



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

## **DISCLOSURE STATEMENT**

**WhiteStone: A Masonic and Eastern Star Community must deliver a Disclosure Statement to a prospective resident prior to or at the time a prospective resident executes a Residency Agreement to provide continuing care, or prior to or at the time a prospective resident transfers any money or other property to WhiteStone, whichever occurs first.**

**WhiteStone: A Masonic and Eastern Star Community, like all other continuing care retirement communities in the State of North Carolina, is subject to the Continuing Care Retirement Communities Act. This Disclosure Statement has not been reviewed or approved by any government agency or representative to ensure accuracy or completeness of the information set out.**

**July 31, 2020**

**Unless earlier revised, WhiteStone intends  
for this Disclosure Statement to remain effective until July 31, 2021**

**EQUAL HOUSING OPPORTUNITY**

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## INTRODUCTION

WhiteStone: A Masonic and Eastern Star Community, formerly known as The Masonic and Eastern Star Home (the "Community") brings to residents of North Carolina area, who are age 60 and over, a way of living known as "continuing care." This concept offers seniors a life style designed to meet their unique needs while allowing them the freedom to pursue their personal interests. Continuing care senior living communities, such as the Community, encompass these important components: a private residence, a wide array of personal services, and the security of care in the on-site health center.

The Community is owned by The Masonic and Eastern Star Home of North Carolina, Incorporated ("we," "us," or "our"), a North Carolina not-for-profit corporation (exempt from the payment of United States Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code). Our business address is 700 South Holden Road, Greensboro, NC 27407.

We are committed to providing a quality senior living community that is fiscally sound and genuinely responsive to resident needs. We are affiliated with The Grand Lodge of Ancient Free and Accepted Masons of North Carolina ("The Grand Lodge") and The Grand Chapter Order of The Eastern Star of North Carolina ("The Grand Chapter"). Of the 20 members who make up the Board of Directors, The Grand Lodge is responsible for 12 directors, and The Grand Chapter is responsible for 8 directors. Neither The Grand Lodge nor The Grand Chapter is responsible for our financial or contractual obligations and shall accept no responsibility for obligation unless expressly having done so. Our endowment and total assets are used to subsidize any deficits. We do not have any religious affiliation.

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

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

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

## BOARD OF DIRECTORS

All of the members of the Board of Directors are experienced in their own particular fields, such as law, banking, medical, and entrepreneurship, not in the operation or management of communities like WhiteStone. We feel the expertise of many in their chosen field provides the background for reliable, dependable, and solid decisions regarding our residents and facilities. The names and business addresses of the members of the Board of Directors are listed below:

### Board of Directors – With Voting Rights (June 2020)

#### Masonic Board Members

|      |                           |   |
|------|---------------------------|---|
| 2020 | Gene Jernigan<br>Chairman | 283 Eugene Jernigan Rd<br>Dunn, NC 28334<br>R(910)892-3723 W (910)892-3107<br>Email: <a href="mailto:gjernigan@grandlodge-nc.org">gjernigan@grandlodge-nc.org</a> |
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| DGM  | David Wicker Jr.          | PO Box 1852<br>Durham NC 27702<br>W: 1-800-277-3003<br>Email: <a href="mailto:dwicker@rwlw.com">dwicker@rwlw.com</a>  |
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| Steve Norris                                 | 9750 Francis Marion Lane<br>Ash, NC 28420<br>P: 910-287-4386 C: 910-443-1897<br>Email: <a href="mailto:stevenorris@atmc.net">stevenorris@atmc.net</a>                              |
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None of the Officers, Directors, or management staff of WhiteStone has any equity, beneficial, or financial interest in WhiteStone. There has been no conviction or charge of a felony on any Officer, Director, or management staff of WhiteStone. There is no matter, in which any person who is an Officer, Director, or management staff: (i) has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 of the North Carolina General Statutes, or a similar law in another state.

No Officer, Director or management staff has a 10% or greater interest in any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone or the residents of Whitestone, nor does any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone have a 10% or greater interest in any Officer, Director or management staff.

## **EXECUTIVE DIRECTOR**

Mark Lewis became the on-site Executive Director of WhiteStone in March of 2018. Mr. Lewis has a Bachelor of Arts degree from the University of Findlay and holds a Nursing Home Administrator License from the State of Ohio. Mr. Lewis came to WhiteStone having worked in long term care management since 1996 and joined Life Care Services in 2018. Pursuant to the management agreement for WhiteStone, Mr. Lewis is an employee of Life Care Services LLC.

The Executive Director does not have a 10% or greater interest in any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone or the residents of Whitestone, nor does any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone have a 10% or greater interest in the Executive Director.

## **LIFE CARE SERVICES LLC**

We have retained Life Care Services LLC ("Life Care Services") to manage the Community. Life Care Services is a wholly-owned subsidiary of Life Care Companies LLC ("LCS"), an Iowa limited liability company.

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

Principal officers of LCS include Mr. Joel Nelson, Ms. Diane Bridgewater, Mr. Rick Exline, Mr. Jason Victor, and Ms. Jill Sorenson.

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

College.

Diane Bridgewater is Executive Vice President/Chief Financial and Administrative Officer of LCS. Diane joined the organization in 2006 after filling several executive level positions with Pioneer Hi-Bred International, a DuPont Company. In her years with Pioneer, she held a number of operational and financial roles including: Chief Financial Officer, Vice President and Business Director for North America, Director of Customer and Sales Services for Seed and Crop Protection, Worldwide Finance Director, and other roles. Diane started her career with KPMG. Diane earned her undergraduate degrees in Accounting and French from the University of Northern Iowa and received her CPA certification in 1986. Diane currently serves on the boards of LCS Holdings, Inc., Life Care Companies LLC, Casey's General Stores, and Bankers Trust.

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

Jason Victor is Vice President/Controller, Treasurer and a Manager of Life Care Services. Jason joined the organization in 2007 and currently has responsibility for the organization's Corporate Accounting, Treasury and Tax functions. He oversees all aspects of general accounting, cash management, payroll, consolidations, and financial reporting. In addition, Jason provides oversight and guidance related to audits, internal controls, technical accounting, tax, and financial management systems. Jason started his career with Ernst & Young and later spent 9 years in various finance positions with Praxair, a Fortune 500 organization. He earned his undergraduate degree in Accounting from the University of Northern Iowa and currently holds an active CPA license in the state of Iowa. Jason also serves on the board of directors of Hexagon Insurance Company, Ltd.

Jill Sorenson is the Senior VP/Senior Director of Life Plan Communities for Life Care Services LLC. She has been with Life Care Services since 1982. After spending 15 years at the LCS corporate office working in the areas of accounting, IT liaison, and corporate resource manager, Jill was promoted to Administrator and eventually Executive Director of a continuing care community in San Diego, California. She was promoted to Director of Operations Management in 2007, to Vice President in 2010, and to Senior Vice President/Senior Director of Life Plan Communities in 2012. Jill holds an MBA from the University of Phoenix and a Bachelor's Degree in Business Administration from Simpson College. She also served as a CARF/CCAC site evaluator from 2000-2007. She has presented at various industry conferences on a state and national level on a variety of topics affecting the senior living industry.

Management of the Community is performed by Life Care Services under contract with us. Life Care Services' responsibilities include: recruiting and employing the executive director; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community, including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by the Community. The cost of these services cannot presently be estimated.

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

Life Care Services does not have a 10% or greater interest in any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone or the residents of Whitestone, nor does any professional service firm, association, trust, partnership, or corporation that currently provides any goods, leases, or services of an aggregate value of five hundred dollars (\$500.00) to Whitestone have a 10% or greater interest in Life Care Services.

No managing member of Life Care Services (i) has been convicted of a felony or pleaded *nolo contendere* to a felony charge, or been held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; or (ii) is subject to a currently effective injunctive or restrictive court order, or within the past five years, had any State or Federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, if the order or action arose out of or related to business activity of health care, including actions affecting a license to operate a foster care facility, nursing home, retirement home, home for aged, or facility subject to Article 64 of the North Carolina General Statutes, or a similar law in another state.

None of the officers or management staff of Life Care Services has any equity, beneficial, or financial interest in WhiteStone. There has been no conviction or charge of a felony on any officer or management staff of Life Care Services. There is no matter, in which any person who is an officer or manager, has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has been held liable or enjoined in a civil action by final judgment, or is subject to a currently effective injunctive or restrictive court order. Nor, who within the past five years, has had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department.

## **WHITESTONE**

Established in 1912, the Community was the first Masonic Fraternal Home in the United States created for the sole purpose of caring for seniors. It is also the oldest senior living home in the State of North Carolina.

Located in the heart of Greensboro, North Carolina, the Community is situated on 42 acres of land and has been in continuous operation for 90 years. Over 1500 Sisters and Brothers of the Fraternities have received care at the Community since November 15, 1913, when the first two residents (a husband and wife) were admitted.

On April 1, 2008, the Community officially changed its name from "Masonic and Eastern Star Home of North Carolina" to "WhiteStone: A Masonic and Eastern Star Community." The name reflects the Community's rich history as it is named after its first Administrator, Mr. White, and its first residents in 1913, Mr. and Mrs. Stone. The corporate entity name of Masonic and Eastern Star Home of North Carolina, Inc. has not changed. The Community currently has three residential buildings, administrative offices, a kitchen and dining room complex (designed to serve the residential and independent apartment residents), and a chapel. The Health Center was built in 1999, with 100 licensed beds (of which 68 beds are dually certified for Medicare and Medicaid, and 12 beds are certified assisted living for memory care), a kitchen, two separate dining areas for residents, physical therapy room, therapy pool, fitness room, meeting rooms, and administrative offices. There are also 16 residential apartments on campus and adjacent to the main complex, as well as 54 independent houses. The Community also has a Home Care license and provides supportive services to residents who need assistance with activities of daily living.

The Community's operating budget is now approximately \$14 million dollars per year. Financial support comes from private pay residents, Medicare, Medicaid, for some residents a percentage of their monthly income, our endowment, legacies, memorials, and donations from the Masonic Lodges and Eastern Star Chapters across the state. The income the Community receives from the Masonic and Eastern Star members, which is substantial, is true charity and goodwill, since the membership has never been assessed for the maintenance of the Community.

As of June 7, 2020, there are 175 residents in the residential living/independent living areas of the Community, 12 assisted living residents, and 90 residents in the nursing facility.

## **THE PROPOSAL**

1. Criteria for Resident Acceptance. Residency Agreements are subject to acceptance by us. At the time of executing a Residency Agreement, the prospective resident must be 60 years of age or older, capable of living in a residence (with or without reasonable accommodation or reasonable modification), and have sufficient financial resources to pay the Entrance Fee, Monthly Fees and any extra charges incurred as defined in the Residency Agreement. A copy of the Residency Policy is available for review in the Community's Marketing Office.

Financial evaluation is primarily dependent upon two factors (1) net worth and average monthly income. Generally, a prospective resident should have a minimum net worth equal to two (2) times the amount of the Entrance Fee (prior to payment of the Entrance Fee). Generally, a prospective resident should have a minimum monthly income range of one and one-half (1½) two (2) times the Monthly Fee (including second person fees when applicable) in effect at the time of residency. The stability and certainty of continued income will also be a factor in the evaluation process.

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

If the prospective resident meets the criteria for residency, we will execute the Residency Agreement. If the prospective resident does not meet the criteria for residency, then we will issue written notice of non-acceptance and issue a refund of any Entrance Fee payment pursuant to Paragraph 3.A below.

2. Entrance Fee. Payment of an Entrance Fee provides a resident with the lifetime use of a residence and the services and amenities available at the Community. At the time the resident makes application for residency at the Community, the resident will sign a Residency Agreement to reserve the residence selected and will pay an Entrance Fee deposit to us. The balance of the Entrance Fee will be paid upon the earlier of (i) occupancy or (ii) 90 days after the Residency Agreement is executed. For residents who enter a Residency Agreement for Expansion Residences, the balance of the Entrance Fee shall be paid on the earlier of (i) the date the resident assumes occupancy at the Community or (ii) within thirty (30) days from the date the resident is notified that the expansion residence is ready for occupancy.

The current Entrance Fee amounts (and five year historical Entrance Fees) are included in tables at the end of the main body of this Disclosure Statement.

The Community currently offers three forms of Residency Agreements for existing residences: a 90% Return-of-Capital™ Plan, a 50% Return-of-Capital™ Plan, and a Traditional Plan (See Exhibits 6 through 8 of this Disclosure Statement). The difference between the 90% Return-of-Capital™, the 50% Return-of-Capital™, and the Traditional Plans is the amount of the Entrance Fee paid upon residency, and the amount of the repayment a resident (or resident's estate) is entitled to after a resident assumes occupancy at the Community as described in Section 3.E below.

During the expansion process (discussed in the section below entitled “Facility Expansion and Renovation”), the Community will offer three additional forms of Residency Agreements: a 90% Return-of-Capital™ Plan for Expansion Residences, a 50% Return-of-Capital™ Plan for

Expansion Residences, and a Traditional Plan for Expansion Residences (See Exhibits 9 through 11 of this Disclosure Statement).

3. Repayment of the Entrance Fee.

A. Nonacceptance. If the resident is not accepted for residency at the Community, the full amount of the Entrance Fee paid by the resident will be promptly repaid, without interest.

B. Right of Rescission. In accordance with the North Carolina law and regulations governing continuing care senior living communities, a resident has the right to rescind the Residency Agreement within 30 days following the later of (i) his/her execution of the Residency Agreement; or (ii) the receipt of a Disclosure Statement. The resident is not required to move into the Community before the expiration of the 30-day rescission period. If a resident rescinds the Residency Agreement, the Entrance Fee paid by the resident will be repaid, less (i) a service charge equal to the greater of \$1,000 or 2% of the Entrance Fee, and (ii) less any charges specifically incurred by the Community at the resident's request. The applicable repayment amount outlined above shall be paid within 60 days of our receipt of the written notice of rescission.

C. Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition. If, prior to occupancy, the resident dies before occupying the residence at the Community or if, on account of illness, injury, incapacity a resident is unable to occupy the residence at the Community, then the Residency Agreement will automatically cancel. The resident may also cancel the Residency Agreement prior to occupancy due to a substantial change in the resident's financial condition. In all these events of cancellation prior to occupancy, the resident or resident's estate will receive a repayment of the portion of the Entrance Fee paid, less (i) a service charge equal to the greater of \$1,000 or 2% of the Entrance Fee, and (ii) less any charges specifically incurred by us at the resident's request. Such repayment shall be paid within 60 days after our receipt of the written notice of cancellation.

D. Cancellation Prior to Occupancy for Other Reasons. If the resident cancels the Residency Agreement for reasons other than those stated in Section 3.C above, the resident shall receive a repayment of the portion of the Entrance Fee paid, less (i) a service charge equal to the greater of \$1,000 or 2% of the Entrance Fee, and (ii) less any charges specifically incurred by us at the resident's request. Such repayment shall be paid within 60 days after our receipt of the written notice of cancellation.

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

(1) 50% Return-of-Capital™ Residency Agreement (see Exhibit 6 to this Disclosure Statement): Under the 50% Return-of-Capital™ Residency Agreement, resident or resident's estate will receive a repayment of 96% of the Entrance Fee previously paid

by resident, less 2% for each month of residency or portion thereof for up to 23 months. Subject to the Community's right of set-off, the repayment of the Entrance Fee will not be less than 50%. In the event the residence is not reserved by a new resident, such repayment will be paid, without interest, within 24 months from the effective cancellation date of the Residency Agreement. Such repayment will be paid, without interest, within 60 days after the resident's residence is reserved by a new resident and such new resident has paid the full amount of the Entrance Fee.

(2) 90% Return-of-Capital™ Residency Agreement (see Exhibit 7 to this Disclosure Statement): Under the 90% Return-of-Capital™ Residency Agreement, resident or resident's estate will receive a repayment of 96% of the Entrance Fee previously paid by resident, less 2% for each month of residency or portion thereof for up to 3 months. Subject to the Community's right of set-off, the repayment of the Entrance Fee will not be less than 90%. Such repayment will be paid, without interest, within 60 days after the resident's residence is reserved by a new resident and such new resident has paid the full amount of the Entrance Fee. In the event the residence is not reserved by a new resident, such repayment will be paid, without interest, within 24 months from the effective cancellation date of the Residency Agreement.

(3) Traditional Residency Agreement (see Exhibit 8 to this Disclosure Statement): Under the Traditional Residency Agreement, resident or resident's estate will receive a repayment of the Entrance Fee previously paid by resident, less 2% for each month of residency or portion thereof. After 50 months of residency, the Entrance Fee will be fully amortized, and no repayment of the Entrance Fee will be made. If an Entrance Fee repayment is due under the Traditional Residency Agreement, such Entrance Fee repayment will be paid, without interest, within 60 days after the resident's residence is reserved by a new resident and such new resident has paid the full amount of the Entrance Fee. In the event the residence is not reserved by a new resident, such repayment will be paid, without interest, within 24 months from the effective cancellation date of the Residency Agreement.

F. Cancellation Upon Death. In the event of death of the resident at any time after occupancy, the Residency Agreement shall cancel and the repayment of the Entrance Fee paid by the resident will be as outlined in Section 3.E above.

G. Cancellation by Us. Upon 30 days written notice to the resident and/or his or her legal representative, we may cancel the Residency Agreement at any time on the following grounds, which shall be determined by us in our sole discretion:

- Resident does not comply with the terms of the Residency Agreement or the Community's published operating procedures, covenants, rules, regulations, and policies now existing or later amended by the Community; or
- Resident misrepresents himself or fails to disclose information during the residency process; or
- Resident fails to pay any charges to us within 60 days of the due date; or

- Resident's health status or behavior constitutes a substantial threat to the health or safety of resident, other residents, or others, including resident's refusal to consent to relocation, or behavior that would result in physical damage to the property of others.
- There is a major change in resident's physical or mental condition, which cannot be cared for in the Community Health Center within the limits of the Community's license.

Cancellation by us occurs only as a last resort, after it becomes clear to us that cancellation is necessary, and after the resident and/or the resident's legal representative/responsible party has an opportunity to be heard. Upon cancellation of residency, any Monthly Fees paid in advance are pro-rated and an appropriate repayment is made. Any repayment of the Entrance Fee would be computed on the same basis as stated in Section 3.E above.

H. Cancellation Due to Residence Not Available. For residents who enter a Residency Agreement for Expansion Residences, residents may cancel their Agreement upon written notice to us if we have not made the residence available to you for occupancy within twenty-four (24) months from the date we execute that Agreement. Refund of the Entrance Fee will be outlined in the Agreement.

5. Payment of a Monthly Fee. The resident is required to pay a Monthly Fee to the Community by the 10<sup>th</sup> day of each month. If there are two residents, a second person Monthly Fee will also be paid. The Monthly Fees are paid to provide the services and amenities described in the Residency Agreement and to meet the costs of the expenses associated with the operation of the Community. We may increase the Monthly Fee upon 30 days written notice to the residents if we deem it necessary in order to meet the financial needs of the Community and to provide the services to the residents. The current Monthly Fee amounts are included in the tables at the end of the main body of this Disclosure Statement.

6. Health Center Services. Each resident is entitled to receive 30 days of care in the Health Center (to receive assisted living, skilled nursing care, or specialized care for dementia or related disorders) at no extra charge, except for the costs of physician services and ancillary health services and supplies as outlined in the Residency Agreement. Such 30 days are non-cumulative and renew on an annual basis. After the 30 days of care each year, resident will be required to pay the per diem rate for care in the Health Center, as well as the Monthly Fee. If it is determined that the resident requires permanent care in a Health Center, the resident will be required to surrender his or her residence for occupancy by someone else. Once the residence is surrendered, the resident will no longer be required to pay the Monthly Fee.

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

8. Provisions for New Second Resident. No person other than the resident may occupy the residence without our written approval. If a second person, who is not a party to the

Residency Agreement, wishes to become a resident of the Community, that person's acceptance will be in accordance with the current residency policy. An Entrance Fee as determined by the Community will be paid upon residency. In addition, each month the then-current Monthly Fee for second persons will be paid. If the second person does not meet the requirements for residency, he or she will not be permitted to occupy the residence for more than 30 days, except with our written approval.

9. Provisions for Resident Marrying Resident. Should the resident marry a person who is also a resident of the Community and should they decide to occupy one residence, they must declare which residence will be occupied and which residence will be surrendered. The repayment due to the surrendered residence will be as described in Section 3.E above. Each month, the then-current Monthly Fee for second persons shall be paid.

10. Insurance. The Residency Agreement requires that the resident maintain Medicare Part A, Medicare Part B and one supplemental health insurance policy or equivalent insurance coverage acceptable to us.

