

DISCLOSURE STATEMENT

March 1, 2022

The Forest at Duke

2701 Pickett Road
Durham, NC 27705

919-490-8000

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

- **this Disclosure Statement may be delivered until revised, but not after July 29, 2023;**
- **delivery of the Disclosure Statement to a contracting party before execution of a contract for continuing care is required;**
- **this Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

I. ORGANIZATION INTRODUCTION AND INFORMATION

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

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

The Forest is Medicare Part A certified.

II. FACILITY INTRODUCTION AND INFORMATION

The Forest is located on 47 acres just south of Duke University on Pickett Road. The Community consists of 154 apartments in three and four-story buildings, 81 one-story cottages, a community center of approximately 40,000 square feet, and a Health and Wellness Center of approximately 98,365 square feet all designed to accommodate approximately 400 residents. As of December 31, 2021, 301 residents live in the independent living residences, 41 residents receive skilled nursing care and 19 residents receive adult care services. The community center houses a formal dining room, café, living room and social lounge, an arts and crafts studio, an auditorium, library, classroom, beauty and barber shop, swimming pool, fitness areas and gift shop. The Health and Wellness Center currently consists of an outpatient clinic, 34 licensed adult care beds (assisted living), and 58 licensed nursing beds (skilled nursing care).

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

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

A. The Board of Directors and Officers

1. George Brothers, Jr., MD

4202 Champaign Drive
Durham, NC 27707
POSITION: Director

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

2. Carol Carson

77 Forest at Duke Drive
Durham, NC 27705
POSITION: Director
President of Residents' Association

Ms. Carson received her BA from the College of Wooster in Economics and Political Science followed by her MA in International Economics from the Fletcher School of Law and Diplomacy and her PhD in Economics from George Washington University. Her career has included faculty positions at Pace College and George Washington University, the Bureau of Economic Analysis at the US Department of Commerce and the International Monetary Fund. She finished her career as a consultant and retired in 2008. Carol and her husband, Wes, moved to The Forest in 2010. She became President of the Residents' Association in 2021. She and Wes have traveled to almost 100 countries on seven continents

3. Harvey Cohen, MD

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

Dr. Cohen currently serves in several professional roles at Duke University Medical Center in Durham, NC, including Walter Kempner Professor, Director, Center for the Study of Aging and Human Development, Chair Emeritus, Department of Medicine, Principal Investigator of

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

4. G. Rhodes Craver

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

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

5. Craig Daniels

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

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

6. Frances Dyer

2227 Parkside Drive
Durham, NC 27707
POSITION: Director

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

7. Lynne Farber, CPNP-PC, AC

7208 Crescent Ridge Drive
Chapel Hill, NC 27516
POSITION: Director

Ms. Farber is an Adjunct Associate Professor at the University of North Carolina (UNC) School of Medicine and UNC School of Nursing and Clinical Consultant with the Duke School of Nursing. Her awards include the Advanced Practice Provider Award (2013), Great 100 Nurses in North Carolina (2009), APSNA Founders Award (2008), and James Emonson North Carolina Children's Honour (2008). She is a past president of APSNA, the American Pediatric Surgical Society and served on the editorial board of the Journal of Pediatric Surgical Nursing, JPSN. She has presented internationally and nationally on a variety of pediatric surgery and trauma topics.

As the first pediatric inpatient nurse practitioner at UNC's Health Care Children's Hospital, Lynne recognized a need for a model reinforcing the benefit of advanced practice nurses providing cohesive management and evidence-based clinical care for hospitalized children. Lynne was a founding member of the Advanced Practice Council in an organization currently employing 490 nurse practitioners. On a national level, she served on the Pediatric Nursing Certification Board's acute care update committee to maintain recertification standards for Acute Care nurse practitioners through test writing and critiquing examination questions from nurse experts nationally.

Recently retired from the UNC Pediatric Surgical team, Lynne aspires to serve the community in new and rewarding venues. As a caregiver for a father with dementia (now deceased) and her mother who lives at her home, there is a sincere appreciation for the needs of elderly persons who often cannot advocate for themselves.

8. Chuck Kennedy

3528 Darwin Road
Durham, NC 27707
POSITION: Director, Vice Chair

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

9. Craig Lewis

Investors Trust Company
121 North Columbia Street
Chapel Hill, NC 27514
POSITION: Director

As President of Investors Trust, Mr. Lewis oversees day-to-day operations and manages the Investors Trust team who provides the personalized service necessary to meet a wide range of clients' investment, retirement, and other financial planning needs.

Craig has more than twenty-five years of leadership experience in investment-related businesses and served most recently as Chief Investment Strategist for Manchester Capital Management in Manchester, VT, where he was responsible for asset allocation, investment selection, and client communications for relationships totaling more than \$4 billion in assets under management. Prior to that role, Craig served for twelve years as the Chief Investment Officer for Franklin Street Partners in Chapel Hill, NC. Additional roles that he has held include Principal and Portfolio Manager for Essex Investment Management, Portfolio Manager for Putman Investments, and analyst for Keystone Investments, all of which were based in Boston, MA. Craig also attained the rank of Captain while serving in the US Army Reserve for ten years.

Craig earned a bachelor's degree in Economics from the University of Notre Dame and a Master of Business Administration with a concentration in Finance from the University of North Carolina at Chapel Hill.

10. Dean McCumber

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

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

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

11. Pilar Rocha-Goldberg

El Centro Hispano
2000 Chapel Hill Road #26A
Durham, NC 27707
POSITION: Director

Ms. Rocha-Goldberg has held her current position at El Centro Hispano since 2009. The nonprofit has locations in Durham and Carrboro and is focused on advocating for the Latinx population in the Triangle.

Pilar worked as a dietician-nutritionist and in similar occupations for thirty years for various companies in Bogota, Columbia and for Duke University Medical Center. While at Duke, she developed and ran a Spanish-language program for hypertensive Latinx individuals, which she later implemented at El Centro.

Her community involvement includes leadership positions and seats on the UnidosUs Board of Directors, Health Equity Council for Orange County, Health Advisory Board for Duke's Chancellor, and Pathways to Change Board of Directors.

In 2019, she was featured in the 150 Faces of Durham exhibit at the Museum of Durham History as part of the Durham 150 celebration. She was named the 2011-2012 Woman of the Year from the National Association of Professional Women and, in 2011, as One of the Five Successful Women in Durham by the City of Durham and has received such accolades as Latin American Women's Excellence Award from the Latin American Women's Club and the Goodman Fellow Award from Leadership Triangle.

She has also represented Columbia at the White House for the 15th anniversary of the Plan Colombia initiative and owns, teaches, and choreographs for Takiri Folclor Latino, a Latinx folkloric dancing group.

12. Alice Sharpe

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

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

13. Julie Wells

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

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

14. Chuck Wilson

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

After graduating from North Carolina State University with a Bachelor's Degree in Civil Engineering, Mr. Wilson served as a Damage Control Officer and Engineering Officer on two different ships in the US Navy before taking a management position at CT Wilson Construction. Since 1983, Charles T. Wilson, Jr. has been the President and Treasurer of CT Wilson Construction Company. Mr. Wilson has held nearly every position within the company

and currently oversees the company's corporate operations. He is active in his church and serves on numerous boards for both civic and industry affiliated organizations as an advocate for education, minority participation, workforce development, and healthcare. He is a Durham native and a proud grandfather of three.

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

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

B. Professional Staff and Consultants

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

- 1. Anita L. Holt, MPH, President/Chief Executive Officer (CEO):** Ms. Holt joined The Forest in January 2015. Ms. Holt is a seasoned professional in the field of aging services with more than twenty-five years of executive leadership in continuing care and senior living communities. She is an advocate of innovation and strategic service and program development which responds to the emerging needs of older adults. Ms. Holt holds a Master of Public Health from Boston University/SPH and is a proud graduate of Northeastern University.
- 2. Lee Ann Bailey-Clayton, Director of Health Services:** Ms. Bailey-Clayton's thirty-year career has been firmly planted in the medical field of acute care and long-term care, with over twenty of those years being tenured at The Forest. Her professional interests include dementia care and communication, human behavior and team member morale and development. Ms. Bailey-Clayton is a graduate of Appalachian State University with a Bachelor's of Social Work degree. In 2016, she went on to achieve her North Carolina Nursing Home Administrator's license. In 2016, she became a Certified Alzheimer's Disease and Dementia Care Trainer. As an accomplished leader and mentor, Ms. Bailey-Clayton was awarded the North Carolina Emerging Leader Award from LeadingAge NC in 2018.
- 3. Karen E. Henry, CPA, Chief Financial Officer (CFO), Director of Finance, and Treasurer:** Ms. Henry joined The Forest in June 2005. She is responsible for the accounting and financial administration of The Forest, as well as assisting the CEO with budgeting and strategic planning. Ms. Henry has a Bachelor of Science in Business Administration with a major in Accounting from Shippensburg University of Pennsylvania and is a Certified Public Accountant (CPA). She began her career as an audit professional with KPMG LLP, Harrisburg, PA and continued in internal audit with Hershey Foods Corporation, Hershey, PA.

She then spent five years in the clinical research industry at Quintiles Transnational Corporation in increasing roles of responsibility (Financial Analyst, Senior Manager, Associate Director) in the Consolidation/SEC/Financial Reporting Department and most recently as Senior Manager/Controller at Constella Group. Ms. Henry is also a member of the North Carolina Association of CPAs.

- 4. Sharon Pitt, Chief Operating Officer (COO):** Ms. Pitt joined The Forest in January 2020 and brings over thirty years of extensive experience in nonprofit and healthcare related leadership to the organization. As a seasoned Registered Nurse, she possesses broad nursing management experience in both acute and long-term care settings. Prior to joining The Forest, Ms. Pitt held senior and executive management roles at the American Red Cross, including Director of Operations and CEO of the Carolinas and South Carolina Blood Services Region. As CEO, she was responsible for developing and executing the region's operational plan, maintaining community and hospital relationships, leading a staff of 1,000 employees, managing an operating budget of up to \$100 million, and more than 400,000 blood collections. During her tenure, the region experienced the highest employee engagement scores in the eastern division and exceeded its collection targets, becoming the largest blood collection region in the American Red Cross system. Ms. Pitt holds a bachelor's degree in Nursing from Columbia College. She is also a member of the American Nurses Association.
- 5. Brian Adornetto, Director of Dining Services:** Mr. Adornetto joined The Forest in the Spring of 2021, bringing with him a wealth of over twenty-five years in the culinary industry. Mr. Adornetto is a graduate of the Institute of Culinary Education in New York City and a member of the International Association of Culinary Professionals, Southern Foodways Alliance, and Association of Food Journalists. He holds a bachelor's degree in Marketing and Business Management with a minor in English from Saint Peter's University in Jersey City, NJ. With over twenty-five years of professional cooking experience including in AAA Four and Five Diamond Award winning restaurants and hotels, Mr. Adornetto is a published food writer, seasoned culinary instructor, recipe developer, cookbook judge, and Food and Beverage consultant. He was on Wake Tech's adjunct culinary faculty for nearly ten years and taught regularly at Southern Season in Chapel Hill for over twelve years.
- 6. Sarah Haney, Director of Community Life:** Ms. Haney joined The Forest team and aging services in 2020. Her experience creating community has guided her as she assumed responsibility for Community Life. Ms. Haney received her BA in English and Exercise Sports Science from The University of North Carolina. She is the Director of Community Life, which embraces all community engagement for residents and team members as well as creating partnerships with the greater Durham community. She brings years of experience in cultivating a culture of community after spending twenty years coaching women's rowing at the collegiate level. Her experience has taught her that a community of engagement and vibrancy provides a more meaningful and purposeful life.
- 7. April Ravelli, Director of Sales and Marketing:** Ms. Ravelli has served as Director of Sales and Marketing since September 2018. She brings a depth of more than fifteen years of experience as an accomplished leader in digital marketing, advertising, and branding. In addition to directing the sales and marketing for independent living at The Forest, she provides

oversight and branding control of all marketing materials, advertising and media placement. Ms. Ravelli has a bachelor's degree in English Literature from the University of North Carolina at Wilmington. She also holds a Certificate in Digital Marketing from North Carolina State University. Prior to The Forest, she served as the Executive Director of One World Market, a twenty-five year old Durham nonprofit organization.

- 8. Nathan Summers, Director of General Services:** Mr. Summers joined The Forest in April 2016, bringing more than fifteen years of experience in the senior living industry. During his twenty-five year career, Mr. Summers has led teams in all service areas including maintenance, security, housekeeping, landscaping and administration. He was recognized in 2015 by LeadingAge NC for "Excellence in Customer Service". As a Certified Aging Services Professional, Mr. Summers has worked with various project development teams and with post-construction implementations which included major renovations to the historic Pinehurst Country Club in preparation for the 1999 Men's US Open Golf Championship and the renovation of the 100 year old five-story Pine Needles Hotel for senior living apartments. He was also influential in assisting two communities achieve accreditation from CARF International.
- 9. Tess Thomas, SPHR, SHRM-SCP, Director of Human Resources:** Ms. Thomas joined The Forest in June 2020. She is an experienced human resources leader with a history of success in healthcare, non-profit, high-tech, manufacturing/supply chain management and Fortune 500 companies. She is committed to the human resources model that champions human resources as a strategic business partner, with particular focus on service, culture, development, continuous improvement, innovation, diversity and inspirational leadership. Ms. Thomas received her Bachelor of Science in Business Administration from Wayne State University in Detroit, Michigan, with her major in Human Resources and Labor Relations. Additionally, she has completed graduate-level studies at the University of Michigan and is certified with SPHR and SHRM-SCP credentials.
- 10. Rashad Wilson, Director of Information Systems:** Mr. Wilson is the newest Director on the Leadership Team; however, he is not new to The Forest. He joined The Forest over ten years ago and has served as Information Technology Support, Network Administrator and Manager of Information Systems. He has a Bachelor of Science from ECPI University and has acquired all of the necessary system security certifications. He is currently pursuing his Masters in Computer Science/Computer Analytics.
- 11. Robin Rogers, Executive Assistant/Resource Development Officer:** Ms. Rogers received her BA from East Carolina University. She spent the first twenty-five years of her career working as a certified paralegal in Durham. The majority of her legal career was in the area of medical malpractice defense in private practice firms and her nonprofit work was with The Center for Death Penalty Litigation. In 2011, she left the legal field to work with Planned Parenthood of Central North Carolina as the Assistant to the Vice President of Patient Services. In early 2015, she began work at The Forest in the Sales and Marketing Department as the Marketing Specialist and, in 2017, transitioned to the position of Executive Assistant to the the President/CEO in Administration. In addition to her Executive Assistant position, she now oversees The Forest's Resource Development Program.

12. Milta Oyola Little, DO, CMD, Medical Director: Dr. Little has served as the Medical Director at The Forest since July 2019. She is an Associate Professor of Medicine in the Division of Geriatrics, Department of Medicine at Duke University School of Medicine in Durham. Her primary scholarly interests are inter-professional health education, health systems innovations, and non-pharmacologic management of geriatric syndromes to improve outcomes of older adults across healthcare settings. Dr. Little has served both the American Geriatrics Society and AMDA – The Society for Post-Acute and Long-Term Care Medicine on a variety of committees and spent seven years on the Board of Directors for AMDA.

Consulting Professionals:

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

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

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

CliftonLarsonAllen, LLP: Accounting services, 227 West Trade Street, Suite 800, Charlotte, NC 28202.

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

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

III. POLICIES

A. Admission – Health and Financial Criteria

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

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

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

The Forest does not automatically deny residents for admission who have chronic health conditions. All resident applications are reviewed individually. Judgment for admission is based on the resident's ability to perform basic daily living activities on an on-going basis. The Forest may also admit residents under certain conditions which are added as addenda to the Residence and Care Agreement. North Carolina regulations state that skilled nursing beds are for the use of persons who have been residents of the independent living units, or assisted living units for at least thirty (30) days, with some exceptions. Admission for skilled nursing care is available if the resident has a co-resident in the independent living section, or if the individual was under contract to enter The Forest prior to the time the condition requiring skilled nursing care was known to exist. Assisted living units are not subject to these state restrictions and are, therefore, available to persons who have not previously lived in an independent living unit.

B. Conditions of Termination

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

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

The resident may rescind the Residence and Care Agreement prior to the Date of Occupancy, or after occupancy, by giving written notice to The Forest within thirty (30) days following the later of the execution of the Residence and Care Agreement or of the date that the resident received the Disclosure Statement as required by Section 58-64-1, et. seq. of the North Carolina General Statutes. The resident may receive a full refund equal to the funds paid toward the Entry Fee without interest, less any non-

standard costs incurred by The Forest at the request of the resident. The resident will be paid within sixty (60) days of receipt of the written notice to terminate. The resident is not required to take occupancy before the end of the thirty (30) day rescission period.

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

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

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

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

2. Termination After Occupancy:

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

Conditions of Termination After Occupancy

- A. Termination by the Resident:** In addition to Section III. B.1 of the Disclosure Statement, the Residence and Care Agreement may be terminated by the resident in accordance with the following conditions:
1. The Residence and Care Agreement will be terminated upon the resident's death, or the death of the surviving resident in the case of co-residency. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore, a refund is not applicable. Refunds may only apply upon the termination of the Agreement. The Termination Date will be determined in accordance with Paragraph C below.
 2. Except in the case of death, the resident must give The Forest sixty (60) days written notice of the resident's intent to terminate the Residence and Care Agreement.
 3. The resident must leave the Residence in a condition satisfactory to The Forest. The Forest may charge the resident for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear.
 4. Refunds to the resident shall be reduced by the amount of the outstanding fees and charges due to The Forest.
- B. Termination by The Forest:** The Forest may terminate the Residence and Care Agreement if the resident breaches the Residence and Care Agreement, or fails to pay the Monthly Fee and any other ancillary charges, or fails to follow the standard policies of The Forest, or refuses to relocate as required by the Residence and Care Agreement, or engages in activities or conduct disruptive to the Community, or if the resident interferes with the health and safety of the Community, or if the resident has misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give the resident at least sixty (60) days written notice to vacate the Residence. The resident must leave the Residence in a condition satisfactory to The Forest. The Forest may charge the resident for the cost of work required to restore the Residence to its standard condition, with the exception of reasonable wear and tear. Refunds shall be reduced by the amount of the outstanding fees and charges due to The Forest.
- C. Termination Date:** The Termination Date of the Residence and Care Agreement will be the date on which the resident's personal property has been removed from the Residence or sixty (60) days following written notice, whichever is later. The resident will be required to continue paying the Monthly Fee until the Termination Date or until the resident's personal belongings have been removed and a walk-through has been completed by the resident or the resident's designee and management, whichever is later.

Conditions for Refund After Occupancy

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

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

C. Moves/Transfers

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

The resident may transfer from one independent living residence to another, or from an independent living residence to the assisted living or nursing section of the community, on a permanent or temporary basis. All changes in the living accommodations of the resident are based on availability and appropriateness as determined by The Forest, and must be authorized

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

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

D. New Double Occupants

If a resident wishes to have a second person share their residence, the new resident must be approved for occupancy by The Forest just as any other resident is approved. Section II.K. of the Residence and Care Agreement states the terms under which a person may share occupancy with a prior resident.

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

If the second resident is an existing resident, the resident may continue to maintain two residential units and pay the applicable current Single Occupancy Monthly Fee and each contract will remain in effect separately. If the resident decides to occupy one residence, the resident must declare which residence will be occupied and which will be vacated. The second

resident will be added as a co-resident to the existing resident's Residence and Care Agreement and the resident will pay the applicable current Double Occupancy Monthly Fee.

E. Financial Hardship

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

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

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

IV. SERVICES

A. Standard Services Available

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

- dining services as determined by chosen meal plan
- weekly housekeeping
- scheduled transportation
- all utilities except telephone service
- 24 hour emergency response service
- 24 hour security service patrols
- parking

- assistance with filing insurance claims for services rendered by The Forest
- primary physician care availability delivered at The Forest
- regular physical examination availability delivered at The Forest
- availability of physical therapy/occupational therapy/speech therapy service provided at The Forest
- extensive educational, cultural and recreational activities
- basic cable television and wireless internet services

B. Services for an Extra Charge

Services which will require additional payment include:

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

C. Amenities

Amenities available at The Forest:

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

As needs are identified, other services may be offered.

D. Away Allowance

Independent residents who elect Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. Independent residents who elect Meal Plan Two and are away from The Forest for thirty (30) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is only available to independent residents upon written, advance request, and is not available for stays in The Forest's Health and Wellness Center. The Away Allowance is specifically excluded from Meal Plan Three. The credit will be the current published Away Allowance, per person per day, as determined by The Forest and listed on the "Schedule of Ancillary Charges" as noted in the Resident Handbook.

V. FEES

A. Application/Registration Fees

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

B. Entry Fee

Payment of an Entry Fee provides the resident with the lifetime use of a residence. If at such time a move may be necessary due to need for a higher level of care, then the residence would be released back to The Forest. At the time the Future Resident makes application for residency at The Forest, The Future Resident makes a fifteen percent (15%) deposit of the Entry Fee upon final approval. The fifteen percent (15%) deposit reserves the selected residence and the Residence and Care Agreement is signed and executed at this time. From the time of the signing of the Residence and Care Agreement until the Date of Occupancy, Future Residents are guaranteed admission to The Forest regardless of change in their health status. If residents require assisted living or skilled nursing services subsequent to signing the Residence and Care Agreement and prior to occupancy, they will be subject to the terms outlined in Section V.C. of the Residence and Care Agreement "Direct Admission to the Health and Wellness Center." Fund deposits may be refundable under the terms described in the Residence and Care Agreement. Applicants may choose not to select available residences and remain on the waiting list without penalty until they are ready to apply for a residence.

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

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

The Board of Directors reviews the financial performance of The Forest each year to determine the required fee levels. Current Entry Fees, effective October 1, 2021, are shown below in Schedule "A":

Schedule A

SINGLE OCCUPANCY 2021 ENTRY FEES

<u>Unit Type</u>	<u>Entry Fee</u>
Apartments:	
Ash (1 BDR)	\$ 97,970
Beech (1 BDR exp)	\$131,676
Cedar (1 BDR w/den)	\$195,045
Dogwood (2 BDR)	\$256,247
Elm (2 BDR w/den)	\$274,069
Cottages:	
Alder (1 BDR w/den)	\$294,316
Birch (2 BDR)	\$347,971
Chestnut (2 BDR w/den)	\$399,160
Pine (2 BDR w/study)	\$552,783
Holly (2 BDR w/study)	\$576,436
Magnolia (2 BDR w/study)	\$600,078

DOUBLE OCCUPANCY 2021 ENTRY FEES

<u>Unit Type</u>	<u>Entry Fee</u>
Apartments:	
Ash (1BDR)	\$135,970
Beech (1BDR exp)	\$169,676
Cedar (1 BDR w/den)	\$233,045
Dogwood (2 BDR)	\$294,247
Elm (2 BDR w/den)	\$312,069
Cottages:	
Alder (1 BDR w/den)	\$332,316
Birch (2 BDR)	\$385,971
Chestnut (2 BDR w/den)	\$437,160
Pine (2 BDR w/study)	\$590,783
Holly (2 BDR w/study)	\$614,436
Magnolia (2 BDR w/study)	\$638,078

C. Monthly Fees

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

Schedule B

SINGLE OCCUPANCY 2021 MONTHLY FEES

Apartments:

Ash (1BDR)	\$3,562
Beech (1BDR exp)	\$4,128
Cedar (1 BDR w/den)	\$4,672
Dogwood (2 BDR)	\$5,313
Elm (2 BDR w/den)	\$5,701

Cottages:

Alder (1 BDR w/den)	\$5,412
Birch (2 BDR)	\$5,701
Chestnut (2 BDR w/den)	\$6,003
Pine (2 BDR w/study)	\$6,207
Holly (2 BDR w/study)	\$6,406
Magnolia (2 BDR w/study)	\$6,538

DOUBLE OCCUPANCY 2021 MONTHLY FEES

Apartments:

Ash (1BDR)	\$5,387
Beech (1BDR exp)	\$5,953
Cedar (1 BDR w/den)	\$6,497
Dogwood (2 BDR)	\$7,138
Elm (2 BDR w/den)	\$7,526

Cottages:

Alder (1 BDR w/den)	\$7,237
Birch (2 BDR)	\$7,526
Chestnut (2 BDR w/den)	\$7,828
Pine (2 BDR w/study)	\$7,962
Holly (2 BDR w/study)	\$8,161
Magnolia (2 BDR w/study)	\$8,293

D. Health and Wellness Center Fees

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

pay rates charged at similar local health care facilities. The Health and Wellness Center per diem rate effective October 1, 2021 is \$477.

