abide by the rules and regulations of Well•Spring Community, including such changes as may be adopted from time to time.
- Material misstatements or failure to state a material fact in your application, financial statement, and health history statement filed with Well•Spring or in your representations in this Agreement.
- Changes in your financial status prior to occupancy at Well•Spring Community that cause you to fail to meet Well•Spring's financial qualifications for admission.
- Dissipation or commitment of your financial resources in a voluntary and discretionary manner that impairs your ability to meet your financial obligations to Well•Spring.
- Permanent transfer to another public or private institution.
- You develop a medical condition or illness, such that you can no longer live independently and require assisted living or skilled nursing care, as determined by one or more physicians (hereafter the "Consulting Physician") selected by Well•Spring who will consult with your physician and you fail or refuse to leave and relinquish your Living Unit and be admitted to the Health Center within five (5) days after notice by Well•Spring.
- You give Well•Spring notice of your election to receive a refund of your Entrance Fee in accordance with Section VI, paragraph 9 below.

Well•Spring shall give you at least thirty (30) days' prior written notice of your Termination Date unless your continued occupancy presents a threat to the safety of others or to yourself, in which case Well•Spring shall have the right to reduce the prior notice period in its discretion and to make the termination immediately effective, if necessary. Well•Spring reserves the right in its discretion to delay payment of any refund due as a result of a

termination under this paragraph 5 until Well·Spring receives payment of an Entrance Fee from a successor resident of your Living Unit.

6. Effect of Termination on Co-Residents.

In the case of Co-Residents, Well·Spring will have the right to terminate this Agreement only with respect to the Co-Resident to which the circumstances giving rise to termination apply, and this Agreement will remain in effect for the remaining Co-Resident. Notwithstanding any provision in this Agreement to the contrary, the rights and responsibilities of the Co-Residents with respect to any refund of Entrance Fees and payment of Monthly Fees will be determined in accordance with Section VII, paragraph 3.

7. Refund of Entrance Fee Conditioned on Payment of Resident's Obligations.

Notwithstanding any provision in this Agreement to the contrary, Well·Spring shall be entitled to withhold the refund of an Entrance Fee pursuant to Sections 3, 4, and 5 above until the Resident entitled to the refund pays Well·Spring all amounts owed to it, including but not limited to Monthly Fees and any reasonable expenses incurred in connection with the termination, including, but not limited to:

- Cost of any repairs or replacement of property assigned to your use.
- Painting or other refurbishment of your Living Unit in excess of that required by normal wear.
- The cumulative amount of any financial assistance or other subsidies provided to you by Well·Spring.

Well·Spring may also set off any amounts owed against any refund due and against any Monthly Fee that was prepaid for periods after the Termination Date.

8. Limitation of Remedies and Damages for Default by Well·Spring.

Until you notify us in writing of an alleged default and afford us a reasonable time in which to cure the alleged default, no default by Well·Spring in the performance of any of the obligations or promises herein agreed to by Well·Spring or imposed by law shall constitute a material breach of this Agreement, and you shall have no right to terminate the Agreement for any such breach or suspend your performance under this Agreement. Regardless of their duration, the defective condition of or failure to repair, maintain, or provide any area, fixture, or facility used in connection with social or recreational activities will not constitute a material breach of this Agreement, and you shall have no right to terminate this Agreement or suspend your performance under this Agreement.

9. Refunds Pursuant to a Refund Option.

In addition to the provisions for a refund of the Entrance Fee stated above, you shall have the rights to and shall be bound by the terms of the Refund Option selected by you on Exhibit A, and the provisions concerning Co-Residents' rights and responsibilities, if applicable. Your right to a refund under the Refund Option you selected will arise if any one of the following circumstances should occur:

- (a) You give Well·Spring notice of your election to receive a refund in which event this Agreement will terminate in accordance with Section VI, paragraphs 1, 2, and 3;
- (b) Well·Spring terminates this Agreement in accordance with Section VI, paragraph 4 or 5; or
- (c) This Agreement is terminated as a result of your death.

The amount of the refund, if any, to which you are entitled will be determined in accordance with the Refund Option selected by you. The Refund Options are as follows:

One year, Four Percent Per Month Declining Refund Option. If you have selected the One (1) Year, Four Percent (4%) Per Month Declining Refund Option, Well·Spring will refund to you or to your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy Date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well·Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less four percent (4%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period, and the Termination Date until the refund amount is equal to fifty percent (50%) of the Entrance Fee. In no event shall you be entitled to any refund if the Termination Date occurs more than twelve (12) months after the Occupancy Date. This option shall be referred to as the One (1) Year, Four Percent (4%) Per Month Declining Refund.

Ninety-Two Month, One Percent Per Month Declining Refund Option. If you have selected the One Percent (1%) Per Month Declining Refund Option, Well·Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well·Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less one percent (1%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date. In no event shall you be entitled to any refund if the Termination Date occurs more than ninety-two (92) months after the Occupancy Date. This option shall be referred to as the Ninety-Two Month, One Percent (1%) Per Month Declining Refund.

Ninety Percent Refund Option. If you have selected the Ninety Percent (90%) Refund Option, Well·Spring will refund to you or your estate ninety percent (90%) of the Entrance Fee paid. This option will be referred to as the Ninety Percent (90%) Refund.

For purposes of computing Entrance Fee Refunds, a partial calendar month of more than fifteen (15) days shall be treated as a full calendar month and a partial calendar month of fifteen (15) or fewer days shall be ignored. The Effective Date and Termination Date shall be counted as full calendar days.

10. Removal of Property.

You agree to the removal of your property from the Living Unit and the Well·Spring Community within either a two (2)-week grace period if the Living Unit is in Independent

Living or a one (1) week grace period if the Living Unit is in Health Care after the Termination Date. After the applicable grace period, you or your estate shall pay a daily rate based on the Monthly Fee applicable to your Living Unit less the published Food Credit. Additionally, Well•Spring may store such property at your or your estate's expense for up to sixty (60) days after which it may be disposed of by Well•Spring without liability.

VII. CO-RESIDENT'S RIGHTS AND RESPONSIBILITIES

1. Co-Residents.

Residents who occupy the same Living Unit and who execute a Residence and Care Agreement jointly are "Co-Residents". Your right to occupy the Living Unit shall be in common with your Co-Resident. Under the terms of this Agreement, married couples shall have rights and obligations identical to those of any other Co-Residents.

2. Joint Liability and Authority.

Each Co-Resident shall be jointly and severally liable for all payments which shall be due and all obligations which shall be performed by them under the terms of this Agreement. If you are a Co-Resident, you may exercise your rights under this Agreement only by joint consent and action with your Co-Resident, and no such exercise shall be effective unless done jointly by both Co-Residents.

3. Termination of Agreement with One Co-Resident.

In the event this Agreement terminates with respect to one (1) Co-Resident for any reason, the total Entrance Fee paid by Co-Residents shall be deemed to have been paid on behalf of the remaining Resident, whose Agreement shall remain in effect. Any refund of an Entrance Fee paid for Co-Residents shall be refunded for the benefit of the remaining resident or their estate upon termination of the Agreement with the remaining resident.

When this Agreement terminates with respect to one (1) Co-Resident, the remaining resident shall have the option for a period of thirty (30) days thereafter to elect:

- to remain in the same Living Unit and to pay the then current single resident Monthly Fee applicable to that unit; or
- to move to a different type of Living Unit, if and when available, in accordance with the terms set forth in Section VIII, paragraph 1, "Change of Living Unit."

4. Transfer of One Co-Resident to the Well•Spring Health Center.

When one (1) Co-Resident transfers permanently from their Living Unit to the Health Center, the Co-Residents shall continue to pay the Co-Resident Monthly Fee applicable to the Living Unit which they occupied at the time of transfer, subject to adjustment by Well•Spring in accordance with Section IV, paragraph 2, "Monthly Fees."

5. Addition of a Co-Resident or Marriage.

When a single resident occupies a Living Unit in which Well•Spring policy permits double occupancy, the resident can allow another person to share occupancy of the Living Unit, if in the sole judgment of Well•Spring, the new resident qualifies for acceptance. Before

commencing occupancy, the new Co-Resident shall be required to sign and become a Co-Resident under the Residence and Care Agreement then in effect for the Living Unit, which shall be amended to require: (i) payment of the Monthly Fee then applicable to Co-Residents of the Living Unit, and (ii) payment of the difference between the single resident and the then current Co-Resident Entrance Fee applicable to the Living Unit prior to the new Co-Resident's occupancy of the Living Unit. The effective date of the new Co-Resident's Residence and Care Agreement for purposes of determining any applicable refund of Entrance Fee will be retroactive to the date of the original single resident's original Residence and Care Agreement.

VIII. MISCELLANEOUS

1. Change of Living Unit.

Well•Spring may, in certain circumstances, approve your moving to a different Living Unit. At the time your request is approved, Well•Spring shall determine, in its discretion, the amount of any additional Monthly or Entrance Fee or any refund or credit which is appropriate to the new Living Unit.

2. Confidentiality.

Well•Spring has the responsibility to keep private and confidential all of the personal, medical, and financial information you have supplied to it. However, you agree that Well•Spring can provide such information, in accordance with applicable privacy and confidentiality laws, to those who, in its judgment, have a need or right to have or know this information (e.g., to provide information for transfer to a hospital).

3. Disclosure Statement.

You acknowledge that you have received a current copy of the Well•Spring Disclosure Statement.

4. Effective Date and Governing Laws.

This Agreement takes effect ("Effective Date") when you sign the Agreement. This Agreement, including its validity and the capacity of the parties to this Agreement, its form, interpretation of its language, and any questions concerning its performance and discharge, shall be governed by and construed in accordance with the laws of the State of North Carolina. You and Well•Spring agree to comply with the laws and regulations regarding licensed adult care and licensed nursing care in effect from time to time.

5. Full and Complete Agreement.

This Agreement shall take precedence over any representations previously made by Well•Spring representatives and over any descriptions of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Well•Spring, and it supersedes all previous understandings and agreements between you and Well•Spring, including but not limited to, any Reservation Agreement for your Living Unit. No waiver or modification of this Agreement shall be valid and effective unless it is made in writing, signed by you and by Well•Spring and attached to this Agreement.

6. Interpretation.

Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement. Should any provision herein, for any reason, be held invalid or unenforceable in any jurisdiction in which it is sought to be enforced, such invalidity and unenforceability shall not affect any other provision of this Agreement and any such invalid and unenforceable provisions shall be construed as if it were omitted. The remainder of this Agreement shall remain in full force and effect.

7. Management Authority.

Well•Spring retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of Well•Spring.

8. Notices.

Until you reside at Well•Spring and when required by the terms of this Agreement, notices will be given in writing and shall be given to Well•Spring or to you at the addresses set forth in Exhibit A, or at such address as Well•Spring and you shall specify in writing to each other. After you reside at Well•Spring, your address shall be your Living Unit unless you provide us with written notice of another address. Notices shall be given in writing by hand delivery or by a commercial courier that provides documentation of delivery.

9. Pronouns.

All references in this Agreement to masculine pronouns and adjectives shall also include the feminine and vice versa. References to “you” shall include your legal representative (i.e. attorney-in-fact or personal representative of your estate) as the context requires.

10. Statement of Nondiscrimination.

Race, color, gender, religious beliefs, sexual orientation, or national origin do not have any bearing upon your acceptance or rejection for admission, the execution of this Agreement, or the normal conduct of business by Well•Spring.

11. Successors and Assigns.

The duties owed Well•Spring under this Agreement shall inure to the benefit of its successors and assigns.

12. Waiver.

In the event that Well•Spring does not, in any one (1) or more instances, insist upon your strict performance, observance or compliance with any of the terms or provisions of this Agreement, or if it waives a breach by you of this Agreement, such action(s) by Well•Spring shall not be construed to be a waiver of its right to insist upon your strict compliance with that term or provision in the future or with all other terms and provisions of this Agreement.

Your signature below certifies that you have read, understand and accept this Agreement.

Signature - Resident _____
Date

Signature - Co-Resident _____
Date

Well • Spring, A Life Plan Community _____
(Authorized Representative) Date

EXHIBIT A

OCCUPANCY: The Occupancy Date is: _____

FEE SCHEDULE: Entrance Fees and Monthly Fees are based on the type of Living Unit you occupy and the number of persons residing in the unit. The Living Unit you have selected and the applicable fees are stated below:

LIVING UNIT NUMBER: _____

UNIT TYPE: _____

ENTRANCE FEE FOR:
 Single Resident
 Co-Resident

TOTAL ENTRANCE FEE: \$ _____

CREDIT FOR PARTIAL PAYMENTS OF
THE ENTRANCE FEE RECEIVED: \$ _____

ENTRANCE FEE BALANCE DUE AND PAYABLE: \$ _____

MONTHLY FEE FOR:
 Single Resident
 Co-Resident

TOTAL MONTHLY FEE: \$ _____

REFUND OPTION SELECTED:

- One (1) Year, Four Percent (4%) Per Month Declining Refund
- One Percent (1%) Per Month Declining Refund
- Ninety Percent (90%) Refund

ADDRESSES FOR REQUIRED NOTICE:

To Well • Spring:

Well • Spring, A Life Plan Community
Attention: Executive Director
4100 Well Spring Drive
Greensboro, NC 27410

To You Prior to Occupancy:

Name: _____
Address: _____
City/State: _____
Zip Code: _____

To You Following Occupancy:

Name: _____
Address: _____
City/State: _____
Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Signature - Resident

Signature - Co-Resident

Date



MODIFIED LIFECARE
RESIDENCE AND CARE AGREEMENT

4100 Well Spring Drive, Greensboro, NC 27410
Phone (336) 545-5400/Fax (336) 545-5411
05/6/2019

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WELL•SPRING, A LIFE PLAN COMMUNITY

RESIDENCE AND CARE AGREEMENT (MODIFIED)

I. INTRODUCTION

This Residence and Care Agreement is entered into between **WELL•SPRING, A LIFE PLAN COMMUNITY**, a North Carolina non-profit corporation with its principal office in Greensboro, North Carolina (referred to as “Well•Spring”), and _____ (referred to as “you”). If two persons enter into this Agreement as Co-Residents (as defined below), the word “you” shall apply to both unless the context requires otherwise.

Well•Spring owns a retirement community in Greensboro, North Carolina known as “Well•Spring, A Life Plan Community” (“Well•Spring”). You desire to become a Resident (or Residents) of Well•Spring and to use and enjoy the facilities, programs and services provided by Well•Spring, and Well•Spring desires for you to become a Resident (or Residents) of Well•Spring in accordance with the terms and conditions of this Residence and Care Agreement (hereinafter referred to as this “Agreement”). This Agreement is divided into several parts in order to make it easier to read and to allow you to find the particular terms and conditions pertaining to each aspect of your residency.

NOW, THEREFORE, Well•Spring and you agree to the following:

II. RESIDENCY AND WELL•SPRING'S RESPONSIBILITIES TO YOU AS A RESIDENT

Well•Spring shall provide to you the following services and facilities upon your occupancy at Well•Spring. Unless otherwise specified, there shall be no additional charge made for any of these services and facilities other than payment of the Entrance Fee and Monthly Service Fees, each of which is hereinafter described.

1. Living Unit.

Well•Spring grants to you the right to occupy and use the independent living unit (“Living Unit”) described in Exhibit A and selected by you, subject to the terms and provisions of this Agreement.

2. Common Facilities.

You may use, in common with other Residents, the common facilities of Well•Spring, including but not limited to the dining room, lounges, lobbies, libraries, social and recreation rooms, and designated outdoor activity areas. At times, advance reservations may be required for certain common facilities. There will be additional charges for your use of special services, such as the beauty/barber shop and the convenience store/gift shop.

3. **Emergency and Temporary Illnesses.**

- (a) *Emergencies.* The Health Center Staff and/or Safety Staff employed by Well•Spring shall be available to you for emergencies.
- (b) *Temporary Illnesses.* For temporary illness, care will be available in the Health Center under the direction of Well•Spring's Medical Director. Well•Spring operates a licensed home care agency which is available to you for temporary illnesses. You shall pay for any home health care you may require to the extent it is not covered by your insurance or by government programs. Well•Spring's Health Center is available on a temporary basis in accordance with Section V, paragraph 3.

4. **Exclusions.**

The health and medical care for which you are responsible for payment includes but is not limited to:

- charges of any physician, podiatrist, nurse practitioner, therapist, or other health care provider;
- rehabilitative and therapeutic services;
- laboratory, X-ray, and other diagnostic services;
- home health care and hospice;
- prescription drugs and supplies or equipment;
- vision, hearing, and dental care, including all supplies, equipment, and appliances;
- orthopedic appliances;
- mental health services;
- hospital charges;
- ambulatory surgical services;
- ambulance services;
- all other services for which you otherwise expressly agreed to pay under the terms of this Agreement.

5. **Food and Meals.**

- (a) *Dining Room Service.* Three (3) meals will be served in the dining room on Monday through Saturday; and brunch will be served on Sunday. Your Monthly Service Fee will include a meal plan, which you may choose in accordance with Well•Spring dining service procedures. You may purchase additional meals or additional dining services separately. Any unused meal credits or unused account balance for any meal cycle period shall be forfeited and shall not be applied as a credit against meal charges for any other period. Well•Spring will periodically publish a schedule of meal rates ("meal rates") to establish the cost of additional meals or additional dining services. When you give Well•Spring advance notice that you are going to be away from Well•Spring for more than seven (7) consecutive nights, you will be credited for the missed meals, according to a schedule periodically published by Well•Spring (the "Food Credit").
- (b) *Meals in Living Units.* When authorized by Well•Spring, meal delivery shall be provided to you in your Living Unit. Well•Spring may make additional charges for meals delivered to Living Units.