11. Financial Assistance. Financial assistance may be available to existing continuing care residents who live at the Community under a continuing care residency agreement. To be eligible for such financial assistance, the resident cannot impair his/her ability to meet his/her financial obligations by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance as outlined in the Residency Agreement. Financial assistance funds are available as long as providing financial assistance does not impair our ability to operate the Community on a sound financial basis for the benefit of all residents.

We do not offer financial assistance to those residents who are admitted directly to the Health Center (those who did not execute a residential living continuing care residency agreement).

12. Tax Discussion. The signing of the Residency Agreement and payment of the Entrance Fee and Monthly Fee gives rise to certain unique tax considerations. The discussion below outlines the process which will be utilized to determine the percentage of the Entrance Fee and Fee that the resident may choose to deduct as a medical expense. Each resident is advised to consult with his/her personal tax advisor regarding the tax consequences associated with becoming a resident of the Community. We are not a tax advisor and disclaim any responsibility for any tax advice relating to your becoming a resident of the Community.

13. Medical Expense Deduction. A resident of the Community may be allowed tax benefits associated with his or her residency. A percentage of the non-repayable portion of the Entrance Fee may be taken as a medical expense deduction in the year in which it is deemed finally paid. Also, a percentage of the Monthly Fee paid by a resident may be taken as a medical expense deduction each year. In February of each year, we will provide residents with a percentage of the prior year's Monthly Fee that has been determined to be attributable to the operations of the Health Center. All deductions are of course subject to limitations imposed by the Internal Revenue Code

of 1986, as amended. It is advisable that residents seek the advice of their tax counsel before taking this deduction.

## **SERVICES AND AMENITIES**

Pursuant to the terms of the Residency Agreement, residents are eligible to receive the following standard services and amenities for payment of the Monthly Fee:

- Monthly Dining Allocation, as further outlined in Section 3 of the Residency Agreements.
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The resident is responsible for the charges related to telephone, and cable or satellite television reception.
- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee).
- Building and grounds maintenance.
- Weekly housekeeping service.
- Availability of laundry facilities so that resident may wash and dry personal laundry.
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate.
- Services of an activities director.
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop.
- Carpeting (except in the kitchen and bath where there is other floor covering).
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave.
- Local transportation scheduled by us.
- Twenty-four hour emergency call monitoring in resident's residence by nursing staff.
- Guest parking areas.
- Fire detection system.
- Security for buildings and grounds.
- Health Center Level Services for 30 free annual days of care, as further defined in the Residency Agreements.

The following supplemental services and amenities are also available to residents for an extra charge:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee.
- Guest accommodations, if available.
- Certain other supplies and services such as medicine, drugs, prescribed therapy, Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

- Other optional services related or unrelated to care in the Health Center as approved by us.
- Personal laundry service.
- Guest meals.
- Additional housekeeping services.
- Special events transportation.
- Extended dietician services when ordered by resident's attending physician or dietician services not ordered by resident's attending physician.
- Tray service to resident's residence when ordered by resident's attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director.
- Health Center Level Services beyond the 30 free annual days of care, as further defined in the Residency Agreements.

## **RESERVES, ESCROW, AND TRUSTS STATEMENT**

(A)---All continuing care facilities shall maintain after opening: operating reserves equal to twenty-five percent (25%) to fifty percent (50%) of the total operating costs projected for the 12-month period following the period covered by the most recent annual statement filed with the Department. The forecast statements as required by G.S.58-64-20 (a)(12) 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. Facilities that maintain an occupancy level in excess of 90% shall only be required to maintain 25% operating reserve upon approval of the Commissioner, unless otherwise instructed by the Commissioner. The operating reserves may be funded by cash, by invested cash, or by investment grade securities, including bonds, stocks, U.S. Treasury obligations, or obligations of U.S. government agencies.

(B)---Operating reserves shall only be released upon the submittal of a detailed request from the provider or facility and must be approved by the Commissioner. Such requests must be submitted in writing for the Commissioner to review at least 10 business days prior to the date of withdrawal.

(C)---The operating reserve requirement for Whitestone is \$3,840,000. The Masonic and Eastern Star Home of North Carolina, Inc. has available as of March 31, 2020 short-term restricted assets of \$5,605,078 with additional funds set aside as restricted assets to meet North Carolina year end reserve requirements.

(D)---Overall policies and decisions relative to the magnitude of reserve funds, investment of reserve funds, and the expenditure of operating funds are under the direction of the Finance Committee of the Board of Directors. However, for many years, the Board of Directors has relied on the Directors of the North Carolina Masonic Foundation for investment purposes. The

Foundation is comprised of five members who serve five year staggered terms. Due to their successful management, each has been re-elected each year. All of the members have been, or are, successful businessmen, and because of their love for WhiteStone, there is no expense for their services.

## **FACILITY EXPANSION AND RENOVATION**

### Purpose, need and scope of the expansion

WhiteStone – A Masonic & Eastern Star Community (formerly known as the Masonic & Eastern Star Home) is an existing CCRC located at 700 South Holden Road in Greensboro, NC (“WhiteStone”). The community is owned and operated by the Masonic & Eastern Star Home of North Carolina, Incorporated, a North Carolina nonprofit corporation (the “Owner”). WhiteStone was created in 1910 and the first residents moved to the community in 1913. While originally established for Masons in North Carolina, the community is now open to everyone who is 60 years of age or older and capable of meeting the financial and occupancy requirement, without regard to race or gender. WhiteStone is situated on 42 acres of land in the center of Greensboro. The Community currently has (a) three residential buildings containing a total of 33 rooms and apartments; (b) an independent living building containing 46 one and two bedroom apartments; (c) 16 one and two bedroom duplex cottages and 54 houses; (d) an administrative office building; (e) a kitchen and dining room complex (designed to serve the independent living residents); and (f) a chapel. In addition, a skilled nursing center (the “Care and Wellness Center”) built in 1999 contains 100 licensed beds (12 are memory care beds and 88 are nursing care beds, of which 60 are dually certified for Medicare and Medicaid), a kitchen, two separate dining areas for residents, a physical therapy room, a therapy pool, meeting rooms, and administrative offices. In 2010, a new fitness center was added and the commons and dining buildings underwent a complete renovation. In 2012, an addition was completed adding the 46-unit independent living building mentioned in (b) above and eight new houses. In total, there are currently 149 independent living units, 88 nursing care beds and 12 memory care beds. The Community also provides home care services for those living in independent living units.

The addition of a fitness center and the renovation of the commons and dining in 2010 and the addition of the 46 independent living apartments in 2012 (described above) were the first steps of a long range plan to expand and reposition the community to more successfully match consumer expectations and to keep WhiteStone competitive in its marketplace, thereby protecting the investments of the WhiteStone residents. The 2012 expansion of new independent living units, while marketed and constructed during very difficult economic times, was an overwhelming success. The expansion contemplated in this Step #1 – Notification (the “Notification”) will continue the Owner’s planned, orderly long-term expansion and repositioning of WhiteStone.

The proposed expansion seeks to meet four goals of the Owner - first, to provide a full continuum of care to its residents with the addition of assisted living beds; second, to significantly renovate the Care and Wellness Center originally built in 1999; third, to continue improving the independent living unit mix to meet the expectations of today’s residents; and fourth, to add

commons and amenities for the enjoyment of its current residents and to meet the expectations of its prospective residents.

The Owner began considering the proposed expansion in 2015 and engaged LCS Development, LLC (“LCSD”) as its Development Consultant for the proposed project. In 2015 and 2016, LCSD performed a master planning exercise to assist the Owner in defining the scope for the project. In 2017, the Owner assembled its final Development Team that includes LCSD as Development Consultant; SFCS, Inc. as Architect; Frank L. Blum Construction Company as Construction Manager; and Cain Brothers as Financial Advisor. All of these firms have extensive experience in the senior housing industry, both nationally and in North Carolina.

The scope of the proposed expansion contemplated herein is:

- Constructing 67 new independent living apartments – a mix of one and two-bedroom units
- Constructing a new assisted living/memory care facility containing 24 assisted living units and 12 memory care suites
- Significant renovation of the Care and Wellness Center (the skilled nursing facility) including the conversion of some semi-private rooms to private rooms
- Renovation of the wellness area and relocation of certain community amenities

WhiteStone’s campus site has sufficient land to allow for the proposed expansion and the expansion is allowed under the site’s I zoning.

The Owner began the conversion of its \$1,000 priority depositor to 10% deposits in May of 2019 and has obtained the 34 10% deposits required to be at 50% of the 67 units being added in this project. Owner intends to move to obtain financing on or before August 31 and then commence construction. All throughout this process, the Development Team has continually updated the planned development, construction and financing assumptions to insure the financial feasibility of the project.

#### Estimated capital costs

Construction design documents have been completed and is the project is currently out for pricing. The proposed expansion will consists of approximately 135,000 square feet of new construction and 50,000 square feet of renovation. The total capital cost of the project is estimated to be approximately \$72 million. These costs are inclusive of design fees, construction costs, legal, financing, marketing, startup costs, and contingency. The Construction Manager is currently preparing a detailed cost analysis based on the construction design documents.

#### Ability to finance

In November 2017, the Owner refinanced WhiteStone’s then existing debt with a new \$23,855,000 bond issue resulting in a significant decrease in its cost of capital. This refinancing was undertaken in order to strengthen the cash flow of WhiteStone in anticipation of the proposed expansion. The 2017 bond issuance was significantly oversubscribed, meaning there were many

more investors willing to buy the bonds than there were bonds to sell. The refinancing greatly improved the financial stability of WhiteStone with a resulting debt service coverage ratio well in excess of 2.0. The proposed expansion will be financed through a combination of proceeds from entrance fees and a new issuance of tax-exempt bonds. Given the positive response to the 2017 refinancing by investors and based on the current scope and assumptions contemplated by the Development Team, the Financial Advisor is confident that the proposed expansion is financeable.

The development projections assume capital costs are funded approximately 75% through long-term debt and 25% through proceeds from entrance fees. The development projections assume rates and terms provided by the Financial Advisor and meet the debt coverage and other financing ratios required by the underwriters. Therefore, the Owner believes there is a very high likelihood of the project being financed. Of course, the development projections and financing assumptions will be continually updated throughout the development process.

#### Financial impact on current residents

The proposed expansion will not have a significant negative impact on current residence. In fact, the Owner is confident that, with the addition of a full continuum of care and a fully renovated skilled nursing center that the proposed expansion will provide, WhiteStone will be much better positioned in its competitive market after the expansion. Also, the addition of new independent living units will allow WhiteStone to create better operating efficiencies by spreading certain fixed operating and administrative costs over a larger number of units.

#### Impact on community structures for the provision of resident services

As noted above, additional units allow the facility to spread the cost of services and commons over a larger number of residents and thus increase efficiencies. When creating the development pro forma the Development Team worked with WhiteStone's operations staff to budget required additional staff and the cost of additional services for the expansion of independent living units and the new assisted living/memory care facility.

This proposed expansion will benefit WhiteStone and its residents by:

- Providing a full continuum of care not currently available
- Increasing the number and percentage of the larger independent living units which are most desired by the market
- Improving and significantly renovating the skilled nursing facility, including the conversion of a number of semi-private rooms to private that has been a stated desire of current residents
- Increasing the marketability of the existing and proposed independent living units by all of the improvements listed above

## ESTIMATED OCCUPANCY FOR 2020

### Independent Living:

|                                       |     |
|---------------------------------------|-----|
| Total Number of residents:            | 175 |
| Number of residences occupied:        | 136 |
| Total number of residences available: | 13  |

### Health Center:

|                                 |     |
|---------------------------------|-----|
| Total number of residents:      | 100 |
| Number of beds occupied:        | 90  |
| Total number of beds available: | 10  |

## FINANCIAL INFORMATION

1. **Financial Statements.** WhiteStone operates on a fiscal year which coincides with the calendar year (12/31). The financial records of the facility are audited annually by Bernard Robinson & Company, L.L.P.; 1501 Highwoods Blvd., Suite 300, Greensboro, NC 27410. Our operating income is derived mainly from two sources. Approximately 90% of operating income comes from the residents (either private monthly income or Medicare, Medicaid and private insurance) and approximately 10% comes from charitable sources. See Exhibit 2 of this Disclosure Statement for current certified financial statements as of December 31, 2019.

2. **Forecasted Financial Statements.** See Exhibit 3 of this Disclosure Statement for certified five year projection statements for 2020 through 2023.

3. **Interim Unaudited Financial Statements.** See Exhibit 4 of this Disclosure Statement for interim unaudited financial statements as of March 31, 2020.

4. **Explanation of Material Differences.** See Exhibit 5 for the explanation of the material differences for the Balance Sheet, Statement of Operations, and Statement of Cash Flows for the fiscal year 2019 and the actual results for the fiscal year 2019.

5. **Financing.** See Note 6 of the audited financial statements for information on long-term debt and financing.

## FEES

The following tables set out the current monthly fee, current per diem rates of charge for care in the Health Center, the average increase in monthly fee and per diem rates for the past five years, the current and five year historical entrance fee amounts for WhiteStone, and current in-home care rates. Fees are adjusted annually, effective January 1.

### 2020 Monthly Fees

| <b>Type of Residence</b>                    | <b>Single Occupancy</b> | <b>Double Occupancy</b> |
|---|-------------------------|-------------------------|
| Residential Apartments                      |                         |                         |
| Studio                                      | \$2,656                 | 3,147                   |
| Studio Deluxe                               | 2,656                   | 3,147                   |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 3,240                   | 3,730                   |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 3,240                   | 3,730                   |
| Linville<br>(1 Bedroom Renovated)           | 3,240                   | 3,730                   |
| Apartment Homes                             |                         |                         |
| Alamance<br>(1 Bdrm, Full Bath)             | 2,720                   | 3,334                   |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 2,984                   | 3,598                   |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 3,161                   | 3,774                   |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 3,337                   | 3,950                   |
| Guilford<br>(2 Bdrm, 2 Bath)                | 3,406                   | 4,021                   |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 3,511                   | 4,073                   |
| Cottages                                    |                         |                         |
| 1 Bedroom/1 Bath                            | 2,520                   | 3,086                   |
| 2 Bedroom/2 Bath                            | 2,758                   | 3,304                   |
| Villa Homes                                 |                         |                         |
| Piedmont (2 Bdrm, 2 Bath)                   | 3,119                   | 3,682                   |
|   |                         |                         |

**Average Dollar Amount of Changes – Monthly Fee**

|                  | 2015    | 2016    | 2017    | 2018    | 2019    | 2020  |
|------------------|---------|---------|---------|---------|---------|-------|
| Single Occupancy | \$76.00 | \$76.27 | \$71.00 | \$89.73 | \$97.80 | \$117 |
| Double Occupancy | \$12.00 | \$66.93 | \$13.00 | \$15.86 | \$17.00 | \$138 |

**2020 Health Center Fees**

Current per diem rates of charge for assisted living or skilled nursing care in the Health Center are:

|                      |  |       |
|----------------------|--|-------|
| Assisted Living Care |  |       |
| Semi-Private Room    |  | \$221 |
| Private Room         |  | \$244 |
| Skilled Nursing Care |  |       |
| Semi-Private Room    |  | \$266 |
| Private Room         |  | \$322 |

**Average Dollar Amount of Changes – Assisted Living Per Diem Charge**

|              | 2015    | 2016   | 2017   | 2018   | 2019   | 2020   |
|--------------|---------|--------|--------|--------|--------|--------|
| Semi-Private | \$7.00  | \$6.00 | \$5.79 | \$8.00 | \$7.00 | \$8.00 |
| Private      | \$10.00 | \$7.00 | \$6.36 | \$9.00 | \$8.00 | \$9.00 |

**Average Dollar Amount of Changes – Skilled Nursing Per Diem Charge**

|              | 2015    | 2016   | 2017   | 2018    | 2019    | 2020    |
|--------------|---------|--------|--------|---------|---------|---------|
| Semi-Private | \$11.00 | \$7.00 | \$6.96 | \$8.00  | \$9.00  | \$10.00 |
| Private      | \$11.00 | \$9.00 | \$8.40 | \$11.00 | \$10.00 | \$13.00 |

### Entrance Fee Table – Traditional Plan

| Type of Residence                           | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     |
|---|----------|----------|----------|----------|----------|----------|
| <b>Residential Apartments</b>               |          |          |          |          |          |          |
| Studio                                      | \$50,000 | \$50,000 | \$52,500 | \$52,500 | \$52,500 | \$52,500 |
| Studio Deluxe                               | 67,000   | 67,000   | \$72,462 | 70,000   | 70,000   | 70,000   |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 80,000   | 80,000   | 84,000   | 85,000   | 85,000   | 85,000   |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 90,000   | 93,400   | 98,030   | 100,000  | 100,000  | 100,000  |
| Linville<br>(1 Bedroom Renovated)           | 90,000   | 93,400   | 98,030   | 100,000  | 100,000  | 100,000  |
| <b>Apartment Homes</b>                      |          |          |          |          |          |          |
| Alamance<br>(1 Bdrm, Full Bath)             | 136,500  | 144,000  | 150,492  | 158,000  | 158,000  | 158,000  |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 165,000  | 171,000  | 179,432  | 185,000  | 185,000  | 185,000  |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 175,000  | 182,000  | 191,009  | 200,500  | 200,500  | 200,500  |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 200,000  | 209,500  | 219,950  | 220,000  | 220,000  | 220,000  |
| Guilford<br>(2 Bdrm, 2 Bath)                | 210,000  | 220,500  | 231,525  | 238,500  | 238,500  | 238,500  |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 227,000  | 238,140  | 250,047  | 250,000  | 250,000  | 250,000  |
| <b>Cottages</b>                             |          |          |          |          |          |          |
| 1 Bedroom/1 Bath                            | 123,000  | 126,150  | 132,450  | 120,000  | 120,000  | 120,000  |
| 2 Bedroom/2 Bath                            | 143,000  | 147,520  | 154,895  | 140,000  | 140,000  | 140,000  |
| <b>Villa Homes</b>                          |          |          |          |          |          |          |
| Piedmont (2 Bdrm/2 Bath)                    | 255,000  | 270,500  | 270,500  | 284,000  | 284,000  | 284,000  |

**Entrance Fee Table – 50% Return-of-Capital™ Plan**

| <b>Type of Residence</b>                    | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Residential Apartments</b>               |             |             |             |             |             |             |
| Studio                                      | \$70,000    | \$70,000    | 73,500      | \$75,700    | \$75,700    | \$75,700    |
| Studio Deluxe                               | 93,800      | 93,800      | 101,446     | 101,000     | 101,000     | 101,000     |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 112,000     | 112,000     | 117,600     | 123,000     | 123,000     | 123,000     |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 123,200     | 130,760     | 137,242     | 144,000     | 144,000     | 144,000     |
| Linville<br>(1 Bedroom Renovated)           | 126,000     | 130,760     | 137,242     | 144,000     | 144,000     | 144,000     |
| <b>Apartment Homes</b>                      |             |             |             |             |             |             |
| Alamance<br>(1 Bdrm, Full Bath)             | 191,000     | 200,500     | 210,525     | 232,260     | 232,260     | 232,260     |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 233,000     | 244,650     | 256,882     | 267,000     | 267,000     | 267,000     |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 245,000     | 257,250     | 270,112     | 295,000     | 295,000     | 295,000     |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 280,000     | 294,000     | 308,700     | 308,000     | 308,000     | 308,000     |
| Guilford<br>(2 Bdrm, 2 Bath)                | 294,000     | 308,700     | 324,135     | 333,000     | 333,000     | 333,000     |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 318,000     | 333,900     | 350,595     | 350,595     | 350,595     | 350,595     |
| <b>Cottages</b>                             |             |             |             |             |             |             |
| 1 Bedroom/1 Bath                            | 168,000     | 176,610     | 185,430     | 173,000     | 173,000     | 173,000     |
| 2 Bedroom/2 Bath                            | 196,000     | 206,528     | 216,853     | 202,000     | 202,000     | 202,000     |
| <b>Villa Homes</b>                          |             |             |             |             |             |             |
| Piedmont (2 Bdrm/2 Bath)                    | 368,000     | 386,400     | 386,400     | 417,500     | 417,500     | 417,500     |