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

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

- 2. Direct Admission to Skilled Nursing Care:** Residents may be admitted directly for skilled nursing care because of a change in health status after acceptance and prior to the Date of Occupancy if accommodations are available. These persons pay the Health Care Reserve Fee and the current monthly skilled nursing rate instead of the Entry Fee and Monthly Fees. Residents are not eligible for fifteen (15) pre-paid days of care. Effective October 1, 2021, the monthly rate for direct admission to skilled nursing is \$12,134. Residents who are admitted directly for skilled nursing care are subject to the terms under "Direct Admission to the Health and Wellness Center" in Section V.C. of the Residence and Care Agreement.

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

- 3. Direct Admission to Adult Care:** Residents may be admitted directly for adult care services because of a change in health status after acceptance and prior to the Date of Occupancy if accommodations are available. These persons pay the Health Care Reserve Fee and the currently monthly adult care rate instead of the Entry Fee and Monthly Fees. Residents are not eligible for fifteen (15) pre-paid days of care. Effective October 1, 2021, the monthly rate for direct admission to adult care is \$9,592. Residents who are admitted directly to adult care are subject to the terms under "Direct Admission to the Health and Wellness Center" in Section V.C. of the Residence and Care Agreement.

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

E. Fee Change Policies

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

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

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

F. Changes in Fees for the Previous Five Years

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

	<u>10/1/17</u> <u>9/30/18</u>	<u>10/1/18</u> <u>9/30/19</u>	<u>10/1/19</u> <u>9/30/20</u>	<u>10/1/20</u> <u>9/30/21</u>	<u>10/1/21</u> <u>9/30/22</u>
<u>Monthly Fees</u>					
One Occupant (\$'s per mo.)	\$182	\$165	\$172	\$167	\$183
Two Occupants (\$'s per mo.)	\$242	\$221	\$229	\$223	\$245
Approx. Percentage Increase	4.0%	3.5%	3.5%	3.3%	3.5%
<u>Health and Wellness Center Per Diems</u>					
Assisted Living (\$'s per day)	\$6	\$6	\$7	\$6	\$7
Skilled Nursing (\$'s per day)	\$6	\$6	\$7	\$6	\$7
Approx. Percentage Increase	4.0%	3.5%	3.5%	3.3%	4.0%

VI. FINANCIAL INFORMATION

A. Overview

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

allowed The Forest to capture a permanent savings in debt service costs for the next twenty-six years.

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

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

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

In September 2017, \$4,695,000 of the outstanding principal balance of the Series 2003 bonds were paid off and \$22,795,000 of the outstanding principal balance of the Series 2007 bonds were refinanced to take advantage of lower interest rates.

In June 2021, The Forest received financing to construct a new ninety (90) unit health center to replace its existing facility. Financing was obtained for the project from tax-exempt bonds issued through the North Carolina Medical Care Commission. The bond issues totaled \$44,415,000.

B. Current Financial Statements

See attached, Exhibit A, for audited financial statements for fiscal year 2021. The statements include notations provided by the auditor presenting significant facts and assumptions relevant to the statements.

C. Interim Financial Statements

See attached, Exhibit B, for internally-generated financial statements for the period ending December 31, 2021.

D. Comparison of Actual Results with Forecasted Proforma Projections

See attached, Exhibit C, for a comparison of actual Fiscal Year 2021 results with Forecasted Proforma Projections included in the March 1, 2021 Disclosure Statement.

E. Financial Projection Statements

See attached, Exhibit D, for financial forecasted statements prepared for the fiscal years 2022 through 2026. The statements include detailed disclosure of assumptions used in the projections.

VII. RESERVES, ESCROW AND TRUSTS

A. Deposits Made by Prospective Residents

North Carolina General Statutes 58-64-35, require all deposits made by prospective residents to be held in escrow until the facility reaches the seventy-five percent (75%) pre-sales or the seventy-five percent (75%) occupancy requirements. Since all of these requirements have been met by The Forest, The Forest does not escrow deposits. If a prospective resident subsequently cancels their reservation, subject to the terms outlined in Section III.B. of the Disclosure Statement, the prospective resident may receive a refund of their deposit directly from The Forest.

B. Trustee-Held Funds

The following reserves are required by either the Loan Agreements of The Forest's outstanding bond issuances or the North Carolina Department of Insurance (balances are for the fiscal year ending September 30, 2021):

1. Debt service reserve fund: The Forest maintained a debt service reserve fund which was equal to the maximum annual debt service over the life of the Series 1994 bonds. This fund was established by the bond indenture. As of September 30, 2020, the Series 1994 Bonds were paid off and there is no longer a requirement for the reserve fund.
2. Interest fund: As provided by the bond indentures, The Forest maintains an interest fund for the payment of current interest. Included in Exhibit A, Balance Sheet under "Noncurrent assets limited as to use" is \$44,656, which includes adequate funds for the 2017 interest fund.
3. North Carolina Department of Insurance reserve requirements: North Carolina State law requires that a provider shall maintain after the opening of a facility an operating reserve equal to fifty percent (50%) of the total operating costs of the facility forecasted for the 12-month period following the period covered by the most recent Disclosure Statement filed with the North Carolina Department of Insurance. The forecast statements shall serve as the basis for computing the operating reserve. In addition to total operating expenses, total operating costs will include debt service, consisting of principal and interest payments along with taxes and insurance on any mortgage loan or other long term financing, but will exclude depreciation, amortized expenses, and extraordinary items as approved by the Commissioner. If the debt service portion is accounted for by way of another reserve account, the debt service portion may be excluded. If a facility maintains an occupancy level in excess of ninety percent (90%), a provider shall only be required to maintain a twenty-five percent (25%) operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserve must be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, US Treasury obligations, or obligations of US government agencies.

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

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

C. Board Designated Funds

Board designated funds include the Health Care Reserve fund established to provide additional resources which allow The Forest to establish and charge discounted fees for health care services. The balance of the Health Care Reserve fund as of September 30, 2021 was \$3,990,000. In addition, the Benevolent Fund value as of September 30, 2021 was \$286,828. The Benevolent Fund may be used at the discretion of The Forest's Board of Directors to provide financial assistance to residents who are unable to meet their financial responsibilities.

D. Operating Reserve Funds

The fiscal year 2022 requirement for The Forest's operating reserve is \$5,401,000. This reserve is held in the operating checking account and is maintained at a minimum balance of \$5,401,000. The Forest anticipates the minimum balance to be adjusted to the next fiscal year operating reserve by the beginning of fiscal year 2023. Any additional funds needed to increase the reserve will be obtained from monthly fees and entry fees. In the unlikely event that the monthly fees and entry fees do not generate the required level of excess funds, The Forest will transfer the necessary funds from the cash reserves at Truist which are invested in a money market fund. The Board of Directors makes investment decisions based upon recommendations made by Ziegler Capital Management.

VIII. EARLY ACCEPTANCE PROGRAM

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

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

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

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

A. POLICIES

1. Admission – Health and Financial Criteria

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

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

2. Conditions of Termination

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

Entry Fee. The refund will be paid within sixty (60) days of receipt of the written notice to terminate.

- c) Termination by the Resident – In addition to Section VIII A. 2a and b, the Agreement may be terminated by the resident in accordance with the following conditions: (i) the Agreement will be terminated upon death; (ii) except in the case of death, the resident must give The Forest sixty (60) days written notice of the resident’s intent to terminate the Agreement. A permanent move to the Health and Wellness Center is not considered a contract termination, and therefore, a refund is not applicable.
- d) Termination by The Forest – The Forest may terminate the Agreement with the resident if the resident breaches the Agreement, or if the resident fails to pay the Monthly Fee and any other ancillary charges, or fails to follow the standard policies of The Forest, or refuses to relocate as required by the Agreement, or engages in activities or conduct disruptive to the Community, or if the resident interferes with the health and safety of the Community, or the resident misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give the resident at least sixty (60) days written notice of termination.
- e) Termination Date – The Termination Date will be sixty (60) days following written notice, or in the case of death, the date of death. The resident will be required to continue paying the Monthly Fee until the Termination Date.

3. Conditions for Refund

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

to the resident or their estate. Refunds will be paid to the resident, or in the event of death, to the resident's estate.

- d) Release Upon Termination – Upon termination of the Agreement, The Forest is released from any further obligations to the resident except for the payment of any refund which may be due under Sections VIII and IX of the Agreement.

4. Care Management and Transfers

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

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

5. Financial Hardship

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

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

B. SERVICES

Standard Services Available

- Access to The Forest dining venues and catering facilities at the prevailing resident rate.
- Access to services and amenities in The Forest's fitness center including consultation with fitness staff and a variety of exercise and wellness classes and support in development of personal health and fitness plan.

-
- Access to recreational, educational, cultural and spiritual programs.
 - An annual health and wellness assessment.
 - Access to Case Management Services for coordinating home care/companion care.
 - Primary care services available during regularly scheduled office hours if resident selects The Forest as their primary care provider.
 - The Forest's Care Coordinator may assist the resident in arranging inpatient hospital care.
 - Access to in-patient care in assisted living and skilled nursing care for temporary or permanent stays in The Forest's Health and Wellness Center as outlined in the Early Acceptance Agreement, Section VI and below in Section C. 3.

C. FEES

1. Entry Fee

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

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

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

2. Monthly Fee

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

3. Health and Wellness Center Fees

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

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

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- b) Temporary Health and Wellness Center: When it is deemed by The Forest the resident is a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, the resident will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
 - c) Permanent Health and Wellness Center: When it is deemed by The Forest that the resident is a permanent resident of the Health and Wellness Center and after pre-paid days have been used, the resident will pay forty percent (40%) of the per diem rate for health care services published by The Forest. The Monthly Fee will no longer be paid.

IX. FACILITY DEVELOPMENT/EXPANSION

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

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

In June 2021, financing was completed for Phase One of the project. The project is a replacement of the current facility with ninety (90) new units in a so-called “small house” format in a five-story, approximately 110,000 square foot building on the existing 47-acre campus. The small house model of care is designed around houses (or groups of rooms) in which each house has ten (10) private rooms each with a full bathroom and all common spaces and support areas located within the house. At completion, there will be a total of ninety (90) resident rooms distributed evenly across nine (9) houses.

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

Site work began in June 2021. Construction of the health center is anticipated to take approximately 18 to 20 months. The project is anticipated to be complete in January/February 2023.

The Phase Two project design development, construction documentation and pricing are in process. Once the new health center is built and occupied by current residents, the proposed project includes the demolition of the existing health center.

The planned project is to be constructed in a single five-story building, approximately 250,000 square feet on the existing campus. The planned project includes the addition of seventy-one (71)

new independent living apartments and an expanded community center which connects the existing community center to the new health center. The expanded community center also includes service and amenity spaces such as additional dining, fitness area, classroom, multipurpose rooms, a clinic and office spaces.

The new apartments have an average of 1,450 square feet with spacious open-living design floorplans, ten foot ceilings, and finishes commensurate with high-end real estate in the market area. Other features include gourmet kitchens with stainless steel appliances, large covered balconies or ground level patios for outdoor living in each apartment home. Each apartment home is expected to include assigned underground parking.

As the project represents adding more than ten percent (10%) of the current independent living inventory, The Forest is required to pre-sell the units and follow Chapter 58 Article 64 of the North Carolina General Statutes and receive approval from the North Carolina Department of Insurance. This process includes “4 Steps”, of which The Forest has received approval for Step 1 in October 2021. This approval allows The Forest to accept \$1,000 non-binding reservation agreements for the new units.

The pre-sell requirement will be fulfilled when The Forest has entered into binding reservation/resident agreements equal to at least 50 percent (50%) of the total number of the independent living units being developed are accompanied with a deposit equal to at least ten percent (10%) of the entrance fee. Financing will be contingent upon receiving these approvals.

The financing is anticipated to close in the first quarter of calendar year 2023 in line with the completion of the health center project. It is anticipated that the site work could begin as early as February 2023, with the construction of the new apartments and common areas taking approximately 24 months from the date of financing.

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

X. RESIDENCE AND CARE AGREEMENT

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

EXHIBITS

Exhibit A..... FYE 2021 Audited Statements by
Dixon Hughes Goodman LLP

Exhibit B.....Internally-Generated Financial
Statements for the Period Ending
December 31, 2021

Exhibit C.....Comparison of Actual FYE 2021
Results with Forecasted Proforma
Projections Included in March 1,
2021 Disclosure Statement

Exhibit D.....Five Year Forecast 2022 – 2026

Exhibit E.....Residence and Care Agreement

Exhibit F.....Early Acceptance Agreement

Exhibit G.....Residence and Care Agreement
Following Early Acceptance

Exhibit A

FYE 2021 Audited Statements by Dixon Hughes Goodman LLP



The Forest at Duke, Inc.

Financial Statements

Years Ended September 30, 2021 and 2020



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Independent Auditors' Report

Board of Directors
The Forest at Duke, Inc.
Durham, NC

We have audited the accompanying financial statements of The Forest at Duke, Inc. ("The Forest"), which comprise the balance sheets as of September 30, 2021 and 2020 and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Forest as of September 30, 2021 and 2020, and the results of its operations, change in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Raleigh, NC
December 1, 2021

The Forest at Duke, Inc.

Balance Sheets

September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and equivalents	\$ 7,207,894	\$ 5,190,711
Assets limited as to use, current portion	144,658	143,063
Accounts and other receivables	509,251	303,515
Other current assets	97,538	88,526
Total current assets	<u>7,959,341</u>	<u>5,725,815</u>
Noncurrent assets:		
Assets limited as to use, non-current portion	53,655,079	9,298,936
Investments	26,635,230	23,371,451
Other long term assets	102,804	86,304
Property and equipment, net	46,170,030	44,338,797
Total noncurrent assets	<u>126,563,143</u>	<u>77,095,488</u>
Total assets	<u>\$ 134,522,484</u>	<u>\$ 82,821,303</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 495,765	\$ 508,428
Accrued expenses	890,342	992,618
Current portion of refundable entrance fees to residents	1,388,529	1,647,749
Current portion of bonds payable	1,225,000	1,190,000
Total current liabilities	<u>3,999,636</u>	<u>4,338,795</u>
Noncurrent liabilities:		
Bonds payable, less current portion	64,037,984	15,371,016
Deposits	529,315	475,190
Non-refundable plan entrance fees	37,687,051	38,781,114
Non-refundable plan entrance fees - early acceptance	775,187	-
Refundable entrance fees to residents, less current portion	9,325,813	9,462,994
Total noncurrent liabilities	<u>112,355,350</u>	<u>64,090,314</u>
Total liabilities	<u>116,354,986</u>	<u>68,429,109</u>
Net assets:		
Without donor restrictions	18,009,537	14,254,485
With donor restrictions	157,961	137,709
Total net assets	<u>18,167,498</u>	<u>14,392,194</u>
Total liabilities and net assets	<u>\$ 134,522,484</u>	<u>\$ 82,821,303</u>

The accompanying notes are an integral part of these financial statements.

The Forest at Duke, Inc.
Statements of Operations
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue, gains and other support:		
Monthly fees	\$ 15,607,872	\$ 15,966,898
Early acceptance fees	114,490	-
Earned entrance fees	4,500,011	5,577,197
Earned entrance fees - early acceptance	29,813	-
Clinic and health care center fees	4,369,521	4,932,278
Home care revenue	21,143	-
Dining services income	-	64,348
Application fees	24,600	18,600
Other income	480,982	182,253
Net assets released from donor restrictions	45,802	42,000
Total revenue, gains and other support	<u>25,194,234</u>	<u>26,783,574</u>
Expenses:		
Dining services	4,238,802	4,430,852
Housekeeping	1,180,262	1,229,519
Health care center and nursing	4,266,707	4,890,700
Wellness clinic	622,011	610,040
The Forest at Home	85,247	-
Community Life	428,671	481,082
Plant facility costs	3,459,785	3,541,588
Marketing	656,102	580,378
Early acceptance	38,574	60,885
General and administrative	3,075,990	2,767,365
Depreciation	5,493,918	5,459,892
Interest	523,921	628,867
Total operating expenses	<u>24,069,990</u>	<u>24,681,168</u>
Operating income	1,124,244	2,102,406
Nonoperating income (expense):		
Investment income	721,515	696,676
Realized gains on sale of investments	550,538	136,252
Net unrealized gains on investments and assets limited as to use	2,578,927	1,235,950
Community responsibility	(857,780)	(738,907)
Loss on disposal of equipment	(362,392)	(3,165)
Nonoperating income	<u>2,630,808</u>	<u>1,326,806</u>
Excess of revenues, gains, and other support over expenses	3,755,052	3,429,212

The Forest at Duke, Inc.
Statements of Changes in Net Assets
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Excess of revenues, gains, and other support over expenses	\$ 3,755,052	\$ 3,429,212
Net assets with donor restrictions:		
Contributions	66,054	100,811
Net assets released from donor restriction	(45,802)	(42,000)
Change in net assets with donor restrictions	<u>20,252</u>	<u>58,811</u>
Change in net assets	3,775,304	3,488,023
Net assets, beginning of year	<u>14,392,194</u>	<u>10,904,171</u>
Net assets, end of year	<u>\$ 18,167,498</u>	<u>\$ 14,392,194</u>

The Forest at Duke, Inc.
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flow from operating activities:		
Change in net assets	\$ 3,775,304	\$ 3,488,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Earned entrance fees	(4,529,824)	(5,577,197)
Net realized and unrealized (gains) losses on investments and assets limited as to use	(3,129,465)	(1,372,202)
Nonrefundable Entrance fees received	3,460,000	5,045,844
Nonrefundable Entrance fees received - early acceptance	805,000	-
Depreciation	5,493,918	5,459,892
Amortization of bond issuance cost included in interest expense	32,019	22,152
Amortization on premium included in interest expense	(71,155)	-
Loss on disposal of equipment	362,392	3,165
Net changes in operating assets and liabilities:		
Accounts and other receivables	(205,736)	(42,911)
Other current assets	(9,012)	(6,224)
Other long term assets	(16,500)	-
Accounts payable	87,509	198,614
Accrued expenses	(102,276)	170,858
Net cash provided by operating activities	<u>5,952,174</u>	<u>7,390,014</u>
Cash flows from investing activities:		
Change in assets limited as to use	(44,305,001)	71,061
Purchases of investments	(12,825,809)	(16,820,690)
Proceeds from sale of investments	12,691,568	14,387,200
Purchase of property and equipment	(7,787,715)	(4,175,240)
Net cash used by investing activities	<u>(52,226,957)</u>	<u>(6,537,669)</u>
Cash flows from financing activities:		
Entrance fees refunded	(396,401)	(1,581,799)
Proceeds from issuance of bonds payable	50,818,933	-
Debt issuance costs from issuance of bonds payable	(887,829)	-
Principal payments on long-term debt	(1,190,000)	(1,190,000)
Net cash provided (used) by financing activities	<u>48,344,703</u>	<u>(2,771,799)</u>
Net change in cash, cash equivalents, and restricted cash	<u>2,069,920</u>	<u>(1,919,454)</u>
Cash, cash equivalents, and restricted cash at beginning of year	<u>5,727,419</u>	<u>7,646,873</u>
Cash, cash equivalents, and restricted cash at the end of year	<u>\$ 7,797,339</u>	<u>\$ 5,727,419</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 566,458</u>	<u>\$ 610,172</u>
Supplemental disclosure of noncash investing and financing activity:		
Purchase of property and equipment included in accounts payable	<u>\$ 79,685</u>	<u>\$ 29,600</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization

The Forest at Duke, Inc. (“The Forest”) is a non-profit, North Carolina corporation. The Forest owns and operates a continuing care retirement community in Durham, North Carolina, which consists of 235 independent living units and 92 health care facility beds.

Basis of Presentation

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

Cash and Cash Equivalents

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

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,207,894	\$ 5,190,711
Assets as to use limited	<u>589,445</u>	<u>536,708</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 7,797,339</u>	<u>\$ 5,727,419</u>

Assets Limited as to Use

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

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

The Forest at Duke, Inc.
Notes to Financial Statements

Directors has designated these funds be maintained to help protect against escalating costs in The Forest's health care center.

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

Investments

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks and mutual funds are measured at fair value in the balance sheets. Interest and dividends, unrealized and realized gains (losses) on sale of investments are reported as nonoperating income, and are included in excess of revenues, gains and other support over expenses.

Property and Equipment

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

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

Accounts Receivable, net

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to the Forest are reported net of allowances for uncollectible accounts. Specific resident balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, the Forest has implemented a standardized approach to estimate and review the collectability of its receivables based on resident receivable aging trends. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining allowance for uncollectible accounts. In addition, the Forest assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment.

Revisions in reserve estimates are recorded as an adjustment to accounts receivable. Management believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

Debt Issuance Costs

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds, which is 15 years for 2017 series and 30 years for 2021 series, and recorded as interest expense. The amortization approximates the effective interest rate method.

Deferred Revenue from Entrance Fees

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

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

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

Obligations to Provide Future Services

The Forest annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to operating expense. The Forest was not required to record such a liability at September 30, 2021 and 2020.

Net Assets

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

CARES Act Provider Relief Funding

The Coronavirus Aid, Relief, and Economic Security Act ("CARES") Act Funds are considered voluntary non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus ("COVID-19"), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other income to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Excess of Revenues, Gains and Other Support Over Expenses

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

Donor Restrictions

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

restrictions. The Forest reports gifts of property and equipment as net assets without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

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

Income Taxes

The Forest is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Forest has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2021 and 2020.

Subsequent Events

The Forest evaluated the effect subsequent events would have on the financial statements through December 1, 2021, which is the date the financial statements were issued.