- (c) Dietary Service. When authorized by Well•Spring's medical and dietary personnel, meals accommodating special diets may be provided. Well•Spring may make additional charges for special diets.
- (d) Dining Room Service for Guests. Dining room service shall be available for your guests. You may purchase guest meals at any time or use your meal plan for guest meals during your meal cycle period. This arrangement may be altered for special events and holidays, and it is subject to reasonable prior notice and availability.

6. **Furnishings.**

Well•Spring shall furnish your Living Unit with wall-to-wall carpeting, vinyl, sink, stove, garbage disposal, window blinds, washing machine and dryer, refrigerator with freezer, dishwasher, emergency call system, daily courtesy check-in system, bathroom with grab bars in the tub and/or shower, individual thermostatic control for heating and air-conditioning, cable television outlets, telephone outlets, and smoke alarm. All other furnishings shall be provided by you.

7. **Grounds.**

Well•Spring shall furnish basic grounds-keeping care, including lawn service. You, at your own expense, may plant and maintain areas designated by Well•Spring, subject to the prior approval of Well•Spring.

8. **Guests.**

You shall be free to invite guests to your Living Unit for daily and overnight visits. Guest rooms may be available from time to time at a reasonable rate for overnight stays by your guests. Well•Spring reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. Two weeks is the maximum continuous stay for guests unless prior approval from the Executive Director is obtained. Except for short-term guests, no person other than you or a Co-Resident (as described below), if any, may reside in the Living Unit without the prior approval of Well•Spring.

9. **Health Center and Resident Clinic.**

Well•Spring shall provide the following health care services and facilities:

- (a) Health Center. In its Health Center ("Health Center"), Well•Spring shall provide (i) licensed nursing care and (ii) licensed adult care. When a determination is made by your physician and approved by Well•Spring's Medical Director (as defined below) that you need licensed nursing care or licensed adult care, Well•Spring shall provide such care in the Health Center or arrange for your transfer to another facility. If you remain in the Health Center for more than fourteen (14) days, you will begin paying the Discounted Per Diem Rate instead of the Monthly Fee, as provided in Article IV, Section 3 below.
- (b) Non-Residents. If Non-Resident patients are admitted to the Health Center from the outside community, they shall be admitted under the condition that they may be discharged in order to make a bed available for a Resident, if needed.

- (c) Transfer to Another Facility. In the rare event that space for a Resident is for some reason not available in the Health Center, Well•Spring shall arrange and pay for your temporary care in another facility that can provide you the same care that would otherwise have been provided by Well•Spring until space in the Health Center becomes available. You will continue to pay Well•Spring the Monthly Fee or Discounted Per Diem Rate (whichever is applicable) during your stay in another facility. Well•Spring will pay the difference between your payments and the cost of the other facility.
- (d) Resident Clinic. Well•Spring shall provide a Resident Clinic (“Clinic”) on the premises where Residents may be seen and treated as outpatients. Arrangements shall be made for one (1) or more physicians, selected by Well•Spring (“Clinic Physicians”), to keep scheduled office hours at the Clinic. There is no charge for the service of the Well•Spring nurse in the Frank Reid Brown Clinic or the satellite clinic. There is a nominal charge for procedures that are routinely done, such as blood sugar testing. The cost of care related supplies used shall be charged to you. You shall pay for office visits with Clinic Physicians or other Clinic health professionals, including nurse practitioners and other non-physician providers. There is no obligation to use the Clinic or the Clinic Physicians. You remain free to engage at your expense the services of any physician or other health care provider of your choice.

10. Hospital Coverage and Transfer Agreements.

Well•Spring is not obligated to pay any charges for hospitalization or costs related thereto. In the event it becomes necessary for you to be transferred to a hospital, Well•Spring shall provide any information available to meet the provisions of any hospital transfer agreement, and you agree that Well•Spring has the right to provide such information, which may include part or all of your medical records, in accordance with applicable privacy and confidentiality laws.

Well•Spring is not designed or staffed to care for persons afflicted with certain diseases, including, but not limited to, psychosis, substance abuse and addiction, or a contagious disease. If you require care for a disease or condition which Well•Spring in consultation with your physician determines is a potential danger to the health and welfare of yourself, other residents or staff, you agree that Well•Spring has the authority, after the consultations described in the transfer provisions of this Agreement have occurred, to transfer you elsewhere for hospitalization or nursing care as may be deemed necessary by the Medical Director, whether or not the condition is deemed to be temporary in nature. If the transfer is deemed permanent by the Medical Director, your Living Unit may be released and refunds shall be made in accordance with the termination provisions of this Agreement and the provisions describing any Co-Resident’s rights and responsibilities, if applicable. Well•Spring shall not pay for treatment for medical or other conditions that cannot be treated by Well•Spring.

11. Housekeeping.

Well•Spring shall provide certain housekeeping services in your Living Unit on a weekly basis. Time allotted shall be determined by the type of Living Unit in accordance with a schedule published periodically by Well•Spring. These housekeeping services include vacuuming, floor maintenance, necessary cleaning of bathroom and kitchen, dusting, and other such tasks Well•Spring deems necessary under the circumstances. Additional housekeeping services may be made available at your expense.

12. Illness or Injury Away from Well•Spring.

If you become ill or are injured or develop a condition while you are away from Well•Spring which requires medical attention or treatment away from Well•Spring, all charges for any offsite medical attention or treatment for you shall be your personal responsibility. Upon your return to Well•Spring, Well•Spring shall resume providing all services to which you are entitled under this Agreement. For purposes of this paragraph, you shall be considered to be away from Well•Spring if your illness or injury or condition occurs when you are not on the grounds of Well•Spring.

13. Mail.

Well•Spring shall provide a mailbox for each Living Unit.

14. Maintenance and Repair.

Well•Spring shall perform all necessary repairs, maintenance, and replacement of its property and equipment. Necessary repairs, maintenance, and replacement of your personal property shall be your responsibility.

15. Medical Director.

Well•Spring shall retain the services of a qualified physician (“Medical Director”) to be responsible for the quality of all medical services and medically related activities provided by Well•Spring.

16. Meetings with Residents.

At least quarterly, Well•Spring shall hold meetings with the residents of Well•Spring for the purpose of free discussion of subjects of interest. Reasonable advance notice of each meeting shall be given. Upon request of the Residents’ Association, a member of the Board of Trustees shall attend such meetings. An agenda and any materials that are distributed at the meeting shall be available for review upon request.

17. Parking.

One (1) parking space shall be provided per Living Unit. Parking places shall be assigned by Well•Spring based upon established policy. Parking spaces shall be provided only if you maintain a vehicle.

18. Private Caregivers and Personal Aides.

You shall pay for all expenses (including meals if desired) of private caregivers and personal aides whom you employ, and all of these individuals shall be subject to all rules and

regulations in effect at Well·Spring. No private caregivers or personal aides may be employed without prior notice to Well·Spring, and at all times they are subject to Well·Spring's Private Caregiver Policy.

19. Programs.

Well·Spring shall provide programs of social, educational and recreational activities. Religious services shall be provided on a regular basis.

20. Real Estate Taxes.

Well·Spring shall be responsible for the payment of all real estate taxes, if any, assessed upon its property comprising the Well·Spring Community.

21. Rehabilitation Therapies and Specialists.

You or your medical insurance shall pay for all diagnostic, therapeutic, and rehabilitative services. Well·Spring may make arrangements for the services of a physical therapist, occupational therapist, speech therapist, or other health professionals such as podiatrist, dentist, and audiologist on the premises by appointment, but you are free to engage the services of any health professional of your choice at his or her office or elsewhere off the premises.

22. Rights of Subrogation.

Should you be injured by a third party and should such injury require Well·Spring to provide health care services for you under this Agreement, Well·Spring shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third party to the extent necessary to reimburse Well·Spring for the costs incurred in providing health care services for you under this Agreement.

To the extent allowed by North Carolina law, this right of subrogation authorizes Well·Spring to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

23. Security.

Well·Spring shall use reasonable care in providing security on the premises for you and your property. Well·Spring shall not be responsible for loss or damage to your personal property.

24. Storage.

Storage space for your use shall be allocated to your Living Unit.

25. Transportation.

Well·Spring shall provide regularly scheduled local transportation. Additional special transportation for personal or group trips shall be available at additional cost.

26. Utilities.

Well•Spring shall provide utilities to your Living Unit such as water, sewer, heating, electricity, and air-conditioning. Well•Spring shall not be responsible for any periods of service disruption regarding these utilities. Well•Spring shall provide basic cable television service to your Living Unit. You may purchase the premium cable television channels that may be available at Well•Spring at monthly rates established by the local cable provider. You shall install and maintain telephone service (land line or cellular) in your Living Unit, and you shall pay the cost of telephone service installation, maintenance and use. The Well•Spring campus has a wireless internet network available for resident use. Additionally, you may install and maintain cable internet access and high-speed wireless internet access in your Living Unit. You shall pay the cost of additional internet service installation, maintenance and use.

III. YOUR RIGHTS AND RESPONSIBILITIES AS A RESIDENT

1. Commencing Occupancy.

You agree to pay the balance of your Entrance Fee and to commence occupancy of your Living Unit on the Occupancy Date set forth in the attached Exhibit A (the "Occupancy Date"). If Well•Spring is unable to make the Living Unit available to you on the Occupancy Date, a revised Occupancy Date shall be established by written mutual agreement. If you fail to occupy the Living Unit on the Occupancy Date, you shall nevertheless become obligated on that date to pay the balance of your Entrance Fee and to begin and continue paying the Monthly Fee applicable to your Living Unit less the published Food Credit, unless this Agreement is terminated in accordance with Section VI below.

In the event that Well•Spring determines prior to or on the Occupancy Date that you cannot occupy the Living Unit selected by you because of a change in your health status, you agree to commence occupancy on the Occupancy Date in the Health Center in an accommodation suitable to your needs. In such event, you agree to pay the Discounted Per Diem Rate instead of the Monthly Fee. Well•Spring agrees to consult with you and your physician, or with anyone else you designate as a primary contact, prior to making a determination that you are unable to occupy your Living Unit for health reasons. If you are admitted directly into the Health Center because of a change in your health status prior to your Occupancy Date, the Living Unit you selected shall be released and made available to a new Resident unless you were a Co-Resident, in which case your Co-Resident shall be entitled to occupy the Living Unit as provided below. Should Well•Spring later determine that you have become able to occupy your Living Unit and to live independently, then (i) if your Co-Resident occupies your Living Unit, you may return to that Living Unit with your Co-Resident; or (ii) if your Living Unit was released, you shall be entitled to return to that Living Unit if it is available; or (iii) you may select another available Living Unit of the type described in Exhibit A. If neither your Living Unit nor a Living Unit of the type described in Exhibit A is available, Well•Spring, in its discretion, shall offer you a Living Unit of another type until a Living Unit of the type described in Exhibit A becomes available. Unless you and Well•Spring agree otherwise, you shall relocate to a Living Unit of the type you originally selected in Exhibit A, upon the availability of such Living Unit. No refund of any portion of

the Entrance Fee shall be due as a result of your transfer from the Health Center to a Living Unit or your occupancy of a Living Unit other than the type described in Exhibit A.

If, after the consultations described above, Well•Spring determines that you require care that cannot be provided at Well•Spring due to changes in your health status, Well•Spring shall have the right to terminate this Agreement (or in the case of Co-Residents, to terminate this Agreement with respect to the Resident whose health status has changed), and any refund of your Entrance Fee shall be made in accordance with the provisions of Section VI and Section VII below, if applicable.

2. Financial Statements.

If Well•Spring has reason to believe that your affairs are not being managed in accordance with paragraph 13 below, you agree to provide Well•Spring with financial statements, including copies of your federal, state and gift tax returns or other financially related information.

3. Furnishings.

You shall be responsible for furnishing your Living Unit. All furniture and electrical and other appliances provided by you shall be subject to Well•Spring's approval in order to keep the Living Units safe and sanitary.

4. Health Information.

You agree to provide any and all health information as requested by Well•Spring. Said information may include, but shall not be limited to: (a) medical history; (b) report of current physical examination and current physician's orders, including diet, treatment, and current medications; and (c) a physician's statement that you are free from a communicable disease within thirty (30) days prior to admission. If you are suffering from a communicable disease, you will provide a physician's certificate that the disease is not in a transferable stage. Any health information requested by Well•Spring shall be kept confidential and will only be used to determine a resident's fitness to remain in your Living Unit.

5. Housekeeping.

You agree to maintain your Living Unit in a clean, safe and orderly condition, in conformance with all applicable health regulations, and to perform all usual housekeeping not provided by Well•Spring. You shall notify Well•Spring immediately in the event of any damage to your Living Unit, any water leakage, or any other necessary repairs or maintenance. Maintenance or repairs required as a result of damage caused by you or your guests, as opposed to normal wear and tear, is not included in the Monthly Occupancy Fee and will be billed to you.

6. Indemnification.

You shall indemnify, defend, and hold Well•Spring and its members, directors, trustees, officers, agents, and employees harmless from and against any and all claims, causes of action, damages, costs, and expenses, including, without limitation, attorneys' fees and expenses and court costs resulting from any injury or death to persons or any damage to

property caused by, resulting from, or attributable to, or in any way connected with your negligent or intentional acts or omissions. (You may wish to obtain insurance at your own expense to cover this obligation.)

7. Linens.

You shall provide your own bed and bath linens.

8. Medicare and Supplemental Insurance Requirements.

You shall enroll in and maintain Medicare (Part A and Part B) coverage (or equivalent insurance coverage acceptable to Well•Spring if you do not qualify for Medicare coverage), and you shall furnish Well•Spring with evidence of such coverage upon request. You shall also enroll in and maintain participation in any governmental program or entitlement for which you qualify that provides medical or nursing care or financial assistance for medical or nursing care. You shall also provide Well•Spring with evidence of such participation upon request.

You shall secure and maintain a supplemental insurance policy (such as Medicare supplemental insurance) approved by Well•Spring to pay for charges for care not covered by Medicare (or by equivalent coverage required by the preceding paragraph, if applicable) or by other governmental programs or entitlements. You shall not be required to provide such supplemental insurance if you show evidence satisfactory to Well•Spring that you are able to personally pay for such charges. This supplemental insurance coverage is not provided by Well•Spring.

If at any time you become eligible for payments for health services from governmental agencies, you agree to make prompt application for such payments. Well•Spring shall not pay for any nursing or medical care or related supplies that are covered by Medicare, any governmental programs or entitlements or by supplemental insurance which you are obligated to maintain or participate in under this Agreement. You agree that upon receiving third-party reimbursement, you shall repay Well•Spring for any third-party reimbursable costs which Well•Spring incurred or paid on your behalf while your reimbursement approval was pending.

If any care provided to you by Well•Spring is covered by insurance or some other kind of third-party payor coverage, you shall nevertheless be primarily responsible for all payments due Well•Spring pursuant to this Agreement regardless of such third-party benefits. Well•Spring shall assist you by providing information in our possession you may need in applying for health services or benefits under any programs for which you might qualify. In addition, Well•Spring shall provide you information in our possession you may need in filing claims for payment of services provided by Well•Spring. Upon request, you agree to execute benefit assignments to Well•Spring.

9. Non-Transferable.

Your rights, under this Agreement, to the Living Unit, facilities or services provided for herein are personal to you, and these rights cannot be transferred or assigned by you to any other person or entity.

10. Pets.

Pets or animals of any kind shall be allowed on the premises only in strict compliance with Well•Spring's written policies and with the prior written consent of Well•Spring. Well•Spring retains the right to modify its pet policies at any time as it deems necessary to assure the safety and comfort of all Residents.

11. Policies, Rules and Regulations.

You agree to abide by the policies, rules and regulations of Well•Spring, including such changes as may be adopted from time to time. These policies shall be set forth in a Resident Handbook and shall be made available to you by the management of Well•Spring.

12. Power of Attorney.

You agree to execute and maintain in effect a limited Durable Power of Attorney as provided in Chapter 32A, Article 2 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, a relative, or some 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 you could if acting personally. It shall be in a form which survives your incapacity or disability, and it shall otherwise be satisfactory to Well•Spring. You shall deliver a fully executed copy of this Durable Power of Attorney to Well•Spring prior to the Occupancy Date, and you must notify Well•Spring in writing of any subsequent changes to your Power of Attorney, including the appointment of a new legal representative. If you revoke your Power of Attorney and do not name a new personal representative, or if your personal representative dies, becomes incapacitated or cannot be located after a reasonable search, then you agree that Well•Spring will be your Attorney-in-Fact, coupled with an interest, for the sole purpose of giving Well•Spring the authority to nominate a legal guardian for you, to serve when approved by a court as provided by law.

13. Preservation of Your Assets.

You agree to manage your financial resources so as not to threaten or impair your ability or the ability of your estate to satisfy your financial obligations as set forth in this Agreement. At the request of Well•Spring, you agree to make arrangements for the preservation and management of your financial resources by a third-party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Well•Spring, it appears that your continued management of your financial affairs may make you unable to meet your financial obligations to Well•Spring.

Well·Spring shall have no obligation to see to the proper management of your financial affairs, and you shall be solely responsible for the proper management or arranging for the proper management of your financial affairs.

14. Protection of Personal Property.

Well·Spring shall not be responsible for the loss of any personal property belonging to you due to theft, fire or any other cause, unless such property is specifically entrusted in writing to Well·Spring's care and control and then only for gross negligence in failing to safeguard and account for such property. (You may wish to obtain insurance at your own expense to protect against such losses.)