**Entrance Fee Table – 90% Return-of-Capital™ Plan**

| <b>Type of Residence</b>                    | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Residential Apartments</b>               |             |             |             |             |             |             |
| Studio                                      | \$90,000    | \$90,000    | 94,500      | \$75,700    | \$97,000    | \$97,000    |
| Studio Deluxe*                              | 120,600     | 120,600     | 130,432     | 101,000     | 130,000     | 130,000     |
| Latham, Bennette Kitchenette<br>(1 Bedroom) | 144,000     | 144,000     | 151,200     | 123,000     | 158,000     | 158,000     |
| Latham, Bennette Kitchen<br>(1 Bedroom)     | 158,400     | 168,120     | 176,454     | 144,000     | 185,000     | 185,000     |
| Linville<br>(1 Bedroom Renovated)           | 162,000     | 168,120     | 176,454     | 144,000     | 185,000     | 185,000     |
| <b>Apartment Homes</b>                      |             |             |             |             |             |             |
| Alamance<br>(1 Bdrm, Full Bath)             | 246,000     | 258,000     | 271,215     | 298,600     | 298,600     | 298,600     |
| Caswell<br>(1 Bdrm w/Den, 1.5 Bath)         | 297,000     | 311,850     | 327,442     | 343,000     | 343,000     | 343,000     |
| Davidson<br>(1 Bdrm w/Den, 1.5 Bath)        | 315,000     | 330,750     | 347,287     | 379,000     | 379,000     | 379,000     |
| Forsyth<br>(2 Bdrm, 2 Bath)                 | 360,000     | 378,000     | 396,900     | 396,900     | 396,900     | 396,900     |
| Guilford<br>(2 Bdrm, 2 Bath)                | 378,000     | 397,000     | 416,850     | 442,000     | 442,000     | 442,000     |
| Randolph<br>(2 Bdrm, 2 Bath, Sunroom)       | 409,800     | 429,000     | 450,450     | 450,450     | 450,450     | 450,450     |
| <b>Cottages</b>                             |             |             |             |             |             |             |
| 1 Bedroom/1 Bath                            | 216,000     | 227,070     | 238,410     | 173,000     | 222,500     | 222,500     |
| 2 Bedroom/2 Bath                            | 252,000     | 265,536     | 278,811     | 202,000     | 260,000     | 260,000     |
| <b>Villa Homes</b>                          |             |             |             |             |             |             |
| Piedmont (2 Bdrm/2 Bath)                    | 472,500     | 496,125     | 496,126     | 537,000     | 537,000     | 537,000     |

**Below is a table that reflects proposed Entrance Fees and Monthly Fees for Expansion Residences**

| <b>New Independent Units</b>               | <b>No.</b> | <b>Size</b>  | <b>Entrance Fee<br/>(1)(2)</b> | <b>Monthly Fee<br/>(1)</b> |
|--|------------|--------------|--------------------------------|----------------------------|
| 1 BR Deluxe                                | 8          | 839          | \$174,571                      | \$2,600                    |
| 1BR Den                                    | 21         | 954          | 208,141                        | 2,900                      |
| 2 BR Traditional                           | 17         | 1,145        | 255,142                        | 3,200                      |
| 2 BR Sunroom                               | 10         | 1,291        | 290,055                        | 3,400                      |
| 2 BR Den End Unit                          | 8          | 1,393        | 336,400                        | 3,500                      |
| 1 BR Deluxe                                | 1          | 885          | 185,600                        | 2,950                      |
| 2 BR Den End Unit                          | 1          | 1,400        | 342,200                        | 3,750                      |
| Penthouse                                  | 1          | 1,850        | 464,000                        | 4,250                      |
| <b>Total Project ILU's / Weighted Avg.</b> | <b>67</b>  | <b>1,110</b> | <b>\$265,138</b>               | <b>\$3,120</b>             |
| Second Person Fee IL                       |            |              |                                | \$570                      |
| Assisted Living Units                      | 24         | -            | -                              | \$4,500                    |
| Memory Care Units                          | 12         | -            | -                              | \$6,642                    |

Notes: (1) Entrance Fees and Monthly Fees shown in 2019 dollars.

(2) The Community will offer a blended refundable entrance fee plan.

## 2020 Ancillary Services Rates

|  |               |   |                                     |
|--|---------------|---|-------------------------------------|
| Caregiver Assistance (2 hr min)            | \$21/hr       | Roll-away bed usage                                       | \$10/night                          |
| Caregiver Assistance (under 2hrs )         | \$8/15 mins   | Carpet Spot Cleaning                                      | \$26/hr                             |
| Nursing Visits                             | \$78/hr       | Transportation Service (round trip)<br>City of Greensboro | \$37/trip                           |
| Monthly Laundry Charge                     | \$40/month    | Outside City of Greensboro (15 miles radius)              | \$45/trip+\$0.50/mile over 15 miles |
| Additional request for weekly housekeeping | \$47/cleaning | If Caregiver stays with you additional (2 hr min)         | \$21/hr                             |
| Medication Management (starting at)        | \$228/month   | Personal Shopping Services (2 hr min)                     | \$21/hr                             |
| Case Management Services (starting at)     | \$253/month   |   |                                     |

# **EXHIBIT 1**

## **Communities Managed by Life Care Services LLC**

**EXHIBIT A**  
**SENIOR LIVING COMMUNITIES MANAGED**  
**BY LIFE CARE SERVICES**

**AS OF 06/05/2020**

Alabama, Birmingham – Galleria Woods  
Alabama, Hoover – Danberry at Inverness  
Arizona, Chandler – Clarendale of Chandler  
Arizona, Peoria – Sierra Winds  
Arizona, Phoenix – Sagewood  
Arizona, Tempe (Phoenix) – Friendship Village of Tempe  
California, Cupertino – Forum at Rancho San Antonio, The  
California, San Diego – Casa de las Campanas  
California, San Luis Obispo – Villaggio at San Luis Obispo  
California, San Rafael – Aldersly  
California, Santa Rosa – Arbol Residences of Santa Rosa  
Connecticut, Essex – Essex Meadows  
Connecticut, Mystic – StoneRidge  
Connecticut, Redding – Meadow Ridge  
Connecticut, Southbury – Pomperaug Woods  
Florida, Boca Raton – Toby & Leon Cooperman Sinai Residences of Boca Raton  
Florida, Bradenton – Freedom Village of Bradenton  
Florida, Celebration – Windsor at Celebration  
Florida, Clearwater – Regency Oaks  
Florida, Jacksonville – Cypress Village  
Florida, Leesburg – Lake Port Square  
Florida, Naples – The Glenview at Pelican Bay  
Florida, Palm City – Sandhill Cove  
Florida, Port Charlotte – South Port Square  
Florida, Seminole – Freedom Square of Seminole  
Florida, Seminole – Lake Seminole Square  
Florida, Sun City Center – Freedom Plaza  
Florida, The Villages – Freedom Point at The Villages  
Georgia, Columbus – Spring Harbor at Green Island  
Georgia, Evans – Brandon Wilde  
Georgia, Savannah – Marshes of Skidaway Island, The  
Georgia, Stone Mountain – Park Springs  
Hawaii, Honolulu – Hale Ola Kino  
Illinois, Addison – Clarendale of Addison  
Illinois, Algonquin – Clarendale of Algonquin  
Illinois, Chicago – Clare, The  
Illinois, Godfrey – Asbury Village  
Illinois, Lincolnshire – Sedgebrook  
Illinois, Long Grove – Arboria of Long Grove  
Illinois, Mokena – Clarendale of Mokena  
Illinois, Naperville – Monarch Landing  
Illinois, St. Charles – River Glen of St. Charles  
Illinois, Wheaton – Wyndemere

Indiana, Carmel – Magnolia Springs at Bridgewater  
Indiana, Greenwood (Indianapolis) – Greenwood Village South  
Indiana, Indianapolis – Magnolia Springs Southpointe  
Indiana, Indianapolis – Marquette  
Indiana, North Manchester – Peabody Retirement Community  
Indiana, Schererville – Clarendale of Schererville  
Indiana, Terre Haute – Westminster Village  
Indiana, West Lafayette – Westminster Village West Lafayette  
Iowa, Ames – Green Hills Retirement Community  
Iowa, Cedar Rapids – Cottage Grove Place  
Kansas, Atchison – Dooley Center  
Kansas, Bel Aire – Catholic Care Center  
Kentucky, Florence – Magnolia Springs Florence  
Kentucky, Lexington – Magnolia Springs Lexington  
Kentucky, Lexington – Richmond Place Senior Living  
Kentucky, Louisville – Magnolia Springs East  
Kentucky, Louisville – Magnolia Springs at Whipps Mill  
Maryland, Annapolis – Baywoods of Annapolis  
Maryland, Columbia – Residences at Vantage Point  
Maryland, Pikesville (Baltimore) – North Oaks  
Maryland, Timonium – Mercy Ridge  
Maryland, Towson (Baltimore) – Blakehurst  
Michigan, Battle Creek – NorthPointe Woods  
Michigan, Dearborn – Henry Ford Village  
Michigan, East Lansing – Burcham Hills  
Michigan, Holland – Freedom Village  
Michigan, Kalamazoo – Friendship Village  
Michigan, Waterford – Canterbury-on-the-Lake  
Minnesota, Champlin – Champlin Shores  
Minnesota, Plymouth – Trillium Woods  
Minnesota, Vadnais Heights – Gable Pines  
Missouri, Higginsville – John Knox Village East  
Missouri, Kansas City – Kingswood Senior Living Community  
Missouri, St. Peters – Clarendale of St. Peters  
Nebraska, Lincoln – Woodlands at Hillcrest, The  
New Hampshire, Keene – Hillside Village  
New Jersey, Bridgewater – Delaney of Bridgewater, The  
New Jersey, Bridgewater – Laurel Circle  
New Jersey, Lakewood – Harrogate  
New York, Levittown – Village Green A Carlisle Assisted Living Community  
New York, Patchogue – Village Walk Patchogue  
New York, Rye Brook – Broadview Senior Living at Purchase College  
North Carolina, Chapel Hill – Cedars of Chapel Hill, The  
North Carolina, Charlotte – Cypress of Charlotte, The  
North Carolina, Durham – Croasdaile Village  
North Carolina, Greensboro – WhiteStone  
North Carolina, Greenville – Cypress Glen Retirement Community  
North Carolina, Lumberton – Wesley Pines Retirement Community  
North Carolina, Raleigh – Cypress of Raleigh, The  
North Carolina, Wilmington – Plantation Village

Ohio, Dublin – Friendship Village of Dublin  
Ohio, Mason – Magnolia Springs Loveland  
Oklahoma, Bartlesville – Green Country Village  
Oregon, Dallas – Dallas Retirement Village  
Oregon, Salem – Capital Manor  
Pennsylvania, Coatesville – Freedom Village at Brandywine  
Pennsylvania, Reading – Heritage of Green Hills, The  
Pennsylvania, Warrington – Solana Doylestown, The  
South Carolina, Greenville – Rolling Green Village  
South Carolina, Hilton Head Island – Bayshore on Hilton Head Island  
South Carolina, Hilton Head Island – Cypress of Hilton Head, The  
Tennessee, Brentwood – Heritage at Brentwood, The  
Tennessee, Hendersonville – Clarendale at Indian Lake  
Tennessee, Nashville – Clarendale at Bellevue Place  
Texas, Austin – Westminster  
Texas, Bedford – Parkwood Healthcare  
Texas, Bedford – Parkwood Retirement  
Texas, Dallas – Autumn Leaves  
Texas, Dallas – Monticello West  
Texas, Dallas – Signature Pointe  
Texas, Dallas – Walnut Place  
Texas, Georgetown – Delaney at Georgetown Village, The  
Texas, League City – Delaney at South Shore, The  
Texas, Lubbock – Carillon  
Texas, Richmond – Delaney at Parkway Lakes, The  
Texas, Spring – Village at Gleannloch Farms, The  
Texas, Temple – Meridian of Temple  
Texas, The Woodlands – Village at the Woodlands Waterway, The  
Texas, Victoria – Copperfield Village  
Texas, Victoria – Greatwood Homes of Victoria  
Texas, Waco – Delaney at Lake Waco, The  
Utah, Taylorsville – Summit Vista  
Vermont, White River – Village at White River Junction, The  
Virginia, Fairfax – Virginian, The  
Virginia, Gainesville – Heritage Village Assisted Living and Memory Care  
Virginia, Virginia Beach – Atlantic Shores  
Washington, Issaquah – Timber Ridge at Talus  
Wisconsin, Greendale – Harbour Village  
Wisconsin, Mequon – Newcastle Place  
Wisconsin, Milwaukee – Eastcastle Place

## **EXHIBIT 2**

# **Current Certified Financial Statements December 31, 2019**

MASONIC AND EASTERN STAR HOME  
OF NORTH CAROLINA, INCORPORATED  
D/B/A WHITESTONE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR THE YEAR  
ENDED DECEMBER 31, 2018)



**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
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## Independent Auditor's Report

To the Board of Directors  
Masonic and Eastern Star Home of North Carolina,  
Incorporated d/b/a WhiteStone  
Greensboro, North Carolina

We have audited the accompanying financial statements of Masonic and Eastern Star Home of North Carolina, Incorporated d/b/a WhiteStone (the 'Home'), which comprise the statement of financial position as of December 31, 2019, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Home'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 Home'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 Masonic and Eastern Star Home of North Carolina, Incorporated d/b/a WhiteStone as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Masonic and Eastern Star Home of North Carolina, Incorporated d/b/a WhiteStone's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. As discussed in Note 2 to the financial statements, the Home changed its method of accounting for revenue recognition in 2019 as required by the provisions of FASB Accounting Standards Update 2014-09. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bernard Robinson & Company, L.L.P.*

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Financial Position**  
**December 31, 2019**  
**(With Comparative Totals as of December 31, 2018)**

|   | <u>Assets</u>                     |                          |
|---|-----------------------------------|--------------------------|
|   | <u>2019</u>                       | <u>Adjusted<br/>2018</u> |
| Current Assets:   |                                   |                          |
| Cash and cash equivalents                                   | \$ 1,966,117                      | \$ 2,002,329             |
| Investments   | 8,732,235                         | 6,657,750                |
| Assets limited as to use - current                          | 6,292,227                         | 5,254,967                |
| Accounts receivable, net of allowance for doubtful accounts | 848,027                           | 783,074                  |
| Accounts receivable, other                                  | 1,402,128                         | 1,372,410                |
| Prepaid expenses and other assets                           | 310,660                           | 306,201                  |
| Total current assets  | <u>19,551,394</u>                 | <u>16,376,731</u>        |
| Long-Term Investments, Deferred Costs and Other Assets:     |                                   |                          |
| Long-term investments                                       | 107,344                           | 107,344                  |
| Assets limited as to use - long-term                        | 1,382,996                         | 1,594,841                |
| Assets in split-interest agreements                         | 5,350,964                         | 4,804,370                |
| Deferred costs, net   | 51,536                            | -                        |
|   | <u>6,892,840</u>                  | <u>6,506,555</u>         |
| Property and equipment, net                                 | <u>33,082,822</u>                 | <u>31,952,505</u>        |
| Total assets  | <u>\$ 59,527,056</u>              | <u>\$ 54,835,791</u>     |
|   | <u>Liabilities and Net Assets</u> |                          |
| Current Liabilities:  |                                   |                          |
| Current portion of long-term debt                           | \$ 300,000                        | \$ 290,000               |
| Accounts payable  | 1,528,810                         | 1,225,585                |
| Accrued expenses  | 1,226,764                         | 1,216,153                |
| Refundable advance fees, current                            | 566,328                           | 566,836                  |
| Total current liabilities                                   | <u>3,621,902</u>                  | <u>3,298,574</u>         |
| Long-term debt  | <u>23,161,248</u>                 | <u>23,514,754</u>        |
| Deferred Revenue and Other Liabilities:                     |                                   |                          |
| Deferred revenue from advance fees                          | 13,126,389                        | 12,051,470               |
| Refundable advance fees                                     | 3,530,717                         | 3,427,435                |
| Deposits on unoccupied units                                | 523,491                           | 169,535                  |
| Long term accounts payable                                  | 40,000                            | -                        |
| Resident trust funds  | 112,318                           | 117,562                  |
| Total deferred revenue and other liabilities                | <u>17,332,915</u>                 | <u>15,766,002</u>        |
| Total liabilities   | <u>44,116,065</u>                 | <u>42,579,330</u>        |
| Net Assets:   |                                   |                          |
| Without Donor Restrictions                                  | 4,967,858                         | 2,813,554                |
| With Donor Restrictions                                     | 10,443,133                        | 9,442,907                |
| Total net assets  | <u>15,410,991</u>                 | <u>12,256,461</u>        |
| Total liabilities and net assets                            | <u>\$ 59,527,056</u>              | <u>\$ 54,835,791</u>     |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Operations**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

|  | <u>2019</u>         | <u>Adjusted<br/>2018</u> |
|--|---------------------|--------------------------|
| Operating revenues:  |                     |                          |
| Resident service revenues                                    | \$ 5,614,152        | \$ 5,523,117             |
| Less: resident service contractual adjustments               | (333,779)           | (333,986)                |
| Net patient health care revenues                             | 11,453,828          | 11,609,615               |
| Less: patient health care contractual adjustments            | (2,499,906)         | (2,922,215)              |
| Amortization of advance fees                                 | 2,055,437           | 1,966,220                |
| Total revenues, gains, and other support                     | <u>16,289,732</u>   | <u>15,842,751</u>        |
| Operating expenses:  |                     |                          |
| Salaries and benefits  | 8,537,204           | 8,129,382                |
| Contract labor   | 5,609               | 2,565                    |
| Medical supplies and services                                | 1,423,660           | 1,427,269                |
| Food supplies and services                                   | 884,853             | 883,853                  |
| Other supplies and activities                                | 656,293             | 635,314                  |
| Utilities and communications                                 | 702,193             | 697,073                  |
| Repairs and maintenance                                      | 730,258             | 595,865                  |
| Property and liability insurance                             | 218,368             | 199,111                  |
| Depreciation   | 1,734,395           | 1,717,254                |
| Amortization of contract acquisition costs                   | 1,943               | -                        |
| Interest expense   | 1,073,211           | 1,166,629                |
| Bad debts  | -                   | 144,194                  |
| Management fees  | 570,000             | 570,000                  |
| Other operating expenses                                     | 1,020,138           | 985,339                  |
| Total expenses and losses                                    | <u>17,558,125</u>   | <u>17,153,848</u>        |
| Operating loss   | <u>(1,268,393)</u>  | <u>(1,311,097)</u>       |
| Nonoperating income:   |                     |                          |
| Contributions  | 970,794             | 839,731                  |
| Investment income (loss)                                     | 1,889,279           | (680,779)                |
| Other income   | 14,399              | 14,963                   |
| Release from restriction                                     | 548,225             | 606,890                  |
| Total nonoperating income                                    | <u>3,422,697</u>    | <u>780,805</u>           |
| Increase (decrease) in net assets without donor restrictions | <u>\$ 2,154,304</u> | <u>\$ (530,292)</u>      |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

|  | <u>2019</u>          | <u>Adjusted<br/>2018</u> |
|--|----------------------|--------------------------|
| Change in net assets without donor restrictions  | <u>\$ 2,154,304</u>  | <u>\$ (530,292)</u>      |
| Net assets with donor restrictions:              |                      |                          |
| Contributions                                    | 584,285              | 650,106                  |
| Investment income (loss)                         | 417,572              | (111,364)                |
| Change in the value of split-interest agreements | 546,594              | (620,915)                |
| Release from restriction                         | <u>(548,225)</u>     | <u>(606,890)</u>         |
| Change in net assets with donor restrictions     | <u>1,000,226</u>     | <u>(689,063)</u>         |
| Change in net assets                             | 3,154,530            | (1,219,355)              |
| Net assets:                                      |                      |                          |
| Beginning  | <u>12,256,461</u>    | <u>13,475,816</u>        |
| Ending   | <u>\$ 15,410,991</u> | <u>\$ 12,256,461</u>     |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**  
**(With Comparative Totals for the Year Ended December 31, 2018)**

|  | <u>2019</u>         | <u>Adjusted<br/>2018</u> |
|--|---------------------|--------------------------|
| Cash flows from operating activities:  |                     |                          |
| Changes in net assets  | \$ 3,154,530        | \$ (1,219,355)           |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                     |                          |
| Depreciation and amortization  | 1,682,832           | 1,730,864                |
| Refundable fees and deposits on unoccupied units received                                    | 1,274,065           | 129,511                  |
| Advance fees received  | 3,184,518           | 2,624,754                |
| Amortization of advance fees   | (2,055,437)         | (1,966,220)              |
| Loss on disposal of property and equipment   | 8,000               | -                        |
| Net realized and unrealized (gains) loss on investments and reinvested income                | (2,306,851)         | 792,143                  |
| Change in value of split-interest agreements   | (546,594)           | 620,915                  |
| (Increase) decrease in:  |                     |                          |
| Accounts receivable, net   | (64,953)            | 101,436                  |
| Accounts receivable, other   | (29,718)            | (102,151)                |
| Prepaid expenses and other assets  | (4,459)             | (508)                    |
| Increase (decrease) in:  |                     |                          |
| Accounts payable   | 303,225             | 433,114                  |
| Accounts payable, long term  | 40,000              | -                        |
| Accrued expenses   | 10,611              | 356,951                  |
| Other deposits and liabilities   | (5,244)             | (123,806)                |
| Net cash provided by operating activities  | <u>4,644,525</u>    | <u>3,377,648</u>         |
| Cash flows from investing activities:  |                     |                          |
| Purchase of property and equipment   | (2,876,712)         | (2,036,033)              |
| Proceeds from sale of property and equipment   | 4,000               | -                        |
| Payments on deferred costs   | (53,479)            | -                        |
| Proceeds from the sale and maturity of investments   | 4,479,288           | 600,476                  |
| Purchase of investments  | (4,507,524)         | (636,200)                |
| Net change in assets whose use is limited  | (1)                 | (263,627)                |
| Net cash used in investing activities  | <u>(2,954,428)</u>  | <u>(2,335,384)</u>       |
| Cash flows from financing activities:  |                     |                          |
| Refunds of advance fee   | (817,335)           | (697,919)                |
| Refunds of other fees  | (54,162)            | -                        |
| Payments on bonds payable  | (290,000)           | (550,000)                |
| Net cash used in financing activities  | <u>(1,161,497)</u>  | <u>(1,247,919)</u>       |
| Increase (decrease) in cash and cash equivalents   | 528,600             | (205,655)                |
| Cash, cash equivalents and restricted cash - beginning                                       | <u>2,178,520</u>    | <u>2,384,175</u>         |
| Cash, cash equivalents and restricted cash - ending  | <u>\$ 2,707,120</u> | <u>\$ 2,178,520</u>      |