2. Revenue Recognition

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

Monthly fees:

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

Entrance fees:

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

Health care services:

In the facility, The Forest provides assisted living and nursing care to residents. The Forest is paid discounted daily rates for private pay services. These daily rates and other fees are billed in arrears monthly. For skilled

The Forest at Duke, Inc.
Notes to Financial Statements

nursing services provided under Medicare A guidelines, rates billed are predetermined from the Centers of Medicare and Medicaid Services (CMS). Under ASC Topic 606, revenue is recognized when the service is provided.

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

	September 30, 2021			
	Independent Living	Assisted Living	Skilled Nursing	Total
Private pay	\$ 19,554,323	\$ 1,571,858	\$ 2,976,504	\$ 24,102,685
Third party payors	136,722	8,930	394,513	540,165
Total	<u>\$ 19,691,045</u>	<u>\$ 1,580,788</u>	<u>\$ 3,371,017</u>	<u>\$ 24,642,850</u>

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

3. Assets Limited as to Use and Investments

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

	2021	2020
Department of Insurance - operating reserve	\$ 5,287,000	\$ 5,183,000
Held by trustee under trust and loan agreements	44,235,909	143,063
Board designated:		
Health Care reserve	3,990,000	3,870,000
Benevolent fund	286,828	245,936
Total assets limited as to use	53,799,737	9,441,999
Less assets limited as to use, current portion	(144,658)	(143,063)
Total assets limited as to use, net of current portion	<u>\$ 53,655,079</u>	<u>\$ 9,298,936</u>

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

	2021	2020
Fixed income	\$ 44,353,667	\$ 12,783,041
Equity	18,370,519	14,651,255
Cash funds and money market funds	17,710,781	5,379,154
Total assets limited as to use and investments	<u>\$ 80,434,967</u>	<u>\$ 32,813,450</u>

The Forest at Duke, Inc.
Notes to Financial Statements

Investment income for the years ended September 30 follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 721,515	\$ 696,676
Realized gain on sale of investments	550,538	136,252
Net unrealized gains on investments and assets limited as to use	<u>2,578,927</u>	<u>1,235,950</u>
Total net investment income	<u>\$ 3,850,980</u>	<u>\$ 2,068,878</u>

Investment income is shown net of investment fees of approximately \$143,000 and \$126,000 for the years ended September 30, 2021 and 2020, respectively.

4. Fair Value of Assets and Liabilities

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

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

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

Asset Measured at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 includes money market mutual funds, corporate obligations, U.S. Treasury obligations, common stocks and mutual funds. Level 2 investment securities include asset-backed securities for which quoted prices are not available in active markets for identical instruments. The Forest utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. The following table sets forth by level, within the fair value hierarchy The Forest's assets accounted for at fair value at September 30, 2021 and 2020:

The Forest at Duke, Inc.
Notes to Financial Statements

	Fair Value of Financial Assets as of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 14,253,910	\$ -	\$ -	\$ 14,253,910
Corporate obligations	-	5,441,846	-	5,441,846
U.S. Treasury obligations	-	9,769,471	-	9,769,471
Government obligations	-	27,662,092	-	27,662,092
Asset-backed securities:				
U.S. government	-	416,222	-	416,222
Corporate	-	1,064,036	-	1,064,036
Total money market funds and fixed income securities	<u>14,253,910</u>	<u>44,353,667</u>	<u>-</u>	<u>58,607,577</u>
Common stocks:				
Consumer products	1,863,703	-	-	1,863,703
Energy	346,971	-	-	346,971
Financial	1,275,518	-	-	1,275,518
Health care	1,332,248	-	-	1,332,248
Industrials	1,010,345	-	-	1,010,345
Materials	305,956	-	-	305,956
Real estate	270,596	-	-	270,596
Technology	3,055,324	-	-	3,055,324
Telecommunication	1,208,079	-	-	1,208,079
Utilities	151,700	-	-	151,700
Total common stocks	<u>10,820,440</u>	<u>-</u>	<u>-</u>	<u>10,820,440</u>
Mutual funds:				
International	4,424,728	-	-	4,424,728
Other	3,125,351	-	-	3,125,351
Total mutual funds	<u>7,550,079</u>	<u>-</u>	<u>-</u>	<u>7,550,079</u>
Total	<u>\$ 32,624,429</u>	<u>\$ 44,353,667</u>	<u>\$ -</u>	<u>\$ 76,978,096</u>

The Forest has \$10,664,765 of cash balances that are included with cash and cash equivalents, assets limited as to use and investments at September 30, 2021, which is not included in the fair value hierarchy.

The Forest at Duke, Inc.
Notes to Financial Statements

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

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

5. Property and Equipment

Property and equipment consist of the following at September 30:

	2021	2020
Land	\$ 6,111,141	\$ 6,111,141
Land improvements	6,689,032	6,494,468
Buildings	66,334,401	65,697,223
Equipment and furnishings	35,077,436	34,393,292
Vehicles	635,779	635,779
Construction in progress	<u>7,467,905</u>	<u>2,381,472</u>
	122,315,694	115,713,375
Less accumulated depreciation	<u>76,145,664</u>	<u>71,374,578</u>
Total property and equipment	<u>\$ 46,170,030</u>	<u>\$ 44,338,797</u>

6. Bonds Payable

Bonds payable consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Series 2017 Retirement Facilities Refunding Revenue Bonds with bonds due annually with interest rate as follows: 2017 - 2032; 3.43%	\$ 15,635,000	\$ 16,825,000
Series 2021 Retirement Facilities First Mortgage Revenue Bonds: Serial bonds due through September 2034 yielding between 1.750% - 1.830%	3,275,000	-
Term bonds:		
Due September 1, 2041 yielding 2.090%	13,715,000	-
Due September 1, 2046 yielding 2.280%	12,375,000	-
Due September 1, 2051 yielding 2.380%	<u>15,050,000</u>	<u>-</u>
Total bonds payable	60,050,000	16,825,000
Less current portion of bonds payable	(1,225,000)	(1,190,000)
Less debt issuance costs, net	(1,119,795)	(263,984)
Add unamortized premium	<u>6,332,779</u>	<u>-</u>
Bonds payable, less current portion and debt issuance costs	<u>\$ 64,037,984</u>	<u>\$ 15,371,016</u>

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

In June 2021, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities First Mortgage Revenue Bonds (The Forest at Duke), Series 2021 ("2021 Bonds") in the aggregate principal amount of \$44,415,000.

Effective January 1, 2018, as a result of the Tax Cuts and Jobs Act, and by function of the debt agreements for tax law changes, the effective interest rate changed from 2.82% to 3.43%. Interest on the 2017 bonds is payable semi-annually on March 1 and September 1. All bonds are secured by substantially all of the property and equipment of The Forest. The trust indenture and loan agreements underlying the Series 2017 and Series 2021 bonds contain certain financial covenants including minimum long-term debt service coverage.

Annual principal maturities of bonds payable, excluding premium are as follows:

2022	\$ 1,225,000
2023	1,265,000
2024	1,305,000
2025	1,335,000
2026	1,375,000
Thereafter	<u>53,545,000</u>
	<u>\$ 60,050,000</u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions were \$157,961 and \$137,709 at September 30, 2021 and 2020, respectively. The net assets with donor restrictions are primarily restricted for employee education assistance and other miscellaneous purposes.

8. Retirement Plan

The Forest has a 403(b) defined contribution plan for all eligible employees. Under the terms of the Plan, employees may make voluntary before tax contributions, limited to amounts specified by the Internal Revenue Code. The Forest matches qualifying employees' contributions 100% up to 7% of gross salary. The Forest's contributions were approximately \$210,000 and \$207,000 for the years ended September 30, 2021 and 2020, respectively.

9. Professional Liability Insurance

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

10. Liquidity and Availability

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

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

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

The Forest at Duke, Inc.
Notes to Financial Statements

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

<u>Asset Categories</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,207,894	\$ 5,190,711
Accounts and other receivables	509,251	303,515
Investments and assets limited as to use	80,434,967	32,813,450
Less: Held by trustee	(44,235,909)	(143,063)
Less: Reserves required by state statute	(5,287,000)	(5,183,000)
Less: Restricted by donor	(157,961)	(137,709)
	<u>\$ 38,471,242</u>	<u>\$ 32,843,904</u>

11. Functional Expenses

The costs of providing various program and support activities have been allocated among program, administrative and general expenses. Expenses are allocated on an equitable and consistent basis based upon a variety of factors including square footage, usage, and estimated time utilized. The following is a schedule of expenses by both natural classification and function for the year ended September 30, 2021 and 2020:

	<u>2021</u>		
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Total</u>
Salaries and wages	\$ 7,082,711	\$ 2,676,352	\$ 9,759,063
Employee benefits	1,375,713	315,793	1,691,506
Payroll taxes	578,712	100,660	679,372
Fees for services	78,283	419,203	497,486
Advertising and promotion	111,171	-	111,171
Office expenses	844,653	309,659	1,154,312
Information technology	288,314	3,989	292,303
Occupancy	1,634,211	-	1,634,211
Travel and vehicle maintenance	41,998	20,282	62,280
Interest	523,921	-	523,921
Depreciation	5,493,918	-	5,493,918
Insurance	215,336	-	215,336
Food	1,451,322	-	1,451,322
Medical supplies and ancillary services	489,141	-	489,141
Miscellaneous	9,645	5,003	14,648
	<u>\$ 20,219,049</u>	<u>\$ 3,850,941</u>	<u>\$ 24,069,990</u>
Total expense	<u>\$ 20,219,049</u>	<u>\$ 3,850,941</u>	<u>\$ 24,069,990</u>

	2020		
	Program Services	Administrative and General	Total
Salaries and wages	\$ 7,686,098	\$ 2,516,730	\$ 10,202,828
Employee benefits	1,547,931	297,444	1,845,375
Payroll taxes	619,289	84,979	704,268
Fees for services	65,830	374,754	440,584
Advertising and promotion	109,073	-	109,073
Office expenses	855,588	431,411	1,286,999
Information technology	283,694	12,878	296,572
Occupancy	1,491,161	-	1,491,161
Travel and vehicle maintenance	43,572	21,570	65,142
Interest	628,866	-	628,866
Depreciation	5,459,892	-	5,459,892
Insurance	164,578	-	164,578
Food	1,478,818	-	1,478,818
Medical supplies and ancillary services	478,686	-	478,686
Miscellaneous	<u>26,038</u>	<u>2,288</u>	<u>28,326</u>
Total expense	<u>\$ 20,939,114</u>	<u>\$ 3,742,054</u>	<u>\$ 24,681,168</u>

12. Provider Relief Funds

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds, administered by the U.S. Department of Health and Human Services (HHS). The Provider Relief Funds are being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. During the year ended September 30, 2021, the Forest has received \$430,116 in distributions from this fund. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Center exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through December 31, 2021, any excess funding may be subject recoupment. The Provider Relief Funds are accounted for as voluntary nonexchange transactions and related revenues are recognized as eligibility criteria are met. During the year ended September 30, 2021 the Forest recognized \$430,116 in other income.

Exhibit B

Internally-Generated Financial Statements
For the Period Ending December 31, 2021

THE FOREST AT DUKE, INC.
Statement of Operations-Unaudited
For The Three Months Ending December 31, 2021

	<u>Actual YTD</u>	<u>Budget YTD</u>	<u>Variance</u>
Revenues:			
Monthly fees	\$ 4,062,960	4,067,106	\$ (4,146)
Early acceptance monthly fees	79,761	86,450	(6,689)
Clinic and health care center fees	1,087,790	1,263,945	(176,155)
Home care revenue	32,700	118,320	(85,620)
Other income	29,198	51,882	(22,684)
Total operating revenues	<u>5,292,409</u>	<u>5,587,703</u>	<u>(295,294)</u>
Expenses:			
General and administrative	735,270	694,573	(40,697)
Marketing	329,957	186,753	(143,204)
Early Acceptance	3,976	7,752	3,776
Wellness clinic	178,247	180,300	2,053
Health care center	1,210,567	1,437,631	227,064
The Forest at Home	49,615	131,884	82,269
Community life	133,616	145,150	11,534
Dining services	1,099,073	1,246,003	146,930
Housekeeping and laundry	326,670	348,946	22,276
Maintenance	375,939	361,487	(14,452)
Security and transportation	165,851	183,572	17,721
Plant, insurance and utilities	345,832	379,347	33,515
Total operating expenses	<u>4,954,613</u>	<u>5,303,398</u>	<u>348,785</u>
Net operating revenues less operating expenses	337,796	284,305	53,491
Non-operating revenues:			
Earned entrance fees	1,022,371	1,107,567	(85,196)
Early acceptance earned entrance fees	19,552	21,385	(1,833)
Investment income:			
Interest and dividends	198,709	112,500	86,209
Realized gain / (loss) on sale of Investments	63,257	50,001	13,256
Net unrealized gains / (losses) on investments	1,018,035		1,018,035
Gift shop / donation revenue	52,553	-	52,553
Total non-operating revenues	<u>2,374,477</u>	<u>1,291,453</u>	<u>1,083,024</u>
Non-operating expenses:			
Interest	94,763	94,723	(40)
Community responsibility	113,335	56,751	(56,584)
Gift shop / donation purchases	6,212	-	(6,212)
Depreciation	1,340,121	1,355,997	15,876
Total non-operating expenses	<u>1,554,431</u>	<u>1,507,471</u>	<u>(46,960)</u>
Net non-operating revenues less non-operating expenses	820,046	(216,018)	1,036,064
Change in net assets	<u>\$ 1,157,842</u>	<u>\$ 68,287</u>	<u>\$ 1,089,555</u>

THE FOREST AT DUKE, INC.
Balance Sheet - Unaudited
December 31, 2021

ASSETS

Current assets:	
Cash and cash equivalents	\$ 6,868,238
Assets limited as to use, current portion	145,259
Accounts and other receivables	491,686
Other current assets	87,288
Total current assets	<u>7,592,471</u>
Assets limited as to use, net of current portion	50,089,274
Investments	28,023,462
Other long term assets	86,304
Property and equipment, net	49,350,751
Total assets	<u>\$ 135,142,262</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 856,812
Accrued expenses	718,878
Current portion of bonds payable	1,225,000
Total current liabilities	<u>2,800,690</u>
Deferred revenue from entrance fees:	
Deposits	695,307
Deferred revenue from non-refundable plan entrance fees	37,077,514
Deferred revenue from non-refundable plan entrance fees - Early Acceptance	1,035,635
Refundable entrance fees to residents	10,510,222
Bonds payable, net of current portion and issuance costs	57,418,142
Unamortized bond premium	6,279,413
Total liabilities	<u>115,816,923</u>
Net assets, beginning of year	18,167,497
Net assets for period	<u>1,157,842</u>
Total liabilities and net assets	<u>\$ 135,142,262</u>

THE FOREST AT DUKE, INC.
Assets Limited as to Use
December 31, 2021

Department of Insurance - operating reserve	\$ 5,401,000
Held by trustee under trust and loan agreements	40,468,860
Board designated health care reserve	4,050,000
Board designated benevolent fund	<u>314,673</u>
Total assets limited as to use	50,234,533
Less assets limited as to use, current portion	<u>(145,259)</u>
Total assets limited as to use, net of current portion	<u><u>\$ 50,089,274</u></u>

THE FOREST AT DUKE, INC.
Statement of Cash Flows - Unaudited
For The Three Months Ending December 31, 2021

Operating activities:	
Change in net assets	1,157,842
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Earned entrance fees	(1,041,923)
Net realized & unrealized (gain) loss on investments	(1,081,292)
Non-refundable plan entrance fees received	658,826
Non-refundable plan entrance fees received - Early acceptance	280,000
Depreciation	1,340,121
Amortization of bond issuance costs included in interest expense	12,937
Amortization of bond premium included in interest expense	(53,366)
Net changes in operating assets and liabilities:	
Accounts and other receivables	17,565
Other current assets	10,250
Other long term assets	16,500
Accounts payable	361,047
Accrued expenses	(171,464)
Net cash provided by operating activities	<u>1,507,043</u>
Investing activities:	
Net change in assets limited as to use	3,565,202
Purchases of investments	(2,204,096)
Proceeds from sale of investments	1,897,157
Purchases of property & equipment	<u>(4,520,842)</u>
Net cash used by investing activities	<u>(1,262,579)</u>
Financing activities:	
Entrance fees refunded	(284,120)
Principal payments on bonds payable	<u>(300,000)</u>
Net cash used by financing activities	<u>(584,120)</u>
Net change in cash and cash equivalents	(339,656)
Cash and cash equivalents, beginning of year	7,207,894
Cash and cash equivalents, end of period	<u><u>\$6,868,238</u></u>

Exhibit C

Comparison of Actual FYE 2021 Results with Forecasted Proforma Projections in
March 1, 2021 Disclosure Statement

The Forest at Duke
Comparison of Actual Results with Forecasted Proforma Projections
September 30, 2021

STATEMENTS OF OPERATIONS	Actual 2021	Forecast 2021*	\$ Variance Over (Under)	% Variance Over (Under)	Notes
Revenue, gains and other support:					
Monthly fees	\$ 15,607,872	15,263,000	344,872	2.3%	
Early Acceptance monthly fees	114,490	142,000	(27,510)	-19.4%	
Earned entrance fees	4,500,011	4,596,000	(95,989)	-2.1%	
Early Acceptance earned entrance fees	29,813	37,000	(7,187)	-19.4%	
Clinic and health care center fees	4,369,521	5,749,000	(1,379,479)	-24.0%	(1)
Home care revenue	21,143	460,000	(438,857)	-95.4%	(2)
Other income	551,384	356,000	195,384	54.9%	(3)
Total revenue, gains and other support	<u>25,194,234</u>	<u>26,603,000</u>			
Expenses:					
General and administrative expenses	3,075,990	2,496,000	579,990	23.2%	(3)
Dining services	4,238,802	4,591,000	(352,198)	-7.7%	
Housekeeping and laundry	1,180,262	1,287,000	(106,738)	-8.3%	
Health care center and nursing	4,266,707	5,262,000	(995,293)	-18.9%	(1)
Wellness clinic	622,011	609,000	13,011	2.1%	
The Forest at Home	85,247	342,000	(256,753)	-75.1%	(2)
Community life	428,671	503,000	(74,329)	-14.8%	
Plant facility costs	3,459,785	3,623,000	(163,215)	-4.5%	
Marketing	656,102	702,000	(45,898)	-6.5%	
Early acceptance	38,574	98,000	(59,426)	-60.6%	(4)
Depreciation	5,493,918	5,528,000	(34,082)	-0.6%	
Interest	523,921	588,000	(64,079)	-10.9%	
Total operating expenses	<u>24,069,990</u>	<u>25,629,000</u>			
Operating income	1,124,244	974,000			
Non-operating income (expense):					
Investment Income	721,515	625,000	96,515	15.4%	
Realized gains on sale of investments	550,538	500,000	50,538	10.1%	
Net unrealized gains on investments and assets limited as to use	2,578,927	-	2,578,927	#DIV/0!	(5)
Loss on disposal of equipment	(362,392)	-	(362,392)	#DIV/0!	(6)
Community responsibility	(857,780)	(219,000)	638,780	291.7%	(7)
Non operating income	<u>2,630,808</u>	<u>906,000</u>			
Excess of revenues, gains and other support over expenses	<u><u>3,755,052</u></u>	<u><u>1,880,000</u></u>			

* Forecasted Financial Statements Included in March 1, 2021 Disclosure Statement dated 2/3/2021

Notes to Revenue and Expense Variances:

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

- (1) Less occupancy in health center as response to pandemic. In order to more safely care for our residents and prevent the spread of COVID-19, The Forest utilized an 8-room neighborhood to isolate residents and did not bill them for utilizing those rooms as they were isolating. Offset in Health Center expenses. Less actual staffing due to lower occupancy.
- (2) New program that began accepting clients in July 2021.
- (3) Received \$400 K CARES Act funding in 2021 which offset COVID related expenses recorded in General and Administrative department.
- (4) New program approved in March 2020. Delayed launch of program to fiscal year 2021. Began admitting residents January 2021.
- (5) Unrealized gain or loss on investments is included in investment income in the projections. At year-end, mark to market adjustment was \$2.5 M.
- (6) Retirement of 14 cottages that were demolished as part of the health center project.
- (7) More cash support was provided to The Forest at Duke's community partners in line with social accountability goals.

The Forest at Duke
Comparison of Actual Results with Forecasted Proforma Projections
September 30, 2021

<u>ASSETS</u>	<u>Actual 2021</u>	<u>Forecast 2021 *</u>	<u>\$ Variance Over (Under)</u>	<u>% Variance Over (Under)</u>	<u>Notes</u>
Current assets:					
Cash and equivalents	\$ 7,207,894	6,312,000	895,894	14.2%	
Assets limited as to use, current portion	144,658	143,000	1,658	1.2%	
Accounts and other receivables	509,251	288,000	221,251	76.8%	
Other current assets	<u>97,538</u>	<u>93,000</u>	4,538	4.9%	
Total current assets	<u>7,959,341</u>	<u>6,836,000</u>			
Assets limited to use, net of current portion	53,655,079	9,299,000	44,356,079	477.0%	(1)
Investments	26,635,230	24,496,000	2,139,230	8.7%	
Other long-term assets	102,804	86,000	16,804	19.5%	
Property and equipment, net	<u>46,170,030</u>	<u>41,311,000</u>	4,859,030	11.8%	
Total assets	<u>134,522,484</u>	<u>82,028,000</u>			
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	495,765	528,000	(32,235)	-6.1%	
Accrued expenses	890,342	1,033,000	(142,658)	-13.8%	
Current portion of refundable entrance fees to residents	1,388,529	-	1,388,529	#DIV/0!	(2)
Current portion of bonds payable	<u>1,225,000</u>	<u>1,225,000</u>	-	0.0%	
Total current liabilities	<u>3,999,636</u>	<u>2,786,000</u>			
Bonds payable, net of current portion and debt issuance costs	64,037,984	14,168,000	49,869,984	352.0%	(1)
Deferred revenue from entrance fees:					
Deposits	529,315	482,000	47,315	9.8%	
Non-refundable plan entrance fees	37,687,051	37,142,000	545,051	1.5%	
Non-refundable plan entrance fees - Early Acceptance	775,187	1,013,000	(237,813)	-23.5%	
Refundable entrance fees to residents, less current portion	<u>9,325,813</u>	<u>10,153,000</u>	(827,187)	-8.1%	
Total liabilities	<u>116,354,986</u>	<u>65,744,000</u>			
Net assets:					
Without donor restrictions	18,009,537	16,134,000	1,875,537	-11.6%	
With donor restrictions	<u>157,961</u>	<u>150,000</u>	7,961	5.3%	
Total net assets	<u>18,167,498</u>	<u>16,284,000</u>			
Total liabilities and net assets	<u>134,522,484</u>	<u>82,028,000</u>			

* Forecasted Financial Statements Included in March 1, 2021 Disclosure Statement dated 2/3/2021

Notes to Balance Sheet Variances:

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

- (1) Effect of issuance of Series 2021 Bonds on June 1, 2021 to build the new health center.
(2) This balance is not broken out between current and non-current in the projections.