15. Real Property.

Your rights and privileges, as granted herein, do not include any right, title or interest, whether legal, equitable, beneficial or otherwise, in or to any part of the real property, including land, buildings and improvements, owned or operated by Well·Spring.

16. Relationships between Residents and Staff Members.

Employees of Well·Spring are supervised solely by Well·Spring's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. You acknowledge and agree that you or your family will not hire Well·Spring employees or solicit such employees to resign their employment at Well·Spring in order to work for you or your family. You also acknowledge and agree that, unless consented to by Well·Spring, you will not hire any former Well·Spring employee until three (3) months has elapsed from the date of termination of the person's employment at Well·Spring.

17. Representations Made by You in Connection With Application for Residency.

Your application forms, including the statements of your finances and health history, which you filed with Well·Spring as part of the residency application process described in the Reservation Agreement are incorporated into this Agreement by reference, and all statements therein are deemed to be true as of the date made. You represent and warrant that you have disclosed to Well·Spring all material changes in this information occurring since the date of your application. Any material misstatement, or any material omission to state a fact called for, shall entitle Well·Spring to terminate this Agreement under Section VI, paragraph 5. By executing this Agreement, you represent and warrant that your sources of income are adequate to meet your financial responsibilities to Well·Spring and to pay all of your personal and incidental expenses. You represent and warrant that you have not made any gift or transfer for less than fair value of real or personal property in contemplation of the execution of this Agreement. You also agree that no such gift or transfer for less than fair value will be made subsequent to the execution of this Agreement that would impair your ability to satisfy your financial obligations under this Agreement. If you are unable to meet such financial obligations, you agree to make every reasonable effort to obtain assistance through or by means of your family or otherwise except as acknowledged in writing by Well·Spring.

18. Residents' Association.

Residents shall have the right to organize and operate a Residents' Association at Well•Spring, and they shall have the right to meet privately to conduct business as an association. The officers of the Residents' Association shall serve as liaison between the residents and Well•Spring.

19. Resident Physician.

You shall designate and provide Well•Spring with the name of your attending physician. Well•Spring shall not be responsible for the professional medical services provided by your attending physician.

20. Responsibility for Damages.

You shall be responsible for any costs incurred in replacing, maintaining or repairing any loss or damage to the real or personal property of Well•Spring caused by the negligence or willful misconduct of you, your guests, agents, employees or pets. (You may wish to obtain insurance at your own expense to cover this obligation.)

21. Right of Entry.

You shall permit authorized employees of Well•Spring to enter your Living Unit at all reasonable times for inspection, housekeeping and maintenance and at any time in case of emergencies. Well•Spring recognizes your right to privacy, and it shall limit entry to your Living Unit to emergencies and as described above.

22. Rights of Residents.

Your rights as a Resident under this Agreement are those rights and privileges expressly granted to you by this Agreement or by North Carolina law.

23. Structural Changes.

Any structural or physical change of any kind within or about your Living Unit shall require Well•Spring's prior written approval and thereafter may be subject to its supervision. The cost of any changes you request, and the cost of restoring the Living Unit to its original condition upon the termination of this Agreement, if deemed necessary by Well•Spring, shall be your personal obligation. All built-in changes shall immediately become and remain the property of Well•Spring. You agree to permit access by Well•Spring to your Living Unit in order to make any structural or mechanical changes that may be required to comply with local building codes or otherwise needed in connection with any construction or improvement projects at Well•Spring.

24. Subordination of Rights.

Notwithstanding anything to the contrary, your rights, privileges or benefits arising under this Agreement shall be subordinate and inferior to all mortgages, security interests, deeds of trust and leasehold interests granted to secure any loans or advances made to Well•Spring, its related entities, or its successors, now outstanding or made in the future, in the real property and improvements constituting Well•Spring, and also subordinate and inferior to all amendments, modifications, replacements, refundings, or refinancings thereof. You agree

that, at the request of Well•Spring, you shall execute and deliver any and all documents which are deemed by Well•Spring to be necessary or required to effect or evidence such subordination.

25. Taxes on Personal Property.

You shall pay all taxes assessed regarding your personal property.

26. Will and Funeral Arrangements.

If you have not already done so, you agree to make a will providing for disposal of your personal property, the appointment of an executor of your estate, and funeral and burial arrangements, within sixty (60) days after the date of this Agreement. You agree to provide Well•Spring with written verification from your attorney or from another independent source that these arrangements have been made within sixty (60) days of the date of this Agreement. You acknowledge that while Well•Spring shall not be responsible for making arrangements relating to disposal of personal property and funeral and burial arrangements, if Well•Spring must do so, you agree that Well•Spring shall be reimbursed by your estate for all such expenses

IV. FEES

1. Statement of Fees.

You shall pay the total Entrance Fee and either the Monthly Fee or the Discounted Per Diem Rate (as applicable) set forth in attached Exhibit A, which charges represent payment for the services to be provided by Well•Spring under this Agreement. If you are a Co-Resident as defined in Section VII, paragraph 1 below, the total Entrance Fee for Co-Residents shown on Exhibit A is the total Entrance Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment. If you are a Co-Resident, the Co-Resident's Monthly Fee shown on Exhibit A is the total Monthly Fee applicable to your Living Unit, and you and your Co-Resident are jointly and severally liable for its payment.

Any Reservation Fee (as defined in the Reservation Agreement) and other Entrance Fee payments to Well•Spring shall be credited to reduce the Entrance Fee balance due. The total Entrance Fee shall be due and payable on or before the date your Living Unit is physically occupied or the recorded Occupancy Date, whichever comes first. After your Occupancy Date, earnings on the Entrance Fee will become the property of Well•Spring and will not be refunded.

2. Monthly Fees for Occupancy of Living Unit.

You agree to pay Well•Spring the Monthly Fee in advance by the 15th day of each calendar month beginning with the Occupancy Date of your Living Unit. This fee shall be prorated for any applicable period of less than one month. Unless expressly stated in this Agreement, fees shall not be waived, suspended, or reduced. The Monthly Fee may be adjusted periodically by Well•Spring at its sole discretion upon at least sixty (60) days' advance written notice to you.

If this Agreement is terminated, Monthly Fees prepaid for periods after the termination date shall be refunded to you; provided that Well•Spring shall not be obligated to refund

more than one (1) month's Monthly Fee and provided further that Well•Spring shall be entitled to set off against any refund any amounts that you may owe to it.

Well•Spring shall endeavor to maintain the Monthly Fee at the lowest feasible rate consistent with sound financial practice and maintenance of the quality of services (including health care services) to be provided by Well•Spring. When Well•Spring does adjust those fees, you shall pay the adjusted fee. You agree that you shall have no right to offset or withhold payment for the Monthly Fee or any other amounts you owe Well•Spring under this Agreement for any reason.

You agree to pay the Monthly Fee applicable to your Living Unit so long as you are residing in your Living Unit or your Living Unit is being reserved for you.

You shall be invoiced monthly for any services and supplies provided for you, and such invoices shall be due and payable by the 15th day of each calendar month.

3. Per Diem Rates and Holding Fees for Occupancy in Health Center.

- (a) Well•Spring shall establish, amend from time to time, and publish per diem rates for accommodations and services in the Health Center (the "Health Center Per Diem Rates"), taking into account rates being charged by other comparable nursing centers and the costs of operation of the Health Center.
- (b) In the event you are transferred from your Living Unit to the Health Center in accordance with Article II, Section 9(a), or are transferred from a hospital or other facility to the Health Center, you shall continue to pay the Monthly Service Fee (or a prorated portion thereof) for the first fourteen (14) days (whether or not consecutive) of occupancy in the Health Center. Beginning on day 15 of Health Center occupancy, you shall cease paying the Monthly Service Fee and shall begin paying a discounted Health Center Per Diem Rate (the "Discounted Per Diem Rate") as published by Well•Spring.
- (c) During the first thirty (30) days (whether or not consecutive) of Health Center occupancy, your Living Unit shall be held for you in the event you no longer need the services of the Health Center, at no extra cost beyond that indicated in Article IV, Section 3(b) above. In the event you continue occupancy in the Health Center beyond thirty (30) days (whether or not consecutive) and wish to continue to hold your Living Unit, Well•Spring may require you to pay, in addition to the Discounted Per Diem Rate for the Health Center, a monthly Holding Fee equal to the Monthly Fee for your Living Unit minus the cost of meals. The days you occupy the Health Center shall be counted, whether or not consecutive. After you have reoccupied your Living Unit for a period of thirty (30) consecutive days, your prior days of occupancy in the Health Center shall not be counted. You may not hold the Living Unit for more than ninety (90) days beyond the initial thirty (30) days of Health Center occupancy without the approval of Well•Spring. If you choose to surrender the Living Unit, and your physician and Well•Spring's Medical Director shall subsequently determine that you can resume

occupancy in a Living Unit, you will receive a top priority for assignment to a comparable Living Unit as soon as such a unit becomes available.

- (d) If you have permanently transferred from your Living Unit to a Health Center Living Unit (the "Original Health Center Living Unit") and then you are transferred from your Original Health Center Living Unit to another Health Center Living Unit in the Health Center, you will immediately pay the Discounted Daily Charge for the other Health Center Living Unit. During the first fourteen (14) days (whether or not consecutive) of your occupancy of the other Health Center Living Unit, your Original Health Center Living Unit will be held for you at no extra cost to you in the event you no longer need the services provided by the other Health Center Living Unit. If you continue occupancy of the other Health Care Living Unit for more than fourteen (14) days (whether or not consecutive), and you wish to continue to reserve your Original Health Care Living Unit, Well-Spring may require you to pay, in addition to the Discounted Daily Charge for other Health Care Living Unit, a Holding Fee equal to the Daily Charge for your Original Health Care Living Unit minus the cost of meals. You may not reserve your Original Health Center Living Unit for more than 90 days without the approval of Well-Spring. If you choose to surrender your Original Health Center Living Unit, and your physician and Well-Spring's Medical Director shall subsequently determine that you can resume occupancy in your Health Center Living Unit, you will receive a top priority for assignment to a comparable Health Care Living Unit as soon as such a unit becomes available.

4. Late Payments.

You agree to pay Well-Spring interest on any Monthly Fees, Per Diem Rates or any other amounts you owe Well-Spring which are not paid within fifteen (15) days of becoming due at an annual rate of interest equal to the prime rate established by BB&T (or such other bank as Well-Spring shall designate from time to time) plus two percent (2%) until any such amounts are paid in full; provided, however, that the interest rate shall not exceed the maximum interest rate permitted under North Carolina law.

5. Reduction in Income.

If your funds become substantially reduced or depleted, and your income reduced to the extent that you are eligible to receive public or other benefits and entitlements including, but not limited, Social Security Supplemental Income and Medicaid, you agree to obtain and maintain all such benefits and entitlements. Failure to do so may result in the termination of this Agreement by Well-Spring.

6. Subsidy Assistance.

It is Well-Spring's desire that this Agreement shall not be terminated solely because of your financial inability to continue to pay the Monthly Fee or other charges payable under the terms of this Agreement by reason or circumstances beyond your control, provided, however, this policy shall not be construed to qualify or limit Well-Spring's right to terminate this Agreement in accordance with its terms under Section VI, paragraph 5. If you present facts which in the opinion of Well-Spring justify special financial consideration, Well-Spring shall

give careful consideration to subsidizing in whole or in part the Monthly Fee or Discounted Per Diem Rate and other charges payable by you under the terms of this Agreement so long as such subsidy can be made without impairing the ability of Well·Spring to attain its objectives while operating on a sound financial basis. Any determination by Well·Spring with regard to the granting of financial assistance shall be within the sole discretion of Well·Spring, and any decision to provide such financial assistance shall continue in effect only so long as Well·Spring, in its sole discretion, determines that it can continue to attain its objectives while operating on a sound financial basis. No Resident shall have any expectation of receiving, or continuing to receive, subsidy assistance by Well·Spring.

As a means of providing financial assistance to Residents, Well·Spring has established an endowment fund known as the Benevolence Fund. Income from the Benevolence Fund may be used to provide financial assistance in accordance with the subsidy policy described above. In the event that Well·Spring continues to provide the services to you under the terms of this Agreement despite your financial inability to continue to pay the Monthly Fee or other charges payable under the terms of this Agreement, Well·Spring shall be entitled to require you to move to a smaller or less costly accommodation.

V. TRANSFER FROM YOUR LIVING UNIT OR THE HEALTH CENTER

There may come a time when you, or if Co-Residents, one of you, must move from your Living Unit to the Health Center or to another facility which provides services not available at Well·Spring. Well·Spring is aware that this is a critical transition and shall adhere to the following procedures regarding any such transfer:

1. Consultations

Except in case of emergency, Well·Spring shall not transfer you from your Living Unit or from the Health Center for health-related or other reasons until it has consulted with you and your physician, or with anyone else you designate as a primary contact. In the case of an emergency transfer, the consultations described above shall be scheduled by Well·Spring within five (5) days after transfer.

2. Consents.

When Well·Spring determines it to be appropriate, after the consultations provided for in the preceding paragraph have occurred, to transfer you from your Living Unit to the Health Center or to a suitable public or private facility for hospitalization, health care, or other health-related services, Well·Spring shall have the right and authority to transfer you without having to obtain your further consent.

In the event that Well·Spring determines that your continued occupancy of your Living Unit constitutes a danger to other residents or to yourself, or is detrimental to the peace or health of other residents, Well Spring shall have the right and authority to transfer you to another Living Unit, to the Health Center, or to a suitable public or private facility without having to obtain your further consent.

3. . Return to Living Unit and Release of Living Unit.

When you are transferred from your Living Unit to the Health Center, your Living Unit shall be reserved for you for the first thirty (30) days of Health Center occupancy so that you may return to your Living Unit if your condition permits. Your Living Unit shall be released and made available to a new resident after thirty (30) days of Health Center occupancy, unless you have reserved your Living Unit through payment of the Holding Fee as provided in Article IV, Section 3(c) above, and except in the case of the permanent transfer of one Co-Resident, in which case the other Co-Resident shall be entitled to remain in the Living Unit in accordance with the provisions of Section VII, paragraph 4 below. Any decision by Well•Spring relating to your transfer or the release of your Living Unit may be appealed to Well•Spring's Board of Trustees or to a duly designated committee thereof, whose decision shall be final and binding upon all parties.

VI. TERMINATION OF AGREEMENT

This Agreement may be terminated in accordance with this Article VI. The effective date of termination of this Agreement, as established in the provisions below, is referred to hereinafter as the "Termination Date."

1. Termination During 30-Day Opt-Out ("Rescission") Period.

You may terminate this Agreement by giving written notice thereof to Well•Spring within thirty (30) days following the later of (i) the Effective Date of this Agreement (as defined in Section VIII, paragraph 4) or (ii) the receipt of a Disclosure Statement that meets the requirement of the laws of the State of North Carolina. You do not have to move in before the expiration of the 30-day rescission period. If you terminate this Agreement within this thirty (30) days period prior to your occupancy of your Living Unit and payment of the Entrance Fee, Well•Spring will refund your Reservation Fee, less two percent (2%) of the total Entrance Fee which is non-refundable.

2. Termination by You When Death, Illness, Injury or Incapacity Prevents Occupancy.

If, at any time prior to occupancy, including the thirty (30) day rescission period described above, you are not able to commence occupancy of your Living Unit or an accommodation in the Health Center due to death, illness, injury or incapacity, you or your personal representative shall give written notice thereof to Well•Spring together with information to validate your claim. If your claim is accepted by Well•Spring, this Agreement shall terminate, and the Termination Date shall be the date of the notice, and you or your legal representative shall receive a refund your Reservation Fee less any fees charged by Well•Spring to you or your legal representative within five (5) business days after it accepts your claim.

3. Voluntary Termination by You.

If you wish to voluntarily terminate this Agreement you must provide written notice to Well•Spring at least thirty (30) days prior to your desired termination date. If you terminate this Agreement for any reason other than described in paragraphs 1 and 2 of this Article VI before you commence occupancy of your Living Unit and before you pay the Entrance Fee, Well•Spring will refund your Reservation Fee less two percent (2%), of the total Entrance Fee which is non-refundable. If you terminate this Agreement for any reason other than described

in paragraphs 1 and 2 of this Article VI after you commence occupancy of your Living Unit, you will receive a refund of the Entrance Fee to which you are entitled based on the Refund Option you selected. The Termination Date shall be thirty (30) days after the date Well • Spring receives your notice of termination or a date greater than 30 days as specified by you. Well • Spring reserves the right in its discretion to delay payment of any refund pursuant to this Section 3 until the earlier of (i) the date Well • Spring receives payment of an Entrance Fee from a successor resident of your Living Unit or (ii) two (2) years from the Termination Date.

4. Failure to Meet Admission Criteria

If Well • Spring determines that you do not meet its admission criteria prior to your occupancy of the Living Unit, this Agreement shall terminate, and Well • Spring will refund your Reservation Fee within five (5) business days after its determination less any fees charged by Well • Spring.