*See Notes to Financial Statements*

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 1 - NATURE OF BUSINESS

Masonic and Eastern Star Home of North Carolina, Incorporated d/b/a WhiteStone (the “Home”) is a nonprofit organization that principally provides housing, health care and other related services to residents through the operation of a retirement facility providing general and advanced care. The Home is located in Greensboro, North Carolina. It is subject to various laws and regulations enacted by the State of North Carolina regarding its activities. The Home is a philanthropic charity of the Grand Lodge and the Grand Chapter and subordinate lodges and chapters. Each lodge and chapter solicits contributions from its members for the support of the Home.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Adoption of New Accounting Standard**

In 2019, the Home retroactively adopted the requirements in FASB ASC 606, to improve the revenue recognition process by defining exactly when revenue is considered earned. Under ASC topic 606, costs to acquire life care contracts were evaluated for capitalization under FASB ASC 340-40-25. If the requirements for capitalization aren't met, the costs are expensed. As such, the Home has retrospectively adjusted the prior year summarized financial statements for the removal of deferred marketing costs previously reported on the statement of financial position.

|  | 2018 Previously<br>Presented | Adjustment   | 2018 as<br>Adjusted |
|--|------------------------------|--------------|---------------------|
| <u>Balance Sheet:</u>                                |                              |              |                     |
| Deferred costs, net                                  | \$ 523,893                   | \$ (523,893) | \$ -                |
| Property and equipment, net                          | 32,361,628                   | (409,123)    | 31,952,505          |
| Total Assets   | 55,768,807                   | (933,016)    | 54,835,791          |
| Net Assets Without Donor Restrictions                | 3,746,570                    | (933,016)    | 2,813,554           |
| Total Net Assets                                     | 13,189,477                   | (933,016)    | 12,256,461          |
| Total Liabilities and Net Assets                     | 55,768,807                   | (933,016)    | 54,835,791          |
| <u>Statement of Operations:</u>                      |                              |              |                     |
| Amortization of contract acquisition costs           | 259,766                      | (259,766)    | -                   |
| Other operating expenses                             | 576,216                      | 409,123      | 985,339             |
| Total Expenses and losses                            | 17,004,491                   | 149,357      | 17,153,848          |
| Operating loss                                       | (1,161,740)                  | (149,357)    | (1,311,097)         |
| Decrease in net assets without donor<br>restrictions | (380,935)                    | (149,357)    | (530,292)           |
| Change in net assets                                 | (1,069,998)                  | (149,357)    | (1,219,355)         |
| Net assets beginning                                 | (14,259,475)                 | 783,659      | (13,475,816)        |
| Net assets ending                                    | (13,189,477)                 | 933,016      | (12,256,461)        |
| <u>Cash Flows:</u>                                   |                              |              |                     |
| Changes in Net Assets                                | (1,069,998)                  | (149,357)    | (1,219,355)         |
| Depreciation and Amortization                        | 1,990,630                    | (259,766)    | 1,730,864           |
| Net cash provided by operating activities            | 3,721,693                    | (409,123)    | 3,312,570           |
| Purchase of property and equipment                   | (2,445,156)                  | 409,123      | (2,036,033)         |
| Net cash provided by investing activities            | (2,744,507)                  | 409,123      | (2,335,384)         |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Home considers cash accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude money market accounts and mutual funds held in broker or trust accounts since they represent investment proceeds that will be reinvested in allowable investments of the Home.

**Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Home's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Pooled fund investments are reflected at fair value based on the net asset value per share of the investment, as a practical expedient. Changes in the fair value of investments, including both realized and unrealized gains and losses, are included in the accompanying statement of operations and statement of changes in net assets. In determining realized gains and losses, the cost of investments is determined using the specific-identification method.

**Assets Limited as to Use**

Assets limited as to use include assets set aside by the Board of Directors to meet North Carolina General Statute operating reserve requirements, deposits held in trust, and assets held by trustees under indenture agreements. Amounts required to meet current liabilities of the Home have been classified as current assets in the statement of financial position.

Continuing care retirement communities located in North Carolina are licensed and monitored by the State Department of Insurance under Article 64 of Chapter 58 of the North Carolina General Statutes. The Commissioner of Insurance has the authority to revoke or restrict the license of, or impose additional requirements on, any continuing care facility under certain circumstances specified in General Statute 58-64-10.

North Carolina General Statute 58-64-33 requires that continuing care retirement communities with occupancy levels in excess of 90% maintain an operating reserve equal to 25% of total operating costs projected for the 12-month period following the most recent annual statement filed with the Department of Insurance, upon approval of the Commissioner. Continuing care retirement communities with less than 90% occupancy are required to maintain an operating reserve equal to 50% of projected total operating costs.

Total operating costs shall include budgeted operating expenses plus debt service less depreciation and amortization expense, and revenue associated with noncontractual expenses. The operating reserve can only be released upon the submittal of a detailed request from the Home and must be approved by the North Carolina Department of Insurance.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Assets Limited as to Use (Continued)**

Deposits held in trust include resident trust funds held by the Home on behalf of residents. Funds are provided to the resident or used to pay bills at the direction of the resident or responsible party. The funds are recorded as both an asset and a liability. Deposits held in trust also include deposits on unoccupied units. The deposits are held in trust until the prospective resident moves into the Home's facility. These funds are also recorded as an asset and liability.

**Accounts Receivable**

The Home records accounts receivable at total unpaid balance. The Home determines past-due status of individual accounts receivable based on the contractual terms of the original contract (or based on how recently payments have been made, for example). The Home estimates an allowance for doubtful accounts based on a combination of factors, including the Home's historical loss experience and any anticipated effects related to current economic conditions, and management's knowledge of the current composition of accounts receivable. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination. At year end, the allowance for doubtful accounts was \$132,131 and bad debt write offs were \$51,572.

**Deferred Costs**

The costs associated with the initial marketing of an expansion project are being deferred and will be amortized using the average life expectancy of the initial occupants of the facility once it opens and deferred financing costs relating to the financing of the facility will be amortized over the life of the bonds. The net annual amortization for the deferred financing costs will be as follows: 2020 - \$41,553; and 2021 - \$371,616.

**Assets in Split-Interest Agreements**

The Home has beneficial interest in several irrevocable, unconditional split-interest agreements, which are all administered by third parties and for which the Home has lead or remainder interests. The Home has the irrevocable right to receive a share of income from the assets of these trusts. These assets are stated at the fair value of the Home's net asset value per share of trust assets, which is an approximation of the present value of the estimated future distributions from the trusts, and have been recorded as net assets with donor restrictions based on restrictions associated with related trust agreements. Income distributions to the Home are included in investment income in net assets without donor restrictions. The change in the value of the beneficial interest is recorded as the change in the value of split-interest agreements in net assets with donor restrictions related to their respective trusts.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is determined by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property and Equipment (Continued)**

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

**Advance Fees**

Fees paid by a resident upon entering into a continuing care or independent living contract are recorded as deferred revenue and are amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

Independent residents choose the option of refundability from the following three options: (a) Depreciating Zero Refund Plan, (b) Depreciating 50% Refund Plan, or (c) Depreciating 90% Refund Plan. In the Depreciating Zero Refund Plan, no refund of the entrance fee will be paid to the resident after 50 months of occupancy. In the Depreciating 50% Refund Plan, the refund will not be less than 50% of the entrance fee. In the Depreciating 90% Refund Plan, the refund will not be less than 90% of total entrance fee. In addition to the entrance fee, monthly maintenance fees are also charged based on the option chosen above.

The Home sells life estates in multifamily residential units located adjacent to Home properties. This "Independent Living System" requires an advance fee and a monthly maintenance fee in exchange for certain specific services. The advance fee paid upon admission is reimbursable at 96% if an applicant withdraws within 60 days of admission. Unless otherwise agreed, the refundable advance fee is reduced 2% per month of residency. Management deems rental income received adequate to cover current and future services provided to apartment residents. The advance fees are deferred and amortized over the remaining estimated life expectancy of the resident.

**Net Resident Service Revenues and Net Patient Health Care Revenues**

Net resident service revenues and net patient health care revenues are reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as cost report years are no longer subject to such audits, reviews and investigations.

**Estimated Obligation to Provide Future Services**

The Home annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Estimated Obligation to Provide Future Services (Continued)**

The obligation is discounted at 5%, based on the expected long-term rate of return on government obligations. The Home computes this liability by estimating the cost per year per resident at the current level of care for each resident (skilled/intermediate care or residential care). This cost is multiplied by the future life expectancy of each resident based upon actuarially computed tables, and increased for an estimated inflation factor of 3% per annum.

**Revenue Recognition**

The Home generates revenues, primarily by providing housing, amenities (recreational, dining, etc.) and access to health care services to its residents. The various life care contract streams of revenue are recognized as follows:

**Entrance fees:** The nonrefundable entrance fees are recognized as deferred revenue upon receipt of the payment under the life care contract and included in liabilities in the statement of financial position until the performance obligations are satisfied. 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 associated with access to future services. 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 statement of financial position.

**Health care services:** The Home also provides assisted and nursing care to residents who are covered by government and commercial payers. The Home is paid fixed rates from government and commercial payers. These fixed rates are billed in arrears monthly when the service is provided. The monthly fees represent the most likely amount to be received from the 3rd party payors.

**Monthly service fees:** The life care contracts that residents select require an advanced fee and monthly fees based upon the type of space they are applying for. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance. Payment terms are usually due within 30 days. The services provided encompass social, recreational, dining along with assisted living and nursing care and these performance obligations are earned each month. Resident fee revenue for non-routine or additional services are billed monthly in arrears and recognized when the service is provided.

**Classification of Net Assets**

The Home classifies its funds for accounting and reporting purposes as either without donor restrictions or with donor restrictions:

*Without donor restrictions:* All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

*With donor restrictions:* All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year they are received are included in net assets without donor restrictions.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income Taxes**

The Home is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

It is the Home's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during 2018.

**Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. In determining fair values, the Home uses various methods including market, income and cost approaches. Based on these approaches, the Home often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Home utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. After determining the observable and unobservable inputs, the Home is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2* - Observable prices that are based on inputs not quoted on active markets, but corroborated by market data, discounted cash flow models or similar techniques.

*Level 3* - Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$146,712.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through April 15, 2020, which is the date the financial statements were available to be issued.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 3 - INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments were comprised of the following:

|                        |                   |
|------------------------|-------------------|
| Fair Value:            |                   |
| Money Market           | \$ 2,058,855      |
| Mutual Funds           | 261,964           |
| Pooled Funds accounts  | <u>13,452,980</u> |
|                        | 15,773,799        |
| Investment basis       | <u>15,702,459</u> |
| Unrealized gain (loss) | <u>\$ 71,340</u>  |

The table below presents the balance of assets measured at fair value on a recurring basis by level within the hierarchy.

| Description                                       | Year End<br>Fair Value | Fair Value Measurements<br>at Reporting Date Using |             |                     |
|---|------------------------|--|-------------|---------------------|
|   |                        | Level 1  | Level 2     | Level 3             |
| Investments (including assets limited as to use): |                        |  |             |                     |
| Mutual Funds                                      | \$ 261,964             | \$ 261,964   | \$ -        | \$ -                |
| Money Market                                      | 2,058,855              | 2,058,855  | -           | -                   |
| Assets in split-interest agreements               | <u>5,350,964</u>       | -  | -           | <u>5,350,964</u>    |
|   | 7,671,783              | <u>\$ 2,320,819</u>                                | <u>\$ -</u> | <u>\$ 5,350,964</u> |
| Pooled Funds *                                    | <u>13,452,980</u>      |  |             |                     |
|   | <u>\$21,124,763</u>    |  |             |                     |

\* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

The following table summarizes investments measured at fair value based on NAV per share:

|              | Fair Value   | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--------------|--------------|----------------------|----------------------|--------------------------|
| Pooled Funds | \$13,452,980 | N/A                  | As needed            | One month                |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

|                      |   |
|----------------------|---|
|                      | Assets in<br>split-interest<br>agreements |
| Beginning balance    | \$ 4,804,370                              |
| Change in fair value | <u>546,594</u>                            |
| Ending balance       | <u>\$ 5,350,964</u>                       |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 3 - INVESTMENTS AND ASSETS LIMITED AS TO USE (Continued)

Assets limited as to use are allocated as follows:

|   |                     |
|---|---------------------|
| Operating reserve for Department of Insurance       | \$ 3,623,709        |
| Trustee deposit accounts required by debt agreement | 2,058,855           |
| Board designated investments to refund advance fees | 1,251,656           |
| Restricted cash for residents                       | 106,312             |
| Restricted cash for admission payments              | 634,691             |
|   | <u>\$ 7,675,223</u> |

Investment income consists of the following:

|                                      |                     |
|--------------------------------------|---------------------|
| Interest and dividends               | \$ 250,758          |
| Unrealized and realized gains (loss) | 2,056,093           |
|                                      | <u>\$ 2,306,851</u> |

The Home's investments potentially subject it to concentrations of credit risk. The Home maintains various types of investments that encompass many different companies with varied industrial and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Home's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Home retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Home invests.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

|                                |                     |
|--------------------------------|---------------------|
| Land and improvements          | \$ 856,132          |
| Buildings and improvements     | 48,606,289          |
| Equipment                      | 1,577,507           |
| Furniture and fixtures         | 1,337,568           |
| Vehicles                       | 246,857             |
| Construction in progress       | 3,260,772           |
|                                | <u>55,885,125</u>   |
| Less: Accumulated depreciation | 22,802,303          |
|                                | <u>\$33,082,822</u> |

NOTE 5 - DEFERRED COSTS

Deferred costs consist of the following:

|                                     |                  |
|-------------------------------------|------------------|
| Deferred contract acquisition costs | \$ 53,479        |
| Less accumulated amortization       | 1,943            |
|                                     | <u>\$ 51,536</u> |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt:

Public Finance Authority:

Retirement Facilities First Mortgage Revenue Refunding Bonds  
(WhiteStone Project), Series 2017:

|   |                            |
|---|----------------------------|
| Term bonds due 2027, yielding 3.66%   | \$ 2,790,000               |
| Term bonds due 2037, yielding 4.22%   | 5,270,000                  |
| Term bonds due 2052, yielding 4.40%   | 14,955,000                 |
| Less net premium, discount and deferred issuance costs,<br>net of accumulated amortization of \$573,334 | 446,248                    |
|   | <u>23,461,248</u>          |
| Less current portion  | 300,000                    |
| Long-term portion   | <u><u>\$23,161,248</u></u> |

Scheduled principal repayments on long-term debt, excluding the discount on Series 2011 for the next five years and thereafter, are summarized as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u>              |
|---------------------------------|----------------------------|
| 2020                            | \$ 300,000                 |
| 2021                            | 315,000                    |
| 2022                            | 325,000                    |
| 2023                            | 340,000                    |
| 2024                            | 355,000                    |
| Thereafter                      | 21,380,000                 |
|                                 | <u><u>\$23,015,000</u></u> |

During 2017, the Home entered into a financing arrangement with the Public Finance Authority under which the Authority issued tax-exempt Series 2017 revenue refunding bonds of \$23,855,000. The bonds were issued to refund the series 2011 bonds. These bonds are collateralized by a deed of trust on the Home, as well as a security interest in pledged assets.

Under the terms of the bonds, the Home is required to maintain certain deposits with the trustees. Such deposits are included with assets limited as to use of the Home. The Master Trust Indenture Agreement for the bonds include certain covenants and restrictions. As of year end, the Home is in compliance with all covenants and restrictions.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 7 - ASSETS LIQUIDITY

The following reflects the Home's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi-endowment that could be drawn upon if the governing board approves that action.

|  |                            |
|--|----------------------------|
| Financial assets, at year end  | \$20,731,074               |
| Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions: |                            |
| Restricted by donor with purpose restrictions  | 10,443,133                 |
| Assets limited as to use   | 6,423,567                  |
| Board designations: Investments held to refund advanced fees   | <u>1,251,656</u>           |
| Financial assets available to meet cash needs for general expenditures within one year                             | <u><u>\$ 2,612,718</u></u> |

The Home is substantially supported by healthcare and residential/assisted living revenues. As part of the Home's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Home invests cash in excess of daily requirements in various investments held in assets limited as to use and as board designated funds. These funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

|  |                   |
|--|-------------------|
| Subject to expenditures for specified purpose:   |                   |
| Glasser Fund, hair treatments for residents needing assistance   | \$ 36,608         |
| Resident council   | 912               |
| Sunshine Fund, special activities for residents  | 2,334             |
| Longdon Chapel Fund  | 178,204           |
| Masonic and Eastern Star Fraternity member financial support   | 1,261,091         |
| Other specific purposes  | <u>34,676</u>     |
|  | <u>1,513,825</u>  |
| Subject to expenditure when a specified event occurs:  |                   |
| Split-interest agreements that will provide proceeds upon liquidation of trust to support general operations | <u>\$ 755,314</u> |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
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**Notes to Financial Statements**

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are available for the following purposes (Continued):

Subject to the Home's spending policy and appropriation:

Investment in perpetuity (including amounts above original gift amount of \$6,387,499, which, once appropriated, is expendable to support the Home's:

|   |                                |
|---|--------------------------------|
| General operations - Split-interest agreements                | \$ 4,595,650                   |
| General operations  | 190,643                        |
| Restricted for state operating reserve and general operations | <u>3,387,701</u>               |
|   | <u>8,173,994</u>               |
| <br>Total net assets with donor restrictions                  | <br><u><u>\$10,443,133</u></u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or appropriation.

NOTE 9 - ENDOWMENTS

The Home's endowments consist of several individual funds established for a variety of purposes. Its endowments include donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Laws and regulations allow the governing board to appropriate so much of an endowment fund as is prudent considering the following relevant factors: the duration and preservation of the endowment fund, the purposes of the Home and the endowment fund, general economic conditions, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, the Home's other resources and investment policy. Under the Home's endowment spending policy, 5% of the average of the fair value at the end of the previous 3 years is appropriated, which was \$252,500 for the current year ended.