The Forest at Duke
Comparison of Actual Results with Forecasted Proforma Projections
September 30, 2021

STATEMENTS OF CASH FLOWS	Actual 2021	Forecast 2021 *	\$ Variance Over (Under)	% Variance Over (Under)	Notes
Operating activities:					
Change in net assets	\$ 3,775,304	1,880,000	1,895,304	101%	(1)
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Earned entrance fees	(4,529,824)	(4,596,000)	66,176	1%	
Early Acceptance earned entrance fees	-	(37,000)	37,000	100%	
Net realized and unrealized gains on investments and assets limited as to use	(3,129,465)	-	(3,129,465)	#DIV/0!	(2)
Non-refundable entrance fees received	3,460,000	2,421,000	1,039,000	43%	(3)
Early Acceptance entrance fees received	805,000	1,050,000	(245,000)	-23%	
Depreciation	5,493,918	5,528,000	(34,082)	-1%	
Amortization of bond issuance costs included in interest expense	32,019	22,000	10,019	46%	
Amortization of premium included in interest expense	(71,155)	-	(71,155)	#DIV/0!	
Net assets released from restriction	-	12,000	(12,000)	100%	
Loss on disposal of equipment	362,392	-	362,392	#DIV/0!	
Net changes in operating assets and liabilities:					
Accounts and other receivables	(205,736)	15,000	(220,736)	1472%	
Other current assets	(9,012)	(4,000)	(5,012)	-125%	
Other long term assets	(16,500)	-	(16,500)	#DIV/0!	
Accounts payable	87,509	20,000	67,509	338%	
Deposits	-	7,000	(7,000)	-100%	
Accrued expenses	(102,276)	40,000	(142,276)	-356%	
Net cash provided by operating activities	<u>5,952,174</u>	<u>6,358,000</u>			
Investing activities:					
Net change in assets limited as to use	(44,305,001)	-	(44,305,001)	#DIV/0!	(4)
Net change in investments	(134,241)	(1,125,000)	990,759	88%	(5)
Purchase of property and equipment	(7,787,715)	(2,500,000)	(5,287,715)	-212%	(6)
Net cash used by investing activities	<u>(52,226,957)</u>	<u>(3,625,000)</u>			
Financing activities:					
Entrance fees refunded	(396,401)	(958,000)	561,599	59%	(7)
Early Acceptance entrance fee refunds	-	-	-	#DIV/0!	
Proceeds from issuance of bonds payable	50,818,933	-	50,818,933	#DIV/0!	(4)
Debt issuance costs from issuance of bonds payable	(887,829)	-	(887,829)	#DIV/0!	(4)
Principal payments on bonds payable	(1,190,000)	(1,190,000)	-	0%	
Net cash provided (used) by financing activities	<u>48,344,703</u>	<u>(2,148,000)</u>			
Net change in cash, cash equivalents and restricted cash	2,069,920	585,000			
Cash, cash equivalents, and restricted cash at beginning of year	<u>5,727,419</u>	<u>5,727,000</u>			
Cash, cash equivalents, and restricted cash at end of year	<u><u>7,797,339</u></u>	<u><u>6,312,000</u></u>			

* Forecasted Financial Statements Included in March 1, 2021 Disclosure Statement dated 2/3/2021

Notes to Statement of Cash Flow Variances:

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

- (1) Actual change in net assets greater than forecasted primarily due to investment activity.
- (2) Effect of \$2 M unrealized gain at year end; unrealized gains (losses) are not projected in the Forecast.
- (3) 14 new contracts (as compared to 17 in 2020) due to relocating 14 residences as part of health center project.
- (4) Effect of issuance of Series 2021 Bonds.
- (5) Investment activity is projected on a net basis.
- (6) Actual results include costs associated with health center project recorded as Construction in Progress.
- (7) Less refunds paid than projected on terminated contracts.

Exhibit D

Five Year Forecast 2022 - 2026

THE FOREST AT DUKE, INC.

**COMPILATION OF A FINANCIAL FORECAST
AND SUPPLEMENTAL DISCLOSURE INCLUDING
COMPILATION OF FINANCIAL PROJECTION**

**FOR THE FIVE YEARS ENDING
SEPTEMBER 30, 2022 THROUGH 2026**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying forecasted financial statements of The Forest at Duke, Inc. (the "Corporation" or "FAD"), which comprise the forecasted balance sheets as of September 30, 2022, 2023, 2024, 2025 and 2026, and the related forecasted statements of operations, changes in net assets, and cash flows for the years then ending, and the related summary of significant forecast assumptions and accounting policies in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with the 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 forecasted 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 forecasted consolidated financial statements or the assumptions.

Furthermore there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

The accompanying supplementary information beginning on page 35 is presented for purposes of additional analysis and is not a required part of the forecast. Such information is the responsibility of Management. The supplementary information was subject to our compilation engagement. We have not examined or reviewed the supplementary information and do not express an opinion, a conclusion, or provide any assurance on such information.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Charlotte, North Carolina
January 19, 2022

THE FOREST AT DUKE, INC.
FORECASTED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDING SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
REVENUES, GAINS, AND OTHER SUPPORT					
Monthly Fees	\$ 16,153	\$ 16,702	\$ 17,284	\$ 17,908	\$ 18,570
Early Acceptance Program Monthly Fees	391	474	493	513	491
Earned Entrance Fees	4,567	4,484	4,477	4,524	4,606
Earned Entrance Fees- Early Acceptance Program	97	113	113	113	113
Clinic and Health and Wellness Center Fees	5,650	6,075	6,192	6,395	6,657
Home Care Revenue	473	492	512	532	554
Other Income	208	216	224	233	243
Net Assets Released from Restrictions for Operations	45	46	47	48	49
Total Revenue, Gains, and Other Support	27,584	28,602	29,342	30,266	31,283
EXPENSES					
Dining Services	4,764	4,804	4,943	5,141	5,346
Housekeeping	1,204	1,249	1,298	1,350	1,405
Laundry	100	104	108	112	116
Health Care Center and Nursing	5,367	6,187	6,645	6,911	7,187
Wellness Clinic	707	736	765	796	827
The Forest at Home	515	536	557	579	602
Community Life	550	572	595	619	644
Plant Facility Costs	3,597	3,742	3,891	4,047	4,209
Marketing	715	743	773	804	836
General and Administrative	2,641	2,746	2,856	2,970	3,089
Early Acceptance	86	104	108	112	117
Depreciation	5,424	5,150	6,147	6,030	5,967
Interest	524	1,955	2,215	2,167	2,121
Interest- Amortization of Issuance Costs	40	40	40	40	40
Interest- Amortization of Bond Premium	(288)	(288)	(288)	(288)	(288)
Total Operating Expenses	25,946	28,380	30,653	31,390	32,218
Operating Income (Loss)	1,638	222	(1,311)	(1,124)	(935)
Nonoperating Income (Expense)					
Investment Income	1,290	1,504	1,764	1,917	2,095
Community Responsibility	(857)	(887)	(903)	(926)	(954)
Contributions and Gifts	-	-	-	-	-
Nonoperating Income	433	617	861	991	1,141
Excess (Deficit) of Revenues, Gains, and Other Support Over Expenses	2,071	839	(450)	(133)	206
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 2,071	\$ 839	\$ (450)	\$ (133)	\$ 206

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

THE FOREST AT DUKE, INC.
FORECASTED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDING SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess (Deficit) of Revenues, Gains, and Other Support Over Expenses	\$ 2,071	\$ 839	\$ (450)	\$ (133)	\$ 206
Change in Net Assets Without Donor Restrictions	2,071	839	(450)	(133)	206
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	45	46	47	48	49
Net Assets Released From Donor Restrictions for Operations	(45)	(46)	(47)	(48)	(49)
Change in Net Assets With Donor Restrictions	-	-	-	-	-
Change in Net Assets	2,071	839	(450)	(133)	206
Net Assets, Beginning of Year	18,168	20,239	21,078	20,628	20,495
NET ASSETS, END OF YEAR	\$ 20,239	\$ 21,078	\$ 20,628	\$ 20,495	\$ 20,701

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

THE FOREST AT DUKE, INC.
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 2,071	\$ 839	\$ (450)	\$ (133)	\$ 206
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by Operating Activities:					
Earned Entrance Fees	(4,567)	(4,484)	(4,477)	(4,524)	(4,606)
Earned Entrance Fees- Early Acceptance Program	(97)	(113)	(113)	(113)	(113)
Entrance Fees Receipts	6,082	6,029	6,080	6,210	6,300
Entrance Fees Receipts- Early Acceptance Program	595	-	-	-	-
Depreciation	5,424	5,150	6,147	6,030	5,967
Amortization of Bond Issuance Costs Included in Interest Expense	40	40	40	40	40
Amortization of Bond Premium	(288)	(288)	(288)	(288)	(288)
Change in Current Assets:					
Accounts Receivable	141	(13)	(10)	(12)	(14)
Other Receivables	9	-	-	-	-
Change in Current Liabilities:					
Accounts Payable	59	35	28	24	26
Accrued Expenses	152	63	51	44	46
Change in Early Acceptance Funds	(595)	-	-	-	-
Net Cash Provided by Operating Activities	9,026	7,258	7,008	7,278	7,564
CASH FLOWS FROM INVESTING ACTIVITIES					
Net Change in Investments	(5,413)	(2,009)	(1,382)	(1,738)	(2,053)
Net Purchases of Property and Equipment	(35,551)	(10,762)	(2,500)	(2,500)	(2,500)
Interest Costs Capitalized in Property and Equipment	(1,721)	(300)	-	-	-
Net Change in Assets Whose Use Is Limited	34,558	8,674	(357)	(250)	(262)
Net Cash Provided by (Used in) Investing Activities	(8,127)	(4,397)	(4,239)	(4,488)	(4,815)
CASH FLOWS FROM FINANCING ACTIVITIES					
Entrance Fees Refunded	(1,761)	(1,292)	(1,223)	(1,245)	(1,154)
Principal Payments on Long-Term Debt	(1,225)	(1,265)	(1,305)	(1,335)	(1,375)
Net Cash Provided By (Used In) Financing Activities	(2,986)	(2,557)	(2,528)	(2,580)	(2,529)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,087)	304	241	210	220
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	7,797	5,710	6,014	6,255	6,465
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 5,710	\$ 6,014	\$ 6,255	\$ 6,465	\$ 6,685
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest	\$ 2,301	\$ 2,257	\$ 2,215	\$ 2,167	\$ 2,121
Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash					
Cash and Cash Equivalents	\$ 5,121	\$ 5,425	\$ 5,666	\$ 5,876	\$ 6,096
Restricted Cash	589	589	589	589	589
Total Cash, Cash Equivalents and Restricted Cash	\$ 5,710	\$ 6,014	\$ 6,255	\$ 6,465	\$ 6,685

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

THE FOREST AT DUKE, INC.
FORECASTED BALANCE SHEETS
AT SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 5,121	\$ 5,425	\$ 5,666	\$ 5,876	\$ 6,096
Early Acceptance Program Funds	595	595	595	595	595
Assets Limited as to Use, Current Portion	145	146	144	144	143
Accounts and Other Receivables, Net	368	381	391	403	417
Other Current Assets	89	89	89	89	89
Total Current Assets	6,318	6,636	6,885	7,107	7,340
Assets Limited as to Use:					
Statutory Operating Reserve	5,401	6,087	6,417	6,638	6,871
Benevolent Fund - Board Designated	296	305	314	323	333
Health Care Reserve - Board Designated	4,010	4,030	4,050	4,070	4,090
Construction Account	9,096	-	-	-	-
Funded Interest Account	294	-	-	-	-
Bond Fund	145	146	144	144	143
Total Assets Limited as to Use	19,242	10,568	10,925	11,175	11,437
Less: Current Portion	(145)	(146)	(144)	(144)	(143)
Total Assets Limited as to Use, Less Current Portion	19,097	10,422	10,781	11,031	11,294
Investments	32,048	34,057	35,439	37,177	39,230
Other Long-Term Assets	103	103	103	103	103
Property and Equipment	117,348	170,650	173,150	175,650	178,150
Construction in Progress	42,240	-	-	-	-
Less: Accumulated Depreciation	(81,570)	(86,720)	(92,867)	(98,897)	(104,864)
Net Property and Equipment	78,018	83,930	80,283	76,753	73,286
Total Assets	\$ 135,584	\$ 135,148	\$ 133,491	\$ 132,171	\$ 131,253

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

THE FOREST AT DUKE, INC.
FORECASTED BALANCE SHEETS
AT SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 555	\$ 590	\$ 618	\$ 642	\$ 668
Accrued Expenses	998	1,061	1,112	1,156	1,202
Accrued Interest Payable	44	44	44	44	44
Current Portion of Refundable Entrance Fees to Residents	1,389	1,389	1,389	1,389	1,389
Current Maturities of Long-Term Debt	1,265	1,305	1,335	1,375	1,415
Total Current Liabilities	4,251	4,389	4,498	4,606	4,718
Long-Term Debt, Net of Current Portion	57,560	56,255	54,920	53,545	52,130
Deferred Financing Costs	(1,080)	(1,040)	(1,000)	(960)	(920)
Unamortized Bond Premium	6,045	5,757	5,469	5,181	4,893
Net Long-Term Debt	62,525	60,972	59,389	57,766	56,103
Resident Deposits	529	529	529	529	529
Deferred Revenue from Non-Refundable Plan Entrance Fees	39,202	40,747	42,350	44,036	45,730
Refundable Entrance Fees To Residents	7,565	6,273	5,050	3,805	2,651
Deferred Revenue from Early Acceptance Program Entrance Fees	1,273	1,160	1,047	934	821
Total Liabilities	115,345	114,070	112,863	111,676	110,552
Net Assets:					
Without Donor Restriction	20,081	20,920	20,470	20,337	20,543
With Donor Restriction	158	158	158	158	158
Total Net Assets	20,239	21,078	20,628	20,495	20,701
Total Liabilities and Net Assets	\$ 135,584	\$ 135,148	\$ 133,491	\$ 132,171	\$ 131,253

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

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

BACKGROUND AND INFORMATION

Basis of Presentation

The financial forecast (the “Forecast”) presents, to the best of the knowledge and belief of management’s (“Management”) of The Forest at Duke, Inc. (the “Corporation”, or “FAD”), the Corporation’s expected financial position, results of operations, changes in net assets and cash flows as of September 30, 2022, 2023, 2024, 2025, and 2026 and each of the years then ending (the “Forecast Period”).

Accordingly, the Forecast reflects Management’s judgment as of January 19, 2022, the date of this forecast, of the expected conditions and its expected course of action.

The assumptions disclosed herein are the assumptions that Management believes are significant to the Forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

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

The Corporation

The Corporation was chartered on October 21, 1988, as a non-stock, nonprofit North Carolina corporation. The Corporation was formed to develop, own, and manage the Retirement Facility. The Corporation has been granted tax-exempt status as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The Corporation operates a continuing care retirement community (“CCRC”), also known as a Life Plan Community (“LPC”), known as The Forest at Duke (the “Retirement Facility” or the “Community”). The Retirement Facility offers a continuum of care by providing housing and healthcare services to the senior citizens of Durham and surrounding areas.

The Retirement Facility includes “Assisted Living Units” and “Skilled Nursing Beds”, both defined hereinafter, which are licensed by the State of North Carolina, Department of Health and Human Services (“DHHS”).

Management of the Corporation (“Management”) is currently replacing its “Existing Health and Wellness Center”, currently licensed for 92 beds, with a new health care facility housing 90 new private units in a “small house” format (the “New Health and Wellness Center” or the “Project”).

The Project was funded by the North Carolina Medical Care Commission Retirement Facilities First Mortgage Revenue Bonds (The Forest at Duke Project) Series 2021 (the “Series 2021 Bonds”).

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The Retirement Facility

The Retirement Facility is located on approximately 47 acres just south of Duke University in the city of Durham, North Carolina, in a region commonly known as the Research Triangle Park or the Triangle.

The Retirement Facility currently consists of 154 apartments in three and four-story buildings, 81 one-story cottages for independent living residents (collectively the “Independent Living” or the “Independent Living Units”), a community center of approximately 40,000 square feet, and the Existing Health and Wellness Center of approximately 98,365 square feet. The community center houses a formal dining room, café, living room and social lounge, an arts and crafts studio, an auditorium, library, classroom, beauty and barber shop, swimming pool, fitness areas and gift shop. The Existing Health and Wellness Center currently consists of an outpatient clinic, 34 licensed adult care beds (the “Existing Assisted Living Units”, and generically regardless of whether it is the Existing or New Health and Wellness, the “Assisted Living Section”), and 58 licensed nursing beds (the “Existing Nursing Beds” and generically regardless of whether it is the Existing or New Health and Wellness, the “Skilled Nursing Section”).

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

The Retirement Facility has been designed to provide residents with a continuum of care and to meet certain special housing and health care needs of elderly persons in an overall environment conducive to an independent lifestyle. Three levels of living accommodations provide a continuum of care in independent living, assisted living and skilled nursing. Admission to the Retirement Facility is open to persons 65 years of age or older (except that in the case of co-resident, one resident may be 62 years of age or older) who are able to live independently, are free of communicable disease and demonstrate an ability to meet their financial obligations as a resident. Under the terms of the certificate of need granted to the Corporation by the DHHS, residents generally may not be admitted directly into the Skilled Nursing Section unless they are first residents of an Independent Living Unit or the Assisted Living Section for at least 30 days. However, persons who enter into a Residence and Care Agreement (the “Residence Agreement”), and (i) have a co-resident that is a resident then living in an Independent Living Unit or (ii) experience a change in health status at any time after signing the Residence Agreement and prior to the time of occupancy, may be admitted directly into the Skilled Nursing Section. The Corporation encourages, supports, and is committed to operating a community where there are no barriers or discrimination because of race, color, religion, sex, handicap, familial status, or national origin.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Independent Living Units

Residential services that are included in the Independent Living Units include an apartment or cottage residence, meals as determined by chosen meal plan, all utilities (except telephone), basic cable television and wireless internet services, weekly housekeeping, maintenance, security patrols of the grounds, parking, scheduled transportation and extensive educational, cultural and recreational activities.

The following table summarizes the unit mix, square footage, Monthly Fees, and Entrance Fees (as defined herein) of the Independent Living Units.

Table 1
Independent Living Units
Unit Mix, Square Footage and Fees Effective as of October 1, 2021⁽¹⁾

Unit Name	Unit Type	Total Units	Square Footage	Monthly Fee		Entrance Fee	
				Single Occupancy	Double Occupancy	Amortized Plan Single Occupancy	Amortized Plan Double Occupancy
Apartments:							
Ash	One Bedroom	5	553	\$ 3,562	\$ 5,387	\$ 97,970	\$ 135,970
Beech	One Bedroom Deluxe	16	717	\$ 4,128	\$ 5,953	\$ 131,676	\$ 169,676
Cedar	One Bedroom with Den	47	914	\$ 4,672	\$ 6,497	\$ 195,045	\$ 233,045
Dogwood	Two Bedroom	59	1,144	\$ 5,313	\$ 7,138	\$ 256,247	\$ 294,247
Elm	Two Bedroom with Den	27	1,243	\$ 5,701	\$ 7,526	\$ 274,069	\$ 312,069
Cottages:							
Alder	One Bedroom with Den	9	1,207	\$ 5,412	\$ 7,237	\$ 294,316	\$ 332,316
Birch	Two Bedroom	22	1,445	\$ 5,701	\$ 7,526	\$ 347,971	\$ 385,971
Chestnut	Two Bedroom with Den	35	1,662	\$ 6,003	\$ 7,828	\$ 399,160	\$ 437,160
Pine	Two Bedroom with Study	6	2,200	\$ 6,206	\$ 7,962	\$ 552,783	\$ 590,783
Holly	Two Bedroom with Study	4	2,362	\$ 6,405	\$ 8,161	\$ 576,436	\$ 614,436
Magnolia	Two Bedroom with Study	5	2,558	\$ 6,538	\$ 8,293	\$ 600,078	\$ 638,078
Existing Independent Living Units Total/Weighted Average		235	1,253	\$ 5,322	\$ 7,142	\$ 285,872	\$ 323,872

Source: Management

Note:

(1) Fees are historically adjusted on October 1 of each year.

Early Acceptance Program

In 2010, the North Carolina General Assembly enacted a new statute (§58-64-7) that permits CCRCs licensed in the State to offer "continuing care services without lodging" (referred to as the "Early Acceptance Program"). In January 2021, the Corporation began to offer the Early Acceptance Program. Under the Early Acceptance Program contract, residents who are living off-campus receive the same access to Retirement Facility's campus amenities and the same health care services and future benefits that are afforded residents who are living on campus. North Carolina General Assembly Statute §58-64-7 (c) stipulates that the Corporation must account for the revenue and expenses related to the Early Acceptance Program separate from revenue and expenses related to on-campus services on financial statements and five-year forecasts. Management has presented the revenue and expenses related to the Early Acceptance Program separately for its Forecast and has segregated funds received from the Entrance Fee, as defined hereinafter, associated with the Early Acceptance Program, although those funds are not restricted in use.

The core elements of the program are as follows:

1. The Early Acceptance Program is offered exclusively to persons who have already joined the priority list (a wait list for residents who desire to move into the Retirement Facility at some point in the future).
2. Admission to the Early Acceptance Program is identical to admission to on-campus residency, requiring health screening and financial screening. The only difference is that the Early Acceptance Program candidate does not reserve an Independent Living Unit on campus.

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3. Upon acceptance, the person becomes a "resident" of the Retirement Facility but remains living in their current home. They sign an Early Acceptance Program Agreement providing the resident equal access to all of the campus amenities, as well as to the same access and financial protections for the prospect of needing future health care.
4. The resident pays an Entrance Fee and a Monthly Fee, as defined hereinafter, that cover the costs of current amenities and future access to health care.
5. Early Acceptance Program residents remain on the priority list and will be offered the opportunity to move to the Retirement Facility in the future - either to a desired Independent Living Unit or to the Assisted Living Section or Skilled Nursing Section. If the resident subsequently move to an Independent Living Unit on campus, the Entrance Fee that they paid originally will be applied in full to the Entrance Fee for the residence to which they are moving.
6. Health and wellness assessments are made at least annually.
7. Early Acceptance Program residents have access to case management services for coordinating homecare/companion care in their homes.

The Health and Wellness Center

As used hereafter, the term "Health and Wellness Center" may be used generically to reflect both the Existing Health and Wellness Center and the New Health and Wellness Center.

Residents who require physical assistance or certain other health care services may be admitted to the Health and Wellness Center. The Health and Wellness Center includes a clinic (the "Clinic"), a primary care outpatient clinic where certain routine primary care services described in the Residence Agreement are available to residents. The Corporation has an agreement with Duke University Medical Center's Division of Geriatric Medicine for the provision of primary care physician services to residents, which is provided in the Clinic. Residents may, at their own expense, see physicians other than those provided by the Corporation. A resident's specialized medical needs beyond the offered services must be provided outside the Health and Wellness Center at the expense of the resident.

The Assisted Living Section currently consists of 34 assisted living beds where residents receive assistance with daily living activities such as bathing, dressing, and taking medications, and benefit from a variety of recreational and entertainment activities. The Skilled Nursing Section currently contains 58 licensed skilled nursing beds where 24-hour nursing services are available.

Residential services include a health center residence, meals as determined by a chosen meal plan, all utilities except telephone, basic cable television and wireless internet services, weekly housekeeping, maintenance, security patrols of the grounds, parking, scheduled transportation and extensive educational, cultural and recreational activities.