5. Termination by Well•Spring.

Notwithstanding anything to the contrary contained herein, Well•Spring will have the right to terminate this Agreement for any cause which, in its judgment and sole discretion, shall be good and sufficient. Good and sufficient cause will include, without limitation, the following:

- Failure to perform your obligations under this Agreement, including, but not limited to the obligation to pay the Monthly Fees and other charges, within fifteen (15) days after they are due to be performed or paid.
- Failure to abide by the rules and regulations of Well • Spring Community, including such changes as may be adopted from time to time.
- Material misstatements or failure to state a material fact in your application, financial statement, and health history statement filed with Well • Spring or in your representations in this Agreement.
- Changes in your financial status prior to occupancy at Well • Spring that cause you to fail to meet Well • Spring's financial qualifications for admission.
- Dissipation or commitment of your financial resources in a voluntary and discretionary manner that impairs your ability to meet your financial obligations to Well • Spring.
- Permanent transfer to another public or private institution.
- You develop a medical condition or illness, such that you can no longer live independently and require assisted living or skilled nursing care, as determined by one or more physicians (hereafter the "Consulting Physician") selected by Well • Spring who will consult with your physician and you fail or refuse to leave and relinquish your Living Unit and be admitted to the Health Center within five (5) days after notice by Well • Spring.

- You give Well·Spring notice of your election to receive a refund of your Entrance Fee in accordance with Section VI, paragraph 9 below.

Well·Spring shall give you at least thirty (30) days' prior written notice of your Termination Date unless your continued occupancy presents a threat to the safety of others or to yourself in which case Well·Spring shall have the right to reduce the prior notice period in its discretion and to make the termination immediately effective, if necessary. Well·Spring reserves the right in its discretion to delay payment of any refund due as a result of a termination under this paragraph 5 until Well·Spring receives payment of an Entrance Fee from a successor resident of your Living Unit.

6. Effect of Termination on Co-Residents.

In the case of Co-Residents, Well·Spring will have the right to terminate this Agreement only with respect to the Co-Resident to which the circumstances giving rise to termination apply, and this Agreement will remain in effect for the remaining Co-Resident. Notwithstanding any provision in this Agreement to the contrary, the rights and responsibilities of the Co-Residents with respect to any refund of Entrance Fees and payment of Monthly Fees will be determined in accordance with Section VII, paragraph 3.

7. Refund of Entrance Fee Conditioned on Payment of Resident's Obligations.

Notwithstanding any provision in this Agreement to the contrary, Well·Spring shall be entitled to withhold the refund of an Entrance Fee pursuant to Sections 3, 4 and 5 above until the Resident entitled to the refund pays Well·Spring all amounts owed to it, including but not limited to Monthly Fees and any reasonable expenses incurred in connection with the termination, including, but not limited to:

- Cost of any repairs or replacement of property assigned to your use.
- Painting or other refurbishment of your Living Unit in excess of that required by normal wear.
- The cumulative amount of any financial assistance or other subsidies provided to you by Well·Spring.

Well·Spring may also set off any amounts owed against any refund due and against any Monthly Fee that was prepaid for periods after the Termination Date.

8. Limitation of Remedies and Damages for Default by Well·Spring.

Until you notify us in writing of an alleged default and afford us a reasonable time in which to cure the alleged default, no default by Well·Spring in the performance of any of the obligations or promises herein agreed to by Well·Spring or imposed by law shall constitute a material breach of this Agreement, and you shall have no right to terminate the Agreement for any such breach or suspend your performance under this Agreement. Regardless of their duration, the defective condition of or failure to repair, maintain, or provide any area, fixture, or facility used in connection with social or recreational activities will not constitute a

material breach of this Agreement and you shall have no right to terminate this Agreement or suspend your performance under this Agreement.

9. Refunds Pursuant to a Refund Option.

In addition to the provisions for a refund of the Entrance Fee stated above, you shall have the rights to and shall be bound by the terms of the Refund Option selected by you on Exhibit A. and the provisions concerning Co-Residents' rights and responsibilities, if applicable. Your right to a refund under the Refund Option you selected will arise if any one of the following circumstances should occur:

- (a) You give Well • Spring notice of your election to receive a refund in which event this Agreement will terminate in accordance with Section VI, paragraphs 1, 2, and 3.
- (b) Well • Spring terminates this Agreement in accordance with Section VI, paragraph 4 or 5; or
- (c) This Agreement is terminated as a result of your death.

The amount of the refund, if any, to which you are entitled will be determined in accordance with the Refund Option selected by you. The Refund Options are as follows:

One year, Four Percent Per Month Declining Refund Option. If you have selected the One (1) Year, Four Percent (4%) Per Month Declining Refund Option, Well • Spring will refund to you or to your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy Date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well • Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less four percent (4%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date until the refund amount is equal to fifty percent (50%) of the Entrance Fee. In no event shall you be entitled to any refund if the Termination Date occurs more than twelve (12) months after the Occupancy Date. This option shall be referred to as the One (1) Year, Four Percent (4%) Per Month Declining Refund.

Ninety-Two Month, One Percent Per Month Declining Refund Option. If you have selected the One Percent (1%) Per Month Declining Refund Option, Well • Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid in the event that the Termination Date occurs within sixty (60) days after the Occupancy date. If the Termination Date occurs more than sixty (60) days after the Occupancy Date, Well • Spring will refund to you or your estate an amount equal to ninety percent (90%) of the Entrance Fee paid less one percent (1%) of the total Entrance Fee for each calendar month between the end of the initial sixty (60) day period and the Termination Date. In no event shall you be entitled to any refund if the Termination Date occurs more than ninety-two (92) months after the Occupancy Date. This option shall be referred to as the Ninety-Two Month, One Percent (1%) Per Month Declining Refund.

For purposes of computing Entrance Fee Refunds, a partial calendar month of more than 15 days shall be treated as a full calendar month and a partial calendar month of 15 or fewer days shall be ignored. The Effective Date and Termination Date shall be counted as full calendar days.

10. Removal of Property.

You agree to the removal of your property from the Living Unit and the Well•Spring Community within either a two (2) week grace period if the Living Unit is in Independent Living or a one (1) week grace period if the Living Unit is in Health Care after the Termination Date. After the applicable grace period, you or your estate shall pay a daily rate based on the Monthly Fee applicable to your Living Unit less the published Food Credit. Additionally, Well•Spring may store such property at your or your estate's expense for up to sixty (60) days after which it may be disposed of by Well•Spring without liability.

VII. CO-RESIDENT'S RIGHTS AND RESPONSIBILITIES

1. Co-Residents.

Residents who occupy the same Living Unit and who execute a Residence and Care Agreement jointly are "Co-Residents". Your right to occupy the Living Unit shall be in common with your Co-Resident. Under the terms of this Agreement, married couples shall have rights and obligations identical to those of any other Co-Residents.

2. Joint Liability and Authority.

Each Co-Resident shall be jointly and severally liable for all payments which shall be due, and all obligations which shall be performed by them, under the terms of this Agreement. If you are a Co-Resident, you may exercise your rights under this Agreement only by joint consent and action with your Co-Resident, and no such exercise shall be effective unless done jointly by both Co-Residents.

3. Termination of Agreement with One Co-Resident.

In the event this Agreement terminates with respect to one (1) Co-Resident for any reason, the total Entrance Fee paid by Co-Residents shall be deemed to have been paid on behalf of the remaining Resident, whose Agreement shall remain in effect. Any refund of an Entrance Fee paid for Co-Residents shall be refunded for the benefit of the remaining resident or their estate upon termination of the Agreement with the remaining resident.

When this Agreement terminates with respect to one (1) Co-Resident, the remaining resident shall have the option for a period of thirty (30) days thereafter to elect:

- to remain in the same Living Unit and to pay the then current single resident Monthly Fee applicable to that unit; or
- to move to a different type of Living Unit, if and when available, in accordance with the terms set forth in Section VIII, paragraph 1, "Change of Living Unit."

4. Transfer of One Co-Resident to the Well•Spring Health Center.

When one (1) Co-Resident transfers permanently from their Living Unit to the Health Center, the transferring Co-Resident shall cease paying the Co-Resident Monthly Fee and begin paying the Discounted Per Diem Rate as set forth in Article IV, Section 3(b) above. The Co-Resident remaining in the Living Unit shall continue to pay the Co-Resident Monthly Fee applicable to the Living Unit occupied at the time of transfer, subject to adjustment by Well•Spring in accordance with Section IV, paragraph 1, "Monthly Fees."

5. Addition of a Co-Resident or Marriage.

When a single resident occupies a Living Unit in which Well•Spring policy permits double occupancy, the resident can allow another person to share occupancy of the Living Unit, if in the sole judgment of Well•Spring, the new resident qualifies for acceptance. Before commencing occupancy, the new Co-Resident shall be required to sign and become a Co-Resident under the Residence and Care Agreement then in effect for the Living Unit, which shall be amended to require: (i) payment of the Monthly Fee then applicable to Co-Residents of the Living Unit, and (ii) payment of the difference between the single resident and the then current Co-Resident Entrance Fee applicable to the Living Unit prior to the new Co-Resident's occupancy of the Living Unit. The effective date of the new Co-Resident's Residence and Care Agreement for purposes of determining any applicable refund of Entrance Fee will be retroactive to the date of the original single resident's original Residence and Care Agreement.

VIII. MISCELLANEOUS

1. Change of Living Unit.

Well•Spring may, in certain circumstances, approve your moving to a different Living Unit. At the time your request is approved, Well•Spring shall determine, in its discretion, the amount of any additional Monthly or Entrance Fee or any refund or credit which is appropriate to the new Living Unit.

2. Confidentiality.

Well•Spring has the responsibility to keep private and confidential all of the personal, medical and financial information you have supplied to it. However, you agree that Well•Spring can provide such information, in accordance with applicable privacy and confidentiality laws, to those who, in its judgment, have a need or right to have or know this information (e.g., to provide information for transfer to a hospital).

3. Disclosure Statement.

You acknowledge that you have received a current copy of the Well•Spring Disclosure Statement.

4. Effective Date and Governing Laws.

This Agreement takes effect ("Effective Date") when you sign the Agreement. This Agreement, including its validity and the capacity of the parties to this Agreement, its form, interpretation of its language, and any questions concerning its performance and discharge, shall be governed by and construed in accordance with the laws of the State of North

Carolina. You and Well•Spring agree to comply with the laws and regulations regarding licensed adult care and licensed nursing care in effect from time to time.

5. Full and Complete Agreement.

This Agreement shall take precedence over any representations previously made by Well•Spring representatives and over any descriptions of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Well•Spring, and it supersedes all previous understandings and agreements between you and Well•Spring, including but not limited to any Reservation Agreement for your Living Unit. No waiver or modification of this Agreement shall be valid and effective unless it is made in writing, signed by you and by Well•Spring, and attached to this Agreement.

6. Interpretation.

Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement. Should any provision herein, for any reason, be held invalid or unenforceable in any jurisdiction in which it is sought to be enforced, such invalidity and unenforceability shall not affect any other provision of this Agreement, and any such invalid and unenforceable provision shall be construed as if it were omitted. The remainder of this Agreement shall remain in full force and effect.

7. Management Authority.

Well•Spring retains all authority regarding acceptance of Residents, adjustment of fees, financial assistance, and all other aspects of the management of Well•Spring.

8. Notices.

Until you reside at Well•Spring and when required by the terms of this Agreement, notices will be given in writing and shall be given to Well•Spring or to you at the addresses set forth in Exhibit A, or at such address as Well•Spring and you shall specify in writing to each other. After you reside at Well•Spring, your address shall be your Living Unit unless you provide us with written notice of another address. Notices shall be given in writing by hand delivery or by a commercial courier that provides documentation of delivery.

9. Pronouns.

All references in this Agreement to masculine pronouns and adjectives shall also include the feminine and vice versa. References to “you” shall include your legal representative (i.e. attorney-in-fact or personal representative of your estate) as the context requires.

10. Statement of Nondiscrimination.

Race, color, gender, religious beliefs, sexual orientation, or national origin do not have any bearing upon your acceptance or rejection for admission, the execution of this Agreement, or the normal conduct of business by Well•Spring.

11. Successors and Assigns.

The duties owed Well•Spring under this Agreement shall inure to the benefit of its successors and assigns.

TOTAL MONTHLY FEE: \$ _____

CURRENT HEALTH CENTER
PER DIEM RATE:

Skilled Nursing \$ _____

Assisted Living \$ _____

DISCOUNT APPLIED TO HEALTH CENTER

PER DIEM RATE: _____%

REFUND OPTION SELECTED:

() One (1) Year, Four Percent (4%) Per Month Declining Refund

() Ninety Two One Percent (1%) Per Month Declining Refund

ADDRESSES FOR REQUIRED NOTICE:

To: Well • Spring:

Well • Spring, A Life Plan Community
Attention: Executive Director
4100 Well Spring Drive
Greensboro, NC 27410

To You Prior to Occupancy:

Name: _____

Address: _____

City/State: _____

Zip Code: _____

To You Following Occupancy:

Name: _____

Address: _____

City/State: _____

Zip Code: _____

Your signature below certifies that you have read, understand and accept this Exhibit A.

Signature - Resident

Signature - Co-Resident

Date

APPENDIX D



Well•Spring, A Life Plan Community

HEALTH CARE AGREEMENT



HEALTH CARE AGREEMENT

4100 Well Spring Drive, Greensboro, NC 27410
Phone (336) 545-5400/Fax (336) 545-5411
5/6/2019

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**WELL-SPRING, A LIFE PLAN COMMUNITY
HEALTH CARE AGREEMENT**

I. INTRODUCTION

This Health Care Agreement (the "Agreement") is entered into between _____ (referred to as "you") and Well-Spring, A Life Plan Community, a North Carolina nonprofit corporation with its principal office in Greensboro, North Carolina (referred to as "Well-Spring").

Well-Spring owns a life plan community in Greensboro, North Carolina known as "Well-Spring, A Life Plan Community" ("Well-Spring "). You desire to become a resident in Well-Spring's Health Center and to use and enjoy the facilities, programs, and services provided by Well-Spring, and Well-Spring desires for you to become a resident of Well-Spring subject to the terms and conditions of this Agreement. This Agreement is divided into several parts in order to make it easier to read and to allow you to find the particular terms and conditions pertaining to each aspect of your residency.

NOW, THEREFORE, Well-Spring and you agree to the following:

II. TERM OF AGREEMENT

1. Term

The term of this Agreement shall commence on the Occupancy Date (as defined in Section III, paragraph 1 below) and shall continue in effect for a period of thirteen (13) consecutive calendar months, unless sooner terminated in accordance with the provisions of this Agreement (the "Initial Term"). Either Well-Spring or you may terminate this Agreement at the expiration of the Initial Term by giving written notice to the other at least thirty (30) days prior to the expiration of the Initial Term. In the event such notice is not given, this Agreement shall remain in effect from month-to-month subject to the terms and conditions of this Agreement and may thereafter be terminated by either you or Well-Spring by giving the other party thirty (30) days prior written notice of such termination. For purposes of this Agreement, the Initial Term and all subsequent periods during which this Agreement remains in effect shall constitute the "Term of this Agreement."

III. RESIDENCY AND WELL-SPRING'S RESPONSIBILITIES TO YOU AS A RESIDENT

Upon your occupancy in Well-Spring's Health Center (as defined in Section III, paragraph 2 below), Well-Spring shall provide to you during the Term of this Agreement the Living Unit and care shown on Exhibit A to this Agreement ("Health Center Living Unit") and shall make available to you the facilities of Well-Spring. Unless otherwise specified, there shall be no charge made for any of these services and facilities other than payment of the standard daily charge on Exhibit A (the "Daily Charge").

1. Living Unit in the Health Center

Well-Spring confers on you the right to occupy and use the Health Center Living Unit during the Term of this Agreement of the type selected by you and described in Exhibit A, subject to the terms and provisions of this Agreement.

2. Adult Care, Resident Clinic, Skilled Nursing and Licensed Nursing Care

Well-Spring will provide the following health care services and facilities to residents occupying Health Center Living Units in the Health Center:

- (a) Assisted Living Care. Assisted Living Care shall be provided in accordance with North Carolina licensure statutes and regulations for licensed adult care. Well-Spring will provide you with licensed adult care in the Well-Spring Health Center (the "Health Center"). Responsible staff will be on duty at all times in the Health Center to assist you when necessary with bathing, dressing, grooming, eating, ambulation, and other activities of daily living. Well-Spring reserves the right to change the services provided under this Agreement at any time in order to comply with licensure laws and regulations from time to time in effect.
- (b) Resident Clinic. Well-Spring will provide a Resident Clinic ("Clinic") on the Health Center premises where residents may be seen and treated as outpatients. Arrangements may be made for one (1) or more physicians, affiliated with Well-Spring ("Clinic Physicians"), to keep scheduled office hours at the Clinic. Routine services provided by the Clinic nursing staff will be provided at no additional charge. You shall pay an additional charge for office visits to Clinic Physicians or other Clinic health professionals including nurse practitioners and other physician extenders. There is no obligation to use the Clinic or the Clinic Physicians. You remain free to engage at your expense the services of a physician of your choice.
- (c) Skilled Nursing Care & Licensed Nursing Care. Well-Spring may provide the following health care services and facilities to residents occupying Skilled Nursing Units in the Health Center, if available. Well-Spring makes no representations as to the availability of Skilled Nursing care on its campus. Well-Spring may provide licensed nursing care to you in the Health Center. Well-Spring reserves the right to change the services provided under this Agreement at any time in order to comply with licensure laws and regulations from time to time in effect.

3. Common Facilities

You may use, in common with other residents, the common facilities of Well-Spring's Health Center including but not limited to the dining room, lounges, lobbies, libraries, social and recreation rooms, and designated outdoor activity areas. At times, advance reservation may be required for certain common facilities. There will be additional charges for your use of special services, such as beauty/barber shop and convenience store/gift shop.

4. Emergencies

The Health Center staff and/or safety staff employed by Well-Spring will be available to you in case of emergencies.