Changes in Endowment Net Assets and Composition by Type of Fund consist of the following:

|                                     | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>               |
|-------------------------------------|---------------------------------------|------------------------------------|----------------------------|
| Donor-restricted endowment funds:   |                                       |                                    |                            |
| Beginning Net Assets                | <u>\$ -</u>                           | <u>\$ 7,310,131</u>                | <u>\$ 7,310,131</u>        |
| Investment returns:                 |                                       |                                    |                            |
| Investment income                   | -                                     | 78,476                             | 78,476                     |
| Net appreciation (depreciation)     | 213,058                               | 320,883                            | 533,941                    |
| Change in split interest agreements | -                                     | 464,504                            | 464,504                    |
| Total investment return             | <u>213,058</u>                        | <u>863,863</u>                     | <u>1,076,921</u>           |
| Appropriation of endowment          | <u>213,058</u>                        | <u>-</u>                           | <u>213,058</u>             |
| Ending Net Assets                   | <u><u>\$ -</u></u>                    | <u><u>\$ 8,173,994</u></u>         | <u><u>\$ 8,173,994</u></u> |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 10 - CLASSIFICATION OF OPERATING EXPENSES

The classification of operating expenses is as follows:

|  | <u>Resident<br/>Services</u> | <u>General and<br/>Administration</u> | <u>Total</u>        |
|--|------------------------------|---------------------------------------|---------------------|
| Salaries and benefits                      | \$ 5,206,521                 | \$ 3,330,683                          | \$ 8,537,204        |
| Contract labor                             | 5,609                        | -                                     | 5,609               |
| Medical supplies and services              | 1,423,660                    | -                                     | 1,423,660           |
| Food supplies and services                 | -                            | 884,853                               | 884,853             |
| Other supplies and activities              | 131,799                      | 524,494                               | 656,293             |
| Utilities and communications               | -                            | 702,193                               | 702,193             |
| Repairs and maintenance                    | 15,449                       | 714,809                               | 730,258             |
| Property and liability insurance           | -                            | 218,368                               | 218,368             |
| Depreciation                               | -                            | 1,734,395                             | 1,734,395           |
| Amortization of contract acquisition costs | -                            | 1,943                                 | 1,943               |
| Interest expense                           | -                            | 1,073,211                             | 1,073,211           |
| Bad debts                                  | -                            | -                                     | -                   |
| Management fees                            | -                            | 570,000                               | 570,000             |
| Other operating expenses                   | 177,968                      | 842,170                               | 1,020,138           |
| Total expenses                             | <u>\$ 6,961,006</u>          | <u>\$10,597,119</u>                   | <u>\$17,558,125</u> |

The financial statements report certain categories of expenses that are attributable to one or more supporting services of the Home. Those expenses are allocated using a ratable portion of the labor hours performed by the management team.

NOTE 11 - RELATED PARTY TRANSACTIONS

The Home is affiliated with the Grand Lodge of A.F. and A.M. of North Carolina (“Grand Lodge”) and the Grand Chapter of the Eastern Star of North Carolina (“Grand Chapter”), and the Home's Board of Directors includes officers of and is elected by the Grand Lodge and the Grand Chapter.

The North Carolina Masonic Foundation, Incorporated (the “Masonic Foundation”) is a private, charitable foundation established by the Grand Lodge to fund its philanthropic endeavors. The Masonic Foundation is the sole member of the North Carolina Masonic and Eastern Star Home Foundation, LLC (the "MESH Foundation LLC"), a limited liability company organized for the purpose of providing financial support directly to the Home on behalf of deserving individual members of the Masonic and Eastern Star Fraternity and their qualified relations who reside at or receive services through the Home.

The Home’s Master Trust Indenture provides that amounts received by the Home from the MESH Foundation LLC as payment for fees or expenses of Masonic residents and deposited by the Home into its general operating account shall be included in computing Income Available for Debt Service, which is the numerator of the Long-Term Debt Service Coverage Ratio covenant in the Master Trust Indenture. For the year ended December 31, 2019, this amount was \$528,739.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

The Home also receives other substantial support from the Grand Chapter and other Masonic bodies, which is summarized as follows:

|   |            |
|---|------------|
| Grand Chapter of the Eastern Star of North Carolina | \$ 290,333 |
| Other Masonic bodies                                | 240,545    |

NOTE 12 - MANAGEMENT AGREEMENT

The Home has a management agreement with Life Care Services, LLC to manage, operate and maintain the Home's retirement community. The agreement runs through September 2021, however, the Home or Life Care Services, LLC can terminate this agreement without cause six months after formal notice is given. The Home agrees to pay Life Care Services, LLC a monthly management fee of \$47,500 and an annual application service provider fee of \$10,000 throughout the term of the contract.

NOTE 13 - RETIREMENT PLAN

The Home, Grand Lodge, and Oxford maintain a defined contribution participant-directed, multi-employer 401(k) plan. The plan covers all employees who are at least eighteen years of age with at least six months of service. The Home will make yearly matching contributions determined at its discretion. Contributions were approximately \$78,323 for the year ended December 31, 2019.

The Home also maintains a multi-employer deferred compensation plan, under IRC Section 457, with the Grand Lodge and Oxford. No contributions were made to this plan during 2019.

NOTE 14 - CASH FLOW SUPPLEMENTAL INFORMATION

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position as of December 31, 2019, that sum to the total of the same such amounts shown in the statement of cash flows:

|   |                            |
|---|----------------------------|
| Cash and cash equivalents   | \$ 1,966,117               |
| Assets limited as to use  | <u>741,003</u>             |
| Total cash, cash equivalents and restricted cash shown on statement of cash flows | <u><u>\$ 2,707,120</u></u> |

The following provides a reconciliation of cash paid for certain required items reported within the statement of operations for the year ended December 31, 2019:

|  |                            |
|--|----------------------------|
| Supplemental disclosure of cash flow information:        |                            |
| Cash payment of interest, including capitalized interest | <u><u>\$ 1,128,650</u></u> |

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Notes to Financial Statements**

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NOTE 15 - CONCENTRATIONS OF CREDIT RISK

The Home maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (the "FDIC"). Deposit accounts, at times, may exceed federally insured limits.

The Home's investments potentially subject it to market risk and concentrations of credit risk. The Home maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Home's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Home retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Home invests.

The Home grants credit without collateral to its residents and is insured under third-party payor agreements. The mix of receivables from residents and third-party payors:

|                             |             |
|-----------------------------|-------------|
| Medicare                    | 57%         |
| Medicaid                    | 12%         |
| Private and other insurance | 31%         |
|                             | <u>100%</u> |

# **EXHIBIT 3**

## **Certified Five Year Projection Statements (2020-2024)**

**Masonic and Eastern Star Home of North Carolina, Inc.**  
**d/b/a WhiteStone**

Compilation of a Financial Projection

For Each of the Five Years Ending  
December 31, 2024

(with Independent Accountants'  
Compilation Report thereon)

# Masonic and Eastern Star Home of North Carolina, Inc. d/b/a WhiteStone

## Compilation of Financial Projection

Five Years Ending December 31, 2024

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**Independent Accountants' Compilation Report**

Board of Directors

Masonic and Eastern Star Home of North Carolina, Inc. d/b/a WhiteStone  
Greensboro, North Carolina

Management of Masonic and Eastern Star Home of North Carolina, Inc. d/b/a WhiteStone (the "Corporation") and the Corporation's third party manager, Life Care Services, LLC (collectively, "Management") is responsible for the accompanying financial projection of the Corporation, which comprises the projected financial statements as of and for each of the five years ending December 31, 2024 and the related summaries of significant assumptions and rationale in accordance with guidelines for the presentation of a financial projection established by the American Institute of Certified Public Accountants ("AICPA").

The accompanying projection and this report were prepared for inclusion with the disclosure statement filing requirements of North Carolina General Statutes, Chapter 58, Article 64. Accordingly, this report should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection.

Furthermore, even if the following hypothetical assumptions (the "Hypothetical Assumptions") occur during the projection period:

- The Corporation issues debt at rates and terms similar to those reflected in the projection in order to construct 67 new independent living units, 24 assisted living units, relocate the memory support units, and reposition the skilled nursing beds (the "Project");
- Construction, development, marketing and other related costs for the Project occur in the assumed timeline and at the assumed costs; and
- The Project units are successfully marketed and occupied at the assumed occupancy levels.

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

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

*Dixon Hughes Goodman LLP*

Atlanta, Georgia  
June 26, 2020

## Masonic and Eastern Star Home, Inc. d/b/a WhiteStone

### Projected Statements of Operations and Changes in Net Assets For the Years Ending December 31, (In Thousands)

|   | 2020             | 2021             | 2022             | 2023             | 2024             |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Revenue, gains and other support</b>                 |                  |                  |                  |                  |                  |
| Amortization of earned entrance fees                    | \$ 1,907         | \$ 1,917         | \$ 2,033         | \$ 2,660         | \$ 3,406         |
| Resident service fees-Existing Independent Living Units | 4,584            | 4,746            | 4,791            | 4,927            | 5,193            |
| Resident service fees-New Independent Living Units      | -                | -                | 1,496            | 3,126            | 3,241            |
| Assisted living revenue                                 | -                | -                | 897              | 1,127            | 1,280            |
| Memory care revenue                                     | 987              | 968              | 997              | 1,027            | 1,058            |
| Healthcare services revenue                             | 8,064            | 4,915            | 7,326            | 7,474            | 7,644            |
| Home health revenue                                     | 591              | 530              | 551              | 573              | 596              |
| Other revenue   | 7                | 15               | 42               | 66               | 69               |
| <b>Total revenues, gains, and other support</b>         | <b>\$ 16,140</b> | <b>\$ 13,091</b> | <b>\$ 18,133</b> | <b>\$ 20,980</b> | <b>\$ 22,487</b> |
| <b>Expenses</b>   |                  |                  |                  |                  |                  |
| General and administrative                              | 2,121            | 2,024            | 2,218            | 2,393            | 2,461            |
| Project marketing costs                                 | 651              | 285              | 285              | 119              | -                |
| Plant and operations                                    | 2,349            | 2,592            | 3,184            | 3,510            | 3,629            |
| Healthcare expenses                                     | 7,234            | 4,682            | 6,913            | 7,146            | 7,341            |
| Dining services   | 2,197            | 1,934            | 2,991            | 3,252            | 3,358            |
| Insurance   | 222              | 229              | 299              | 320              | 329              |
| Management fees   | 580              | 584              | 693              | 768              | 778              |
| Series 2017 Bonds interest expense                      | 1,113            | 1,100            | 1,087            | 1,074            | 1,060            |
| Series 2020 Bonds interest expense                      | -                | -                | 3,191            | 2,979            | 2,576            |
| Amortization of deferred financing costs                | 79               | 126              | 126              | 126              | 126              |
| Amortization of original issue premium                  | (220)            | (334)            | (334)            | (334)            | (334)            |
| Depreciation  | 1,767            | 1,871            | 1,909            | 2,009            | 2,075            |
| <b>Total Expenses</b>                                   | <b>\$ 18,093</b> | <b>\$ 15,093</b> | <b>\$ 22,562</b> | <b>\$ 23,362</b> | <b>\$ 23,399</b> |
| Operating loss  | (1,953)          | (2,002)          | (4,429)          | (2,382)          | (912)            |
| Non-operating income:                                   |                  |                  |                  |                  |                  |
| Paycheck Protection Program loan forgiveness            | 1,400            | -                | -                | -                | -                |
| Contributions   | 1,126            | 1,126            | 1,126            | 1,126            | 1,126            |
| Investment income                                       | 279              | 509              | 546              | 415              | 475              |
| <b>Total non-operating income</b>                       | <b>2,805</b>     | <b>1,635</b>     | <b>1,672</b>     | <b>1,541</b>     | <b>1,601</b>     |
| Change in net assets without donor restriction          | 852              | (367)            | (2,757)          | (841)            | 689              |
| Net assets, beginning of year                           | 15,359           | 16,211           | 15,844           | 13,087           | 12,246           |
| <b>Net assets, end of year</b>                          | <b>\$ 16,211</b> | <b>\$ 15,844</b> | <b>\$ 13,087</b> | <b>\$ 12,246</b> | <b>\$ 12,935</b> |

See accompanying Summary of Significant Projection Assumptions and Rationale and  
Independent Accountants' Compilation Report

## Masonic and Eastern Star Home, Inc. d/b/a WhiteStone

### Projected Statements of Cash Flows For the Years Ending December 31, (In Thousands)

|   | 2020            | 2021            | 2022            | 2023            | 2024            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   |                 |                 |                 |                 |                 |
| Change in net assets without donor restriction  | \$ 852          | \$ (367)        | \$ (2,757)      | \$ (841)        | \$ 689          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                 |                 |                 |                 |                 |
| Depreciation  | 1,767           | 1,871           | 1,909           | 2,009           | 2,075           |
| Amortization of deferred financing costs  | 79              | 126             | 126             | 126             | 126             |
| Amortization of original issue premium  | (220)           | (334)           | (334)           | (334)           | (334)           |
| Amortization of earned entrance fees  | (1,907)         | (1,917)         | (2,033)         | (2,660)         | (3,406)         |
| Entrance fees received-attribution  | 1,328           | 3,686           | 4,535           | 5,024           | 5,267           |
| Changes in current assets and current liabilities   | (740)           | (76)            | 119             | (33)            | 4               |
| Changes in accrued interest   | 1,058           | (4)             | (5)             | (200)           | (16)            |
| Resident deposits   | 745             | (397)           | (701)           | -               | -               |
| <b>Net cash provided by operating activities</b>  | <b>\$ 2,962</b> | <b>\$ 2,588</b> | <b>\$ 859</b>   | <b>\$ 3,091</b> | <b>\$ 4,405</b> |
| <b>Cash flows from investing activities</b>   |                 |                 |                 |                 |                 |
| Routine capital additions   | (1,000)         | (1,000)         | (1,000)         | (1,000)         | (1,000)         |
| Project costs   | (4,423)         | (47,091)        | (472)           | -               | -               |
| Interest cost capitalized during the construction period                                    | (1,329)         | (3,180)         | -               | -               | -               |
| Change in assets whose use is limited   | (59,363)        | 51,703          | (16,207)        | 18,404          | (121)           |
| Change in investments   | (3,774)         | (2,351)         | 3,757           | (6,264)         | (1,182)         |
| <b>Net cash provided by (used in) investing activities</b>                                  | <b>(69,889)</b> | <b>(1,919)</b>  | <b>(13,922)</b> | <b>11,140</b>   | <b>(2,303)</b>  |
| <b>Cash flows from financing activities</b>   |                 |                 |                 |                 |                 |
| Initial entrance fees received  | -               | -               | 14,731          | 2,894           | -               |
| PPP Loan proceeds   | 1,400           | -               | -               | -               | -               |
| PPP Loan forgiveness  | (1,400)         | -               | -               | -               | -               |
| Series 2017 Bonds principal payments  | (300)           | (315)           | (325)           | (340)           | (355)           |
| Series 2020 Bonds   | 67,453          | -               | -               | -               | -               |
| Series 2020 Bond principal payments   | -               | -               | -               | (15,368)        | (675)           |
| Series 2020 Bond premium  | 2,292           | -               | -               | -               | -               |
| Cost of issuance  | (1,395)         | -               | -               | -               | -               |
| Entrance fees refunded  | (825)           | (655)           | (942)           | (1,187)         | (1,082)         |
| <b>Net cash provided by (used in) financing activities</b>                                  | <b>67,225</b>   | <b>(970)</b>    | <b>13,464</b>   | <b>(14,001)</b> | <b>(2,112)</b>  |
| Change in cash and cash equivalents   | \$ 298          | \$ (301)        | \$ 401          | \$ 230          | \$ (10)         |
| Cash and cash equivalents - beginning of year   | 1,966           | 2,264           | 1,963           | 2,364           | 2,594           |
| <b>Cash and cash equivalents - end of year</b>  | <b>\$ 2,264</b> | <b>\$ 1,963</b> | <b>\$ 2,364</b> | <b>\$ 2,594</b> | <b>\$ 2,584</b> |

See accompanying Summary of Significant Projection Assumptions and Rationale and  
Independent Accountants' Compilation Report

## Masonic and Eastern Star Home, Inc. d/b/a WhiteStone

### Projected Statements of Financial Position For the Years Ending December 31, (In Thousands)

|  | 2020              | 2021              | 2022              | 2023              | 2024              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>  |                   |                   |                   |                   |                   |
| Current assets   |                   |                   |                   |                   |                   |
| Cash and cash equivalents                                      | \$ 2,264          | \$ 1,963          | \$ 2,364          | \$ 2,594          | \$ 2,584          |
| Accounts receivable, net                                       | 1,010             | 809               | 1,133             | 1,279             | 1,329             |
| Accounts receivable from the North Carolina Masonic Foundation | 1,402             | 1,402             | 1,402             | 1,402             | 1,402             |
| Prepaid expenses and other current assets                      | 322               | 264               | 357               | 381               | 392               |
| Current portion of assets limited as to use-Series 2017 Bonds  | 631               | 635               | 643               | 651               | 658               |
| Current portion of assets limited as to use-Series 2020 Bonds  | -                 | -                 | 538               | 1,431             | 1,448             |
| <b>Total current assets</b>                                    | <b>5,629</b>      | <b>5,073</b>      | <b>6,437</b>      | <b>7,738</b>      | <b>7,813</b>      |
| Investments  | 12,506            | 14,857            | 11,100            | 17,364            | 18,546            |
| Assets limited as to use                                       |                   |                   |                   |                   |                   |
| Bond fund-Series 2017 Bonds                                    | 631               | 635               | 643               | 651               | 658               |
| Bond fund-Series 2020 Bonds                                    | -                 | -                 | 538               | 1,431             | 1,448             |
| Project Fund   | 48,252            | 875               | 128               | -                 | -                 |
| Entrance Fee Fund  | -                 | -                 | 14,731            | -                 | -                 |
| Funded Interest Fund   | 6,892             | 3,715             | 531               | -                 | -                 |
| Debt Service Reserve-Series 2017 Bonds                         | 1,422             | 1,422             | 1,422             | 1,422             | 1,422             |
| Debt Service Reserve-Series 2020A Bonds                        | 3,265             | 3,265             | 3,265             | 3,265             | 3,265             |
| Board designated investments                                   | 1,252             | 1,252             | 1,252             | 1,252             | 1,252             |
| Resident trust fund  | 741               | 741               | 741               | 741               | 741               |
| Operating Reserve Fund   | 3,839             | 3,083             | 8,292             | 4,377             | 4,474             |
| Long-term endowment investments                                | 107               | 107               | 107               | 107               | 107               |
| Resident deposits  | 745               | 348               | -                 | -                 | -                 |
| Less: current portion  | (631)             | (635)             | (1,181)           | (2,082)           | (2,106)           |
| <b>Total assets limited as to use</b>                          | <b>66,515</b>     | <b>14,808</b>     | <b>30,469</b>     | <b>11,164</b>     | <b>11,261</b>     |
| Property and equipment   | 62,637            | 113,908           | 115,380           | 116,380           | 117,380           |
| Less: accumulated depreciation                                 | (24,571)          | (26,442)          | (28,351)          | (30,360)          | (32,435)          |
| <b>Property and equipment, net</b>                             | <b>38,066</b>     | <b>87,466</b>     | <b>87,029</b>     | <b>86,020</b>     | <b>84,945</b>     |
| Assets in split-interest agreements                            | 5,351             | 5,351             | 5,351             | 5,351             | 5,351             |
| <b>Total assets</b>  | <b>\$ 128,067</b> | <b>\$ 127,555</b> | <b>\$ 140,386</b> | <b>\$ 127,637</b> | <b>\$ 127,916</b> |

See accompanying Summary of Significant Projection Assumptions and Rationale and  
Independent Accountants' Compilation Report

**Masonic and Eastern Star Home, Inc. d/b/a WhiteStone**

Projected Statements of Financial Position (continued)  
For the Years Ending December 31,  
(In Thousands)

|   | 2020              | 2021              | 2022              | 2023              | 2024              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Liabilities and Net Assets</b>                   |                   |                   |                   |                   |                   |
| Current liabilities                                 |                   |                   |                   |                   |                   |
| Accounts payable                                    | \$ 886            | \$ 726            | \$ 982            | \$ 1,048          | \$ 1,079          |
| Accrued expenses and other current liabilities      | 967               | 792               | 1,072             | 1,143             | 1,177             |
| Accrued interest-Series 2017 Bonds                  | 368               | 364               | 359               | 355               | 350               |
| Accrued interest-Series 2020 Bonds                  | 1,064             | 1,064             | 1,064             | 868               | 857               |
| Current portion - Series 2017 Bonds                 | 315               | 325               | 340               | 355               | 370               |
| Current portion - Series 2020 Bonds                 | -                 | -                 | 15,368            | 675               | 710               |
| Wait list and other deposits                        | 566               | 566               | 566               | 566               | 566               |
| <b>Total current liabilities</b>                    | <b>4,166</b>      | <b>3,837</b>      | <b>19,751</b>     | <b>5,010</b>      | <b>5,109</b>      |
| Long-term debt, net of current portion              |                   |                   |                   |                   |                   |
| Series 2017 Bonds                                   | 22,401            | 22,076            | 21,736            | 21,381            | 21,011            |
| Original issue premium                              | 3,241             | 2,907             | 2,573             | 2,239             | 1,905             |
| Series 2020 Bonds                                   | 67,453            | 67,453            | 52,085            | 51,410            | 50,700            |
| Deferred financing costs, net of amortization       | (2,038)           | (1,912)           | (1,786)           | (1,660)           | (1,534)           |
| <b>Total long-term debt, net of current portion</b> | <b>91,057</b>     | <b>90,524</b>     | <b>74,608</b>     | <b>73,370</b>     | <b>72,082</b>     |
| Resident deposits                                   |                   |                   |                   |                   |                   |
| Resident deposits                                   | 1,268             | 871               | 170               | 170               | 170               |
| Resident trust funds                                | 112               | 112               | 112               | 112               | 112               |
| Refundable entrance fees                            | 3,153             | 3,164             | 3,807             | 3,845             | 3,782             |
| Deferred revenue from entrance fees                 | 12,100            | 13,203            | 28,851            | 32,884            | 33,726            |
| <b>Total liabilities</b>                            | <b>111,856</b>    | <b>111,711</b>    | <b>127,299</b>    | <b>115,391</b>    | <b>114,981</b>    |
| Net assets  |                   |                   |                   |                   |                   |
| Without donor restrictions                          | 5,767             | 5,400             | 2,643             | 1,802             | 2,491             |
| With donor restrictions                             | 10,444            | 10,444            | 10,444            | 10,444            | 10,444            |
| <b>Total net assets</b>                             | <b>16,211</b>     | <b>15,844</b>     | <b>13,087</b>     | <b>12,246</b>     | <b>12,935</b>     |
| <b>Total liabilities and net assets</b>             | <b>\$ 128,067</b> | <b>\$ 127,555</b> | <b>\$ 140,386</b> | <b>\$ 127,637</b> | <b>\$ 127,916</b> |

See accompanying Summary of Significant Projection Assumptions and Rationale and  
Independent Accountants' Compilation Report

## **Masonic and Eastern Star Home, Inc. d/b/a WhiteStone**

### **Summary of Significant Projection Assumptions and Rationale**

**For Each of the Five Years Ending December 31, 2024**

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#### **Basis of Presentation**

The accompanying financial projection presents, to the best of the knowledge and belief of management of Masonic and Eastern Star Home of North Carolina, Inc. d/b/a WhiteStone (the “Corporation”) and the Corporation’s third party manager, Life Care Services, LLC (the “Manager”) (collectively, “Management”) the expected financial position, results of operations, and cash flows of the Corporation as of and for each of the five years ending December 31, 2024. Accordingly, the accompanying projection reflects Management’s judgment as of June 26, 2020, the date of this projection, based on present circumstances and the expected course of action during the projection period assuming the hypothetical assumptions defined below. The assumptions disclosed herein are those that Management believes are significant to the projection.