Admission to the Assisted Living Section is expected to be provided for residents of the Retirement Facility on a priority basis, in accordance with the terms of the Residence Agreement. The Assisted Living Section is expected to also be available for occupancy by persons other than residents of the community at large. Residents are expected to be admitted, pursuant to the terms of a separate admissions agreement, as space is available. Admission to the Skilled Nursing Section is expected to be provided to only residents of the Retirement Facility, which includes residents of the Early Admission Program.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

The Project

The Project includes building a new 90-bed facility that will replace the Existing Health and Wellness Center. The Project is a replacement of the current facility with 90 new units in a so-called “small house” format in a five-story, approximately 110,000 square foot building, on the existing 47-acre campus. The building will be licensed for 32 assisted living units (the “New Assisted Living Units”) and 58 skilled nursing units (the “New Skilled Nursing Beds”). The Existing Assisted Living Units and New Assisted Living Units are collectively referred to as the “Assisted Living Units” and the Existing Skilled Nursing Beds and New Skilled Nursing Beds are collectively referred to as the “Skilled Nursing Beds”.

The small house model of care is designed around houses (or groups of rooms) in which each house has ten private rooms each with a full bathroom further supported by the common spaces and support areas located within the household. These spaces include living, kitchen, and dining rooms as well as a den and a covered balcony, which creates a defined residential household. Upon completion, there will be a total of 90 residences across nine houses.

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

The following table presents the unit configuration of the Retirement Facility before and after the Project.

Table 2
Unit Configuration
Before and After the Project

Level of Care	Prior to Project	Eliminations Due to Project	Additions Due to Project	Upon Project Completion
Independent Living Units	235	-	-	235
Assisted Living Units	34	(34)	32	32
Skilled Nursing Beds	58	(58)	58	58
Total Units/Beds	327	(92)	90	325

Source: Management

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The following tables summarize the types, sizes, and prices of the Assisted Living Units and Skilled Nursing Beds, both before and after the Project:

Table 3
Assisted Living Units
Unit Mix, Square Footage and Fees Before and After the Project

Unit Name	Total Units	Square Footage	Per Diem ⁽¹⁾
Before the Project:			
One Bedroom	34	280-330	\$477
Total / Weighted Average	34	280-330	\$477
After the Project:			
One Bedroom	32	330	\$477
Total / Weighted Average	32	330	\$477

Source: Management

(1) Reflects the published per-diem rate as of October 1, 2021. Note that residents who transfer from Independent Living Units pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement (as described hereinafter).

Table 4
Skilled Nursing Beds
Unit Mix, Square Footage and Fees Before and After the Project

Unit Type	Total Beds	Approximate Square Footage	Per Diem ⁽¹⁾
Before the Project:			
Private	58	250	\$477
Total Skilled Nursing Beds/Weighted Average	58	250	\$477
After the Project:			
Private	58	330	\$477
Total Skilled Nursing Beds/Weighted Average	58	330	\$477

Source: Management

Note:
(1) Reflects the published per-diem rate as of October 1, 2021. Note that residents who transfer from Independent Living Units or Assisted Living Units pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement (as described hereinafter).

Residence Agreement

The following is a summary of the Residence Agreement and is not intended to be all-inclusive or a substitute for the actual Residence Agreement.

Admissions

Generally, all residents of the Independent Living Units at the Retirement Facility are required to live independently at the time of admission and to have the financial resources to pay an entrance fee (the "Entrance Fee") and a monthly fee (the "Monthly Fee").

Residents are also required to maintain eligible Medicare coverage (and supplemental health insurance coverage) or health insurance coverage that adequately covers hospital, medical, prescriptions and skilled nursing deductibles and co-payments required under their primary insurance policy. The primary and

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secondary insurance coverage must recognize the Corporation as a healthcare provider, or the resident shall be responsible for services rendered that otherwise could be covered by insurance.

The Corporation does not automatically deny residents for admission who have chronic health conditions. All resident applications are reviewed individually. Judgment for admission is based on the resident's ability to perform basic daily living activities on an on-going basis. The Corporation may also admit residents under certain conditions which are added as addenda to the Residence Agreement. Under the terms of the Certificate of Need granted to the Corporation by DHHS, the Corporation's Skilled Nursing Beds are for the use of persons who have been residents of the Independent Living Units or Assisted Living Units for at least 30 days, with some exceptions. Admission for skilled nursing care is available if the resident has a co-resident in an Independent Living Unit, or if the individual was under contract to enter the facility prior to the time the condition requiring skilled nursing care was known to exist. The Corporation's Assisted Living Units are not subject to these state restrictions and are, therefore, available to persons who have not previously lived in an Independent Living Unit.

In order to become a resident of the Retirement Facility, applicants (the "Applicant") must complete an application form and pay a \$300 non-refundable application fee. Additionally, the Applicant must complete financial and health disclosure forms that are reviewed and approved by the Corporation's "Admissions Committee". Once approved, Applicant(s) pay a \$1,000 refundable priority deposit. The priority deposit entitles the Applicant(s) to a priority number, which governs selection of a unit and places the applicant(s) on the waiting list. When a unit becomes available, the Corporation contacts the applicant(s) with the lowest priority number for that type of unit, and the Applicant(s) must then update the financial and health disclosure forms to again be reviewed and approved by the Corporation's Admissions Committee. Applicants must continue to exhibit at that time an ability to live independently and to meet their financial obligations as residents of the Retirement Facility. While waiting to be approved, Applicant(s) must sign a reservation deposit agreement and pay a \$10,000 refundable unit deposit.

After approval by an admissions committee, the Applicant(s) must sign a Residence Agreement and make a 15 percent deposit of the applicable Entrance Fee to reserve the desired unit. The 15 percent deposit is credited to the final Entrance Fee balance due or refunded to the applicant in the circumstances described in the next paragraph. At this point in time, the Applicant is deemed to be a "resident" of the Retirement Facility for purposes of the Residence Agreement.

Entrance Fees

Under the terms of the Residence Agreement, a resident pays an Entrance Fee according to the type of residence selected. The Entrance Fee consists of two components: a "Residence Fee" and a "Health Care Reserve Fee." The Health Care Reserve Fee is currently \$10,000 per person and is designed to provide additional resources which allow the Retirement Facility to establish and charge discounted fees for health care services. The Entrance Fee is due in full within 14 days prior to occupancy.

The Residence Agreement may be terminated by the resident for any reason prior to occupancy by giving written notice. In the event of such termination, the resident shall receive a full refund of the Entrance Fees paid if termination occurs within 30 days following signature of the Residence Agreement and making the required 15 percent deposit of the applicable Entrance Fee. After the expiration of this 30-day "trial" period, but before occupancy occurs, a resident may still withdraw their application but will be charged an administrative fee equal to 2 percent of the applicable Entrance Fee for the unit reserved plus any costs incurred by the Corporation at the request of the resident. However, if the resident dies before occupying his or her residence or becomes incapable of meeting the physical, mental or financial requirements of admission, the Residence Agreement shall be cancelled and the entire Entrance Fee amount shall be refunded less any costs incurred by the Corporation at the request of the resident's designated representative.

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The Health Care Reserve Fee portion of the Entrance Fee is non-refundable. The Residence Fee portion of the Entrance Fee is refundable pursuant to the refund plan offered by the Corporation and chosen by the resident. The Corporation currently offers one plan, the "Amortized Plan." Under the Amortized Plan, 2% of the Residence Fee accrues to the Corporation each month the resident remains at the Retirement Facility. The refundable amount decreases to zero after 50 months of occupancy.

Prior to March 1, 2020, the Corporation offered a 50% Refund Plan and a 90% Refund Plan. Under the 50% Refund Plan, 2% of the Residence Fee accrues to the Corporation each month for 25 months. Thereafter, under this plan, the refundable amount remains at 50% of the Residence Fee. Under the 90% Refund Plan, 2% of the Residence Fee accrues to the Corporation each month for 5 months. Thereafter, under this plan, the refundable amount remains at 90% of the Residence Fee. As of December 31, 2021, there were 5 (2 percent of total contracts) 50% Refundable Plan contracts and 29 (10 percent of total contracts) 90% Refundable Plan contracts.

Interest earned on the outstanding unrefunded Residence Fees accrues to the Corporation. Pursuant to the Residence Agreement, the Corporation is not obligated to disburse refunds to a resident until the resident's unit has been reoccupied. In the case of a double occupancy Residence Fee, the refund provisions are only applicable to the resident who resides at the Retirement Facility, and no refund is due or payable on account of the death or transfer of the first resident from the independent living unit. However, in such a situation the Monthly Fee for the resident remaining in the Independent Living Unit is reduced to the single occupancy rate upon the death of the first resident.

Upon payment in full of the Entrance Fee and ongoing payment of the Monthly Fee, it is expected that each resident will be provided an Independent Living Unit and receive certain basic services. Services provided include:

- Meals as determined by the meal plan chosen;
- Weekly housekeeping service;
- Educational, recreational, cultural, and social programs;
- One surface parking spot per resident;
- Scheduled transportation;
- Urgent alert call system;
- Utilities – electric, gas, water, sewer, heat, air conditioning, basic cable television, and wireless internet services;
- Maintenance of all common areas and equipment;
- Repair, maintenance or replacement of furnishings provided in the Independent Living Units;
- 24-hour security; and
- Use of dining rooms, lounges, lobbies, library, surface parking, residential storage, social and recreational rooms, and other common activity facilities.

In addition to the items included in the Monthly Fee, certain services are available to residents at an additional cost including, but not limited to, guest meals, use of guest rooms, personal catering, additional meals, additional maintenance services, additional housekeeping services, beauty and barber shop services, and telephone.

Priority Access to Health Care Services

The Corporation provides its independent living residents with first priority access to health care services including assisted living and nursing services that are available at the Health and Wellness Center. Management forecasts that residents admitted directly for assisted living services to the Assisted Living Units will be required to execute a Residence Agreement. Management has forecasted a small number of direct admissions to the Skilled Nursing Beds based on the allowable categories for direct admission.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Payment of the assisted living per diem or skilled nursing per diem entitles residents of the Health and Wellness Center to receive the following services:

- Three meals daily;
- All utilities, basic cable, and wireless internet;
- Daily housekeeping, linens, and bedding services;
- Social and recreational activities;
- Services of a case manager; and
- Nursing care, as applicable, including administering of medications, bathing, resident skin, mouth and other care needs, normal maintenance therapy and assistance in developing self-care activity.

When a resident's medical condition requires skilled nursing or assisted living services, the resident moves from an Independent Living Unit to one of the Skilled Nursing Beds or the Assisted Living Units in the Health and Wellness Center, on either a permanent or temporary basis. Pursuant to the Residence Agreement, all transfers must be authorized by the Corporation, and all decisions concerning transfers made by the Corporation are binding.

Pre-Paid Days. Each resident is eligible for up to 15 pre-paid days in the Health and Wellness Center beginning with initial occupancy at the Retirement Facility (residents admitted directly to the Health and Wellness Center are not eligible for the 15 pre-paid days). Once one or more pre-paid days have been used by a resident, one pre-paid day will thereafter accrue to the resident on the first day of each month for which the resident has not occupied a Health and Wellness Center bed in the prior month, up to a maximum of 15 days.

Per Diem Rate. The per diem rate (currently \$477) is a rate determined by the Corporation to reflect the current market value of the services rendered in the Assisted Living Section and Skilled Nursing Section of the Health and Wellness Center (exclusive of ancillary charges).

Single Occupancy, Temporary Health and Wellness Center. In a single occupancy situation, if the resident is temporarily transferred to the Health and Wellness Center, the resident continues to maintain his/her Independent Living Unit, continues to pay the same Monthly Fee and, after all pre-paid days are used, must also pay 60% of the current per diem rate for the residence in the Health and Wellness Center.

Single Occupancy, Permanent Health and Wellness Center. If a resident in a single occupancy situation is permanently transferred to the Health and Wellness Center, the resident must release his/her Independent Living Unit previously occupied and will thereafter pay 40% of the current per diem rate for the residence in the Health and Wellness Center instead of the regular Monthly Fee.

Double Occupancy, One Resident Temporarily in Health and Wellness Center. In a double occupancy situation, if one of the residents is temporarily transferred to the Health and Wellness Center while the other resident remains in the Independent Living Unit, the resident in the Health and Wellness Center must continue to pay the double occupancy Monthly Fee and, after all pre-paid days are used, must also pay 60% of the current per diem rate for the residence in the Health and Wellness Center, while the resident remaining in the Independent Living Unit is required to pay the single occupancy Monthly Fee during such period.

Double Occupancy, One Resident Permanently in Health and Wellness Center. In a double occupancy situation, if one of the residents is permanently transferred to the Health and Wellness Center while the other resident remains in the Independent Living Unit, the resident in the Health and Wellness Center must continue to pay the double occupancy Monthly Fee and, after all pre-paid days are used, must also pay 15% of the current per diem rate for the residence in the Health and Wellness Center, while the resident remaining in the Independent Living Unit is only required to pay the single occupancy Monthly Fee during such period.

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Double Occupancy, Both Residents Temporarily in Health and Wellness Center. If both residents in a double occupancy situation are temporarily transferred to the Health and Wellness Center, during such period one of the residents must continue to pay the double occupancy Monthly Fee while the other resident is only required to pay the single occupancy Monthly Fee and, after all pre-paid days are used, each of the residents must pay 60% of the current per diem rate for the residence in the Health and Wellness Center.

Double Occupancy, Both Residents Permanently in Health and Wellness Center. If both residents in a double occupancy situation are permanently transferred to the Health and Wellness Center, during such period neither resident is required to pay a Monthly Fee and, after all pre-paid days are used, each of the residents must pay 40% of the current per diem rate for the residence in the Health and Wellness Center.

Double Occupancy, One Resident Temporarily in Health and Wellness Center and One Resident Permanently in Health and Wellness Center. In a double occupancy situation, if one resident is temporarily transferred to the Health and Wellness Center and the other resident is permanently transferred to the Health and Wellness Center, then the resident temporarily transferred to the Health and Wellness Center must continue to pay the regular Monthly Fee and, after all pre-paid days are used, must also pay 60% of the current per diem rate for the residence in the Health and Wellness Center, while the resident permanently transferred to the Health and Wellness Center is not required to pay a Monthly Fee and, after all pre-paid days are used, will only be required to pay 40% of the current per diem rate for the residence in the Health and Wellness Center.

Direct Admission to Assisted Living. If a resident entering the Retirement Facility is directly admitted into the Assisted Living Section of the Health and Wellness Center because of a change in health status after acceptance and prior to the date of occupancy, or if entering directly, such resident must pay the Health Care Reserve Fee and the current assisted living Monthly Fee published by the Corporation.

Direct Admission to Skilled Nursing. If a resident entering the Retirement Facility is directly admitted into the Skilled Nursing Section of the Health and Wellness Center because of a change in health status after acceptance and prior to the date of occupancy, the resident must pay the Health Care Reserve Fee and the current monthly skilled nursing living rate published by the Corporation.

If the health of a resident who was directly admitted into the Health and Wellness Center subsequently improves to the point that such resident, in the judgment of the Corporation, can live independently, such resident can transfer to an Independent Living Unit, subject to availability, by paying the balance of the applicable Entrance Fee and applicable Monthly Fee for the unit desired.

The Retirement Facility provides other health care services, such as primary care, laboratory tests, visiting nurse services, and special services (such as dentistry, physical therapy, occupational therapy, speech therapy and pharmacy services). Residents are responsible for the costs of these services not reimbursed by Medicare or any other third party payer.

Entrance Fee Refund Provisions

After occupancy occurs, the Residence Agreement may be terminated by the resident at any time, subject to 60 days prior written notice to the Corporation, or by the Corporation if the resident fails to pay the Monthly Fee, fails to follow the standard policies of the Retirement Facility, engages in activities or conduct disruptive to the community, breaches the residence agreement, refuses to relocate as required by the Residence Agreement, or has misrepresented or omitted medical, financial, or other information given to the Corporation during the application process. The Corporation must give the resident at least 60 days prior written notice in order to terminate the Residence Agreement under such circumstances. The Residence Agreement automatically terminates when a resident dies, except in the case of double occupancy.

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After occupancy occurs, a resident that terminates his/her Residence Agreement may be entitled to a refund of the Residence Fee. If termination occurs during the first 50 months, the resident may be entitled to a partial refund of the Residence Fee. The resident will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent for each month that the Residence Agreement has been in effect for up to 50 months; less (iii) any amounts due to the Corporation. After 50 months, there is no refund of the Residence Fee.

If the Corporation terminates the Residence Agreement after occupancy under the circumstances described in the preceding paragraph, the resident may be entitled to a refund of the Residence Fee. If termination of the Residence Agreement occurs during the first 50 months, the resident may be entitled to a partial refund of the Residence Fee. The resident will receive a refund in the amount equal to: (i) the Residence Fee; less (ii) two percent for each month that the Residence Agreement has been in effect for up to 50 months; less (iii) any amounts due to the Corporation. After 50 months, there is no refund of the Residence Fee.

Payment of the refund is contingent based on the resale of a similar Independent Living Unit. Such payment shall be deferred until 30 days after the Independent Living Unit formerly occupied by the resident is re-occupied and a full Entrance Fee is received for the residence.

Project Timeline

A proposed timeline for financing, construction, and fill-up of the Project, as provided by Management, is presented below.

Table 5
Project Timeline

Date	Milestone
June 2021	Close on Series 2021 Bonds and began construction on the Project
September 2022	Construction completed on the Project
January 2023	Existing Health And Wellness Center residents transfer to the New Health and Wellness Center

Source: Management

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Revenue Recognition

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

Monthly fees:

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

Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

Entrance fees:

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

Health care services:

In the facility, the Corporation provides assisted living and nursing care to residents. The Forest is paid discounted daily rates for private pay services. These daily rates and other fees are billed in arrears monthly. For skilled nursing services provided under Medicare A guidelines, rates billed are predetermined from the Centers of Medicare and Medicaid Services (CMS). Under ASC Topic 606, revenue is recognized when the service is provided.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, except those included with assets limited as to use. Restricted cash is included with cash and cash equivalents in the forecasted statements of cash flows and a reconciliation of cash, cash equivalents and restricted cash reported within the forecasted balance sheets is presented in the notes to the forecasted statements of cash flows.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Assets Limited as to Use

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

- *The Department of Insurance (Statutory Operating Reserve)* - In accordance with North Carolina General Statute 58, Article 64-33, the Corporation is required to maintain an operating reserve equal to 25 percent (as 50 percent as statutorily defined) of the total operating costs (as defined) forecasted for the year.
- *Board Designated (Benevolent Fund)* - The Board of Directors has designated \$100,000 plus interest and contributions to be used as the Benevolent Fund. This fund is to be used for resident assistance in the event of financial hardship at the discretion of the Board of Directors.
- *Board Designated (Health Care Reserve)* - The health care reserve represents amounts paid by each resident as part of their entrance fee (\$10,000). The Board of Directors has designated these funds be used to help protect against escalating costs in the Corporation's health care center.
- *Funds Held by Trustee under Trust and Loan Agreements* - Funds held by trustee are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between the Corporation and the North Carolina Medical Care Commission, these funds are deposited with the trustee.

Investments

Investments in money market mutual funds, corporate obligations, U.S. Treasury obligations, asset-backed securities, common stocks, and mutual funds are measured at fair market value in the balance sheets. Interest and dividends, unrealized and realized gain (losses) on sale of investments are reported as non-operating income, and are included in excess of revenues, gains, and other support over expenses. Management has not forecasted any unrealized gains or losses on investments during the Forecast Period.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Interest cost incurred on borrowed funds during construction of capital assets is capitalized as a component of the cost of acquiring those assets. Expenditures which substantially increase the useful lives of existing assets are capitalized (capitalizing amounts in excess of \$500). Routine maintenance and repairs are expensed as incurred. Property and equipment are depreciated under the straight- line method by applying the following useful lives:

Land Improvements	5 - 25 years
Buildings	30 years
Equipment and Furnishings	5 - 15 years
Vehicles	4 - 6 years

Management categorizes costs as construction in progress that have not been placed in service yet and does not depreciate such costs.

Accounts Receivable, net

Accounts receivable is reported at estimated net realizable amounts from residents and responsible third-party payers. Amounts owed to the Corporation are reported net of allowances for uncollectible accounts. Specific resident balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, the Corporation has implemented a standardized approach to estimate and review the collectability of its receivables based on resident receivable aging trends. Historical collection and payer reimbursement experience is an integral part of the estimation process related to determining allowance for uncollectible accounts. In addition, the Corporation assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment.

Revisions in reserve estimates are recorded as an adjustment to accounts receivable. Management believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

Bond Premium

Bond premium incurred in connection with the issuance of long-term debt is assumed to be recorded as a direct addition to the carrying amount of the debt and amortized as interest expense over the life of the bonds, which approximates the effective interest method.

Debt Issuance Costs

Debt issuance costs represent financing costs as a result of the bond issuances. The financing costs are being amortized over the terms of the bonds and are recorded as interest expense and are a direct reduction to the carrying amount of debt.

Early Acceptance Program

Under the Early Acceptance Program contract, residents who are living off-campus receive the same access to the Retirement Facility's amenities and the same health care services and future benefits that are afforded residents who are living on campus under the Residence Agreement. North Carolina General Assembly Statute §58-64-7 (c) stipulates that the Corporation must account for the revenue and expenses related to the Early Acceptance Program separate from revenue and expenses related to on-campus services on the

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

forecasted financial statements. The revenue and expenses related to the Early Acceptance Program are reported separately for the Forecast Period. Management has indicated that the Early Acceptance Program is limited to 40 contract holders.

Deferred Revenue from Entrance Fees and Refundable Entrance Fees

Deferred revenue from entrance fees represent funds received from current residents, which have not yet been recognized as revenue, and refundable deposits received from potential residents and is recognized as income over the forecasted life expectancy of the contract holder.

Refundable entrance fees represents any entrance fees which by the nature of the Residence Agreement are refundable to the resident, and are not recognized into income.

Obligation to Provide Future Services

The Corporation annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares the amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded with the corresponding charge to non-operating expense.

As of September 30, 2021, Management was not required to record such a liability and has not forecasted any change in this liability during the Forecast Period.

Net Assets

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

Donor Restrictions

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

Use of Estimates

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

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Income Taxes

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

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUES AND ENTRANCE FEES

Forecasted revenues for the Independent Living Units are primarily based on the Monthly Fees planned to be charged to the Independent Living Unit residents and the planned utilization of the Independent Living Units.

Forecasted assisted living and nursing revenues are planned to primarily consist of funds generated from services provided to residents either transferring from the Independent Living Units to the Assisted Living Units or Skilled Nursing Beds as well as from direct admissions (although this represents a minor portion of forecasted census). Management has also included revenue related to the Early Admission Program in its Forecast.

Forecasted Utilization and Monthly Fees

Management has forecasted the following occupancy for the Retirement Facility.