5. Exclusions

You agree that you or your insurance shall pay for all costs of your health and medical care except as follows:

- (a) If you occupy a Health Center Living Unit, you shall be provided (i) assisted living (licensed as adult care) care in accordance with Section III, paragraph 2(a); (ii) care provided by Well-Spring in the Resident Clinic in accordance with Section III, paragraph 2(b); (iii) care provided by Well-Spring in emergencies in accordance with Section III, paragraph 4 and (iv) care provided for temporary illness.

- (b) The health and medical care for which you are responsible for payment includes, but is not limited to:
 - charges of any physician, dentist, podiatrist, nurse practitioner, or other physician extenders or therapists;
 - rehabilitative, habilitative, and therapeutic services, including, but not limited to, speech therapy, occupational therapy, physical therapy, and respiratory therapy;
 - laboratory, X-ray, and other diagnostic services;
 - home health care and hospice;
 - prescription drugs and supplies or equipment;
 - oxygen supplies
 - vision, hearing, and dental care, including all supplies, equipment, and appliances;
 - orthopedic appliances;
 - mental health services;
 - hospital charges;
 - ambulatory surgical services;
 - ambulance services;
 - all other services for which you otherwise expressly agreed to pay under the terms of this Agreement.

6. Food and Meals

- (a) *Meals*. Your Daily Charge includes three (3) meals per day for each day of a month. Meals will be served in the dining room, which is located in the Health Center. When

authorized by Well-Spring, meal delivery service will be provided to your Health Center Living Unit.

- (b) *Food Credit*. When you give Well-Spring advance notice that you are going to be away from Well-Spring for more than seven (7) consecutive nights, or if you are hospitalized, you will be credited for the missed meals, according to a schedule periodically published by Well-Spring (the "Food Credit").
- (c) *Dietary Service*. When authorized by Well-Spring's medical and dietary personnel, meals accommodating special diets may be provided.
- (d) *Dining Room for Guests*. Dining room service will be available for your guests. Guests will be charged for meals at the currently published meal rate and charges for such meals will be included in your monthly service charge statements (referred to as the "Monthly Statement").

7. Furnishings

Well-Spring will furnish your Health Center Living Unit in the Health Center with mini-blinds, emergency nurse call system, bathroom with grab bars, individual thermostatic control for heating and air-conditioning, cable television outlet, telephone outlet, and smoke alarm. All other furnishings shall be provided by you and are subject to Well-Spring's approval in order to keep the Health Center safe and sanitary.

8. Grounds

Well-Spring will furnish basic grounds keeping care. Well-Spring will have conveniently located garden areas for Health Center residents.

9. Guests

You will be free to invite guests to your Health Center Living Unit for daily visits. Guest rooms may be available at a published rate for overnight stays by your guests from time to time. Well-Spring reserves the right to make rules regarding visits and guest behavior and may limit or terminate a visit at any time for reasons it deems appropriate. No person other than you may reside in your Health Center Living Unit.

10. Hospital Coverage and Transfer Agreements

Well-Spring is not obligated to pay any charges for hospitalization or costs related thereto. In the event it becomes necessary for you to be transferred to a hospital, Well-Spring shall provide any medical or financial information available to meet the provisions of any hospital transfer agreement, and you agree that Well-Spring has the right to disclose such information, which may include part or all of your records.

Well-Spring is not designed or staffed to care for persons afflicted with certain diseases including, but not limited to, psychosis, substance abuse and addiction, or contagious disease. If you require care for a disease or condition which Well-Spring in consultation with your physician determines is a potential danger to the health and welfare of you, other residents or staff, you agree that Well-Spring has the authority, after consultations described

in the transfer provisions of this Agreement, to transfer you elsewhere for hospitalization or nursing care as may be deemed necessary by the Medical Director, whether or not the condition is deemed to be temporary in nature. If the transfer is deemed permanent by the Medical Director, your Health Center Living Unit may be released and made available to another Resident in accordance with the provisions of Section VI below, in which case Well-Spring shall have the right to terminate this Agreement.

11. Housekeeping

Well-Spring will provide certain housekeeping services in your Health Center Living Unit on a weekly basis and as required by applicable licensing regulations.

12. Illness or Injury Away from Well-Spring Community

If you become ill or are injured or develop a condition while you are away from Well-Spring which requires medical attention or treatment away from Well-Spring, all charges for any offsite medical attention or treatment for you shall be your personal responsibility. Upon your return to Well-Spring, Well-Spring shall resume providing all services to which you are entitled under this Agreement. For purposes of this paragraph, you shall be considered to be away from Well-Spring if your illness or injury or condition occurs when you are not on the grounds of Well-Spring.

13. Mail

A mailbox for each Health Center Living Unit will be provided in a central location in Assisted Living. Mail will be delivered to your room by staff in Skilled Nursing, Memory Care, and Rehab.

14. Maintenance and Repairs

Well-Spring will perform all necessary repairs, maintenance, and replacement of its property and equipment. Necessary repairs, maintenance, and replacement of your personal property shall be your responsibility.

15. Medical Director

Well-Spring will retain the services of a qualified physician ("Medical Director") to be responsible for the quality of all medical services and medically related activities provided by Well-Spring.

16. Meetings with Residents

Well-Spring will hold at least quarterly meetings with the residents of Well-Spring for the purpose of free discussion of subjects of interest. Notice of each meeting will be given. Residents may, however, bring any grievances concerning the Health Center or suggestions for changes in rules and policies to the attention of Health Center staff at any time.

17. Private Caregivers and Personal Aides

You shall pay for all expenses (including meals if desired) of private caregivers and personal aides whom you employ, and all of these individuals shall be subject to all rules and regulations in effect at the Well-Spring. No private caregivers or personal aides may be

employed without prior notice to Well·Spring, and at all times they are subject to Well·Spring's Private Caregiver Policy.

18. Programs

Well·Spring will provide programs of social, educational, and recreational activities. Religious services will be provided on a regular basis.

19. Real Estate Taxes

Well·Spring will be responsible for the payment of all real estate taxes, if any, assessed on its property comprising Well·Spring.

20. Rehabilitation Therapies, etc.

You or your medical insurance will pay for all diagnostic, therapeutic, and rehabilitative services. Well·Spring will make arrangements for specialized rehabilitative and habilitative services, such as physical therapy, occupational therapy, and speech therapy, on the Health Center premises. Well·Spring may also make arrangements for the services of other health care professionals on the Health Center premises by appointment. You are free to engage the services of the health care professional of your choice.

21. Right of Subrogation

Should you be injured by a third party and such injury requires Well·Spring to provide health care services under this Agreement, Well·Spring shall be subrogated, to the extent allowed by North Carolina law, to your rights against such other third party to the extent necessary to reimburse Well·Spring for all of its costs and expenses incurred by reason of such injuries.

To the extent allowed under North Carolina law, this right of subrogation authorizes Well·Spring to institute legal action in your name; provided, however, that such action shall not cause or result in a compromise, waiver or release of any causes of action that you may have against such third party for such injuries.

22. Security

Well·Spring will use reasonable care in providing security on the premises for you and your property. Well·Spring shall not be responsible for loss or damage to personal property. Well·Spring strongly discourages the keeping of valuable jewelry, papers, large sums of money, or other items of value in the Health Center.

23. Storage

Limited storage space for clothing and possessions will be allocated to your Health Center Living Unit.

24. Transportation

Well·Spring will provide regularly scheduled local transportation and will assist in arranging for transportation at other times. Additional special transportation for personal or group trips will be available at additional cost.

25. Utilities

Well·Spring will provide utilities to your Health Center Living Unit such as water, sewer, heating, electricity, and air-conditioning. Well·Spring will not be responsible for periods of disruption of these utilities. You may install and maintain telephone service (land line or cellular) in your Health Center Living Unit, and you shall pay the costs of its installation, maintenance and use. Well·Spring will provide basic cable television service to your Health Center Living Unit. You may install and maintain cable internet access and wireless internet access in your Health Center Living Unit. You shall pay the cost of internet service, installation, maintenance and use.

IV. YOUR RIGHTS AND RESPONSIBILITIES AS A RESIDENT

1. Commencing Occupancy

You agree to commence occupancy of your Health Center Living Unit on the occupancy date set forth in Exhibit A (the "Occupancy Date"). If Well·Spring is unable to make a Health Center Living Unit available to you on the Occupancy Date, a revised Occupancy Date shall be established by written mutual agreement. Both the Occupancy Date and any revised Occupancy Date established pursuant to the terms of this paragraph shall be referred to as the "Occupancy Date." If you fail to occupy your Health Center Living Unit on the Occupancy Date, you shall nevertheless become obligated on that date to begin paying and to continue paying the Daily Charge set out in Exhibit A, less the published Food Credit.

If you are scheduled to enter a Health Center Living Unit but Well·Spring determines prior to or on the Occupancy Date that you are unable to occupy the Health Center Living Unit because of a change in your health status, you have the option of either: (i) terminating this Agreement, in which case neither party shall have any further obligations to the other; or (ii) if you meet Well·Spring's criteria for residency in a Skilled Nursing Unit (defined in Section VI), you may occupy a Skilled Nursing Unit (provided a Skilled Nursing Unit is available and such occupancy is permitted under applicable law and regulation), in which case this Agreement shall be amended to require you to pay the Daily Charge applicable to care in a Skilled Nursing Care Unit. Well·Spring agrees to consult with you and your physician or with anyone else you designate as a primary contact pursuant to Section VI below, prior to making a determination that you are unable to occupy a Health Center Living Unit. If, after the consultations described above, Well·Spring determines that you would require care that cannot be provided at Well·Spring due to changes in your health status, Well·Spring shall have the right to terminate this Agreement.

2. Financial Statements

If Well·Spring has reason to believe that your affairs are not being managed in accordance with Section IV, paragraph 11, you agree to provide Well·Spring with financial statements, including copies of your federal, state, and gift tax returns or other financially related information.

3. Health Information

You agree to provide any and all health information as requested by Well·Spring. Said information may include, but shall not be limited to: (a) medical history, (b) report of current physical examination and current physician's orders, including diet, treatment, and current medications; and (c) a physician's statement that you are free from a communicable disease within 30 days prior to admission. If you are suffering from a communicable disease, you shall provide a physician's certificate that the disease is not in a transferable stage. Any health information requested by Well·Spring shall be kept confidential and will only be used to determine a resident's fitness to remain in a Health Center Living Unit.

4. Housekeeping

You agree to maintain your Health Center Living Unit in a clean, safe, and orderly condition, in conformance with all applicable health regulations, and to perform all usual housekeeping not provided by Well·Spring. You shall notify Well·Spring immediately in the event of any damage to your Health Center Living Unit, any water leakage, or any other necessary repairs or maintenance. Maintenance or repairs required as a result of damage caused by you or your guests, as opposed to normal wear and tear, is not included in the Daily Rate and will be billed to you.

5. Indemnification

You shall indemnify, defend and hold Well·Spring and its members, directors, trustees, officers, agents, and employees harmless from and against any and all claims, causes of action, damages, costs, and expenses, including, without limitation, attorneys' fees and expenses and court costs resulting from any injury or death to persons or any damage to property caused by, resulting from, or attributable to, or in any way connected with your negligent or intentional acts or omissions. (You may wish to obtain insurance at your own expense to cover this obligation.)

6. Medicare and Supplemental Insurance Requirements

You shall enroll in and maintain Medicare (Part A and Part B) coverage (or equivalent insurance coverage acceptable to Well·Spring if you do not qualify for Medicare coverage) and shall furnish Well·Spring with evidence of such coverage upon request. You shall also enroll in and maintain participation in any governmental program or entitlement for which you qualify that provides medical or nursing care or financial assistance for medical or nursing care. You shall also provide Well·Spring with evidence of such participation on request.

You are required to secure and maintain a supplemental insurance policy (such as Medicare supplemental insurance) approved by Well·Spring to pay for charges for care not covered by Medicare (or by equivalent coverage required by the preceding paragraph, if applicable) or by other governmental programs or entitlements. You will not be required to provide such supplemental insurance if you show evidence satisfactory to Well·Spring that you have the financial ability to pay for such charges. This coverage is not provided by Well·Spring.

If at any time you become eligible for payments for health services from governmental agencies, you agree to make prompt application for such payments. Well·Spring will not pay for any nursing or medical care or related supplies that are covered by Medicare, any governmental programs or entitlements, or supplemental insurance which you are obligated to maintain or participate in under this Agreement. You agree that upon receiving third-party reimbursement, you will repay Well·Spring for any third-party reimbursable costs which Well·Spring incurred or paid on your behalf while your reimbursement approval was pending.

If care provided to you by Well·Spring is covered by insurance or some other third-party payor coverage, you shall nevertheless be primarily responsible for making all payments due Well·Spring pursuant to this Agreement regardless of such third-party benefits. Well·Spring will assist you in applying for health services or third-party benefits under any programs for which you might qualify. In addition, Well·Spring will assist you in filing claims for payment for services rendered by Well·Spring. Upon request, you agree to execute assignments of benefits to Well·Spring.

7. Non-Transferable

Your rights under this Agreement to a Health Center Living Unit or services provided for herein are personal to you and cannot be transferred or assigned by you to any other person or entity.

8. Pets

Pets are allowed to reside in Health Care with prior approval by the Director of Health Services. Pets are defined as dogs, cats, (limit one dog or cat per resident), birds (kept in a cage), and fish (maximum aquarium size of 10 gallons). Pets must be registered with Health Care, and you must provide vaccination and licensing records to Health Care. Health Care staff is not responsible for the care of resident pets. If you become unable to care for your pet, a pet sitter may be hired or you will be asked to find a new home for your pet. Pet owners are responsible for any damage that occurs to Well·Spring premises as a result of their pet.

9. Policies, Rules, and Regulations

You agree to abide by the policies, rules, and regulations of Well·Spring including such changes as may be adopted from time to time. These policies shall be set forth in a Resident Handbook and will be made available to you through the management of Well·Spring.

10. Power of Attorney

You agree to execute and maintain in effect a limited Durable Power of Attorney as provided in Chapter 32A, Article 2 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, 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 you would if acting personally. It shall be in a form which survives your incapacity or disability and be otherwise satisfactory to Well·Spring. You shall deliver a fully

executed copy of this Power of Attorney to Well-Spring upon Occupancy and you must notify Well-Spring in writing of any subsequent changes to your Power of Attorney, including the appointment of a new legal representative. If you revoke your Power of Attorney and do not name a new personal representative, or if your personal representative dies, becomes incapacitated or cannot be located after a reasonable search, then you agree that Well-Spring shall be your Attorney-in-Fact, coupled with an interest, for the sole purpose of giving Well-Spring the authority to nominate a legal guardian for you, to serve when approved by a court as provided by law.

11. Preservation of Your Assets

You agree to manage your financial resources so as not to threaten or impair your ability or the ability of your estate to satisfy your financial obligations as set forth in this Agreement. At the request of Well-Spring, you agree to make arrangements for the preservation and management of your financial resources by a third party (or parties), including but not limited to the execution and funding of a trust agreement for your benefit whenever, in the sole judgment of Well-Spring, it appears that your continued management of your financial affairs may make you unable to meet your financial obligations to Well-Spring.

Well-Spring shall have no obligation to see to the proper management of your financial affairs, and you shall be solely responsible for proper management or arranging for the proper management of your financial affairs.

12. Protection of Personal Property

Well-Spring is not responsible for the loss of any personal property belonging to you due to theft, fire, or any other cause, unless said property is specifically entrusted in writing to Well-Spring's care and control and then only for gross negligence in failing to safeguard and account for such property. (You may wish to obtain insurance at your own expense to protect against such losses.)

13. Real Property

Your rights and privileges, as granted herein, do not include any right, title, or interest whether legal, equitable, beneficial, or otherwise, in or to any part of the real property, including land, buildings, and improvements, owned or operated by Well-Spring.

14. Relationships between Resident and Staff Members

Employees of Well-Spring are supervised solely by Well-Spring's management staff, and not by residents. Employees and their families may not accept gratuities, bequests, or payment of any kind from residents. Any complaints about employees or requests for special assistance must be made to the appropriate supervisor or to the Executive Director or his/her designee. You acknowledge and agree that you or your family will not hire Well-Spring employees or solicit such employees to resign their employment at Well-Spring in order to work for you or your family. You also acknowledge and agree that, unless consented to by Well-Spring, you will not hire any former Well-Spring employee until three (3) months elapse from the date of termination of the person's employment at Well-Spring.

15. Representations Made by You in Connection with Application for Residency

Your application forms, including the statements of your finances and health history, which you filed with Well-Spring as part of the residency application process described in the Reservation Agreement, are incorporated into this Agreement by reference, and all statements therein are deemed to be true as of the date made. You represent and warrant that you have disclosed to Well-Spring all material changes in this information occurring since the date of your application. Any material misstatement, or any material omission to state a fact called for, shall entitle Well-Spring to terminate this Agreement. By executing this Agreement, you represent and warrant that your sources of income are adequate to meet your financial responsibilities to Well-Spring and to pay all of your personal and incidental expenses. You represent and warrant that you have not made any gift or transfer for less than fair value of real or personal property in contemplation of the execution of this Agreement. You also agree that no such gift or transfer for less than fair value will be made subsequent to the execution of this Agreement that would impair your ability to satisfy your financial obligations under this Agreement. If you are unable to meet such financial obligations, you agree to make every reasonable effort to obtain assistance through or by means of your family or otherwise except as acknowledged in writing by Well-Spring.