Management’s purpose in releasing this financial projection is for inclusion in the Corporation’s annual disclosure statement in accordance with Chapter 58, Article 64, of the North Carolina General Statutes. Accordingly, this report should not be used for any other purpose.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by Management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on this financial projection. Furthermore, even if the following hypothetical assumptions (the “Hypothetical Assumptions”) occur during the projection period,

- The Corporation issues debt to construct the Project (hereinafter defined) during fiscal year 2020 at rates and terms similar to those reflected in the projection;
- Construction, development, marketing and other related costs for the Project occur in the assumed timeline and at the assumed costs; and
- The Project units are successfully marketed and occupied at the assumed occupancy levels.

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

#### **Description of the Community**

The Corporation is a North Carolina nonprofit corporation formed in 1910 for the purpose of owning and operating a life plan community (“LPC”), known as WhiteStone (the “Community”) in Greensboro, North Carolina. The Community opened in 1913 and is licensed by the North Carolina Department of Insurance.

The Community is located on approximately 42 acres and currently consists of 149 independent living apartment, cottages and homes (the “Existing Independent Living Units”), 12 memory care beds (the “Existing Memory Care Beds”), and an 88-bed nursing facility (the “Skilled Nursing Beds”), along with supportive common areas. The Community offers a modified lifecare or “Type B” contract in which residents transferring through the continuum of care receive priority access to memory care or skilled nursing care and 30 free annual days of care (non-cumulative) at the Community.

See Independent Accountants’ Compilation Report

The unit configuration, approximate square footages, entrance fees (“Entrance Fees”) and monthly fees (“Monthly Fees”) for the Existing Independent Living Units are summarized in the following table.

| Independent Living Unit Type  | Unit Count | Square Footage | Traditional Plan Entrance Fee <sup>(1)(2)</sup> | 50% Return of Capital Entrance Fee Plan <sup>(1)(2)</sup> | 90% Return of Capital Entrance Fee Plan <sup>(1)(2)</sup> | Monthly Fee <sup>(2)(3)</sup> |
|-------------------------------|------------|----------------|---|---|---|-------------------------------|
| <i>Studios:</i>               |            |                |   |   |   |                               |
| Bennette <sup>(4)</sup>       | 4          | 144            | \$52,500  | \$75,700  | \$97,000  | \$2,656                       |
| Latham Plus <sup>(4)</sup>    | 3          | 165            | \$70,000  | \$101,000   | \$130,000   | \$2,656                       |
| <i>One-Bedroom Units:</i>     |            |                |   |   |   |                               |
| Bennette                      | 16         | 375            | \$85,000  | \$123,000   | \$158,000   | \$3,240                       |
| Latham                        | 3          | 375            | \$100,000                                       | \$144,000   | \$185,000   | \$3,240                       |
| Linville                      | 7          | 375            | \$100,000                                       | \$144,000   | \$185,000   | \$3,240                       |
| Alamance                      | 12         | 844            | \$158,000                                       | \$232,260   | \$298,600   | \$2,720                       |
| Caswell                       | 13         | 968            | \$185,000                                       | \$267,000   | \$343,000   | \$2,984                       |
| Davidson                      | 3          | 1,058          | \$200,500                                       | \$295,000   | \$379,000   | \$3,161                       |
| <i>Two-Bedroom Units:</i>     |            |                |   |   |   |                               |
| Forsyth                       | 9          | 1,162          | \$220,000                                       | \$308,000   | \$396,900   | \$3,337                       |
| Guilford                      | 3          | 1,252          | \$238,500                                       | \$333,000   | \$442,000   | \$3,406                       |
| Randolph                      | 6          | 1,299          | \$250,000                                       | \$350,595   | \$450,450   | \$3,511                       |
| <b>Total Apartments</b>       | <b>79</b>  | <b>743</b>     | <b>\$150,354</b>                                | <b>\$215,588</b>  | <b>\$277,671</b>  | <b>\$3,102</b>                |
| <i>Cottages/Homes/Villas:</i> |            |                |   |   |   |                               |
| One Bedroom Cottage           | 8          | 850            | \$120,000                                       | \$173,000   | \$222,500   | \$2,520                       |
| Two Bedroom Cottage           | 8          | 950            | \$140,000                                       | \$202,000   | \$260,000   | \$2,758                       |
| Phase I Homes                 | 48         | 1,895          | \$284,000                                       | \$417,500   | \$537,000   | \$3,119                       |
| Piedmont II Villa             | 4          | 1,875          | \$284,000                                       | \$417,500   | \$537,000   | \$3,119                       |
| Piedmont Villa                | 2          | 1,895          | \$284,000                                       | \$417,500   | \$537,000   | \$3,119                       |
| <b>Cottages/Homes/Villas</b>  | <b>70</b>  | <b>1,666</b>   | <b>\$248,800</b>                                | <b>\$364,929</b>  | <b>\$469,400</b>  | <b>\$3,009</b>                |
| <b>Total/Wtd Averages</b>     | <b>149</b> | <b>1,177</b>   | <b>\$196,604</b>                                | <b>\$285,748</b>  | <b>\$367,745</b>  | <b>\$3,058</b>                |

Source: Management

- (1) Fees are effective as of January 1, 2020. Entrance fees amortize by 2% each month for 50 months. Entrance Fees for the 50% Return of Capital Plan are estimated based on an approximate 44% premium compared to the Traditional Plan Entrance Fees. The 90% Return of Capital Plan Entrance Fees are estimated based on an approximate 85% premium compared to the Traditional Plan.
- (2) The second person Monthly Fee is an additional \$490 to \$615 for an Independent Living Apartment and \$546 to \$566 for an Independent Living Cottage or House.
- (3) Monthly Service Fees for Independent Living Unit apartments include three meals per day, weekly housekeeping and maintenance. Monthly Service Fees for independent living cottages, homes, and villas include one meal per day.
- (4) Studio unit square footages reflect room size only and not the shared bath.

The following table summarizes the unit types, approximate square footage and the daily fees (“Daily Fees”) for the Existing Memory Care Beds and Skilled Nursing Beds.

|   | <b>Number of Beds</b> | <b>Square Footage</b> | <b>Daily Fees <sup>(1)(2)(3)</sup></b> |
|---|-----------------------|-----------------------|--|
| <i>Existing Memory Care Beds:</i>                     |                       |                       |  |
| Private   | 8                     | 308                   | \$244                                  |
| Semi-Private  | 4                     | 304                   | \$221                                  |
| <b>Total Existing Memory Care Beds <sup>(4)</sup></b> | <b>12</b>             | <b>307</b>            | <b>\$236</b>                           |
| <i>Skilled Nursing Beds:</i>                          |                       |                       |  |
| Private   | 16                    | 305                   | \$322                                  |
| Semi-Private  | 72                    | 338                   | \$266                                  |
| <b>Total Skilled Nursing Beds</b>                     | <b>88</b>             | <b>332</b>            | <b>\$276</b>                           |

Source: Management

- (1) Daily Fees shown are effective as of January 1, 2020.
- (2) Management assumes the average insurance, Medicare and Medicaid per diem is approximately \$330, \$450 and \$161, respectively.
- (3) Each Resident receives 30 annual days of care in memory care or skilled nursing. Once a Resident uses the 30 annual days, they then pay the per diem rates listed.
- (4) The Existing Memory Care Beds are assumed to transfer to the new assisted living building in January 2022.

See Independent Accountants’ Compilation Report

**Description of the Project**

Management is planning an expansion and campus repositioning project to consist of the construction of 67 independent living units (“New Independent Living Units”), 24 assisted living units (“Assisted Living Units”), the relocation of the Memory Care Beds, and the repositioning of the Skilled Nursing Beds from 88 to 72 operating beds (the “Project”). The Existing Memory Care Beds are currently located in the care and wellness building and are to be transferred to the new Assisted Living building upon completion of the Project. The following table shows the New Independent Living Units and Assisted Living Units.

**Table 3**  
**New Independent Living Units / Assisted Living Units Configuration and Fees**

| Unit Type                                   | Unit Count | Square Footage | Traditional Plan Entrance Fee <sup>(1)(3)</sup> | 50% Return of Capital Entrance Fee Plan <sup>(1)(3)</sup> | 90% Return of Capital Entrance Fee Plan <sup>(1)(3)</sup> | Monthly Fee <sup>(2)</sup> |
|---|------------|----------------|---|---|---|----------------------------|
| <i><b>New Independent Living Units:</b></i> |            |                |   |   |   |                            |
| <i><b>One-Bedroom Units:</b></i>            |            |                |   |   |   |                            |
| Chatham (1 BR Deluxe)                       | 10         | 850            | \$175,000                                       | \$244,000   | \$315,000   | \$2,600                    |
| G (1 BR Deluxe)                             | 1          | 885            | \$195,000                                       | \$274,000   | \$353,000   | \$2,950                    |
| Wilkes (1 BR Den)                           | 19         | 962            | \$208,000                                       | \$298,000   | \$380,000   | \$2,900                    |
| <i><b>Two-Bedroom Units:</b></i>            |            |                |   |   |   |                            |
| Iredell (2 BR Traditional)                  | 17         | 1,155          | \$255,000                                       | \$358,000   | \$460,000   | \$3,200                    |
| Yadkin (2 BR Sunroom)                       | 10         | 1,303          | \$290,000                                       | \$407,000   | \$523,000   | \$3,400                    |
| Davie (2 BR Den End Unit)                   | 8          | 1,391          | \$336,000                                       | \$441,000   | \$557,000   | \$3,500                    |
| H (2 BR Den End Unit)                       | 1          | 1,400          | \$359,000                                       | \$505,000   | \$639,000   | \$3,750                    |
| Penthouse                                   | 1          | 1,850          | \$464,000                                       | \$655,000   | \$829,000   | \$4,250                    |
| <b>Total weighted average</b>               | <b>67</b>  | <b>1,115</b>   | <b>\$248,403</b>                                | <b>\$346,567</b>  | <b>\$443,239</b>  | <b>\$3,111</b>             |
| <i><b>Assisted Living Units:</b></i>        |            |                |   |   |   |                            |
| Suites                                      | 24         | 503            |   |   |   | \$4,500                    |
| <b>Total/Wtd Averages</b>                   | <b>24</b>  | <b>503</b>     |   |   |   | <b>\$4,500</b>             |

Source: Management

(1) Entrance Fees and Monthly Fees shown are in 2020 dollars.

(2) The second person Monthly Fee for the New Independent Living Units is \$1,000.

(3) Management anticipates 90 percent of depositors select the Traditional Plan, five percent would choose the 50% Return of Capital Plan and five percent would choose the 90% Return of Capital Plan.

The Existing Independent Living Units and the New Independent Living Units are collectively defined as the “Independent Living Units”.

*Project Timeline*

The following table illustrates the anticipated timeline for construction completion and fill-up of the Project.

**Table 4**  
**Anticipated Project Timeline**

|   |               |
|---|---------------|
| Obtain permanent financing  | August 2020   |
| Construction commences on the Project                                       | August 2020   |
| New Assisted Living Units available for occupancy                           | January 2022  |
| Existing Memory Care Beds transferred to New Assisted Living Units building | January 2022  |
| New Independent Living Units available for occupancy                        | January 2022  |
| New Independent Living Units achieve stabilized occupancy of 94.0%          | March 2023    |
| New Assisted Living Units achieve occupancy of 87.5% <sup>(1)</sup>         | December 2024 |

Source: Management

(1) The Assisted Living Units are assumed to be utilized by residents transferring from the Independent Living Units, with no direct admissions from the surrounding community. Residents that transferred from the Independent Living Units are anticipated to occupy 21 of the 24 Assisted Living by December 2024.

The following table summarizes the anticipated changes to the Community's unit configuration upon Project completion:

**Table 5**  
**Number of Units/Beds Before and After the Project**

| Unit Type                                | Existing   | Removed     | Added      | Net Increase | Upon Completion |
|--|------------|-------------|------------|--------------|-----------------|
| Independent Living Apartments            | 79         | –           | 67         | 67           | 146             |
| Independent Living Cottages              | 70         | –           | –          | –            | 70              |
| Assisted Living Units                    | –          | –           | 24         | 24           | 24              |
| Existing Memory Care Beds <sup>(1)</sup> | 12         | (12)        | 12         | –            | 12              |
| Skilled Nursing Beds <sup>(2)</sup>      |            |             |            |              |                 |
| Private                                  | 16         | –           | 14         | 14           | 30              |
| Semi-private                             | 72         | (30)        | –          | (30)         | 42              |
| <b>Total</b>                             | <b>249</b> | <b>(30)</b> | <b>105</b> | <b>75</b>    | <b>324</b>      |

Source: Management

(1) The Existing Memory Care Beds are currently located in the care and wellness building and are to be transferred to the new Assisted Living building upon completion of the Project.

(2) The Corporation anticipates maintaining licensure for 88 Skilled Nursing Beds.

See Independent Accountants' Compilation Report

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the highly contagious respiratory disease named “coronavirus disease 2019” (“COVID-19”) to be a pandemic, and on March 13, 2020, a national emergency was declared in the United States. The Centers for Disease Control and Prevention has confirmed the spread of COVID-19 to the United States, including North Carolina. In response, the federal government and a large number of state governments, including North Carolina, have imposed measures to curtail certain aspects of public life in an effort to contain COVID-19.

In addition to the direct impact to the health care industry, global investment and financial markets (including in the United States) have experienced substantial volatility attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the Corporation expects to encounter further volatility and disruption in its operations and in the local, national and global economies.

An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the Corporation’s service area, could result in an abnormally high demand for health care services. Further, the changing global economic conditions or global health concerns surrounding the COVID-19 pandemic may also affect the Corporation’s partners, suppliers, distributors and payors, potentially disrupting or delaying the Corporation’s supply chain, project construction progress and reimbursement by private payors.

The impact of COVID-19 on the Corporation’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, the potential impact of the COVID-19 pandemic could materially adversely impact the Corporation’s financial condition, liquidity and operations, as well as national and local economies. As part of its financial response to the COVID-19 pandemic, the Corporation arranged for a Paycheck Protection Program Loan (hereinafter defined) to protect its liquidity. Management has not estimated the potential impact of COVID-19 in its projection.

**Management Agreement**

The Corporation and the Manager entered into a Management Agreement (the “Management Agreement”) which is in effect through September 2021. However, the Corporation or the Manager can terminate the Management Agreement without cause six months after formal notice is given.

Under the Management Agreement, the Manager is responsible for recruiting and employing the Executive Director; supervising the licensing, equipping, and staffing of the Community; preparing annual budgets; establishing and operating a system of financial controls for the Community including comparative analyses with other facilities; and overseeing the food service and quality accommodations provided by the Community. In addition, the Manager is expected to facilitate the Corporation’s use of the Life Care Services Leads Management System (“LMS”) for relevant marketing efforts, provide training for the Corporation’s marketing personnel, regularly monitor the occupancy level of the Community, make specific recommendations with regard to marketing procedures and promotions, and arrange for a regular review of the Community marketing program by the Manager’s marketing specialists.

For its services under the Management Agreement, the Corporation is obligated to pay the Manager a monthly management fee of \$47,500 (the “Monthly Management Fee”) and an annual application service provider fee of \$10,000 (the “Application Service Provider Fee”). Management assumes the Management Agreement shall be renewed October 1, 2021 with a 3.0 percent increase. In addition to the Monthly Management Fee and the Application Service Provider Fee, the Manager is to receive 4.0 percent of the New Independent Living Units and New Assisted Living Units revenue each month beginning upon opening of the Project.

See Independent Accountants’ Compilation Report

**Development Agreement**

The Corporation and LCS Development LLC (the “Developer”) entered into a Development Agreement (the “Development Agreement”) on March 24, 2017 under which the Developer is expected to provide development consulting services related to the Project. Pursuant to the Development Agreement, the Developer is responsible for the initial occupancy development program of the Project.

For its services under the Development Agreement, the Corporation is obligated to pay the Developer a development fee of approximately \$2,928,000 (the “Development Fee”).

**Summary of Financing**

Total financial requirements to complete the Project are assumed to approximate \$70,745,000 and assumed to be funded primarily through the issuance of approximately \$67,453,000 of tax-exempt bonds (the “Series 2020 Bonds”), issued at a premium, and approximately \$1,000,000 of fundraising contributions. Management has assumed the following sources and uses of funds in preparing the financial projection based on information provided by Cain Brothers, a division of KeyBanc Capital Markets (the “Underwriter”).

|   |                  |
|---|------------------|
| <b>Sources of Funds:</b>  |                  |
| Series 2020A Bonds <sup>(1)</sup>                               | \$ 52,730        |
| Series 2020B Bonds <sup>(1)</sup>                               | 14,723           |
| Original issue premium <sup>(2)</sup>                           | 2,292            |
| Fundraising contribution <sup>(3)</sup>                         | 1,000            |
| <b>Total Sources of Funds</b>                                   | <b>\$ 70,745</b> |
| <b>Uses of Funds:</b>   |                  |
| Direct construction costs <sup>(4)</sup>                        | \$ 48,089        |
| Marketing costs <sup>(5)</sup>                                  | 1,340            |
| Design fees <sup>(6)</sup>                                      | 2,440            |
| Furniture, fixtures and equipment <sup>(7)</sup>                | 1,485            |
| Miscellaneous costs <sup>(8)</sup>                              | 313              |
| Development Fee <sup>(9)</sup>                                  | 2,928            |
| Contingency <sup>(10)</sup>                                     | 2,334            |
| <b>Total Project related costs</b>                              | <b>\$ 58,929</b> |
| Debt service reserve funds – Series 2020A Bonds <sup>(11)</sup> | \$ 3,265         |
| Funded interest <sup>(12)</sup>                                 | 7,156            |
| Cost of issuance <sup>(13)</sup>                                | 1,395            |
| <b>Total Uses of Funds</b>                                      | <b>\$ 70,745</b> |

Source: Management, the Developer, and the Underwriter

See Independent Accountants’ Compilation Report

## Notes:

- (1) The Series 2020 Bonds are assumed to consist of \$52,730,000 of tax-exempt fixed rate bonds (the “Series 2020A Bonds”) and \$14,723,000 of tax-exempt fixed rate bonds, anticipated to be repaid with initial Entrance Fees from the Project (the “Series 2020B Bonds”).
- (2) The Series 2020 are assumed to be issued at a premium of \$2,292,000.
- (3) Management has assumed a fundraising contribution of approximately \$1,000,000.
- (4) Direct construction costs for the Project are assumed to approximate \$48,089,000.
- (5) Marketing costs are assumed to approximate \$1,340,000.
- (6) The design fees associated with the construction of the Project are estimated to approximate \$2,440,000.
- (7) Furniture, fixtures and equipment costs are assumed to approximate \$1,485,000.
- (8) Miscellaneous costs are assumed to approximate \$313,000 and consists of legal fees, filing fees, impact fees, and other costs.
- (9) The Development Fee associated with the development of the Project is estimated to approximate \$2,928,000.
- (10) Management has included a Project contingency of approximately \$2,334,000.
- (11) A Debt Service Reserve Fund of \$3,265,000 is anticipated to be funded with proceeds of the Series 2020A Bonds.
- (12) Funded interest is assumed to approximate \$7,156,000 and is assumed to fund interest for the Series 2020 Bonds for 27 months.
- (13) Cost of issuance for the Series 2020 Bonds are assumed to approximate \$1,395,000.