Table 6
Retirement Facility
Forecasted Average Occupancy by Level of Care
For the Years Ending September 30,

For the Year Ending September 30,	2022	2023	2024	2025	2026
Average Available Units:					
Independent Living Units	235	235	235	235	235
Assisted Living Units	34	32	32	32	32
Skilled Nursing Beds	58	58	58	58	58
Total Available Units	327	325	325	325	325
Average Occupied Units:					
Independent Living Units	224.0	224.0	224.0	224.0	224.0
Assisted Living Unit- Permanent Transfers	21.4	24.5	25.5	25.5	25.0
Assisted Living Units- Direct Admissions	6.6	3.5	2.5	2.5	3.0
Assisted Living Units	28.0	28.0	28.0	28.0	28.0
Skilled Nursing Beds- Permanent Transfers	34.7	36.9	38.3	39.3	39.8
Skilled Nursing Beds- Temporary Transfers	3.2	3.2	3.1	3.0	3.0
Skilled Nursing Beds- Direct Admissions	7.0	10.7	9.4	8.5	8.0
Skilled Nursing Beds- Medicare	1.6	1.6	1.6	1.6	1.6
Skilled Nursing Beds	46.5	52.4	52.4	52.4	52.4
Total Average Occupied Units	298.5	304.4	304.4	304.4	304.4
Average Occupancy Percentage:					
Independent Living Units	95%	95%	95%	95%	95%
Assisted Living Units	82%	88%	88%	88%	88%
Skilled Nursing Beds	80%	90%	90%	90%	90%
Total Occupancy Percentage	91%	94%	94%	94%	94%

Source: Management and the Actuary, as defined hereinafter, for temporary and permanent transfers.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Independent Living Units

The following table summarizes the forecasted average Monthly Fees for the Independent Living Units during the Forecast Period.

Table 7
Independent Living Units
Forecasted Average Monthly Fees Effective October 1,

For the Year Ending September 30,	2022	2023	2024	2025	2026
Single Occupant Weighted Average Monthly Fees	\$ 5,322	\$ 5,535	\$ 5,756	\$ 5,986	\$ 6,225
Double Occupant Weighted Average Monthly Fees	7,142	\$ 7,428	\$ 7,725	\$ 8,034	\$ 8,355

Source: Management

Monthly Fees for the Independent Living Units are forecasted to inflate by 4.0 percent annually throughout the Forecast Period.

The double occupancy for the Independent Living Units is assumed to approximate 35 percent during the Forecast Period.

Assisted Living

Forecasted revenue consists of revenue from operating the Assisted Living Units. Management has forecasted this revenue based upon its historical experience operating the Assisted Living Units. The primary census data for occupancy of the Assisted Living Units are based on information provided by the Corporation's actuary, A.V. Powell (the "Actuary").

As noted in Table 6, most residents in the Assisted Living Units are internal transfers from Independent Living Units. Residents who transfer from Independent Living Units pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement. The base per-diem rate to which the various discounts apply is \$477 per day, effective October 1, 2021. If a resident enters the Assisted Living Units directly, they pay a Monthly Fee equal to \$9,592 effective October 1, 2021.

Management has forecasted the daily fees for the Assisted Living Units will be inflated by 4.0 percent annually during the Forecast Period.

Skilled Nursing

Management has forecasted the average payor mix of the Skilled Nursing Beds during the Forecast Period to be 95 percent private pay (internal transfers) and 5 percent Medicare (averaging a Medicare census of approximately 1.6 per year).

As noted in Table 6, most residents in the Skilled Nursing Beds are internal transfers from Independent Living Units or Assisted Living Units. Residents who transfer internally pay rates ranging from 15 percent to 60 percent of the per-diem rate, depending on the terms of their Residence Agreement. The base per-diem rate to which the various discounts apply is \$477 per day, effective October 1, 2021. If a resident enters the Skilled Nursing Beds directly, they pay a Monthly Fee equal to \$12,134 (approximately \$398 per-diem) effective October 1, 2021.

Management has assumed the daily fees for the Skilled Nursing Beds to increase at an average of 4.0 percent per year throughout the Forecast Period based on historical experience.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Early Acceptance Program

Management has set a cap on its Early Acceptance Program to 40 residents. Currently, a Monthly Fee of \$950 and an Entrance Fee of \$35,000 is charged for those individuals that join the Early Acceptance Program.

Table 8 highlights the associated Entrance Fee receipts and the number of resident contracts sold as it relates to the Early Acceptance Program.

The Forest at Home

The Forest at Home is the Corporation's licensed home care agency, which began operating July 1, 2021. Areas of service are provided on the campus. Management has forecasted revenues based on forecasted hours of service.

Entrance Fee Receipts and Refunds

Refunds of the Entrance Fees are generated upon death or termination of the Residence Agreement and withdrawal from the Retirement Facility, subject to the refund terms and timing previously disclosed. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the resident has not withdrawn from the Community but has permanently transferred to the Assisted Living Units or Skilled Nursing Beds. Entrance Fees are forecasted to inflate at 3.0 percent annually during the Forecast Period.

The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fee refunds.

Table 8
Entrance Fee Receipts and Total Entrance Fee Refunds
(Dollars in Thousands)

For the Year Ending September 30,	2022	2023	2024	2025	2026
Independent Living Units:					
Entrance Fee Receipts from Unit Turnover	\$ 6,082	\$ 6,029	\$ 6,080	\$ 6,210	\$ 6,300
Entrance Fees Refunded from Unit Turnover	(1,761)	(1,292)	(1,223)	(1,245)	(1,154)
Net Independent Living Unit Entrance Fees	\$ 4,321	\$ 4,737	\$ 4,857	\$ 4,965	\$ 5,146
Early Acceptance Program:					
Entrance Fee Receipts	\$ 595	\$ -	\$ -	\$ -	\$ -
Total Entrance Fee Receipts	\$ 4,916	\$ 4,737	\$ 4,857	\$ 4,965	\$ 5,146
Entrants Generating Entrance Fees:					
Number of Independent Living Turnover Unit Entrants	22	21	20	19	19
Number of Early Acceptance Program Entrants	17	-	-	-	-

Source: Management and Actuary

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Other Revenue

Management has forecasted other revenue to include service revenue, additional meals, guest meals, guest rooms, and beauty and barber services. Management has forecasted other revenue based on their experience at the Community.

Investment Return

Management has forecasted investment return to consist of interest earned on available cash and cash equivalents, investments and assets limited as to use. During construction of the Project, forecasted interest expense on the Series 2021 Bonds has been netted with interest earned on the various trustee-held funds relating to the Series 2021 Bonds.

The following table reflects Management's forecasted investment earning rates during the Forecast Period.

Table 9
Forecasted Investment Earning Rates

For the Year Ending September 30,	2022	2023	2024	2025	2026
Cash and Cash Equivalents	0.25%	0.25%	0.25%	0.25%	0.25%
Early Acceptance Program Funds	3.50%	3.50%	3.50%	3.50%	3.50%
Investments	3.50%	3.50%	4.00%	4.25%	4.50%
Statutory Operating Reserve	3.50%	3.50%	3.50%	3.50%	3.50%
Benevolent Fund - Board Designated	2.00%	2.00%	2.00%	2.00%	2.00%
Health Care Reserve - Board Designated	3.50%	3.50%	3.50%	3.50%	3.50%
Construction Account	0.25%	0.25%	N/A	N/A	N/A
Funded Interest Account	0.25%	0.25%	N/A	N/A	N/A
Bond Fund	0.25%	0.25%	0.25%	0.25%	0.25%

Source: Management

N/A: Not Applicable

Management has not forecasted any unrealized gains or losses on investments during the Forecast Period.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF EXPENSES

Operating Expenses

Operating expenses have been forecasted to be recognized during the month incurred. Management has forecasted operating expenses based upon Management's operating plans, including changes associated with operating the Project when it becomes available. In general, operating expenses, including salaries and hourly wages, are forecasted to increase by 4.0 percent annually throughout the Forecast Period for inflation.

Salaries, Wages, and Benefits

A full time equivalent ("FTE") is assumed to represent 2,080 hours of time paid annually. Salaries and wages are forecasted to increase by 4.0 percent annually during the Forecast Period. As a result of its planning efforts to both modify the environment where health care related services are offered, as well as implementing a resident-centered care approach, Management has estimated an increase in FTEs of approximately 11.6 FTEs which has been prorated for 9 months in the fiscal year ending September 30, 2023.

Employee benefits costs include FICA, unemployment taxes, workers' compensation, medical insurance, life insurance, retirement contributions and other miscellaneous benefits. Management has forecasted that these benefit costs will approximate 25 percent of salaries and wages during the Forecast Period.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Non-Salary Operating Expenses

Dining Services

Non-salary dining services costs include raw food and dietary supplies. Costs, other than those related to labor, would increase approximately 4.0 percent annually and throughout the Forecast Period for inflation. These non-labor costs would also be subject to changes in occupancy.

Housekeeping

Non-salary costs include housekeeping costs for the Retirement Facility. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation.

Laundry

Non-salary costs include laundry costs for the Retirement Facility. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation.

Health Care Center and Nursing

Non-salary health care center and nursing costs include costs for providing care in the Assisted Living Units and Skilled Nursing Beds. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation.

Wellness Clinic

Non-salary costs include costs to provide care at the Clinic. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation.

The Forest at Home

Non-salary costs include costs to provide home care services to residents. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation.

Community Life

Non-salary community life costs include those incurred with the operation of the campus activities. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation.

Plant Facility Costs

Non-salary plant facility costs include electricity, water and sewer, gas, cable television, and all activities of maintenance for the Retirement Facility. Costs, other than those related to labor, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation and changes in occupancy and the Project.

Marketing

Costs include advertising and purchased services costs for the Retirement Facility. Costs, other than those related to labor and the Project, would increase approximately 4.0 percent annually throughout the Forecast Period for inflation and the Project.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

General and Administrative

Costs include insurance, professional service fees, and other administrative costs. Other costs, excluding those related to labor, are forecasted to increase at a rate of 4.0 percent annually throughout the Forecast Period for inflation.

Early Acceptance

Non-salary costs include costs to operate the Early Acceptance Program. Other costs, excluding those related to labor, are forecasted to increase at a rate of 4.0 percent annually throughout the Forecast Period for inflation.

Depreciation

Property and equipment are forecasted to be depreciated over their estimated useful lives using the straight-line method.

Interest

Interest expense is assumed to be related to the debt service requirements, the amortization of the deferred financing costs, and the amortization of the bond premiums associated with the Series 2017 Bonds (as defined herein) and the Series 2021 Bonds. Management plans to capitalize the Project-related interest expense during the construction period of the Project associated with the Series 2021 Bonds.

Community Responsibility

Pursuant to North Carolina statutes, the Corporation is exempt from property taxes if it incurs social accountability costs equal to 5 percent of operating revenues plus entrance fee amortization (every 1 percent exempts 20 percent of the property taxes). The social accountability costs ("community responsibility") include charity care, in kind activities such as use of space for community needs (voting, etc.) Management's forecast of community responsibility reflects the shortfall between other social accountability activities that the Corporation is forecasting, and the 5 percent target.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS

Current Assets and Current Liabilities

Cash and Cash Equivalents

Cash and Cash Equivalents balances for the Forecast Period are assumed to reflect net cash flows during the Forecast Period.

Early Acceptance Program Funds

Early Acceptance Program Funds balances for the Forecast Period are assumed to reflect funds received during the Forecast Period.

Accounts and Other Receivables, Net

Accounts and Other Receivables, Net are net of an allowance for non-collectible accounts, are forecasted based on Management's estimate. Management has forecasted Accounts and Other Receivables, Net, at approximately 5 days of resident revenues throughout the Forecast Period.

Other Current Assets

Other Current Assets are forecasted based on Management's estimate and historical levels throughout the Forecast Period.

Accounts Payable

Accounts Payable are forecasted based upon Management's estimate of 10 days of expenses, excluding depreciation, interest, and amortization expenses, throughout the Forecast Period.

Accrued Expenses

Accrued Expenses are forecasted based upon Management's estimate of 18 days of expenses, excluding depreciation, interest, and amortization expenses, throughout the Forecast Period.

Accrued Interest Payable

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

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Assets Limited as to Use

Trustee Held Funds

Funded Interest Account – The Funded Interest Account is forecasted to be funded to pay for interest expense on the Series 2021 Bonds for approximately 17 months after the issuance of the Series 2021 Bonds, which occurred in June 2021.

Construction Account – A portion of the Series 2021 Bonds proceeds were deposited into a construction account for construction of the Project.

Bond Funds – Represents monthly advance payments of bond principal and interest made by the Corporation to the trustee relating to outstanding Series 2017 Bonds and the Series 2021 Bonds. The funds held in these bond funds are expected to be used by the trustee to make principal and interest payments to owners of the outstanding bonds when due.

Other Assets Limited as to Use

Other assets limited as to their use include the restricted cash and cash equivalents and assets limited as to use presented on the forecasted balance sheets. The funds include amounts that contain restrictions on their use by the Corporation.

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

Board Designated (Health Care Reserve) - The Health Care Reserve represents amounts paid by each resident as part of their entrance fee (\$10,000 as of October 1, 2021). The Board of Directors has designated these funds be maintained to help protect against escalating costs in the Retirement Facility's Health and Wellness Center.

Statutory Operating Reserve - North Carolina Statutory Operating Reserve– Section 58-64-33 of the General Statutes of North Carolina, as amended, requires that all continuing care facilities maintain operating reserves equal to 50 percent of the total operating costs (as defined in Section 58-64-33) (or 25 percent of the total operating costs if such facilities maintain an occupancy level in excess of 90 percent and the North Carolina Commissioner of Insurance so approves) for the twelve-month period related to the calculation. Such operating reserves may only be released upon approval of the North Carolina Commissioner of Insurance. Management has forecasted, based on its forecasted occupancies, meeting the 25 percent operating reserve requirement for all years of the Forecast Period.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Table 10
Forecasted Operating Reserve Calculation
At September 30,

	2022	2023	2024	2025	2026
Statutory Operating Reserve Calculation (Expenses in Thousands):					
Total Operating Expenses	\$ 25,946	\$ 28,380	\$ 30,653	\$ 31,390	\$ 32,218
Principal Payments	1,225	1,265	1,305	1,335	1,375
Less: Depreciation	(5,424)	(5,150)	(6,147)	(6,030)	(5,967)
Less: Trustee Held Funds for Service of Debt	(145)	(146)	(144)	(144)	(143)
Total Operating Costs	\$ 21,602	\$ 24,349	\$ 25,667	\$ 26,551	\$ 27,483
Required Reserve ⁽¹⁾	25%	25%	25%	25%	25%
Required Statutory Operating Reserve	\$ 5,401	\$ 6,087	\$ 6,417	\$ 6,638	\$ 6,871
Average Available Units at September 30:					
Independent Living Units	235	235	235	235	235
Assisted Living Units	34	32	32	32	32
Total Available Units	269	267	267	267	267
Average Occupied Units at September 30:					
Independent Living Units	224	224	224	224	224
Assisted Living Units	28	28	28	28	28
Total Occupied Units	252	252	252	252	252
Average Occupancy at September 30	93.68%	94.38%	94.38%	94.38%	94.38%

Source: Management

Notes:

- (1) If combined independent living and assisted living occupancy is 90 percent or less, the operating reserve requirement is 50 percent; otherwise, it is 25 percent.

Property and Equipment

Property and equipment balances, net of accumulated depreciation, are forecasted based on the cost of the Existing Facility and the forecasted costs of constructing the Project, and other routine property and equipment additions during the Forecast Period, reduced by estimated annual depreciation.

The following table reflects the Project related costs, capitalized interest, net of interest earnings, and other routine capital additions during the Forecast Period:

Table 11
Forecasted Property and Equipment Additions
For the Years Ending September 30,
(Dollars in Thousands)

	2022	2023	2024	2025	2026
Project costs	\$ 33,051	\$ 8,262	\$ -	\$ -	\$ -
Capitalized interest, net of interest earnings, during Project construction	1,721	300	-	-	-
Routine capital additions	2,500	2,500	2,500	2,500	2,500
Total	\$ 37,272	\$ 11,062	\$ 2,500	\$ 2,500	\$ 2,500

Source: Management

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Upon completion of the Project, residents from the Existing Health and Wellness Center will transfer to the Project. Management is currently planning for an expansion of independent living units at its campus, which is in part dependent on achieving targeted costs for the construction of the additional units, and presales to validate the market for such units. The current plan, if feasible, would require the demolition of the Existing Health and Wellness Center. If the proposed independent living project (as disclosed in the supplemental disclosure) is not feasible as a result of costs or market, the Corporation had previously considered converting the Existing Health and Wellness Center to independent living with services, a higher acuity independent living product. As of the date of Management's Forecast, Management has yet to finalize its plans and as such, Management has not reflected the potential impairment of the carrying cost of the Existing Health and Wellness Center during the Forecast Period. See the supplemental disclosure highlighting Management's plans for the expansion of Independent Living Units.

Management has indicated that the anticipated book value of the Existing Health and Wellness Center approximates \$5,883,000 at the time it may be disposed of. If Management proceeds with its independent living expansion, it would recognize a loss equal to the this estimated book value of the Existing Health and Wellness Center.

Long-Term Debt and Interest Expense

During the Forecast Period, the Corporation's long-term debt is planned to be comprised of the Series 2017 Bonds and Series 2021 Bonds.

In August 2017, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities Refunding Revenue Bonds (The Forest at Duke), Series 2017 ("Series 2017 Bonds") in the aggregate principal amount of \$20,210,000. The proceeds of the Series 2017 Bonds were used to refund the Series 2007 bonds. Effective January 1, 2018, as a result of the Tax Cuts and Jobs Act, and by function of the debt agreements for tax law changes, the effective interest rate changed from 2.82 percent to 3.43 percent. Interest on the Series 2017 bonds is payable on the first day of each month. All bonds are secured by substantially all of the property and equipment of the Corporation.

In June 2021, the North Carolina Medical Care Commission authorized the issuance of tax-exempt Retirement Facilities Refunding Revenue Bonds (The Forest at Duke), Series 2021 ("Series 2021 Bonds") in the aggregate principal amount of \$44,415,000. The proceeds of the Series 2021 Bonds were used to fund the Project. Interest on the Series 2021 bonds is a fixed 4.00 percent and is payable semiannually. All bonds are secured by substantially by all of the property and equipment of the Corporation. The Series 2021 Bonds were issued with an associated bond premium of \$6,404,000.

The trust indentures and loan agreements underlying the Series 2017 and Series 2021 Bonds contain certain financial covenants including minimum long-term debt service coverage.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

The following table presents a summary of the assumed annual principal payments for all long-term debt which is presented on a September 30, fiscal year basis:

Table 12
Forecasted Annual Principal Payments
(Dollars in Thousands)

For the Years Ending September 30,	Series 2017	Series 2021	Total
	Bonds	Bonds	
2022	\$ 1,225	\$ -	\$ 1,225
2023	1,265	-	1,265
2024	1,305	-	1,305
2025	1,335	-	1,335
2026	1,375	-	1,375
2027	1,415	-	1,415
2028	1,460	-	1,460
2029	1,500	-	1,500
2030	1,540	-	1,540
2031	1,585	-	1,585
Thereafter	1,630	44,415	46,045
Total	\$ 15,635	\$ 44,415	\$ 60,050

Source: Management and the Underwriter

Net Assets

Management has forecasted receipts to net assets with donor restrictions each year, and has forecasted release of those receipts for use in operations each year based on its anticipation of donations during the Forecast Period.

Risks and Uncertainties

During March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the The Forest at Duke, COVID-19 may continue to impact various parts of its 2022 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. Management believes The Forest at Duke is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of the date of this Projection.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions

Expansion Plans: Independent Living Units

The Corporation plans to construct, finance and operate the addition of 71 independent living apartments, parking, additional dining and certain renovations to its wellness center (and all elements collectively the "IL Project"). Management has not secured permanent financing or secured pre-sales for the IL Project. As of the date of this report, Management has received a design drawings package with preliminary cost estimates and has begun its sales effort to presale approximately 70 percent of the IL Project's Independent Living Units (the "New Independent Living Units", or "New ILU").

The IL Project is to be constructed in a single five-story building, approximately 250,000 square feet on the existing campus. The planned project includes the addition of seventy-one (71) new independent living apartments and an expanded community center which connects the existing community center to the New Health and Wellness Center. The expanded community center also includes service and amenity spaces such as additional dining, fitness area, classroom, multipurpose rooms, clinic and office space.

The new apartments have an average of 1,492 square feet with spacious open-living design floorplans, ten foot ceilings, and finishes commensurate with high-end real estate in the market area. Other features include gourmet kitchens with stainless steel appliances, large covered balconies or ground level patios for outdoor living in each apartment home. Each apartment home is expected to include assigned underground parking.

As the IL Project represents adding more than 10% of the current independent living inventory, the Corporation is required to pre-sell the units and follow Chapter 58 Article 64 of the North Carolina General Statutes and receive approval from the North Carolina Department of Insurance. Their process includes "4 Steps", of which the Corporation has received approval for Step 1 in October 2021. This approval allows the Corporation to accept \$1,000 non-binding reservation agreements for the new units. As of January 7, 2022, sixty-seven (67) non-binding agreements have been signed as discussed hereafter.

The pre-sell requirement will be fulfilled when the Corporation has entered into binding reservation/resident agreements equal to at least 50% of the total number of the units being developed are accompanied with a deposit equal to at least 10% of the Entrance Fee. Financing will be contingent upon receiving these approvals.

The financing is anticipated to close in the first quarter of calendar year 2023 in line with the completion of the New Health and Wellness Center. It is anticipated that site work could begin as early as February 2023, with the construction of the new apartments and common areas taking approximately 24 months from the date of financing.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

The preliminary plans for the financing of the IL Project contemplate a combination of bank placed debt and fixed rate tax-exempt bonds, although the final plan of finance will depend on economic conditions at the time of the financing, including equity contributions as determined by the Corporation at that time. It is anticipated financing for the Project would occur in February 2023, and that the construction would approximate 25 months.

The information provided in this section provides Management's key projection assumptions relating to the IL Project. The assumptions disclosed herein for this supplementary disclosure (the "Supplemental Disclosure") are for a period covered by the Forecast and are the assumptions which Management believes are significant to the financial projection included in the Supplemental Disclosure. However, there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The information provided in this section provides Management's key assumptions relating to the IL Project. The disclosures in the Supplemental Disclosure add specific disclosures related to the IL Project. Other key assumptions have been presented in Management's summary of significant forecast assumptions and accounting policies as disclosed previously, and also apply to Management's projection included in this Supplemental Disclosure.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Hypothetical Assumptions

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

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

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

- The IL Project is constructed for amounts and under the timing noted in this Supplemental Disclosure;
- Management fills and sells any IL Project-related units, at the disclosed fee levels, as noted in this Supplemental Disclosure;
- Management is able to finance the IL Project as noted in this Supplemental Disclosure; and
- Management operates the IL Project as noted in this Supplemental Disclosure.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Projected IL Project Configuration and Pricing

The following table summarizes Management's projected unit configuration and pricing for the IL Project's New Independent Living Units. Please note that the Monthly Fees are presented in fiscal year 2022 dollars and are anticipated to increase 4 percent annually beginning October 1, 2023. The Entrance Fees noted below are presented in fiscal year 2025 dollars and are anticipated to increase 3 percent annually beginning October 1, 2025.