16. Resident Physician

You shall designate and provide Well-Spring with the name of your attending physician. Well-Spring shall not be responsible for the professional medical services provided by your attending physician.

17. Residents' Association

Residents shall have the right to organize and operate a residents' association at Well-Spring, and shall have the right to meet privately to conduct business as an association. The officers of the residents' association shall serve as a liaison between the residents and Well-Spring.

18. Responsibility for Damages

You shall be responsible for any costs incurred in replacing, maintaining, or repairing any loss or damage to the real or personal property of Well-Spring caused by the negligence or willful misconduct of you, your guests, agents, or employees. (You may wish to obtain insurance at your own expense to cover this obligation.)

19. Right of Entry

You shall permit authorized employees of Well-Spring to enter into your Health Center Living Unit at all reasonable times for purposes of providing care, inspection, housekeeping, and maintenance, and at any time in case of emergencies.

20. Rights of Residents

Your rights as a resident under this Agreement are those rights and privileges expressly granted to you in this Agreement or by North Carolina law.

21. Structural Changes

You shall not make any structural or physical change of any kind within or about a Health Center Living Unit occupied by you.

22. Subrogation of Rights

Notwithstanding anything to the contrary herein, your rights, privileges, or benefits arising under this Agreement shall be subordinate and inferior to all mortgages, security interests, deeds of trust, and leasehold interests granted to secure any loans or advance made to Well-Spring, its related entities, or its successors, now outstanding or made in the future, in the real property and improvements constituting Well-Spring, and subordinate and inferior to all amendments, modifications, replacements, refunding, or refinancing thereof. You agree that, upon the request of Well-Spring, you shall execute and deliver any and all documents which are deemed by Well-Spring to be necessary or required to effect or evidence such subordination.

23. Taxes on Personal Property

You shall pay all taxes assessed on your personal property.

24. Will and Funeral Arrangements

If you have not already done so, you agree to make a will providing for disposal of your personal property, the appointment of an executor of your estate, and funeral and burial arrangements, within sixty (60) days after the date of this Agreement. You agree to provide Well-Spring with written verification from your attorney or from another independent source that these arrangements have been made within sixty (60) days of the date of this Agreement. You acknowledge that while Well-Spring shall not be responsible for making arrangements relating to disposal of personal property and funeral and burial arrangements. If Well-Spring must do so, you agree that Well-Spring shall be reimbursed by your estate for all such expenses.

V. FEES

1. Payment of Daily Charge and Additional Charges

You agree to pay Well-Spring the Daily Charge set forth in Exhibit A, which represents payment for the facilities and services to be provided to you under this Agreement. The Daily Charge shall be prorated for any applicable period of less than one month. Unless expressly stated in this Agreement, charges shall not be waived, suspended, or reduced. The Daily Charge may be adjusted periodically by Well-Spring at its sole discretion upon at least sixty (60) days' notice to you.

Well-Spring will endeavor to maintain the Daily Charge applicable to your Health Center Living Unit at the lowest possible rate consistent with sound financial practice and maintenance of quality health care services to be provided by Well-Spring. When Well-Spring does adjust those fees, you agree to pay the adjusted charge. You agree that you have no right to offset or withhold payment of the Daily Charge or any other amounts you owe Well-Spring under this Agreement for any reason.

You will be invoiced for any medical and health care services, supplies, or equipment provided for you that Well·Spring is not obligated to provide under the terms of this Agreement without additional charge, and such invoices shall be due and payable by the fifteen (15th) day of the month.

2. Late Payment

You agree to pay Well·Spring interest on any Daily Charge or any other amounts you owe Well·Spring which are not paid by the fifteen (15th) day of the month at the annual rate of interest equal to the prime rate established by BB&T (or such other bank as Well·Spring designates from time to time) plus two percent (2%) until any such Daily Charges or other amounts are paid in full, provided, however, that the interest rate shall not exceed that permitted under North Carolina law.

3. Benefits and Entitlements

If your funds become substantially reduced or depleted and your income reduced to the extent that you are eligible to receive public or other benefits and entitlements including, but not limited to, Social Security Supplemental Income and Medicaid, you agree to obtain and maintain all such benefits and entitlements. Failure to do so may result in the termination of this Agreement by Well·Spring.

VI. TRANSFER FROM A HEALTH CENTER LIVING UNIT

There may come a time when you must move (i) from a Health Center Living Unit to a living unit in the Skilled Nursing area in the Health Center, if available, (a “Skilled Nursing Unit”) or (ii) to another facility which provides Skilled Nursing, hospital, or other services not available at Well·Spring. Please note that Well·Spring makes no representations as to the availability of Skilled Nursing care on its campus. Well·Spring is aware that this is a critical transition and will observe the following procedures during any such transfer.

1. Consultations

Except in case of emergency, Well·Spring will not transfer you from a Health Center Living Unit in the Health Center for health-related or other reasons unless it has provided you with at least five (5) days’ advance notice and consulted with you and your physician, or with anyone else you designate as a primary contact. In the case of an emergency transfer, the consultations described above will be scheduled by Well·Spring within five (5) days after transfer.

2. Changes in Levels of Care in the Health Center

When Well·Spring determines it to be appropriate, and after the consultations described in Section VI, paragraph 1 above, Well·Spring shall have the authority to transfer you from one type of Health Center Living Unit to another within the Health Center or to another facility. You agree to pay the Daily Charge then in effect for the type of Health Center Living Unit occupied by you, and this Agreement shall be amended to reflect the change in your Health Center Living Unit and the applicable Daily Charge.

3. Consents

When Well·Spring determines it is appropriate, after the consultations called for in Section VI, paragraph 1 above, to transfer you from your Health Center Living Unit to a Skilled Nursing Unit, if available, or from the Health Center to a suitable public or private facility for skilled nursing, hospitalization, health care, or other health-related services, Well·Spring shall have full authority and right to transfer you without having to obtain your further consent.

In the event that Well·Spring determines that your continued occupancy of a Health Center Living Unit constitutes a danger to other residents or to yourself, or is detrimental to the peace or health of other residents, Well·Spring shall have full authority to transfer you to another Health Center Living Unit in the Health Center or to a suitable public or private facility without having to obtain your further consent.

4. Transfer within the Health Care Center and Holding Fee for Health Center Living Unit.

If you are transferred from your Health Center Living Unit (the “Original Health Center Living Unit”) to another Health Center Living Unit in the Health Center, you will immediately pay the Daily Charge for that other Health Center Living Unit. During the first fourteen (14) days (whether or not consecutive) of your occupancy of the other Health Center Living Unit, your Original Health Center Living Unit will be held for you at no extra cost to you in the event you no longer need the services provided by the other Health Center Living Unit. If you continue occupancy of the other Health Care Unit for more than fourteen (14) days (whether or not consecutive), and you wish to continue to hold your Original Health Care Living Unit, Well·Spring may require you to pay, in addition to the Daily Charge for other Health Care Living Unit, a Holding Fee equal to the Daily Charge for your Original Health Care Living Unit minus the cost of meals. You may not hold your Original Health Center Living Unit for more than 90 days without the approval of Well·Spring. If you choose to surrender your Original Health Center Living Unit, and your physician and Well·Spring’s Medical Director shall subsequently determine that you can resume occupancy in your Original Health Center Living Unit, you will receive a top priority for assignment to a comparable Health Care Living Unit as soon as such a unit becomes available.

5. Temporary Transfer from the Health Center

When Well·Spring is persuaded that the condition which requires your transfer from the Health Center to another public or private facility has the potential to be resolved in a manner which may allow you to return to a Health Center Health Center Living Unit, a Health Center Living Unit will be held for your return. The return to a Health Center Living Unit is subject to the approval of Well·Spring. During any temporary absence, you agree to pay the Daily Charge applicable to the type of Health Center Living Unit occupied by you prior to your transfer.

6. Permanent Transfer from the Health Center

When Well·Spring determines that the condition which required your transfer from the Health Center to another public or private facility is not temporary in nature, your Health

Center Living Unit shall be released and made available to a new resident, in which case Well-Spring shall have the right to terminate this Agreement. Any decision by Well-Spring relating to your permanent transfer from the Health Center to a public or private facility may be appealed to Well-Spring's Board of Trustees or to a duly designated committee thereof, whose decision shall be final and binding on all parties.

VII. TERMINATION OF AGREEMENT

1. Termination Date

As used in this section, "Termination Date" shall mean the date on which this Agreement is terminated either (i) in accordance with the provisions of Article II above or (ii) by either you or Well-Spring in accordance with the provisions of this Article VII.

2. Duties upon Termination

Your Daily Charge is to be paid through the Termination Date. In no event shall Well-Spring be obligated to refund more than one (1) month's payment of your Daily Charge. No refund of any portion of the Daily Charge shall be due as a result of your transfer to another institution or facility, unless this Agreement is terminated in accordance with its terms.

Upon termination by either you or Well-Spring pursuant to Article II above or the provisions of this section, you agree to pay Well-Spring all amounts owed to it any reasonable expenses incurred in connection with the termination of this Agreement, including, but not limited to:

- Cost of any repairs or replacement of property assigned to your use.
- Painting or other refurbishment of your Health Center Living Unit in excess of that required by normal wear.

Well-Spring may set off any amounts owed it by you against any refund due.

Well-Spring shall refund any payment of your Daily Charge that may be due to you within five (5) working days after: (i) this Agreement has terminated in accordance with Section II above; (ii) Well-Spring receives written notification of your termination of this Agreement pursuant to the provisions of this section; or (iii) Well-Spring notifies you in writing of termination of this Agreement by Well-Spring pursuant to the provisions of this section.

3. Termination During 30 Day Opt-Out ("Rescission") Period.

You may terminate this Agreement by giving written notice thereof to Well-Spring within thirty (30) days following the later of (i) the Effective Date of this Agreement (as defined in Section VIII, paragraph 2) or (ii) the receipt of a Disclosure Statement that meets the requirement of the laws of the State of North Carolina. You do not have to move in before the expiration of the 30-day rescission period. If you terminate this Agreement within this 30-day period prior to your occupancy of your Living Unit, Well-Spring will refund your Deposit, less any fees charged to you by Well-Spring.

4. Termination by You When Death, Illness, Injury or Incapacity Prevents Occupancy.

If, at any time prior to occupancy, including the thirty (30) day rescission period described above, you are not able to commence occupancy of your Health Center Living Unit or an accommodation in the Health Center due to death, illness, injury, or incapacity, you or your personal representative shall give written notice thereof to Well·Spring together with information to validate your claim. If your claim is accepted by Well·Spring, this Agreement shall terminate, and the Termination Date shall be the date of the notice, and you or your legal representative shall receive a refund your Deposit less any fees charged by Well·Spring to you or your legal representative within five (5) business days after it accepts your claim. (Note: this paragraph is not applicable to residents who transfer to the Health Center from a Living Unit.)

5. Voluntary Termination by You.

If you wish to voluntarily terminate this Agreement for reasons other than described stated in paragraphs 3 and 4 above, then you must provide written notice to Well·Spring at least thirty (30) days prior to your desired termination date.

6. Termination by Well·Spring

Well·Spring shall have the right to terminate this Agreement at any time for any cause which, in its judgment and sole discretion, shall be good and sufficient. Good and sufficient cause shall include, without limitation, the following:

- Failure to perform your obligations under this Agreement, including, but not limited to, the obligation to pay the Daily Charge and other charges, within fifteen (15) days after they are due to be performed or paid.
- Failure to abide by the rules and regulations of Well·Spring, including such changes as may be adopted from time to time.
- Material misstatement or failure to state a material fact in your application, financial statement, or health history statement filed with Well·Spring.
- Changes in your financial status prior to occupancy at Well·Spring that impair your ability to meet Well·Spring's financial qualifications for acceptance.
- Dissipation or commitment of your financial resources in a voluntary and discretionary manner that impairs your ability to meet your financial obligations to Well·Spring.
- Permanent transfer to another public or private institution.
- You develop a medical condition or illness, such that you can no longer live independently and require assisted living or skilled nursing facility care, as determined by one or more physicians (hereafter the "Consulting Physician") selected by Well·Spring who will consult with your physician and you fail or refuse to leave and relinquish your Living Unit and be admitted to the Health Center within five (5) days after notice by Well·Spring.

Well·Spring shall give you at least thirty (30) days prior written notice of your Termination Date unless your continued occupancy presents a threat to the safety of others

or to yourself, in which case Well-Spring shall have the right to reduce the prior notice period in its discretion and to make the termination immediately effective, if necessary.

7. Limitation of Remedies and Damages for Default by Well-Spring.

Until you notify us in writing of an alleged default and afford us a reasonable time in which to cure the alleged default, no default by Well-Spring in the performance of any of the obligations or promises herein agreed to by Well-Spring or imposed by law shall constitute a material breach of this Agreement, and you shall have no right to terminate the Agreement for any such breach or suspend your performance under this Agreement. Regardless of their duration, the defective condition of or failure to repair, maintain, or provide any area, fixture, or facility used in connection with social or recreational activities will not constitute a material breach of this Agreement and you shall have no right to terminate this Agreement or suspend your performance under this Agreement.

8. Removal of Property

You agree to the removal of your property from the Health Center Living Unit and the Well-Spring Community within a one (1) week grace period after the Termination Date. After the one (1) week grace period, you or your estate shall pay a daily rate based on the Monthly Fee applicable to your Living Unit less the published Food Credit. Additionally, Well-Spring may store such property at your or your estate's expense for up to sixty (60) days after which it may be disposed of by Well-Spring without liability.

VIII. MISCELLANEOUS

1. Confidentiality

Well-Spring has the responsibility to keep all of the personal, medical, and financial information you have supplied to it confidential. You agree that Well-Spring can disclose such information to those who have a need, in its judgment, or right to know (e.g., to provide information for transfer to a hospital).

2. Effective Date and Governing Laws

This Agreement takes effect on the date you sign the Agreement ("Effective Date"). This Agreement, including its validity and the capacity of the parties to this Agreement, its form, interpretation of its language, and any questions concerning its performance and discharge, shall be governed by and construed in accordance with the laws of the State of North Carolina. You and Well-Spring agree to comply with the laws and regulations regarding licensed adult care and licensed nursing care in effect from time to time.

3. Full and Complete Agreement

This Agreement has precedence over any representations previously made by Well-Spring representatives and over any descriptions of services in promotional materials or presentations. This Agreement constitutes the entire contract between you and Well-Spring, and supersedes all previous understandings and agreements between you and Well-Spring.

No waiver or modification shall be valid unless made in writing, signed by you and by Well-Spring and attached to this Agreement.

4. Interpretation

Headings are for convenience and reference purposes only and shall not affect the interpretation of any provision of this Agreement. Should any provisions herein, for any reason, be held invalid and unenforceable in any jurisdiction in which it is sought to be enforced, such invalidity and unenforceability shall not affect any other provision of this Agreement and such invalid and unenforceable provision shall be construed as if it were omitted. The remainder of the Agreement shall remain in full force and effect.

5. Management Authority

Well-Spring retains all authority regarding admission, adjustment of fees and all aspects of the management of Well-Spring.

6. Notices

Until you reside at Well-Spring and when required by the terms of this Agreement, notices shall be given in writing and shall be given to Well-Spring or to you at the addresses set forth in Exhibit A, or at such address as Well-Spring and you shall specify in writing to each other. Notices shall be given by hand delivery or by a commercial courier that provides documentation of delivery.

7. Pronouns

All references in this Agreement by masculine pronouns and adjectives also include the feminine and vice versa. References to "you" shall include your legal representative (i.e., attorney-in-fact or personal representative of your estate).

8. Statement of Nondiscrimination

Race, color, sex, religious beliefs, sexual orientation, or national origin does not have any bearing upon your acceptance or rejection for admission, the execution of this Agreement, or normal conduct of business by Well-Spring.

9. Successors and Assigns

The duties owed Well-Spring under this Agreement shall inure to the benefit of its successors and assigns.

10. Waiver

In the event that Well-Spring does not, in any one (1) or more instances, insist upon your strict performance, observance, or compliance with any of the terms or provisions of this Agreement, or if it waives a breach by you of this Agreement, such an action shall not be construed to be a waiver of its right to insist upon your strict compliance with that term or provision in the future or with all other terms and provisions of this Agreement.

11. Disclosure Statement

You acknowledge that you received a current copy of the Well·Spring Disclosure Statement.

Your signature below certifies that you have read, understood, and accept this Agreement.

Signature - Resident

Date

Well Spring Authorized Representative

Date

EXHIBIT A

Name of Resident: _____

Occupancy Date: _____

Type of Living Unit/Care: _____

Daily Charge: \$ _____

Addresses for Required Notice:

To Well-Spring: Executive Director
 Well-Spring, a Life Plan Community
 4100 Well Spring Drive
 Greensboro, North Carolina 27410

To You Prior to Occupancy:

To You Following Occupancy:

Your signature below certifies that you have read, understand, and accept the terms stated in this Exhibit A.

Signature - Resident

Date

APPENDIX E



Well•Spring, A Life Plan Community

RESERVATION AGREEMENT

APPENDIX E



Well•Spring, A Life Plan Community

RESERVATION AGREEMENT



RESERVATION AGREEMENT

The undersigned applicant(s) ("you") hereby tender(s) this Reservation Agreement, together with payment of Reservation Fee (described below) to Well•Spring, a Life Plan Community, ("Well•Spring") for the purpose of reserving an Independent Living Unit at the Well•Spring Community, in Greensboro, North Carolina ("Well•Spring").