See Independent Accountants’ Compilation Report

## Description of the Residency Agreement

### *Reservation Process*

Prospective residents of the Community complete the following process to reserve an Independent Living Unit.

In order to reserve an Existing Independent Living Unit, a prospective resident must execute a residency agreement (“Residency Agreement”), provide recent medical history, provide a self-disclosure of his or her finances and place a deposit equal to 10 percent of the Entrance Fee (the “10 Percent Deposit”) on the selected Existing Independent Living Unit. The balance of the Entrance Fee is due on or before the occupancy date (the “Occupancy Date”) of the Independent Living Unit.

Prospective residents would sign a reservation agreement (the “Reservation Agreement”) and pay the applicable deposit amount (“Depositor”), which shall be held in an escrow account on behalf of the Depositor in accordance with North Carolina General Statute §58-64-35, earn market rate interest and is fully refundable, including the interest earned. Depositors would execute a Residency Agreement upon payment of the Entrance Fee at or prior to move-in.

### *Residency Agreement*

Under the terms of the Residency Agreement (the “Agreement”), the Corporation generally accepts as residents (“Resident” or “Residents”) those persons at least 60 years of age at the time of occupancy (only one member of a couple must meet this requirement) who are able to care for themselves with limited or no assistance and are able to demonstrate the necessary financial resources to meet the Corporation’s minimum fee requirements. As defined in the Agreement, a Resident is required to pay an initial Entrance Fee and a Monthly Service Fee on an on-going basis. Payment of these amounts entitles a Resident to occupy and use the residence and receive the following services and amenities:

- Standard utilities, except telephone and cable;
- Dining allocation;
- Weekly housekeeping service;
- Building and grounds maintenance;
- Scheduled transportation;
- Twenty-four hour emergency response system;
- Security for building and grounds;
- Planned social, recreational, spiritual, educational and cultural activities; and
- Health center services at no charge for up to 30 annual days of care.

In addition to the above services and amenities the Resident is entitled to the use of Community common areas including central dining room, chapel, mailboxes, lounges, lobbies, library, social and recreational rooms, wellness center and other common activities.

See Independent Accountants’ Compilation Report

Certain services are available to Residents for an additional charge. These services include, but are not limited to:

- Medicine, drugs or other pharmacy services or nursing supplies;
- Optional personal care and assistance services;
- Personal laundry service;
- Private transportation;
- Additional meals over those provided in the Monthly Fee;
- Guest meals;
- Guest accommodations; and
- Other additional maintenance and housekeeping services performed beyond the normal scope of services included in the Monthly Fee.

#### *Entrance Fee Plan*

According to all three Entrance Fee plans, the Entrance Fee is paid upon occupancy. In the event of a cancellation after occupancy, the Entrance Fee refund shall be paid within 60 days upon receipt of a new Entrance Fee for the same Independent Living Unit vacated by the Resident, or within 24 months, whichever is sooner. The Corporation offers the following three Entrance Fee plans.

| <b>Refund Options</b>             | <b>Amortization Schedule</b>  |
|-----------------------------------|---|
| Traditional Plan (Non-Refundable) | The Entrance Fee decreases two percent per month for 50 months.   |
| 50% Return-of-Capital Plan        | The Resident is reimbursed 96 percent of the Entrance Fee and subsequently decreases two percent per month for 23 months. |
| 90% Return-of-Capital Plan        | The Resident is reimbursed 96 percent of the Entrance Fee and subsequently decreases two percent per month for 3 months.  |

Source: Management

The Corporation previously offered a contract whereby Residents entering the Community surrendered a portion of their assets and monthly income to the Corporation (the “Assigned Asset Plan”). During 2004, the board of directors voted to discontinue the Assigned Asset Plan for new residents. As of December 31, 2019, 5 Residents were on the Assigned Asset Plan.

*Health Care Benefit*

If a Resident is unable to live independently within the range of the services provided in the Independent Living Unit, as determined by the staff in appropriate consultation with the medical director of the Community and in conjunction with the Resident's physician and family, the Resident will be transferred to Existing Memory Care Bed, New Assisted Living Unit or a Skilled Nursing Bed, on either a temporary or permanent basis.

Each Resident is entitled to receive 30 days of care in the health center (to receive assisted living, skilled nursing care, or specialized care for dementia or related disorders) at no extra charge, except for the costs of physician services and ancillary health services and supplies as outlined in the Residency Agreement. Such 30 days are non-cumulative and renew on an annual basis. After the 30 days of care each year, the Resident is required to pay the per diem rate for care in the health center, as well as the Independent Living Unit Monthly Fee. If it is determined that the Resident requires permanent care in a health center, the Resident shall be required to surrender his or her residence for occupancy by another Resident. Once the residence is surrendered, the Resident will no longer be required to pay the Independent Living Unit Monthly Fee.

*Terminations and Refunds*

The Resident may terminate the Agreement within thirty (30) days of execution of the Agreement or the receipt of a Disclosure Statement that meets the requirements of N.C.G.S. § 58-64-20 (the "30-Day Rescission Period"). The Resident will not be required to move into a independent Living Unit before the expiration of this 30-Day Rescission Period. In the event of rescission, the Resident shall receive a refund of all monies transferred less (i) periodic charges specified in the Agreement and applicable only to the period a Independent Living Unit was actually occupied by the Resident; and (ii) any non-standard costs specifically incurred by the Corporation at the Resident's request and described in the Agreement or any amendment signed by the Resident.

The Resident may also voluntarily terminate the Agreement after the 30-Day Rescission Period, and prior to the date of occupancy, provided that the Resident gives written notice of such termination. Any such refund paid will equal the portion of the Entrance Fee paid by the Resident less \$1,000, or two percent of the Entrance Fee. Any such refunds as described above will be paid by the Corporation within sixty (60) days following the receipt of written notification of such termination.

Following expiration of the 30-Day Rescission Period and after the Resident's occupancy of the Independent Living Unit, the Agreement may be terminated at any time by the Resident by providing written notice. The amount of refund due would be the Entrance Fee paid, less four percent of the Entrance Fee for the Return-of-Capital Plans and less two percent (2%) per month of occupancy until the refund amount is reached.

Any such refund due would be made within sixty (60) days of termination if a new Entrance Fee for the same Independent Living Unit vacated by the Resident is paid, or within 24 months, whichever is sooner.

*Services Provided for in the Skilled Nursing Beds*

Skilled Nursing Beds Residents receive comprehensive 24-hour nursing services, special activity programs, social service programs, housekeeping and three meals a day.

See Independent Accountants' Compilation Report

**Summary of Significant Accounting Policies**

Basis of Accounting – The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

Use of Estimates – The preparation of prospective financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the amounts reported in the prospective financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Investments – Cash and investments includes cash on hand, amounts on deposit in banks and highly liquid debt instruments with a maturity of 90 days or less when purchased, excluding amounts whose use is limited. Financial instruments that potentially subject the Corporation to credit risk consist principally of cash, accounts receivable and investments. The Corporation maintains its cash in bank accounts which, at times, may exceed federally depository insurance (“FDIC”) limits. Management believes the credit risk associated with these deposits is minimal.

Assets Limited as to Use – Assets limited as to use represent funds required by the Corporation’s bond documents or other regulatory requirements to be held by a trustee (the “Trustee”) and include a statutory operating fund, various bond interest accounts, and debt service reserve funds. Management assumes no material changes in fair values that would result in material net realized or unrealized gains or losses during the projection period. North Carolina General Statute Section 58-64-33 requires CCRCs to maintain an operating reserve equal to 50 percent of the total budgeted operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if Independent Living Units and Assisted Living Units occupancy exceeds 90 percent.

Accounts Receivable – The Corporation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Generally, no finance charges are assessed on trade receivables.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Donated property is recorded at its estimated fair value at the time of receipt. Depreciation is computed using the straight-line method based on the following estimated useful lives:

|                         |                |
|-------------------------|----------------|
| Land improvements       | 20 years       |
| Buildings               | 20 to 40 years |
| Furniture and equipment | 3 to 20 years  |

Deferred Financing Costs – Costs associated with the issuance of debt is capitalized and amortized over the expected life of the debt instrument using the effective interest method. Debt issuance costs are netted against the related debt on the statement of financial position and the amortization is included in interest expense on the statement of operations.

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Deferred Revenue from Entrance Fees – Entrance Fees paid by a Resident upon entering into an Agreement are recorded as deferred revenue and amortized into income using the straight-line method over the estimated remaining life expectancy of the Resident, adjusted on an annual basis. The estimated amount of the contractual refund obligations that are expected to be refunded in a subsequent year are classified as a current liability on the statement of financial position.

Refundable Entrance Fees – Resident refunds payable include estimated Entrance Fee refunds due to Residents that have the 50 percent refundable Return-of-Capital Plan and the 90 percent refundable Return-of-Capital Plan. The Corporation's contracts stipulate that the Entrance Fee is refundable within 60 days after the Resident's Independent Living Unit is reserved by a new Resident and such new Resident has paid the full amount of the Entrance Fee.

Advance Admission Deposits – Potential Residents sign a nonbinding reservation agreement with the Corporation and pay a deposit (the "Deposit). The Deposits from Resident are kept in an escrow account in the Resident's name and identification number. Any interest earnings will accumulate to the benefit of the various Residents.

Net Assets – The Corporation conforms to the requirements of generally accepted accounting principles for external reporting by non-profit organizations and requires these resources be classified for accounting and reporting purposes into two net asset categories. The Corporation classifies its net assets for accounting and reporting purposes as Net Assets without Donor Restriction or Net Assets with Donor Restriction:

- *Net Assets with Donor Restriction* – resources of the Corporation that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and the investment in property and equipment.
- *Net assets without donor restriction* - resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Corporation to use or expend part or all of the income derived from the donated assets.]

Assets in Split-Interest Agreements – The Corporation has beneficial interest in several irrevocable, unconditional split-interest agreements, which are all administered by third parties and for which the Corporation has lead or remainder interests. The Corporation has the irrevocable right to receive a share of income from the assets of these trusts. These assets are stated at the fair value of the Corporation's net asset value per share of trust assets, which is an approximation of the present value of the estimated future distributions from the trusts, and have been recorded as net assets with donor restrictions based on restrictions associated with related trust agreements. Income distributions to the Corporation are included in investment income in net assets without donor restrictions. The change in value of the beneficial interest is recorded as the change in the value of split-interest agreements in net assets with donor restrictions related to their respective trusts. For purposes of the projection, Management assumes no changes to the assets in split-interest agreements during the projection period.

Income Taxes – The Corporation 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. For purposes of the projection, the Corporation has assumed no material unrecognized tax benefits or obligations during the projection period.

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Obligation to Provide Future Services to Residents – The Corporation enters into continuing care contracts with various Residents. A continuing-care contract is an agreement between a Resident and the Corporation specifying the services and facilities to be provided to a Resident over his or her remaining life. Under the Agreements, the Corporation has the ability to increase fees as deemed necessary.

The Corporation calculates annually the present value of the net cost of future services and the use of facilities to be provided to current Residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of the facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. No liability was recorded at December 31, 2019, because the present value of the estimated net costs of future services and use of facilities is less than deferred revenue from entrance fees. For purposes of the projection, Management has assumed no future service obligation liability.

Revenue Recognition – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. ASU No. 2014-09 is effective for fiscal year beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. For purposes of the projection the Corporation has implemented ASU No. 2014-09.

Restricted Cash – During 2019 the Corporation adopted FASB ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. As of December 31, 2019, the Corporation had approximately \$2,707,000 invested in cash, cash equivalents, and restricted cash and cash equivalents on the statement of cash flows. For purposes of the projection, Management has not presented restricted cash or restricted cash equivalents on the statement of cash flows.

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**Summary of Revenue and Entrance Fee Assumptions***Independent Living Unit Revenue*

Service fee revenue for Residents living in the Independent Living Units is based upon the assumed occupancy and the Monthly Fee of the respective units. The Independent Living Unit Monthly Fees are assumed to increase 3.0 percent annually during the projection period.

The Existing Independent Living Units are assumed to maintain a 94.6 percent occupancy level fiscal year 2021, decrease to 92.6 occupancy in 2022 and 2023, and increase to 94.6 percent occupancy in 2024. The New Independent Living Units are assumed to achieve a 94.0 percent occupancy level in March 2023 and remain at that level throughout the projection period. The following table summarizes the assumed utilization of the Existing Independent Living Units and New Independent Living Units during the projection period:

**Table 7**  
**Utilization of the Independent Living Units**

| Years Ended<br>December 31, | Existing Independent Living Units |                               |                      | New Independent Living Units |                               |                      | Total ILU<br>Occupancy |
|-----------------------------|-----------------------------------|-------------------------------|----------------------|------------------------------|-------------------------------|----------------------|------------------------|
|                             | Average<br>Units<br>Occupied      | Average<br>Units<br>Available | Average<br>Occupancy | Average<br>Units<br>Occupied | Average<br>Units<br>Available | Average<br>Occupancy |                        |
| <i>Historical:</i>          |                                   |                               |                      |                              |                               |                      |                        |
| 2017                        | 146.0                             | 161.0                         | 90.7%                | -                            | -                             | -                    | 90.7%                  |
| 2018                        | 151.0                             | 160.0                         | 94.4%                | -                            | -                             | -                    | 94.4%                  |
| 2019                        | 142.0                             | 152.0                         | 93.4%                | -                            | -                             | -                    | 93.4%                  |
| <i>Projected:</i>           |                                   |                               |                      |                              |                               |                      |                        |
| 2020 <sup>(1)</sup>         | 140.0                             | 149.0                         | 94.0%                | -                            | -                             | -                    | 94.0%                  |
| 2021                        | 141.0                             | 149.0                         | 94.6%                | -                            | -                             | -                    | 94.6%                  |
| 2022 <sup>(2)(3)</sup>      | 138.0                             | 149.0                         | 92.6%                | 30.3                         | 67.0                          | 45.2%                | 77.9%                  |
| 2023                        | 138.0                             | 149.0                         | 92.6%                | 62.2                         | 67.0                          | 92.8%                | 92.7%                  |
| 2024                        | 141.0                             | 149.0                         | 94.6%                | 63.0                         | 67.0                          | 94.0%                | 94.4%                  |

Source: Management

- (1) Average occupancy for the Existing Independent Living Units as of April 30, 2020 was 140 units occupied, or 94%.
- (2) The 67 New Independent Living Units are assumed to be available for occupancy in January 2022 and fill to a 92.5 percent occupancy level over a 15-month period at an average of 4.1 move-ins per month.
- (3) Management's actuarial projections assume that approximately 9 Existing Independent Living Units Residents shall transfer to the Assisted Living Units upon opening in January 2022, releasing 9 Existing Independent Living Units for resale. Management assumes approximately 3 Existing Independent Living Units to be resold per year in fiscal years 2022, 2023, and 2024, respectively.

The double occupancy percentage for the Existing Independent Living Units is assumed to average 27 percent throughout the projection period. The double occupancy percentage for the New Independent Living Units is assumed to approximate 48 percent in 2022 and decrease to approximately 42 percent in 2024.

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*New Independent Living Monthly Unit Move-in Schedule*

Residents are assumed to begin moving into the New Independent Living Units in January 2022. The assumed monthly move-in pattern (net of move-outs) is summarized below.

| <b>Fiscal<br/>Year/Month</b> | <b>New Independent<br/>Living Units</b> | <b>Cumulative<br/>Occupancy<br/>Total</b> | <b>Cumulative<br/>Occupancy<br/>Percentage <sup>(1)</sup></b> |
|------------------------------|---|---|---|
| <b>2022</b>                  |   |   |   |
| January                      | 6.0                                     | 6.0                                       | 9.0%  |
| February                     | 6.0                                     | 12.0                                      | 17.9%   |
| March                        | 5.0                                     | 17.0                                      | 25.4%   |
| April                        | 5.0                                     | 22.0                                      | 32.8%   |
| May                          | 5.0                                     | 27.0                                      | 40.3%   |
| June                         | 5.0                                     | 32.0                                      | 47.8%   |
| July                         | 4.0                                     | 36.0                                      | 53.7%   |
| August                       | 4.0                                     | 40.0                                      | 59.7%   |
| September                    | 4.0                                     | 44.0                                      | 65.7%   |
| October                      | 4.0                                     | 48.0                                      | 71.6%   |
| November                     | 4.0                                     | 52.0                                      | 77.6%   |
| December                     | 4.0                                     | 56.0                                      | 83.6%   |
| <b>2023</b>                  |   |   |   |
| January                      | 3.0                                     | 59.0                                      | 88.1%   |
| February                     | 2.0                                     | 61.0                                      | 91.0%   |
| March                        | 2.0                                     | 63.0                                      | 94.0%   |
| <b>Total</b>                 | <b>63.0</b>                             | <b>63.0</b>                               | <b>94.0%</b>  |

Source: Management

(1) The cumulative occupancy is based on 67 Independent Living Units.

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*Assisted Living Unit Revenue*

Service fee revenue for Residents living in the Assisted Living Units is based upon the assumed occupancy and the Monthly Service Fee of the respective units. The Assisted Living Unit Monthly Service Fees are assumed to increase 3.0 percent annually during the projection period. Management assumes the Assisted Living Units is to achieve 87.5 percent occupancy by January 2024 based on population projections provided by the Corporation's actuary. The assumed occupancy levels for the Assisted Living Units are presented in the following table:

**Table 9**  
**Utilization of the New Assisted Living Units**

| Years Ended<br>December 31, | Average Units<br>Occupied – Contracts | Total Units<br>Available | Average<br>Occupancy |
|-----------------------------|---------------------------------------|--------------------------|----------------------|
| 2022 <sup>(1)(2)</sup>      | 15.3                                  | 24.0                     | 63.8%                |
| 2023                        | 18.6                                  | 24.0                     | 77.5%                |
| 2024                        | 21.0                                  | 24.0                     | 87.5%                |

Source: Management

- (1) The 24 New Assisted Living Units are assumed to be available for occupancy in January 2022 and fill to an 87.5 percent occupancy level over a 36-month period at an average of .58 move-ins per month.
- (2) Management's actuarial projections assume that approximately 9 Existing Independent Living Units Residents shall transfer to the Assisted Living Units upon opening in January 2022.

*Memory Care Beds Revenue*

Service fee revenue for Residents living in the Memory Care Beds is based upon the assumed occupancy and the Monthly Service Fee of the respective units. The Memory Care Unit Monthly Service Fees are assumed to increase 3.0 percent annually during the projection period. The Memory Care Beds are assumed to maintain a 94.1 percent occupancy level throughout the projection period. The following table summarizes the assumed utilization of the Memory Care Beds during the projection period:

**Table 10**  
**Utilization of the Memory Care Beds**

| Years Ended<br>December 31, | Average Units Occupied | Total Units Available | Average<br>Occupancy |
|-----------------------------|------------------------|-----------------------|----------------------|
| <i>Historical:</i>          |                        |                       |                      |
| 2017                        | 12.0                   | 12.0                  | 100.0%               |
| 2018                        | 12.0                   | 12.0                  | 100.0%               |
| 2019                        | 12.0                   | 12.0                  | 100.0%               |
| <i>Projected:</i>           |                        |                       |                      |
| 2020 <sup>(1)</sup>         | 11.3                   | 12.0                  | 94.1%                |
| 2021                        | 11.3                   | 12.0                  | 94.1%                |
| 2022                        | 11.3                   | 12.0                  | 94.1%                |
| 2023                        | 11.3                   | 12.0                  | 94.1%                |
| 2024                        | 11.3                   | 12.0                  | 94.1%                |

Source: Management

- (1) Average occupancy for the Memory Care Beds as of April 30, 2020 was 12.0 units occupied, or 100.0%.