Supplemental Disclosure Table 1S
New Independent Living Unit
Projected Unit Configuration, Estimated Sizes and Pricing

Unit Type	The IL Project	Project Weighted Average Square Footage by Unit Type	Single Occupant Monthly Fee- 2022 ⁽¹⁾	Single Occupant Amortized Plan Entrance Fee ⁽²⁾
<i>New Independent Living Units:</i>				
Aspen	3	1,140	\$ 5,346	\$ 416,494
Bradford	8	1,185	\$ 5,399	\$ 431,246
Cypress	2	1,360	\$ 5,613	\$ 488,614
Spruce	8	1,470	\$ 5,763	\$ 524,674
Oak	14	1,480	\$ 5,773	\$ 527,953
Willow	6	1,580	\$ 5,896	\$ 560,734
Linden	4	1,589	\$ 5,907	\$ 563,685
Juniper	8	1,610	\$ 5,934	\$ 570,569
Maple	15	1,610	\$ 5,934	\$ 570,569
Hawthorn	3	1,665	\$ 5,987	\$ 588,599
Total / Weighted Average New Independent Living Units	71	1,492	\$ 5,786	\$ 532,020

Source: Management

Notes:

- (1) Monthly Fees effective through September 30, 2022. In addition to the first person Monthly Fee, a second occupant would be charged \$1,825 per month.
- (2) Entrance Fees presented in fiscal year 2025 and are anticipated to increase beginning October 1, 2025. The Amortized Plan is zero percent refundable. In addition to the first person Entrance Fee, a second occupant would be charged an Entrance Fee of \$41,000.

Project Timeline

Management assumes that the IL Project would be financed in February 2023. Management forecasts that the IL Project would be available for occupancy in March 2025.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Project Sources and Uses of Funds

The following presents Management's projected sources and uses of funds for the IL Project.

Supplemental Disclosure Table 2S Projected Sources and Uses of Funds (In Thousands of Dollars)

Sources of Funds:		
Series 2023 Long-Term Bonds	\$	56,050 ¹
Series 2023 Intermediate Term Bonds		29,500 ²
Total Series 2023 Bonds		85,550
Interest on Series 2023 Bonds		448 ³
Equity		- ⁴
Total Sources of Funds	\$	85,998
Uses of Funds:		
Construction	\$	56,115 ⁵
Project Contingency		2,660 ⁶
Inflation Contingency		3,936 ⁷
Professional Fees & Expenses		3,315 ⁸
Furniture & Equipment		850 ⁹
Low Voltage		920 ¹⁰
Marketing Costs		1,013 ¹¹
Other Costs		350 ¹²
Costs of Issuance		2,638 ¹³
Funded Interest		10,269 ¹⁴
Debt Service Reserve Fund		3,932 ¹⁵
Total Uses of Funds	\$	85,998

Source: Management

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Notes to Supplemental Disclosure Table 2S:

- (1) Management has assumed that a portion of the IL Project would be financed through the issuance of tax-exempt bonds (the "Series 2023 Long-Term Bonds"), bearing interest at 5.25 percent, subject to sinking fund payments, with a final maturity of 30 years from issuance.
- (2) Management has assumed that a portion of the IL Project would be financed through a short term debt borrowing, either through bonds or bank placed debt (the "Series 2023 Intermediate Term Bonds"). This debt is anticipated to be repaid from the availability of Entrance Fees received from the IL Project's Independent Living Units. The debt is assumed to have a 7 year maturity and is anticipated to qualify as qualified intermediate term indebtedness. Annual interest on this bank placed debt is assumed to approximate 3.5 percent.

Collectively, the Series 2023 Long-Term Bonds and the Series 2023 Intermediate Term Bonds are known as the "Series 2023 Bonds".
- (3) Represents estimated earnings on borrowed funds during the construction period.
- (4) The projected plan of finance includes no equity. Should the capital markets environment or other factors change, the Corporation may elect to contribute equity to fund a portion of the IL Project.
- (5) Construction reflects Management's estimate of anticipated costs of constructing the IL Project.
- (6) Management has assumed a contingency for the IL Project for unanticipated costs and scope changes.
- (7) Management has assumed a contingency for inflation.
- (8) Professional fees and expenses reflect costs associated for architects, engineers, as well as zoning and other entitlement costs as estimated by Management.
- (9) Furniture and equipment reflects Management's anticipated costs related to furnishings.
- (10) Reflects Management's estimated costs for low voltage/technology related costs.
- (11) Marketing costs reflect Management's estimate of costs to market the IL Project's units.
- (12) Reflects Management's estimated utility/permit costs.
- (13) Cost of issuance reflect Management's estimate of costs associated with the issuance of the Series 2023 Bonds.
- (14) Reflects estimated interest expense for approximately 31 months (25 months of construction plus an additional 6 months) that is assumed to be borrowed as projected by Management.
- (15) Reflects Management's estimate of a debt service reserve fund associated with the proposed Series 2023 Bonds.

Management has indicated that the Series 2023 Bonds would be secured by a revenue pledge as well as secured by substantially all of the property and equipment of the Corporation. The Series 2023 Bonds are anticipated to have trust indentures and loan agreements on a parity basis with the Corporation's existing outstanding Series 2017 Bonds and Series 2021 Bonds.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Marketing the IL Project

Management has indicated it would like to achieve a 70 percent presale level (although it could be less) once it is able to accept deposits equal to 10 percent of an Entrance Fee for the selected New Independent Living Units.

Management believes that it will be able to achieve its 70 percent presale by February 2023. Management has presented its projected 10 percent presale level activity as follows:

Supplemental Disclosure Table 3S
10 Percent Presales – New Independent Living Units

	Total Available Units	Monthly Presales	Cancellations	Net Sales	Cumulative Sales	Presale Percentage
Fiscal Year 2022						
May	71	5	0	5	5	7.0%
June	71	5	0	5	10	14.1%
July	71	5	0	5	15	21.1%
August	71	6	-1	5	20	28.2%
September	71	5	0	5	25	35.2%
Fiscal Year 2023						
October	71	5	0	5	30	42.3%
November	71	5	0	5	35	49.3%
December	71	5	0	5	40	56.3%
January	71	5	0	5	45	63.4%
February	71	6	-1	5	50	70.4%
March	71	2	0	2	52	73.2%
April	71	2	-1	1	53	74.6%
May	71	1	0	1	54	76.1%
June	71	1	0	1	55	77.5%
July	71	2	-1	1	56	78.9%
August	71	1	0	1	57	80.3%
September	71	1	0	1	58	81.7%
Fiscal Year 2024						
October	71	2	-1	1	59	83.1%
November	71	1	0	1	60	84.5%
December	71	2	-1	1	61	85.9%
January	71	1	0	1	62	87.3%
February	71	1	0	1	63	88.7%
March	71	2	-1	1	64	90.1%
April	71	1	0	1	65	91.5%
May	71	1	0	1	66	93.0%
June	71	2	-1	1	67	94.4%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

As part of its marketing efforts, Management anticipates expenditures related to activities, events, media and print collateral, as well as media campaign similar to its existing marketing activities. Management has budgeted amounts necessary to conduct the marketing campaign to achieve its anticipated occupancy levels as projected as reflected in Supplemental Disclosure Table 2S.

Management has a robust marketing plan that is multi-tiered and focused on primary, secondary and tertiary markets using integrated platforms of direct marketing and sales activity, digital and virtual marketing which is supported by an in-person sales process.

Marketing efforts focus on a variety of demographic data as well as affinity groups as identified by market study and current resident data, such as Duke and University of North Carolina retirees, eastern shore performing arts, federal service retirees, local religious and fraternal organizations. This approach has established and maintains a very broad pipeline of potential future residents.

Marketing activities and programs are closely tied to participant education about community services, utilization of the continuum of care available at the Community, as well as building relationships with Community staff and residents. Management believes that this approach to marketing of the New Independent Living Units yields an integrated marketing strategy with operational transparency meant to encourage and facilitate a smooth transition for incoming residents as members of the Community.

The Corporation has begun marketing activity for the New Independent Living Units through a charter membership program (the "Charter Membership"). The Charter Membership establishes interest and begins the sales process for the New Independent Living Units. Management has indicated that within three days of accepting applications (January 7, 2022) for the New Independent Living Units, the Corporation has received 67 \$1,000 dollar depositors.

The sales process anticipates prospective residents making a deposit of 10 percent (less the \$1,000 deposit) of the entrance fee for a selected unit (once the Corporation receives approval from the North Carolina Department of Insurance). Subsequently, the Corporation anticipates increasing the deposit to equal 25 percent and 50 percent of the entrance fee which is timed to a unit selection and selection of finishes, respectively. The remaining 50 percent portion of the entrance fee for a selected unit is anticipated to be collected when the resident's unit becomes available for occupancy.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Management's Basis for Projected Revenues and Entrance Fees – The IL Project

Revenues for the New Independent Living Units are primarily based on the Monthly Fees assumed by Management to be charged to the residents and the assumed utilization of the New Independent Living Units.

Projected Occupancy Levels

Projected occupancy for the New Independent Living Units are based upon Management's assumed move-in schedule.

The following tables reflect Management's anticipated move-in schedule for the New Independent Living Units.

Supplemental Disclosure Table 4S
Projected Move-In Schedule – New Independent Living Units

	Total Units	Monthly Fill	Cumulative Occupancy	Occupancy Percent
Fiscal Year 2025				
March	71	8	8	11.3%
April	71	8	16	22.5%
May	71	6	22	31.0%
June	71	6	28	39.4%
July	71	6	34	47.9%
August	71	6	40	56.3%
September	71	6	46	64.8%
Fiscal Year 2026				
October	71	6	52	73.2%
November	71	6	58	81.7%
December	71	5	63	88.7%
January	71	3	66	93.0%
February	71	1	67	94.4%
March	71	0	67	94.4%
April	71	0	67	94.4%
May	71	0	67	94.4%
June	71	0	67	94.4%
July	71	0	67	94.4%
August	71	0	67	94.4%
September	71	0	67	94.4%
Thereafter	71		67	94.4%

Source: Management

See Accompanying Independent Accountants' Compilation Report

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

The projected double occupancy percentages at the New Independent Living Units is assumed to approximate 63 percent initially.

Projected Entrance Fees and Monthly Fees

Supplemental Disclosure Table 1S summarizes the Entrance Fee and Monthly Fee pricing for the IL Project.

Management has projected the Monthly Fees for the New Independent Living Units to increase by 4.0 percent annually during the projection period. As noted previously, Entrance Fees were presented in pricing consistent with the anticipated year the Project opens (fiscal year ending 2025). As such, IL Project-related Entrance Fees are anticipated to increase 3 percent annually beginning fiscal year 2026.

Entrance Fee Receipts and Amortization

Entrance Fee receipts and refunds are projected based on information provided by Management based upon their anticipated fill of the IL Project's Independent Living Units as presented in Supplemental Disclosure Table 4S. The following table summarizes projected Entrance Fees received and refunds paid related to the New Independent Living Units.

Supplemental Disclosure Table 5S
Projected New Independent Living Unit Entrance Fee Receipts and Refunds
(In Thousands of Dollars)

	2022	2023	2024	2025	2026
Entrance Fee Receipts from Initial Residents	\$ 1,433	\$ 1,891	\$ 516	\$ 22,685	\$ 10,357
Initial Resident Entrance Fees	\$ 1,433	\$ 1,891	\$ 516	\$ 22,685	\$ 10,357
Entrance Fee Receipts from IL Project Unit Turnover	\$ -	\$ -	\$ -	\$ -	\$ 567
Entrance Fee Refunds from IL Project Unit Turnover	-	-	-	-	(396)
Net Entrance Fees Received	\$ -	\$ -	\$ -	\$ -	\$ 171
Total Entrance Fees Received, Net of Refunds	\$ 1,433	\$ 1,891	\$ 516	\$ 22,685	\$ 10,528

Source: Management

Notes:

- (1) At the time of opening, Management anticipates that it will have collected approximately \$3,840,000 in 10 percent resident deposits for the New Independent Living Units and are assumed to be applied to the full Entrance Fee upon occupancy of a New Independent Living Unit.

Investment Income

Interest income related to the IL Project consists of interest earned on available cash and cash equivalents, investments and assets limited as to use.

See Accompanying Independent Accountants' Compilation Report

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Management's Basis for Projected Expenses – The IL Project

Operating Expenses

Management has projected operating expenses related to the New Independent Living based upon its plans to operate the IL Project, its experience operating its current facilities, and using similar assumptions and methodologies as disclosed in "Management's Basis for Projection of Expenses" section of the "Summary of Significant Projection Assumptions and Accounting Policies" contained previously herein.

Management has projected that it would incur expenses sufficient to achieve community benefit equal to 5 percent of resident revenues as described in North Carolina General Statutes Section 105.278.6A.

Management has assumed increases relating to costs in all departments associated with the addition of the IL Project.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Management's Basis for Projection of Other Items – The IL Project

Property and Equipment – The IL Project

Property and equipment, net of accumulated depreciation, related to the IL Project has been projected based on the estimated costs of constructing the IL Project, and other routine property and equipment additions related to the IL Project, reduced by estimated annual depreciation. The following table reflects IL Project related costs, capitalized interest, and other routine capital additions related to the IL Project.

Supplemental Disclosure Table 6S
Projected Property and Equipment Additions – The IL Project
(In Thousands of Dollars)

	2022	2023	2024	2025	2026
Project costs	\$ 2,252	\$ 21,598	\$ 31,269	\$ 13,029	\$ -
Capitalized Interest, net of Interest Earnings, during Project Construction	-	2,650	3,975	1,670	-
Routine Additions - Project	-	-	-	-	350
Total IL Project Capital Additions	\$ 2,252	\$ 24,248	\$ 35,244	\$ 14,699	\$ 350

Source: Management

Assets Limited as to Use

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

- Construction Account – Reflects amounts projected to be funded from a portion of the Series 2023 Bonds for payment of the IL Project costs.
- Funded Interest Account – reflects amounts funded from the proposed Series 2023 Bonds for payment of interest expense related to the Series 2023 Bonds.
- Entrance Fee Fund – Entrance Fees received from the IL Project's New Independent Living Units are assumed to be placed into an Entrance Fee Fund and used to repay a portion of the Series 2023 Bonds.
- Resident Deposits- Project - Reflects resident deposits relating to the IL Project's New Independent Living Units which approximate 10 percent of the associated Entrance Fee for the IL Project's New Independent Living Units. These deposits are converted to Entrance Fees upon move-in of a prospective resident.
- Debt Service Reserve Fund – represents the anticipated debt service reserve fund for the Series 2023 Bonds.

Statutory Operating Reserve - Section 58-64-33 of the General Statutes of North Carolina, as amended, establishes an operating reserve requirement that must be satisfied on an annual basis. Specifically, in years where the overall occupancy of the facility exceeds 90%, the operating reserve amount required equals 25% of operating expenses. In years where overall occupancy is under 90%, a reserve equal to 50% of operating expenses must be established. To the extent that funds have been set aside for the payment of interest and principal on debt (Debt Service Reserve Fund), interest expense and principal payments would be excluded from the statutory operating reserve requirements.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

**Table 7S
North Carolina Statutory Operating Reserve- Including the IL Project
For the Years Ending September 30,**

	2022	2023	2024	2025	2026
Statutory Operating Reserve Calculation (Expenses in Thousands):					
Total Operating Expenses	\$ 26,250	\$ 28,216	\$ 30,351	\$ 34,736	\$ 39,892
Principal Payments	1,225	1,265	1,305	1,335	30,875
Less: Depreciation	(5,424)	(4,579)	(5,385)	(6,250)	(7,832)
Less: Debt Service Reserve Fund	-	(3,932)	(3,932)	(3,932)	(3,932)
Less: Principal Paid from Entrance Fee Fund	-	-	-	-	(29,500)
Less: Funds Held by Trustee for Bonds	(145)	(146)	(144)	(144)	(143)
Total Operating Costs	\$ 21,906	\$ 20,824	\$ 22,195	\$ 25,745	\$ 29,360
Required Reserve ⁽¹⁾	25%	25%	25%	50%	25%
Required Statutory Operating Reserve (In Thousands)	\$ 5,477	\$ 5,206	\$ 5,549	\$ 12,873	\$ 7,340
Average Available Units:					
Independent Living Units	235	235	235	235	235
Independent Living Units- IL Project	-	-	-	71	71
Assisted Living Units	34	32	32	32	32
Assisted Living Units- Project	-	-	-	-	-
Total Available Units	269	267	267	338	338
Average Occupied Units:					
Independent Living Units	224	224	224	224	224
Independent Living Units - IL Project	-	-	-	46	67
Assisted Living Units	28	28	28	28	28
Total Occupied Units	252	252	252	298	319
Average Occupancy at Year End	93.7%	94.4%	94.4%	88.2%	94.4%

Source: Management

Notes:

- (1) Due to the Corporation projecting occupancy in excess of 90%, the Organization is required to have a 25 percent operating reserve, otherwise the operating reserve would be equal to 50 percent.

Supplemental Disclosure: Projected Financial Statements for Periods Covered by the Forecast

Management's Summary of Key Projection Assumptions (continued)

Series 2023 Bonds

See notes to Supplemental Disclosure Table 2S for information relating to the proposed financing assumptions relating to the IL Project. The following table summarizes the projected principal payments on the Series 2023 Bonds.

**Supplemental Disclosure Table 8S
Series 2023 Bonds
Projected Principal Payments
(In Thousands of Dollars)**

Fiscal Year Ending September 30,	Series 2023 Long- Term Bonds	Series 2023 Intermediate Term Bonds	Total
2022	\$ -	\$ -	\$ -
2023	-	-	-
2024	-	-	-
2025	-	29,500	29,500
2026	990	-	990
2027	1,040	-	1,040
2028	1,095	-	1,095
2029	1,150	-	1,150
2030	1,210	-	1,210
2031	1,275	-	1,275
Thereafter	49,290	-	49,290
Total	\$ 56,050	\$ 29,500	\$ 85,550

Source: Management

THE FOREST AT DUKE, INC.
PROJECTED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDING SEPTEMBER 30,
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 37
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
REVENUES, GAINS, AND OTHER SUPPORT					
Monthly Fees	\$ 16,153	\$ 16,702	\$ 17,284	\$ 19,422	\$ 24,858
Early Acceptance Program Monthly Fees	391	474	493	513	491
Earned Entrance Fees	4,567	4,484	4,477	5,151	7,041
Earned Entrance Fees- Early Acceptance Program	97	113	113	113	113
Clinic and Health and Wellness Center Fees	5,650	6,075	6,192	6,395	6,657
Home Care Revenue	473	492	512	532	554
Other Income	208	216	224	263	369
Net Assets Released from Restrictions for Operations	45	46	47	48	49
Total Revenue, Gains, and Other Support	27,584	28,602	29,342	32,437	40,132
EXPENSES					
Dining Services	4,764	4,804	4,943	5,338	6,163
Housekeeping	1,204	1,249	1,298	1,400	1,612
Laundry	100	104	108	116	134
Health Care Center and Nursing	5,367	6,187	6,645	6,911	7,187
Wellness Clinic	707	736	765	796	827
The Forest at Home	515	536	557	579	602
Community Life	550	572	595	642	739
Plant Facility Costs	3,597	3,742	3,891	4,195	4,825
Marketing	1,019	1,038	1,065	926	836
General and Administrative	2,641	2,746	2,856	3,079	3,540
Early Acceptance	86	104	108	112	117
Depreciation	5,424	4,579	5,385	6,250	7,832
Interest	524	1,955	2,215	4,472	5,580
Interest- Amortization of Issuance Costs	40	152	208	208	186
Interest- Amortization of Bond Premium	(288)	(288)	(288)	(288)	(288)
Total Operating Expenses	26,250	28,216	30,351	34,736	39,892
Operating Income (Loss)	1,334	386	(1,009)	(2,299)	240
Nonoperating Income (Expense)					
Investment Income	1,235	1,438	1,743	1,906	2,464
Community Responsibility	(857)	(887)	(903)	(1,033)	(1,390)
Contributions and Gifts	-	-	-	-	-
Loss on Disposal of Assets	-	(5,883)	-	-	-
Nonoperating Income	378	(5,332)	840	873	1,074
Excess (Deficit) of Revenues, Gains, and Other Support Over Expenses	1,712	(4,946)	(169)	(1,426)	1,314
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 1,712	\$ (4,946)	\$ (169)	\$ (1,426)	\$ 1,314

See Summary of Significant Projection Assumptions and Accounting Policies

THE FOREST AT DUKE, INC.
PROJECTED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDING SEPTEMBER 30,
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 37
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Excess (Deficit) of Revenues, Gains, and Other Support Over Expenses	\$ 1,712	\$ (4,946)	\$ (169)	\$ (1,426)	\$ 1,314
Change in Net Assets Without Donor Restrictions	1,712	(4,946)	(169)	(1,426)	1,314
NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	45	46	47	48	49
Net Assets Released From Donor Restrictions for Operations	(45)	(46)	(47)	(48)	(49)
Change in Net Assets With Donor Restrictions	-	-	-	-	-
Change in Net Assets	1,712	(4,946)	(169)	(1,426)	1,314
Net Assets, Beginning of Year	18,168	19,880	14,934	14,765	13,339
NET ASSETS, END OF YEAR	\$ 19,880	\$ 14,934	\$ 14,765	\$ 13,339	\$ 14,653

See Summary of Significant Projection Assumptions and Accounting Policies

FOREST AT DUKE, INC.
PROJECTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING SEPTEMBER 30,
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 37
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 1,712	\$ (4,946)	\$ (169)	\$ (1,426)	\$ 1,314
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Provided by Operating Activities:					
Earned Entrance Fees	(4,567)	(4,484)	(4,477)	(5,151)	(7,041)
Earned Entrance Fees- Early Acceptance Program	(97)	(113)	(113)	(113)	(113)
Entrance Fees Receipts	6,082	6,029	6,080	6,210	6,867
Entrance Fees Receipts- Early Acceptance Program	595	-	-	-	-
Depreciation	5,424	4,579	5,385	6,250	7,832
Amortization of Bond Issuance Costs Included in Interest Expense	40	152	208	208	186
Amortization of Bond Premium	(288)	(288)	(288)	(288)	(288)
Loss on Disposal of Equipment	-	5,883	-	-	-
Change in Current Assets:					
Accounts Receivable	141	(13)	(10)	(184)	(545)
Other Receivables	9	-	-	-	-
Change in Current Liabilities:					
Accounts Payable	59	35	28	25	27
Accrued Expenses	152	63	51	44	46
Accrued Interest	-	331	-	-	-
Change in Early Acceptance Funds	(595)	-	-	-	-
Net Cash Provided by Operating Activities	8,667	7,228	6,695	5,587	8,321
CASH FLOWS FROM INVESTING ACTIVITIES					
Net Change in Investments	(2,726)	(5,255)	(1,144)	4,697	(15,138)
Net Purchases of Property and Equipment	(37,803)	(32,360)	(33,769)	(15,529)	(2,850)
Interest Costs Capitalized in Property and Equipment	(1,721)	(2,950)	(3,975)	(1,670)	-
Net Change in Assets Whose Use Is Limited	34,482	(46,714)	34,962	(15,594)	30,826
Net Cash Provided by (Used in) Investing Activities	(7,768)	(87,279)	(3,926)	(28,096)	12,838
CASH FLOWS FROM FINANCING ACTIVITIES					
Initial Entrance Fee Receipts	1,433	1,891	516	22,685	10,357
Entrance Fees Refunded	(1,761)	(1,292)	(1,223)	(1,245)	(1,550)
Proceeds from Series 2023 Bonds	-	85,550	-	-	-
Payment of Financing Costs	-	(2,638)	-	-	-
Principal Payments on Long-Term Debt	(1,225)	(1,265)	(1,305)	(1,335)	(1,375)
Repayment of Series 2023 Intermediate Term Bonds	-	-	-	-	(29,500)
Net Cash Provided By (Used In) Financing Activities	(1,553)	82,246	(2,012)	20,105	(22,068)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(654)	2,195	757	(2,404)	(909)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	7,797	5,710	6,014	6,255	6,488
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	\$ 5,710	\$ 6,014	\$ 6,255	\$ 6,488	\$ 6,782
Supplemental Disclosure of Cash Flow Information:					
Cash Paid for Interest	\$ 2,301	\$ 4,576	\$ 6,190	\$ 6,142	\$ 5,580
Supplemental Disclosure of Cash, Cash Equivalents and Restricted Cash					
Cash and Cash Equivalents	\$ 5,121	\$ 5,425	\$ 5,666	\$ 5,899	\$ 6,193
Restricted Cash	589	589	589	589	589
Total Cash, Cash Equivalents and Restricted Cash	\$ 5,710	\$ 6,014	\$ 6,255	\$ 6,488	\$ 6,782