The terms of this Reservation Agreement between you and Well•Spring are as follows:

TERM

This Agreement becomes effective when signed by both you and Well•Spring, and Well•Spring receives your Reservation Fee. The Agreement terminates when you sign a Residence and Care Agreement with Well•Spring, unless it is terminated earlier by you or by Well•Spring in accordance with the terms of this Agreement.

THE RESERVED UNIT

You have reserved the Independent Living Unit identified on the attached Exhibit A (the "Reserved Unit"). A site plan showing the location of the Reserved Unit together with a floor plan of the Reserved Unit are attached as Exhibits B and C. This Reservation Agreement gives you first priority to enter into a Residence and Care Agreement for the Reserved Unit before the unit is made available to other applicants for independent living units in Well•Spring.

Well•Spring has made every effort to accurately describe its plans for the Reserved Unit and Well•Spring Community in the informational materials and Disclosure Statement furnished to you. The Reserved Unit and Well•Spring Community may vary somewhat from the information furnished to you. Well•Spring will furnish you with Disclosure Statements as required by North Carolina law.

FEES

The Reservation Fee and Entrance Fee for the Reserved Unit shall be payable as follows:

- The Reservation Fee shall equal ten percent (10%) of the Entrance Fee set forth in Exhibit A. It shall be paid upon execution of this Reservation Agreement and will be credited to the total Entrance Fee. The Entrance Fee for your Reserved Unit for the Refund Option selected shall not be increased above the Entrance Fee set forth on Exhibit A.
- The balance of the Entrance Fee shall be due and payable at or before your Occupancy Date (described below).
- Checks for all fees should be made payable to Well•Spring.

ACCEPTANCE TO WELL•SPRING

To begin the process of obtaining residency at Well•Spring, you must select a Reserved Unit and submit a Confidential Personal Health History and Confidential Financial Profile, two (2) signed Reservation Agreements, and the ten percent (10%) Reservation Fee. One signed Reservation Agreement will be returned to you for your records, and the other will be kept on file at Well•Spring. You agree to provide Well•Spring with true and complete responses to all information requested by Well•Spring.

Your application for residency at Well•Spring next will be reviewed by the Residency Review Committee (the "RRC"). The Confidential Financial Profile provides Well•Spring with financial information necessary for the residency process. After your Confidential Financial Profile has been reviewed by the RRC, you will be notified with the result. The completed Confidential Personal Health History, which includes an authorization for release of medical information, will be held until your Financial Profile has been reviewed and approved by the RRC. Following approval of your Financial Profile by the RRC, the Confidential Personal Health History form will be forwarded to your physician with a request for further information. A physician examination within the past twelve (12) months is a prerequisite before your physician can supply this information. If additional information is required, you or your physician will be contacted, and Well•Spring may also contact and request information from other physicians and health care providers who have provided you with treatment.

Once Well•Spring has received the additional information from your physician, the RRC will evaluate your eligibility for residency at Well•Spring in accordance with its residency criteria. For residency at Well•Spring, applicants must be at least sixty-two (62) years of age [in the case of Co-residents, one Co-resident must be at least sixty (60) years of age], able to live independently, and possess adequate resources to meet present and future financial obligations to Well•Spring for the Reserved Unit selected.

Your race, color, gender, religious beliefs, sexual orientation, or national origin will not have any bearing upon whether you are accepted into Well•Spring.

If you are approved by the RRC for residency at Well•Spring, an acceptance letter will be sent welcoming you. You agree to execute the then current version of the Residence and Care Agreement within seven (7) calendar days after Well•Spring notifies you that you have been accepted for residency at Well•Spring.

You agree that if you are accepted for residency by Well•Spring and decide to sign a Residence and Care Agreement, you will commence occupancy on a date established by Well•Spring (the "Occupancy Date"). This date shall not be more than sixty (60) calendar days after you sign the Residence and Care Agreement. Well•Spring will use its best efforts to establish an occupancy date that is acceptable to you. The balance of the Entrance Fee shall be due and payable at or before your Occupancy Date.

TERMINATION AND REFUNDS

This Agreement will terminate upon any of the following occurrences:

- (a) you fail to pay the Reservation Fee;
- (b) you die, or if your Co-applicant, one of you dies, before the Residence and Care Agreement becomes effective;
- (c) you submit to Well•Spring by registered or certified mail a written notice of termination of Agreement for any reason;
- (d) you are not accepted by Well•Spring;
- (e) you fail to sign a Residence and Care Agreement in accordance with the terms of this Agreement;
- (f) you experience changes in your financial status prior to occupancy at Well•Spring that causes you to fail to meet Well•Spring's financial qualifications for admission; or
- (g) your future health care needs exceed the level of service provided in the Health Center.

The Reservation Fee, less any fees charged by Well•Spring, will be credited to the balance of the Entrance Fee when payment of that balance is due.

If you or Well•Spring terminate this Agreement for a reason other than your signing a Residence and Care Agreement, Well•Spring shall have the right to reassign the Reserved Unit, and you will have no further rights to that unit except that a surviving Co-applicant shall be given the opportunity to enter into a new Reservation Agreement for the Reserved Unit based on single occupancy or on joint occupancy with another Co-applicant before the unit is offered to others. In case of a termination of this Agreement for reasons set forth in b., d., f., and g. above, Well•Spring will return all Reservation Fees, less any fees charged by Well•Spring, to you or your legal representative. Should this Agreement be terminated for the reasons set forth in a., c., or e. above, in addition to any fees charged by Well•Spring, Well•Spring reserves the right to withhold an administrative charge of two percent (2%) of your total Entrance Fee amount, from any refunds owned to you to the extent permitted by law.

In the event this Agreement is terminated for any reason other than your signing a Residence and Care Agreement, Well•Spring shall refund any Entrance Fees, less any fee charged by Well•Spring and less any administrative charge, within five (5) working days after either: (i) Well•Spring receives written notification of your termination of this Agreement or (ii) Well•Spring notifies you in writing of termination of this Agreement by Well•Spring.

MISCELLANEOUS

Your rights under this Agreement may not be transferred to any other person. When a reservation is made by Co-applicants, the word "you" shall be deemed to include both of you.

This Agreement will be governed by the laws of the State of North Carolina, and specifically by the North Carolina law governing continuing care facilities, Chapter 58, Article 64 of the General Statutes of North Carolina.

Notices shall be given in writing and shall be given to Well•Spring or to you at the addresses set forth in Exhibit A, or at such address as Well•Spring and you shall specify in writing to each other.

By signing this Agreement, you certify that you understand and agree to its terms.

By signing this Agreement, you acknowledge that you received a copy of the Well•Spring Disclosure Statement on _____, 20____.

Applicant's Signature

Date

Co-Applicant's Signature

Date

WELL•SPRING, A LIFE PLAN COMMUNITY

By: _____
Authorized Representative

Date

APPENDIX F



Well•Spring, A Life Plan Community

SUMMARY OF REPORT OF ACTUARY



415 Main Street
Reisterstown, MD 21136-1905
410-833-4220
410-833-4229 (fax)
www.continuingcareactuaries.com

April 1, 2021

Don Gwynn, CPA
Chief Financial Officer
Well Spring Services, Inc.
4100 Well Spring Drive
Greensboro, North Carolina 27410

Dear Don:

Continuing Care Actuaries was retained by the management of Well-Spring Retirement Community, Inc. ("Well-Spring"), a nonprofit continuing care retirement community located in Greensboro, North Carolina, to conduct a comprehensive actuarial study. The purpose of the actuarial analysis was to: (1) review the resident demographic experience; (2) provide a population projection of current and prospective residents; (3) calculate Well-Spring's actuarial cash flow projection and actuarial balance sheet; and (4) conduct an actuarial pricing analysis of the residence health care program contracts.

Well-Spring, a lifecare retirement community, was found in 1993 by a coalition of nine local churches with a vision to establish a community with services and amenities that are second to none. Well-Spring offers a wide range of services from residential living and assisted living, to short-term and long-term skilled nursing care, rehabilitation and memory care services. In response to strong demand, Well-Spring had an expansion in 2015 to build an additional 23 new villas. Residents began moving into this newest section called Greenway Villas in April 2016. In addition, Well-Spring filed a Certificate of Need ("CON") application for 10 additional closed skilled nursing beds in 2017. This CON was approved and the project started in the beginning of 2018 and completed in the middle of 2018. Also note that there was a new construction for a two-story Resident Activities Center and an expansion to its current dining facilities. This project was completed in December 2018.

Well-Spring currently consists of 261 residential living units, 60 assisted living units and 80 skilled nursing / memory care beds. Well-Spring was accredited by the Continuing Care Accreditation Commission (now known as the Commission on Accreditation of Rehabilitation Facilities or CARF) in 2003, and has retained accredited status since that time.

In 2020, Well-Spring planned an expansion to build 24 hybrid apartments with the fill-up schedule beginning in February 2022 for 6 months. Well-Spring will consist of 285 total residential living units after the expansion. The actuarial cash flow projection and the actuarial pricing analysis include this expansion.

The basic cost of residence at Well-Spring consists of the initial entrance fee and the monthly fee. Residents requiring permanent or temporary health care are able to transfer to the assisted living beds or skilled nursing beds as determined appropriate by Well-Spring medical and management staff in conjunction with residents and their physicians and family.

Collectively, entrance fees and monthly service fees are intended to cover the cost of constructing and operating the facilities and providing health care and other services to continuing care residents, as well as a portion of all other costs related to the operation of the facility. Entrance fees are held by Well-Spring subject to refund requirements of the residency agreement.

The scope of our study consisted of: (1) an evaluation of the actual resident demographic movements observed at Well-Spring from January 1, 1993 to December 31, 2020; (2) development of population projections based on the current demographic characteristics of the resident population; (3) development of projected statements of actuarial cash flow and actuarial balance sheet; and (4) preparation of an actuarial pricing analysis. This comprehensive actuarial study and review was performed under the guidelines contained in the American Academy of Actuaries' Actuarial Standard of Practice Number 3, "Practices Relating to Continuing Care Retirement Communities."

In order to perform the actuarial analysis, we projected initial residents and subsequent residents through various levels of care until move-out or death. The rates of permanent and temporary nursing transfers, deaths and withdrawals were developed using Well-Spring's resident data and Continuing Care Actuaries' demographic database for CCRC residents. In addition to having performed analyses for over 450 CCRCs and At Home programs nationally, we possess one of the largest databases of CCRC residents with over 800,000 CCRC residential life-years of demographic experience. The database assumptions used in this analysis reflect experience of communities with similar health care guarantees as Well-Spring. The population projections were combined with expense and revenue assumptions to develop projected cash flows and contingent assets and liabilities. A by-product of these cash flow projections is the pricing analysis that examines the financial adequacy of the residential fee structures and the actuarially based balance sheet which is used as an indicator of the adequacy of historical residential fee structures as of December 31, 2020.

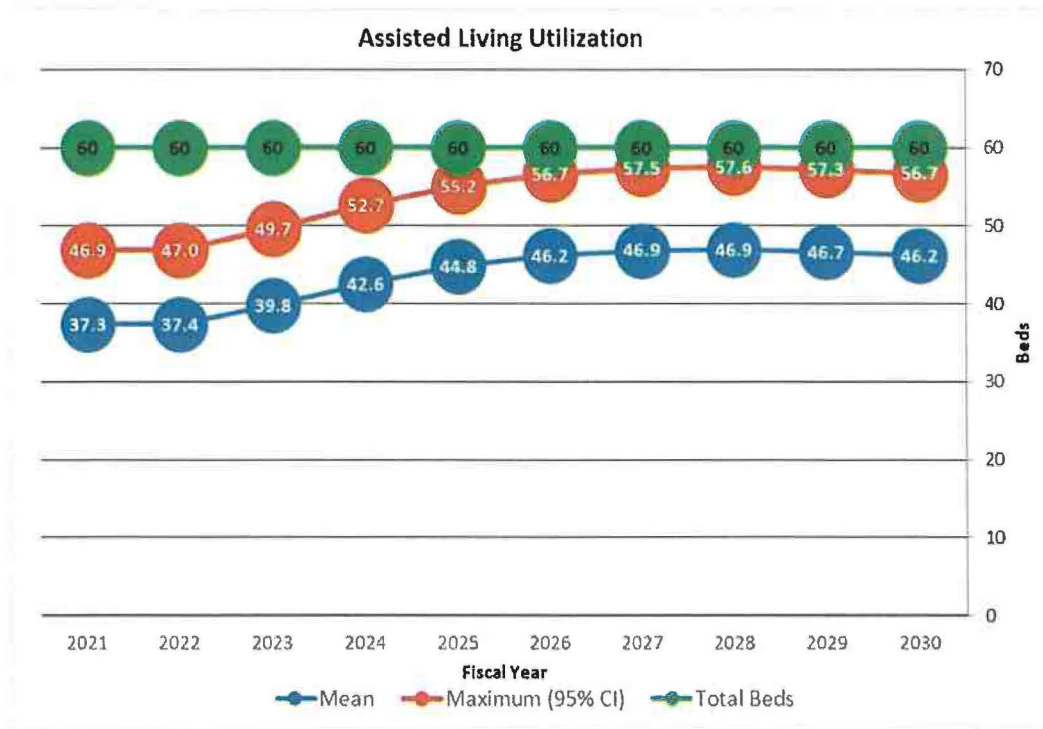
For the existing units, management assumed that 39% of the new entrants will choose the Lifecare contracts and the remaining 61% of the new entrants will choose the Modified Lifecare contracts.

For the expansion units, management assumed that 42% of the new entrants will choose the Plan A Lifecare contracts and the remaining 58% of the new entrants will choose the Plan A Modified Lifecare contracts.

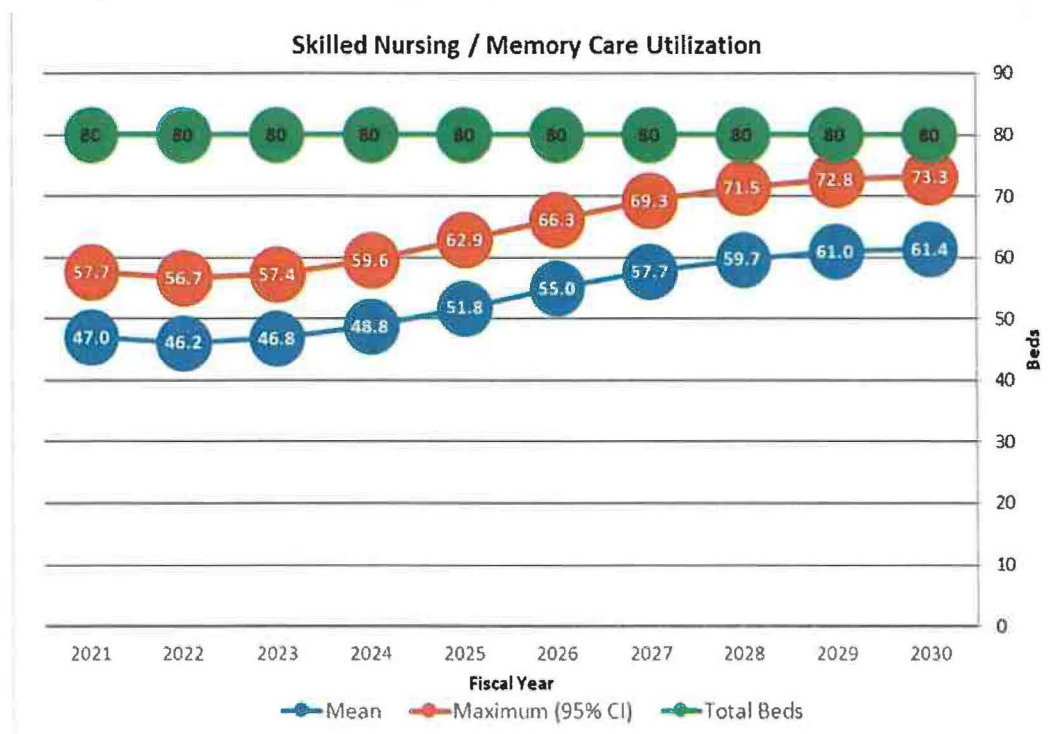
Summary Finding and Actuarial Opinion

- 1) The data and assumptions used for the population and financial projections in this report form a reasonable basis for the projections. The methods used to produce the projections are consistent with sound actuarial principles and practices as prescribed by the Society of Actuaries and the American Academy of Actuaries. Based on the actuarial balance sheet and current assumptions regarding future population and financial activity, the present value of Well-Spring's current and future resources are adequate to cover future obligations under contracts for all current residents, and produce an adequate surplus.