See Summary of Significant Projection Assumptions and Accounting Policies

FOREST AT DUKE, INC.
PROJECTED BALANCE SHEETS
AT SEPTEMBER 30,
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 37
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 5,121	\$ 5,425	\$ 5,666	\$ 5,899	\$ 6,193
Early Acceptance Program Funds	595	595	595	595	595
Assets Limited as to Use, Current Portion	145	146	144	144	143
Accounts and Other Receivables, Net	368	381	391	575	1,120
Other Current Assets	89	89	89	89	89
Total Current Assets	6,318	6,636	6,885	7,302	8,140
Assets Limited as to Use:					
Statutory Operating Reserve	5,477	5,206	5,549	12,873	7,340
Benevolent Fund - Board Designated	296	305	314	323	333
Health Care Reserve - Board Designated	4,010	4,030	4,050	4,070	4,090
Construction Account	9,096	44,463	13,106	-	-
Funded Interest Account	294	7,950	3,975	-	-
Entrance Fee Fund	-	-	-	25,322	-
Debt Service Reserve Fund	-	3,932	3,932	3,932	3,932
Bond Fund	145	146	144	144	143
Resident Deposits - Project	1,433	3,324	3,840	1,203	-
Total Assets Limited as to Use	20,751	69,356	34,910	47,867	15,838
Less: Current Portion	(145)	(146)	(144)	(144)	(143)
Total Assets Limited as to Use, Less Current Portion	20,606	69,210	34,766	47,723	15,695
Investments	29,361	34,616	35,760	31,063	46,201
Other Long-Term Assets	103	103	103	103	103
Property and Equipment	117,348	149,088	151,588	230,531	233,381
Construction in Progress	44,492	26,500	61,744	-	-
Less: Accumulated Depreciation	(81,570)	(70,470)	(75,855)	(82,105)	(89,937)
Net Property and Equipment	80,270	105,118	137,477	148,426	143,444
Total Assets	\$ 136,658	\$ 215,683	\$ 214,991	\$ 234,617	\$ 213,583

See Summary of Significant Projection Assumptions and Accounting Policies

FOREST AT DUKE, INC.
PROJECTED BALANCE SHEETS
AT SEPTEMBER 30,
ASSUMING THE HYPOTHETICAL ASSUMPTIONS ON PAGE 37
(IN THOUSANDS OF DOLLARS)

	2022	2023	2024	2025	2026
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 555	\$ 590	\$ 618	\$ 643	\$ 670
Accrued Expenses	998	1,061	1,112	1,168	1,250
Accrued Interest Payable	44	375	375	375	375
Current Portion of Refundable Entrance Fees to Residents	1,389	1,389	1,389	1,389	1,389
Current Maturities of Long-Term Debt	1,265	1,305	1,335	1,375	2,405
Total Current Liabilities	4,251	4,720	4,829	4,950	6,089
Long-Term Debt, Net of Current Portion	57,560	141,805	140,470	139,095	107,190
Deferred Financing Costs	(1,080)	(3,566)	(3,358)	(3,150)	(2,964)
Unamortized Bond Premium	6,045	5,757	5,469	5,181	4,893
Net Long-Term Debt	62,525	143,996	142,581	141,126	109,119
Resident Deposits	1,962	3,853	4,369	1,732	529
Deferred Revenue from Non-Refundable Plan Entrance Fees	39,202	40,747	42,350	68,731	80,117
Refundable Entrance Fees To Residents	7,565	6,273	5,050	3,805	2,255
Deferred Revenue from Early Acceptance Program Entrance Fees	1,273	1,160	1,047	934	821
Total Liabilities	116,778	200,749	200,226	221,278	198,930
Net Assets:					
Without Donor Restriction	19,722	14,776	14,607	13,181	14,495
With Donor Restriction	158	158	158	158	158
Total Net Assets	19,880	14,934	14,765	13,339	14,653
Total Liabilities and Net Assets	\$ 136,658	\$ 215,683	\$ 214,991	\$ 234,617	\$ 213,583

Exhibit E

Residence and Care Agreement

RESIDENCE AND CARE AGREEMENT



THE FOREST AT DUKE

THE FOREST AT DUKE

RESIDENCE AND CARE AGREEMENT

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

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

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

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

The Forest and you agree to the following:

I. Pledge of Service

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

A. Community Facilities:

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

B. Living Accommodations:

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

C. Services:

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

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

II. Financial Provisions

A. Deposits:

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

B. Statement of Fees:

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

C. Entry Fee:

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

D. Monthly Fee:

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

E. Delayed Residency:

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

F. Fee Increases:

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

G. Financial Hardship:

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

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

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

H. Subsidy by The Forest:

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

I. The Forest's Disclosure Requirements:

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

J. The Resident's Disclosure Requirements:

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

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

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

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

L. Away From The Forest:

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. Independent residents who elect Meal Plan Two and are away from The Forest for thirty (30) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest's Health and Wellness Center. The Away Allowance will be the established, current per person, per day amount as stated on the "Schedule of Ancillary Charges". See attached Exhibit B. There is no Away Allowance offered for Meal Plan Three.

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

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

B. Policies, Rules and Regulations:

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

C. Business and Health Care Directives:

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

D. Property:

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

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

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

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

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

2. Health Insurance:

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

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

3. Medicare-Certified Skilled Nursing Facility Beds:

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

a) Medicare-certified bed is not available.

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

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

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

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

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

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

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

F. Resident's Medical Examination:

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

G. Subrogation Rights:

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

H. Resident Representation:

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

I. Right of Entry:

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

J. Appliances:

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

K. Guests:

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

L. Emergency Notification:

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

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

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

M. Compliance with Applicable Laws:

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

N. Relocation:

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

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

IV. Resident Moves and Transfers

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

A. Independent Internal Moves:

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

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

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

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

B. Moves to the Health and Wellness Center:

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

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

C. Limitations of Care/Transfer:

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

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

V. Health Care Services

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

A. Health and Wellness Center:

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

B. Continuing Care Services:

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

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

5. **Home Care Services, Home Health and/or Certified Care** – You may arrange for limited assistance to accomplish activities of daily living or short term home care services and support through The Forest at Home or an approved, licensed and bonded agency or provider. Such providers must be approved by The Forest before they are allowed access to the community. You are responsible for any costs related to the services of any provider. The Forest may limit or terminate the services of any provider and may refuse access to the grounds or facilities of The Forest by such provider. You understand that arranging and receiving care from a home care provider does not take the place of care that may best be provided in the Health and Wellness Center (See Section IV.B).
6. **Hospitalization** – The Forest will assist you in arranging your inpatient hospital care when ordered by a physician. You will be responsible for all hospital charges not covered by Medicare or other third party payer.
7. **Health Care Services in The Forest Health and Wellness Center** – The Forest will provide temporary or permanent assisted living services, skilled nursing services, and respite care services to you when ordered by a physician. Health care services are provided based upon a specific fee structure as outlined below:
 - a) **Pre-Paid Days:** You are eligible for fifteen (15) pre-paid days in the Health and Wellness Center beginning with the initial Date of Occupancy at The Forest. Pre-paid days may also be used for a stay in an alternative health care facility. Should it be necessary to use one or more pre-paid days, these may again accrue to a maximum of fifteen (15) days. One pre-paid day accrues on the first day of each month for which you have not occupied a Health and Wellness Center bed or a bed in an alternative health care facility in the prior month up to a maximum of fifteen (15) days. While residing in the Health and Wellness Center or in an alternative health care facility when pre-paid days are available, you continue to pay the current Monthly Fee. After the accrued pre-paid days have been used, the rates as outlined in paragraphs 7.b through 7.h below apply or the rates actually charged by the alternative health care facility.
 - b) **Single Occupancy, Temporary Health and Wellness Center:** When it is deemed by The Forest that you are a temporary resident of the Health and Wellness Center, and after pre-paid days have been used, you will pay sixty percent (60%) of the per diem rate for health care services published by The Forest in addition to the regular Monthly Fee.
 - c) **Single Occupancy, Permanent Health and Wellness Center:** When it is deemed by The Forest that you are a permanent resident of the Health and Wellness Center and after pre-paid days have been used, you will pay forty percent (40%) of the per diem rate for health care services published by The Forest. Once you become a permanent resident of the Health and Wellness Center, all personal belongings have been removed from your independent living residence and a final walk-through has been completed, you will relinquish the independent living residence, and the Monthly Fee for the independent living residence will no longer be paid.

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

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

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

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

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

C. Direct Admission to the Health and Wellness Center:

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

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

VI. Termination Prior to Occupancy and Terms of Refund

A. Termination by the Resident:

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

B. Termination by The Forest:

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

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

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

VII. Conditions of Termination After Occupancy

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

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

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

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

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

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

VIII. Conditions for Refund After Occupancy

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

IX. Miscellaneous

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

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

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

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

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

documents to the requirements of local, state, or federal laws and regulations applicable to The Forest, in particular, or to residential life care communities, in general, or

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

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

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

M. Notice Provisions:

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

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

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

Acknowledgements

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

Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

Co-Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

By _____
President/CEO

Date

EXHIBIT A

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

DATE OF OCCUPANCY: _____

RESIDENCE NUMBER/TYPE: _____

REFUND PLAN: () Standard Amortized

RESIDENCY: () Single Occupancy () Double Occupancy

TOTAL ENTRY FEE: _____

LESS; FUTURE RESIDENCY DEPOSIT: _____

LESS: RESERVATION DEPOSIT: _____

LESS: 15% DEPOSIT: _____

CURRENT MONTHLY FEE: _____

ADDENDA: _____

Resident's Signature **Date**

Co-Resident's Signature **Date**

By _____
President/CEO **Date**

EXHIBIT B

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

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

Prices subject to modification by The Forest at Duke

Exhibit F

Early Acceptance Agreement

EARLY ACCEPTANCE AGREEMENT



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

THE FOREST AT DUKE

EARLY ACCEPTANCE AGREEMENT

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

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

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

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

The Forest and you agree to the following:

I. Early Acceptance as a Forest Resident

A. General:

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

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

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

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

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

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

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

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

II. Pledge of Service

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

A. Community Facilities:

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

B. Services:

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

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

III. Financial Provisions

A. Statement of Fees:

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

B. Entry Fee:

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

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

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

C. Monthly Fee:

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

D. Fee Increases:

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

E. Financial Hardship:

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

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

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

F. Subsidy by The Forest:

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

G. The Forest's Disclosure Requirements:

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

H. The Resident's Disclosure Requirements:

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

IV. Terms of Residency

A. Rights of Resident:

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

B. Policies, Rules and Regulations:

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

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

C. Business and Health Care Directives:

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

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

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

D. Property:

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

E. Insurance:

1. Application for Benefits: Assignment of Benefits

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

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

2. Health Insurance:

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

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

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

3. Medicare-Certified Skilled Nursing Beds:

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

a) Medicare-certified bed is not available.

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

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

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

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

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

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

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

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

F. Resident's Medical Examination:

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

G. Subrogation Rights:

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

H. Resident Representation:

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

I. Compliance with Applicable Laws:

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

V. Care Management and Transfers

A. Care Management:

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

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

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

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

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

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

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

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

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

B. Limitations of Care/Transfer:

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

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

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

VI. Health Care Services

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

A. Health and Wellness Center:

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

B. Continuing Care Services:

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

- 1. Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
- 2. Other Health Care Services:**
 - a) Clinic Services** – The Clinic at The Forest provides care and service operations as a physician's office/medical practice. The Clinic will bill an insurer for all reimbursable services. Co-payments and/or deductibles will be billed to patients.
 - b) Primary Care** – Primary care services are available to residents of the Early Acceptance Program during regularly scheduled office hours if they select The Forest as their primary care provider. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
 - c) Laboratory Tests and Other Procedures** – Should you elect The Forest's primary care clinic as your primary provider, you may be eligible to receive limited laboratory testing services and diagnostic procedures according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.

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

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

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

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

VII. Other Services Excluded in This Agreement

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

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

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

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

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

6. Other Excluded Services – The Forest will not be responsible for payment of any services not described in Section VI. B. These excluded services include, but are not

limited to prescription and non-prescription medications, refractions, eye glasses, contact lenses, audio logical tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.

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

VIII. Conditions of Termination

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

ancillary charges, or fail to follow the standard policies of The Forest, or refuse to relocate as required by this Agreement, or engage in activities or conduct disruptive to the Community, or if you interfere with the health and safety of the Community, or if you have misrepresented or omitted medical, financial or other information given to The Forest during the application process. The Forest will be required to give you at least sixty (60) days written notice of termination. You may be entitled to a prorated refund of the Residence Fee pursuant to Section IX. Refunds shall be reduced by the amount of your outstanding fees and charges due to The Forest.

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

IX. Conditions for Refund

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

X. Miscellaneous

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

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

- B. Management of The Forest:** The absolute rights of management are reserved by The Forest and its Board of Directors. The Forest reserves the right to accept or reject any person as a resident. Residents do not have the right to determine admission or terms of acceptance of any other resident.

- C. Successors and Assigns:** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of The Forest and your heirs, executors, administrators and permitted assigns.

- D. Uncontrollable Interruption of Service:** No breach of The Forest's obligations under this Agreement and no liability for injury to you shall result from an interruption of, or failure to provide, contracted service due to an act of God or other cause beyond the reasonable control of The Forest, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquake, pandemic, inclement weather or acts of the resident, The Forest shall make reasonable efforts to continue to provide the usual services in such event.

- E. Confidentiality:** The Forest has the responsibility to keep all of the personal, medical, and financial information you have supplied confidential. You agree that The Forest can disclose such information to those who have a need, in The Forest's judgment, or the right to know.

- F. Indemnity:** You agree to indemnify, defend and hold The Forest and its employees, officers, directors, agents and representatives harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your acts or omissions or those of your guests, including private duty nurses or any other third party service contracted by you. This Section X. F shall survive termination of this Agreement.

- G. Affiliations:** The Forest holds membership in LeadingAge and LeadingAge NC.

- H. No Guarantee of Residence:** The Forest's execution of this Agreement does not guarantee that any apartment or home at The Forest will be available for your occupancy during your lifetime or prior to the termination of this Agreement for any reason.

- I. Waiver of Breach:** The failure of The Forest in any one or more instances to insist upon the strict performance, observance, or compliance by you with any of the terms or provisions of this Agreement, or its waiver of a breach by you of any terms or provisions

of this Agreement, shall not be construed as a waiver or relinquishment by The Forest of its right to insist upon strict compliance by you with all terms or provisions of this Agreement.

- J. Rules Adopted by The Forest:** The Forest reserves the right to adopt policies, procedures and rules regarding residency consistent with the provisions of this Agreement. You agree to observe the rules adopted by The Forest for the convenience, comfort, and safety of all.

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

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

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

N. Notice Provisions:

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

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

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

Acknowledgements

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

Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

By _____
President/CEO

Date

EXHIBIT A

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

DATE OF FINANCIAL RESPONSIBLILTY: _____

RESIDENCE FEE: _____

HEALTH CARE RESERVE FEE: _____

TOTAL ENTRY FEE: _____

CURRENT MONTHLY FEE: _____

ADDENDA: _____

Resident's Signature **Date**

By _____
President/CEO **Date**

EXHIBIT B

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

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

Prices subject to modification by The Forest at Duke

Exhibit G

Residence and Care Agreement Following Early Acceptance Agreement

**RESIDENCE AND CARE
AGREEMENT
FOLLOWING EARLY
ACCEPTANCE**



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

THE FOREST AT DUKE

RESIDENCE AND CARE AGREEMENT FOLLOWING EARLY ACCEPTANCE

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

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

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

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

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

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

The Forest and you agree to the following:

I. Pledge of Service

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

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

A. Community Facilities:

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

B. Living Accommodations:

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

C. Services:

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

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

II. Financial Provisions

A. Deposits:

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

B. Statement of Fees:

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

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

C. Entry Fee:

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

D. Monthly Fee:

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

E. Delayed Residency:

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

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

F. Fee Increases:

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

G. Financial Hardship:

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

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

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

H. Subsidy by The Forest:

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

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

I. The Forest’s Disclosure Requirements:

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

J. The Resident’s Disclosure Requirements:

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

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

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

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

L. Away From The Forest:

Independent residents who select Meal Plan One and are away from The Forest for fourteen (14) consecutive days or more, are eligible to request an Away Allowance. Independent residents who elect Meal Plan Two and are away from The Forest for thirty (30) consecutive days or more, are eligible to request an Away Allowance. The Away Allowance is described in the Resident Handbook, and is granted only upon written, advance request, and is not applicable for stays in The Forest’s Health and Wellness Center. The Away Allowance will be the established, current

per person, per day amount as stated on the “Schedule of Ancillary Charges”. See attached Exhibit B. There is no Away Allowance offered for Meal Plan Three.

III. Terms of Residency

A. Rights of Resident:

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

B. Policies, Rules and Regulations:

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

C. Business and Health Care Directives:

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

D. Property:

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

obligated for the payment of moving and storage charges and will reimburse The Forest for its incurred expenses.

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

E. Insurance:

1. Application for Benefits: Assignment of Benefits

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

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

2. Health Insurance:

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

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

3. Medicare-Certified Skilled Nursing Facility Beds:

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

a) Medicare-certified bed is not available.

In the event that there is not a Medicare-certified bed at The Forest at the time you require admission, you may either choose to obtain skilled nursing care services at

another healthcare facility at your cost until such time as a Medicare-certified bed becomes available at The Forest (presuming you would use a facility that could provide a Medicare-certified bed) or be admitted to a bed in the skilled nursing facility at your cost which is not certified to accept Medicare payment until such time as a Medicare-certified bed becomes available at The Forest.

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

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

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

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

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

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

F. Resident's Medical Examination:

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

G. Subrogation Rights:

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

H. Resident Representation:

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

I. Right of Entry:

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

J. Appliances:

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

K. Guests:

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

L. Emergency Notification:

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

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

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

M. Compliance with Applicable Laws:

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

N. Relocation:

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

IV. Resident Moves and Transfers

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

A. Independent Internal Moves:

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

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

- 2. Move to a Smaller Independent Living Residence** – Should you desire to transfer to a smaller independent living residence, an internal move request should be made in writing according to the Internal Move Policy in the Resident Handbook. You may be

due a refund, depending on the Date of Occupancy of the original residence, reduced by amortization.

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

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

B. Moves to the Health and Wellness Center:

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

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

C. Limitations of Care/Transfer:

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

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

V. Health Care Services

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

A. Health and Wellness Center:

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

B. Continuing Care Services:

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

1. **Wellness and Exercise Programs** – The Forest staff will conduct wellness and exercise programs for residents who wish to participate. Some special programs may require extra charges.
2. **Emergency Response System** – Each residence will be equipped with an emergency response system, monitored twenty-four (24) hours a day.
3. **Other Health Care Services:**
 - a) **Clinic Services** – The Clinic at The Forest provides care and service operations as a physician's office/medical practice. The Clinic will bill an insurer for all reimbursable services. Co-payments and/or deductibles will be billed to patients.
 - b) **Primary Care** – The Forest will make available primary care services to you in the Wellness Clinic during regularly scheduled office hours. Trained health care personnel will be on-site twenty-four (24) hours a day. Physicians will be available for scheduled office visits and are on call for Forest residents twenty-four (24) hours a day, seven (7) days a week. The Forest physicians will refer you to specialists as needed. You will be responsible for the cost of care rendered by physicians not reimbursed by Medicare or other third party payer.
 - c) **Laboratory Tests and Other Procedures** – Limited laboratory testing services and diagnostic procedures will be provided in the Wellness Clinic according to a fee schedule published by The Forest. You will be responsible for the costs of such services and procedures not reimbursed by Medicare or other third party payer.
 - d) **Special Services** – The Forest will provide facilities to accommodate some special services such as Dentistry, Physical Therapy, Occupational Therapy, Speech Therapy, and Pharmacy Services. You will be responsible for the cost of these, and

other special services not reimbursed by Medicare or any other third party payer. You are responsible for the costs of medications procured through The Forest pharmacy service or elsewhere.

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

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

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

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

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

VI. Termination Prior to Occupancy and Terms of Refund

A. Termination by the Resident:

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

B. Termination by The Forest:

The Agreement may be terminated by The Forest if it is determined by The Forest that you have misrepresented or omitted medical, financial, or other information given to The Forest during the application process, or if your financial status changes prior to the Date of Occupancy such that you no longer meet The Forest's financial requirements

for admission. In such event, you may be due a refund equal to the total amount of funds paid toward the Entry Fee without interest, less an administrative fee equal to two percent (2%) of the Entry Fee based on the independent living residence selected, less any non-standard costs incurred by The Forest at your request. Your refund will be paid within sixty (60) days of written notice to terminate.

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

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

VII. Conditions of Termination After Occupancy

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

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

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

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

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

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

VIII. Conditions for Refund After Occupancy

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

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

IX. Miscellaneous

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

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

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

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

M. Notice Provisions:

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

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

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

Acknowledgements

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

Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

Co-Resident's Signature

Date

Current Address: Street/P.O. Box

City, State, Zip Code

Telephone

By _____
President/CEO

Date

EXHIBIT A

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

DATE OF OCCUPANCY: _____

RESIDENCE NUMBER/TYPE: _____

REFUND PLAN: () Standard Amortized

RESIDENCY: () Single Occupancy () Double Occupancy

TOTAL ENTRY FEE: _____

LESS: EARLY ACCEPTANCE ENTRY FEE: _____

LESS: FUTURE RESIDENCY DEPOSIT: _____

LESS: RESERVATION DEPOSIT: _____

LESS: 15% DEPOSIT: _____

CURRENT MONTHLY FEE: _____

ADDENDA: _____

Resident's Signature **Date**

Co-Resident's Signature **Date**

By _____
President/CEO **Date**

EXHIBIT B

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

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

Prices subject to modification by The Forest at Duke