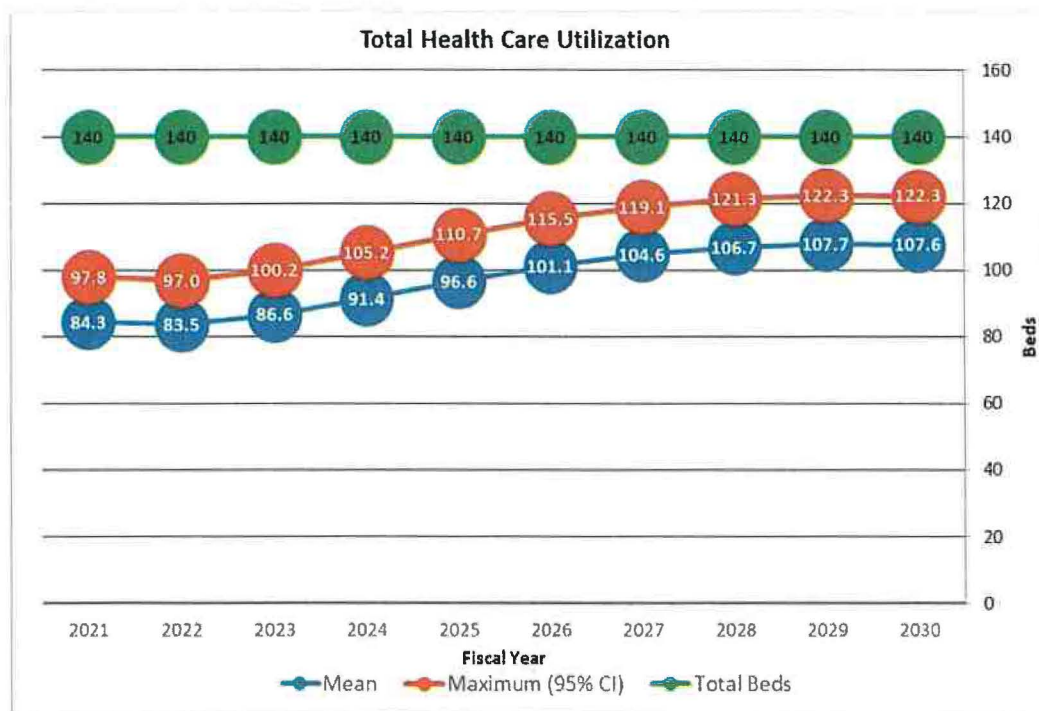
2) The projected lifecare occupancy of assisted living units with the 95% confidence interval is displayed below.



3) The following chart shows the projected lifecare occupancy of the skilled nursing / memory care with 95% confidence interval.



- 4) The projected lifecare occupancy of the combined assisted living units and skilled nursing / memory care with 95% confidence interval is detailed below.



- 5) The actuarial cash flow projection, under the assumption that Well-Spring will maintain an ultimate occupancy level of 256 out of 261 existing RLU (98.1% occupancy) and 24 out of 24 expansion RLU (100% occupancy), generates positive annual cash flow throughout the projection period, except in FY 2021 due to a large capital expenditure and in FY 2025 due to a large principal repayment.
- 6) Based on the result of the actuarial balance sheet as of December 31, 2020, our analysis concluded that Well-Spring will have an adequate funded status in excess of our targeted 110%. The funded status indicates that the combination of net actuarial assets and the present value of projected service fees for the residents as of December 31, 2020 over their lifetimes at Well-Spring will be greater than the present value of the contractual liabilities of these residents.
- 7) The actuarial ratio determines the percent of future expenses that are expected to be covered by future revenues for current residents. This measure is important in that it represents Well-Spring's ability to handle adverse experience since any shortfall must be covered by a combination of existing assets and future residents. This ratio was calculated at 86.5%. Generally, the actuarial ratio for a lifecare community will vary between 65% and 85%. This result indicates that Well-Spring has sufficient ability to deal with adverse experience by adjusting future monthly fees and daily fees.

- 8) The actuarial pricing analysis develops the expected contractual surplus (deficit) for each contract and for each type of new entrant at the time of entry to Well-Spring. This analysis has parallels to insurance pricing. The present value of the entrance fee and future monthly service fees is calculated and the present value of contractual liabilities is also calculated for the new entrant at each level of care. Contractual liabilities include future refunds and the cost of independent living and health care. A surplus indicates that the contracts are adequately priced, while a deficit indicates that a deficiency exists. In general, there are some subsidies of couple entrants by single entrants and the larger units subsidize the smaller units.

As a general rule, we recommend that management target contractual pricing to result in a surplus margin of approximately 10%. The surplus margin is defined as the difference in present values of revenues and expenses. This surplus is designed to offset adverse experience such as higher than expected transfers to health care center or higher than expected inflation. It does not represent a profit to Well-Spring. By design, the larger units have a larger surplus to subsidize the smaller units, thereby providing a greater range of prices available to prospective residents and increasing the potential market.

The analysis for all currently sold contracts show an adequate pricing margin in excess of our recommended 10%. This margin is intended to provide adequate security for adverse experience.

- 9) In conclusion, Well-Spring is in an *adequate financial condition* to meet its obligations as defined by Actuarial Standard of Practice No. 3 (ASOP 3). ASOP 3 defines adequacy based on the meeting of three required actuarial standards, which consist of the actuarial cash flow, the actuarial balance sheet and the actuarial pricing analysis. Well-Spring meets the actuarial cash flow, actuarial balance sheet and actuarial pricing requirements.

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

Management should scrutinize future developments that may cause the fund balance to deteriorate. These developments include higher apartment vacancy rates, higher expense inflation, higher nursing care utilization and longer life expectancies than assumed in the projection.

This report is intended to be used solely by the management of Well-Spring in conformity to its State's regulations to submit the actuarial study. Any distribution of this report to a third party is prohibited without Continuing Care Actuaries' consent. Should you have any questions regarding the information contained in this report, please contact me at 410-833-4220.

Respectfully,



Dave Bond, F.S.A., F.C.A., M.A.A.A.
Managing Partner
dbond@continuingcareactuaries.com

APPENDIX G



WellSpring, A Life Plan Community

INTERIM FINANCIAL STATEMENTS



Well Spring Retirement Community

**Well Spring Group
WSLPC - Summary Balance Sheet
As of March 31, 2021**

	Well Spring Retirement Community	
	Year To Date 03/31/2021	01/01/2021 Through 02/28/2021
	Actual	Actual
ASSETS		
Unrestricted Cash	2,216,590	2,545,931
Investments-Designated as to Use	1,856,290	1,623,734
Investments-Renewal & Replacement	23,800,000	23,800,000
Investments-General Reserves	6,053,541	5,778,754
Accounts Receivable-Operations	357,199	420,581
Accounts Receivable-Entry Fee	117,806	203,330
Accounts Receivable-Contribution Pledges Receivable	648,498	648,498
Accounts Receivable-InterCompany	120,133	82,830
Inventory	73,477	68,897
Prepaid Expenses, Deposits & Other Assets	177,049	164,346
Net Fixed Assets	73,797,625	73,358,939
Net Intangible Assets	531,894	537,989
Assets whose use is limited	12,634,082	6,634,082
Valuation allowance for unrealized G/L	6,051,403	5,190,040
Total ASSETS	128,435,587	121,057,951
LIABILITIES & FUND BALANCE		
Liabilities		
Bond Interest Payable	87,860	77,858
Current Payables & Current Other Liabilities	1,591,819	1,735,962
Refundable Reservation Fee	1,500,294	1,267,738
Payroll Related Liability	1,306,066	1,285,473
Accrued Expenses	980,915	946,470
Accounts Payable-Intercompany	150,495	162,908
Entrance Fee Liability/Deferred Revenue	42,530,816	42,381,569
Long Term Debt	39,842,500	33,956,250
Total Liabilities	87,990,765	81,814,228
Net Assets		
Temporarily Restricted Net Assets	367,030	367,031
Unrestricted Net Assets	36,039,667	36,039,667
Change in Net Assets	4,038,125	2,837,025
Total Net Assets	40,444,822	39,243,723
Total LIABILITIES & FUND BALANCE	128,435,587	121,057,951

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Well Spring Retirement Community

Well Spring Group WSLPC - Departmental Summary Income Statement As of March 31, 2021

	Month To Date 03/31/2021				Year To Date 03/31/2021			
	Actual MTD	Budget MTD	\$ Variance	% Variance	Actual YTD	Budget YTD	\$ Variance	% Variance
Operating Revenue								
MSF-Residential Living	1,188,556	1,182,777	5,779	0.48	3,586,079	3,548,332	37,747	1.06
MSF-Assisted Living	375,231	351,510	23,721	6.74	1,096,843	1,054,529	42,314	4.01
MSF-Memory Care	161,531	173,182	(11,651)	(6.72)	480,763	519,545	(38,781)	(7.46)
MSF-Skilled Nursing/Rehab	386,802	458,664	(71,861)	(15.66)	1,157,424	1,375,992	(218,569)	(15.88)
MSF-Credits and Discounts	(57,867)	(82,524)	24,656	29.87	(190,570)	(247,571)	57,001	23.02
Service Rev & Other Rev	60,942	83,707	(22,765)	(27.19)	205,224	251,122	(45,898)	(18.27)
Total Operating Revenue	2,115,195	2,167,316	(52,121)	(2.40)	6,335,763	6,501,949	(166,186)	(2.55)
Operating Expenses								
Health Care	671,806	720,208	48,402	6.72	1,954,167	2,110,097	155,930	7.38
Dining Services	434,656	415,561	(19,096)	(4.59)	1,197,082	1,225,839	28,757	2.34
Facility Services	412,473	421,055	8,582	2.03	1,214,331	1,295,913	81,582	6.29
Community Relations, Administration, Marketing	337,302	363,688	26,387	7.25	925,444	1,078,755	153,310	14.21
Utilities, Insurance, Taxes	137,324	131,724	(5,600)	(4.25)	405,036	415,389	10,354	2.49
Community Benefit	50,814	58,333	7,519	12.89	82,692	175,000	92,308	52.74
Total Operating Expenses	2,044,375	2,110,569	66,194	3.13	5,778,752	6,300,993	522,241	8.28
Total Operating Net Income	70,820	56,747	14,073	24.79	557,011	200,956	356,055	177.18
NonOperating Income/Expense								
Earned Entrance Fees	463,423	466,667	(3,243)	(0.69)	1,736,230	1,400,000	336,230	24.01
Investment Earnings	91,544	45,833	45,710	99.73	132,848	137,500	(4,652)	(3.38)
Unrealized Gain/Loss on Investment	861,363	0	861,363	(100.00)	3,230,666	0	3,230,666	(100.00)
Realized Gain/Loss on Investment	426,093	0	426,093	(100.00)	427,685	0	427,685	(100.00)
Transfers - WS Foundation	26,359	20,833	5,526	26.52	74,838	62,500	12,338	19.74
Transfers - WS Services	(8,333)	(8,333)	0	0.00	(25,000)	(25,000)	0	0.00
Interest Expense	88,860	87,676	(1,184)	(1.35)	255,185	255,427	242	0.09
Benevolence Assistance	55,363	52,083	(3,280)	(6.29)	165,210	156,250	(8,960)	(5.73)
Depreciation Expense	537,117	562,500	25,383	4.51	1,612,189	1,687,500	75,311	4.46
Amortization Expense	6,096	6,096	0	0.00	18,288	18,288	0	0.00
Total NonOperating Income/Expense	1,173,013	(183,355)	1,356,368	739.74	3,526,395	(542,465)	4,068,860	750.06
Temp Restricted Net Asset Activity	(42,734)	0	(42,734)	(100.00)	(45,261)	0	(45,261)	(100.00)
Total Net Income/(Loss) Summary	1,201,099	(126,608)	1,327,707	1,048.67	4,038,145	(341,509)	4,379,654	1,282.44

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Well Spring Group
Statement of Cash Flows - Indirect Method
Year To Date 03/31/2021

	Actual
Cash flows from operating activities	
Change In Net Assets	4,038,124.40
Change in Cash from Operating Activities	
Depreciation	1,630,477.10
Amortization	0.00
Accounts Receivable	69,251.48
Grants Receivable	0.00
Prepaid Expenses	0.00
Inventory	(6,480.76)
Other Assets	91,502.10
Deferred Tax Assets	0.00
Accounts Payable	12,821.73
Deferred Revenue	(1,123,560.00)
Other Liabilities	755,294.67
Taxes Payable	(199.39)
Intercompany	(121,325.52)
Net cash used by Operating Activities	1,307,781.41
Cash flows from investing activities	
Capital Expenditures	(2,089,071.10)
Net sales (purchases) of ST investments	0.00
Purchase of long term investments and other assets	(9,779,730.53)
Investment in Subsidiary	0.00
Net cash used by investing activities	(11,868,801.63)
Cash flows from financing activities	
Debt Proceeds	5,662,410.48
Net cash used by financing activities	5,662,410.48
Increase (Decrease) in Cash	(860,485.34)
Cash, Beginning Period	2,683,870.19
Cash, End of Period	2,216,590.29

Well-Spring A Life Plan Community
LONG-TERM DEBT SERVICE COVERAGE RATIO
3/31/2021

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Total
Net income	2,158,576	752,613	1,278,017	1,035,804	1,543,207	248,944	41,028	2,939,345	1,683,554	999,375	1,841,671	1,201,099	15,723,233
Deduct:													
Revenues not resulting in receipt of funds:													
Earned Entrance Fees	384,977	366,735	404,856	406,278	427,663	431,678	391,364	395,290	509,027	955,587	317,220	463,423	5,454,098
Unrealized Gains	2,299,363	896,194	1,064,626	920,061	1,014,849	0	0	3,257,512	838,040	456,383	1,912,921	861,363	13,521,312
Temp Restricted Contributions	37,422	7,725	7,499	78,998	34,360	514,103	16,582	8,380	(451,820)	4,645	3,375	21,643	282,911
Temp Restricted Contributions-Released	(38,498)	(8,317)	(3,901)	(2,619)	(3,994)	(3,508)	(4,812)	(2,437)	(11,022)	(5,326)	(5,222)	(64,377)	(154,033)
Released from Restr—Purchase of FF&E	0	0	0	0	0	0	0	0	0	0	0	0	0
Add:													
Items included in operations not requiring expenditure of cash:													
Depreciation/Amortization	550,531	547,346	544,666	549,134	547,971	567,797	556,385	550,959	543,494	542,781	544,483	543,213	6,588,759
Unrealized Losses	0	0	0	0	0	379,057	102,259	0	0	0	0	0	481,316
Loss on disposal of fixed assets	0	0	0	0	0	0	0	10,380	0	0	0	0	10,380
Interest Expense	86,514	89,262	86,229	88,841	88,616	85,568	88,155	85,123	87,697	87,467	78,858	88,860	1,041,190
Entrance Fees Received	520,800	527,652	0	15,000	543,820	423,590	52,430	695,686	993,100	69,940	0	612,670	4,454,688
Net of Refunds of Entrance Fees	0	(319,515)	0	0	0	0	0	0	0	0	0	0	(319,515)
Transfer to WS Foundation	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income available for debt service	633,157	335,021	435,832	286,061	1,250,736	762,683	437,123	622,748	2,423,620	288,274	236,718	1,163,790	8,875,763
Maximum Annual Debt Service													3,077,728
Long-Term Debt Service Coverage Ratio													2.88
Covenant Requirement													1.25
Long-Term Debt Service Coverage Ratio (without cash from Entrance Fees)													1.54

Well-Spring A Life Plan Community
 DAYS CASH ON HAND
 3/31/2021

	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Total
Unrestricted Cash & Investments													
Operating Cash	4,106,747	4,768,580	4,647,326	3,885,250	4,336,842	3,934,120	3,768,256	3,307,882	2,683,870	2,735,000	2,545,931	2,216,590	
General Account	6,178,998	6,119,185	6,169,196	6,158,908	6,652,684	8,002,537	8,015,645	8,050,017	8,770,103	5,777,607	5,778,754	6,053,541	
General - Renewal & Replacement	20,500,000	20,500,000	20,500,000	20,500,000	20,500,000	20,500,000	20,500,000	20,500,000	20,500,000	23,800,000	23,800,000	23,800,000	
NC DOI Reserve	6,636,000	6,636,000	6,636,000	6,636,000	6,636,000	6,636,000	6,636,000	6,636,000	6,636,000	6,579,000	6,579,000	6,579,000	
Market Valuation	(410,873)	769,295	1,553,449	2,848,251	3,653,734	2,971,966	2,503,092	5,795,108	6,165,957	6,104,913	6,767,835	3,763,366	
Less: Temp Restricted Net Assets	(216,057)	(216,057)	(216,057)	(216,057)	(216,057)	(216,057)	(216,057)	(216,057)	(216,057)	(367,031)	(367,031)	(367,031)	
Less: Temp Restricted Contrib (4910)	(37,422)	(7,725)	(7,499)	(78,998)	(34,360)	(514,103)	(16,582)	(8,380)	451,820	(4,645)	3,375	(29,663)	
Plus: Released From Restriction - Temp (4911)	38,498	8,317	3,901	25,825	(3,994)	3,508	4,812	2,437	10,605	5,326	(5,222)	74,924	
	<u>36,795,891</u>	<u>38,577,595</u>	<u>39,286,316</u>	<u>39,759,179</u>	<u>41,524,849</u>	<u>41,317,971</u>	<u>41,195,166</u>	<u>44,067,007</u>	<u>45,002,298</u>	<u>44,630,170</u>	<u>45,102,642</u>	<u>42,090,727</u>	
Operating Expenses(less Depr & Amort)													
Total Operating Expense (Dept, Utilities, Insur, Comm Bene, Taxes)	1,970,600	1,981,584	1,745,525	1,808,897	1,937,798	1,832,185	1,742,388	2,165,975	2,319,585	1,914,292	1,816,085	2,044,375	23,279,289
Interest	86,514	89,263	84,979	88,841	88,616	85,568	88,155	85,123	86,697	86,697	78,858	88,860	1,038,171
													-
Total Operating Expenses	<u>2,057,114</u>	<u>2,070,847</u>	<u>1,830,504</u>	<u>1,897,738</u>	<u>2,026,414</u>	<u>1,917,753</u>	<u>1,830,543</u>	<u>2,251,098</u>	<u>2,406,282</u>	<u>2,000,989</u>	<u>1,894,943</u>	<u>2,133,235</u>	<u>24,317,460</u>
Operating Expense per day													
													Days <u>365</u>
													<u>66,623</u>

Days Cash on Hand (175 required) **632**