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*Skilled Nursing Beds Revenue*

Service fee revenue for Residents living in the Skilled Nursing Beds is based upon the assumed occupancy and the Daily Service Fee of the respective bed. The Skilled Nursing Bed Daily Service Fees are assumed to increase 3.0 percent for private-pay Residents and 2 percent for Medicare and 1.0 percent for Medicaid Residents annually during the projection period. During 2020 and 2021, Management plans to reduce the number of available Skilled Nursing Beds from 88 total beds to 72 total beds. Management assumes the Skilled Nursing Beds will maintain a 94.3 percent occupancy level after the unit reduction. The assumed occupancy levels for the Skilled Nursing Beds are presented in the following table:

**Table 11**  
**Average Utilization of the Skilled Nursing Beds**

| Years Ended<br>December 31, | Direct<br>Admit /<br>Other <sup>(1)</sup> | Medicare | Medicaid | Contracts<br>– Perm <sup>(1)</sup> | Contracts<br>– Temp <sup>(1)</sup> | Total | Total<br>Beds<br>Available | Occupancy<br>Percentage |
|-----------------------------|---|----------|----------|------------------------------------|------------------------------------|-------|----------------------------|-------------------------|
| <i>Historical:</i>          |   |          |          |                                    |                                    |       |                            |                         |
| 2017                        | 50.0                                      | 15.0     | 18.0     | -                                  | -                                  | 83.0  | 88.0                       | 94.3%                   |
| 2018                        | 43.0                                      | 17.0     | 24.0     | -                                  | -                                  | 84.0  | 88.0                       | 95.5%                   |
| 2019                        | 46.0                                      | 14.5     | 25.0     | -                                  | -                                  | 85.5  | 88.0                       | 95.7%                   |
| <i>Projected:</i>           |   |          |          |                                    |                                    |       |                            |                         |
| 2020 <sup>(2)</sup>         | 29.6                                      | 8.0      | 22.1     | 14.0                               | 3.0                                | 76.6  | 80.7                       | 95.0%                   |
| 2021                        | 13.1                                      | 5.2      | 12.5     | 14.0                               | 3.0                                | 47.8  | 54.4                       | 87.8%                   |
| 2022                        | 22.2                                      | 8.8      | 18.0     | 15.0                               | 4.0                                | 67.9  | 72.0                       | 94.3%                   |
| 2023                        | 20.2                                      | 8.8      | 18.0     | 17.0                               | 4.0                                | 67.9  | 72.0                       | 94.3%                   |
| 2024                        | 19.2                                      | 8.8      | 18.0     | 18.0                               | 4.0                                | 67.9  | 72.0                       | 94.3%                   |

Source: Management

- (1) The average occupied Skilled Nursing Beds for direct admit / other for fiscal years 2017, 2018, and 2019 include Residents that have transferred to the Skilled Nursing Beds on a temporary or permanent basis.
- (2) Average occupancy for the Skilled Nursing Beds as of April 30, 2020 was 79.9 or 90.8%.

*Other Revenue*

Management assumes meal revenue, other miscellaneous revenue, and unrestricted contributions to increase approximately 3.0 percent annually throughout the projection period.

*Contributions*

Management assumes that total contributions would approximate \$1,126,000 in unrestricted contributions to net assets annually throughout the projection period. The Corporation receives contributions from charitable organizations and private sources.

*Investment Income*

Interest earnings are assumed to approximate 1.5 percent annually throughout the projection period on the Corporation's cash and investments, Debt Service Reserve Funds, Operating Reserve Fund and Board restricted funds.

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*Entrance Fees*

The assumed number of Existing Independent Living Units and New Independent Living Units becoming available due to Resident turnover, the double occupancy rate, the number of annual Resident Entrance Fee funds, and the movement of Existing and New Independent Living Unit Residents into the Assisted Living Units or Skilled Nursing Beds due to death, withdrawal or transfer are provided by Management and the actuary.

Inflation on the Initial New Independent Living Units Entrance Fees are assumed to remain constant during the projection period, while New Independent Living Units Entrance Fees from attrition are assumed to increase 3.0 percent annually throughout the projection period. The following table presents the assumed initial and attrition Entrance Fees received and the total Entrance Fees refunded.

**Table 12**  
**Entrance Fees Receipts and Entrance Fees Refunds (In Thousands)**

|   | 2020     | 2021     | 2022      | 2023       | 2024       |
|---|----------|----------|-----------|------------|------------|
| <b><i>Number of Entrance Fees Received</i></b>            |          |          |           |            |            |
| New Independent Living Units – Initial <sup>(1)</sup>     | -        | -        | 56.0      | 11.0       | -          |
| Existing Independent Living Units – Attrition             | 6.3      | 17.4     | 15.8      | 16.0       | 16.0       |
| Existing Independent Living Units – Resale <sup>(2)</sup> | -        | -        | 3.0       | 3.0        | 3.0        |
| New Independent Living Units – Attrition                  | -        | -        | 1.7       | 4.0        | 4.2        |
| <b>Total Number of Entrance Fees Received</b>             | 6.3      | 17.4     | 76.5      | 34.0       | 23.2       |
| <b><i>Entrance Fees Received</i></b>                      |          |          |           |            |            |
| New Independent Living Units – Initial                    | \$ -     | \$ -     | \$ 14,731 | \$ 2,894   | \$ -       |
| Existing Independent Living Units – Attrition             | 1,328    | 3,686    | 4,054     | 4,160      | 4,303      |
| New Independent Living Units – Attrition                  | -        | -        | 481       | 864        | 964        |
| <b>Total Entrance Fees Received</b>                       | \$ 1,328 | \$ 3,686 | \$ 19,266 | \$ 7,918   | \$ 5,267   |
| Total Entrance Fees Refunded                              | \$ (825) | \$ (655) | \$ (942)  | \$ (1,187) | \$ (1,082) |
| <b>Entrance Fees Received, Net of Refunds</b>             | \$ 503   | \$ 3,031 | \$ 18,324 | \$ 6,731   | \$ 4,185   |

Source: Management

- (1) For purposes of the projection, Management assumes initial Entrance Fees are received on all 67 New Independent Living Units. Due to vacancies and attrition, Management assumes an average stable occupancy for the New Independent Living Units of 92.5 percent.
- (2) Management's actuarial projections assume that approximately 9 Existing Independent Living Units Residents shall transfer to the Assisted Living Units upon opening in January 2022, releasing 9 Existing Independent Living Units for resale. Management assumes approximately 3 Existing Independent Living Units to be resold per year in fiscal years 2022, 2023, and 2024, respectively.

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**Summary of Operating Expense Assumptions**

Management assumes all departmental, residential, assisted living, and long-term care expenses to increase approximately 3.0 percent annually throughout the projection period.

**Table 13**  
**Schedule of Assumed Staffing Levels (FTEs) (2024)**

| Department                      | Existing     | Project     | Total        |
|---------------------------------|--------------|-------------|--------------|
| Administration and general      | 12.6         | 1.0         | 13.6         |
| Activities                      | 3.5          | 2.6         | 6.1          |
| Skilled nursing                 | 88.0         | -           | 88.0         |
| Laundry and housekeeping        | 17.8         | 6.1         | 23.9         |
| Home health                     | 18.0         | -           | 18.0         |
| Assisted living and memory care | 5.4          | 10.1        | 15.5         |
| Dietary                         | 37.4         | 15.2        | 52.6         |
| Facilities                      | 12.4         | 1.7         | 14.1         |
| <b>Total FTE's</b>              | <b>195.1</b> | <b>36.7</b> | <b>231.8</b> |

Source: Management

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance and security contracts, building and general liability insurance, legal and accounting fees, and other miscellaneous expenses and are assumed to increase 3.0 percent annually throughout the projected period.

**Property and Equipment and Depreciation Expense**

The Corporation is to incur routine capital additions during the projection period that are to be capitalized as property and equipment. Depreciation expense for all capital assets is computed based on the straight-line method for buildings and equipment over estimated average useful lives of 30 and 15 years, respectively. The Corporation's property and equipment costs, during the projection period are summarized in the table below.

**Table 14**  
**Schedule of Property and Equipment**  
**(In Thousands)**

| Years Ended March 31,         | 2020     | 2021      | 2022      | 2023      | 2024      |
|-------------------------------|----------|-----------|-----------|-----------|-----------|
| Property and equipment,       |          |           |           |           |           |
| Gross beginning balance       | \$55,885 | \$62,637  | \$113,908 | \$115,380 | \$116,380 |
| Project costs                 | 4,423    | 47,091    | 472       | -         | -         |
| Capitalized interest, net     | 1,329    | 3,180     | -         | -         | -         |
| Routine capital additions     | 1,000    | 1,000     | 1,000     | 1,000     | 1,000     |
| Property and equipment, gross | \$62,637 | \$113,908 | \$115,380 | \$116,380 | \$117,380 |
| Accumulated depreciation      | (24,571) | (26,442)  | (28,351)  | (30,360)  | (32,435)  |
| Property and equipment,       |          |           |           |           |           |
| Net ending balance            | \$38,066 | \$87,466  | \$87,029  | \$86,020  | \$84,945  |

Source: Management

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**Assets Limited as to Use**

Assets limited as to use represents funds required by the Corporation's bond documents to be held by a Trustee, statutory required funds, and Board designated funds. Amounts required to meet current liabilities of the Corporation have been classified as current assets in the balance sheet.

- (1) Bond Fund, to contain the bond principal and interest payments to be used for payment of debt service on the Series 2017 Bonds and the Series 2020 Bonds.
- (2) Project Fund funded at the closing from the Series 2020 Bonds proceeds to be used to pay construction costs to complete the Project.
- (3) Entrance Fee Fund assumed to be funded with New Independent Living Entrance Fees and to be released for the repayment of the Series 2020B Bonds.
- (4) Funded Interest Account assumed to be funded with proceeds from the Series 2020 Bonds and to be used to pay interest on the Series 2020 Bonds for 27 months.
- (5) Debt Service Reserve Fund-Series 2017 Bonds, funded by proceeds from the Series 2017 Bonds.
- (6) Debt Service Reserve Fund-Series 2020A Bonds, assumed to be initially funded by proceeds from the Series 2020A Bonds.
- (7) Board designated investments are restricted by the board of directors and are designated to refund advance fees.
- (8) Resident trust fund consists of restricted cash held for Residents.
- (9) Long-term endowment investments include investments held by the Corporation as stipulated by endowments to the Corporation.
- (10) Resident deposits are held in escrow and funded with initial refundable deposits from prospective Residents to hold an Independent Living Unit.
- (11) Operating Reserve Fund, required by the North Carolina General Statute Section 58-64-33 maintain an operating reserve equal to 50 percent of the total operating expenses (adjusted for non-cash items) in a given year, or 25 percent of such total operating expenses (adjusted for non-cash items) if the Community's occupancy exceeds 90 percent. The Statutory Operating Reserve Fund requirement as of December 31, 2019 was approximately \$3,624,000. The following tables summarizes the projected Operating Reserve Fund.

|   | 2020      | 2021      | 2022      | 2023      | 2024      |
|---|-----------|-----------|-----------|-----------|-----------|
| Operating expense                                   | \$ 16,980 | \$ 13,993 | \$ 18,284 | \$ 19,309 | \$ 19,763 |
| Add: interest expense                               | 1,113     | 1,100     | 4,278     | 4,053     | 3,636     |
| Add: principal payment on bonds                     | 300       | 315       | 325       | 15,708    | 1,030     |
| Subtract: depreciation & amortization               | (1,626)   | (1,663)   | (1,701)   | (1,801)   | (1,867)   |
| Subtract: debt adjustment                           | (1,413)   | (1,415)   | (4,603)   | (19,761)  | (4,666)   |
| Operating expenses-adjusted                         | 15,354    | 12,330    | 16,583    | 17,508    | 17,896    |
| Operating reserve % required                        | 25%       | 25%       | 50%       | 25%       | 25%       |
| Operating reserve                                   | \$ 3,839  | \$ 3,083  | \$ 8,292  | \$ 4,377  | \$ 4,474  |
| Independent Living Units and Assisted Living Units: |           |           |           |           |           |
| Available   | 161       | 161       | 252       | 252       | 252       |
| Occupied  | 151       | 152       | 222       | 232       | 236       |
| Occupancy percentage                                | 94%       | 95%       | 88%       | 92%       | 94%       |

Source: Management

See Independent Accountants' Compilation Report

**Long-Term Debt and Interest Expense**

Existing debt of the Corporation consists of the Series 2017 Bonds (the “Series 2017 Bonds”) and the Small Business Association’s (the “SBA”) Paycheck Protection Program loan (the “Paycheck Protection Program Loan”).

*Series 2017 Bonds*

As of December 31, 2019, \$23,015,000 of the long-term debt was related to Public Finance Authority Retirement Facilities First Mortgage Revenue Refunding Bonds, issued at a premium to refund outstanding debt. Interest on the Series 2017 Bonds is payable semi-annually on March 1 and September 1 of each year. Principal on the Series 2017 Bonds is payable annually on March 1, with a final maturity of March 1, 2037. The following table presents the projected debt service for the Series 2017 Bonds.

| <b>Years Ended<br/>December 31,</b> | <b>Series 2017 Bonds</b>     |                             | <b>Total<br/>Debt Service</b> |
|-------------------------------------|------------------------------|-----------------------------|-------------------------------|
|                                     | <b>Principal<br/>Payment</b> | <b>Interest<br/>Payment</b> |                               |
| 2020                                | 300                          | 1,117                       | 1,417                         |
| 2021                                | 315                          | 1,105                       | 1,420                         |
| 2022                                | 325                          | 1,092                       | 1,417                         |
| 2023                                | 340                          | 1,078                       | 1,418                         |
| 2024                                | 355                          | 1,065                       | 1,420                         |
| Thereafter                          | 21,380                       | 18,307                      | 39,687                        |
| <b>Total</b>                        | <b>\$ 23,015</b>             | <b>\$ 23,764</b>            | <b>\$ 46,779</b>              |

Source: Management

*Paycheck Protection Program Loan*

The Corporation obtained an approximate \$1,400,000 Paycheck Protection Program Loan from a participating bank created under the Coronavirus Aid, Relief and Economic Security Act (the “Cares Act”) as amended by the Paycheck Protection Program Flexibility Act of 2020 (the “Flexibility Act”). The Paycheck Protection Program Loan is unsecured, and the interest rate is 1 percent per annum. Principal and interest payments on the Paycheck Protection Program Loan are payable monthly, with the first six monthly payments are deferred.

The Cares Act and the subsequent Flexibility Act provide that the Paycheck Protection Program Loan is anticipated to be forgiven if, among other things, during the 24-week period after the Paycheck Protection Program Loan was made, at least 60 percent of the Paycheck Protection Program Loan proceeds were used for eligible payroll costs and the average number of full-time employees of the Corporation was not reduced during an applicable reference period. The Corporation intends to submit a timely loan forgiveness application to the SBA and anticipates meeting all of the conditions for forgiveness of the Paycheck Protection Program Loan. For purposes of the projection, the Paycheck Protection Program Loan is assumed to be forgiven during the fiscal year ending December 31, 2020.

See Independent Accountants’ Compilation Report

*Series 2020 Bonds*

The Series 2020 Bonds are assumed to consist of non-rated, tax-exempt fixed rate Series 2020A Bonds and Series 2020B Bonds of approximately \$52,730,000 and \$14,723,000, respectively, with average interest rates of 5.00 percent and 3.76 percent per annum, respectively. Proceeds from the Series 2020 Bonds are assumed to fund the construction of the Project. Interest on the Series 2020 Bonds is assumed to be payable semi-annually on March 1 and September 1 of each year beginning September 1, 2020. Principal on the Series 2020A Bonds is assumed to be payable annually commencing March 1, 2023. Principal on the Series 2020B Bonds is assumed to be repaid with initial Project Entrance Fees in March 2023.

The following table presents the projected debt service for the Series 2020A Bonds and Series 2020B Bonds.

**Table 16**  
**Principal and Interest Payments-Series 2020A Bonds and Series 2020B Bonds**  
**(In Thousands)**

| Years Ended<br>December 31, | Series 2020A Bonds   |                     | Series 2020B Bonds   |                     | Total<br>Debt Service |
|-----------------------------|----------------------|---------------------|----------------------|---------------------|-----------------------|
|                             | Principal<br>Payment | Interest<br>Payment | Principal<br>Payment | Interest<br>Payment |                       |
| 2020                        | \$ -                 | \$ 220              | \$ -                 | \$ 46               | \$ 266                |
| 2021                        | -                    | 2,637               | -                    | 554                 | 3,191                 |
| 2022                        | -                    | 2,637               | -                    | 554                 | 3,191                 |
| 2023                        | 645                  | 2,620               | 14,723               | 554                 | 18,542                |
| 2024                        | 675                  | 2,588               | -                    | -                   | 3,263                 |
| Thereafter                  | 51,410               | 49,742              | -                    | -                   | 101,152               |
| <b>Total</b>                | <b>\$ 52,730</b>     | <b>\$ 60,444</b>    | <b>\$ 14,723</b>     | <b>\$ 1,708</b>     | <b>\$ 129,605</b>     |

Source: Management

**Current Assets and Current Liabilities**

Operating revenue, as used below, excludes amortization of earned entrance fees. Operating expenses exclude amortization, depreciation and interest expense. Management has assumed the following working capital components based on the Corporation's historical trends:

**Table 17**  
**Working Capital – Days on Hand**

|  |    |                             |
|--|----|-----------------------------|
| Accounts receivables, net                                      | 24 | days of operating revenues  |
| Accounts receivable from the North Carolina Masonic Foundation |    | based on historical average |
| Prepaid expenses and other current assets                      | 8  | days of operating expenses  |
| Accounts payable   | 22 | days of operating expenses  |
| Accrued expenses and other current liabilities                 | 24 | days of operating expenses  |

Source: Management

See Independent Accountants' Compilation Report

# **EXHIBIT 4**

## **Interim Financial Statements March 2020**

- ❖ Balance Sheet**
- ❖ Statement of Operations**
- ❖ Statement of Cash Flows**

# WhiteStone: A Masonic and Eastern Star Community Comparative Balance Sheet

Masonic and Eastern Star Home

MAR-20USD

5/13/2020 10:16

| NATURAL ACCOUNT   | Current Month        |
|---|----------------------|
| <b>Assets</b>   |                      |
| Total Cash and Cash Equivalents                         | 1,819,168.26         |
| Total Current Assets Whose Use is Limited or Restricted | 3,133,947.28         |
| Total Accounts/Notes Receivable                         | 2,382,096.18         |
| Total Inventory   | 75,365.53            |
| Total Prepaid and Deferred                              | 123,625.50           |
| Total L-T Assets Whose Use is Board/Self Restricted     | 8,567,936.95         |
| Total L-T Assets With Limited/Restricted Use            | 2,414,824.77         |
| Net Depreciable Assets                                  | 29,587,954.81        |
| Total Other Assets                                      | 8,622,093.32         |
| <b>Total Assets</b>                                     | <b>56,727,012.60</b> |
| <b>Liabilities</b>                                      |                      |
| Total Accounts Payable                                  | 1,551,011.57         |
| Total Accrued Payroll Liabilities                       | 681,410.19           |
| Total Accrued Interest and Current Debt                 | 953,995.81           |
| Total Accrued Liabilities                               | 132,810.72           |
| Total Other Current Liabilities                         | 1,067,978.61         |
| Total Long-Term Liabilities                             | 27,025,489.52        |
| Total Deferred Revenue - Non Refundable                 | 12,569,400.88        |
| <b>Total Liabilities</b>                                | <b>43,982,097.30</b> |
| <b>Total Equity</b>                                     | <b>12,744,915.30</b> |
| <b>Total Liabilities and Equity</b>                     | <b>56,727,012.60</b> |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-20USD  
 5/13/2020 10:16

| NATURAL ACCOUNT COST CENTER                    | YTD Actuals         |
|--|---------------------|
| Operating Revenue                              |                     |
| Independent Living Revenue                     |                     |
| <b>Total IL &amp; State Supplement Revenue</b> | <b>1,193,909.42</b> |
| Health Center                                  |                     |
| <b>Total Private Pay</b>                       | <b>1,050,915.49</b> |
| <b>Total Life Care/Continuing Care</b>         | <b>1,496.97</b>     |
| <b>Total Medicare Part A</b>                   | <b>167,915.29</b>   |
| <b>Total Medicare Part B</b>                   | <b>66,291.95</b>    |
| <b>Total Medicaid</b>                          | <b>367,129.27</b>   |
| <b>Total HMO/Managed Care</b>                  | <b>319,628.34</b>   |
| <b>Total Hospice</b>                           | <b>4,237.65</b>     |
| <b>Total Other Insurance</b>                   | <b>(2,510.41)</b>   |
| <b>Total Health Center Revenue</b>             | <b>1,975,104.55</b> |
| Assisted Living - Dementia                     |                     |
| <b>Total Private Pay</b>                       | <b>246,055.19</b>   |
| <b>Total Life Care/Continuing Care</b>         | <b>7,564.00</b>     |
| <b>Total Medicaid</b>                          | <b>-</b>            |
| <b>Total Assisted Living Revenue</b>           | <b>253,619.19</b>   |
| Home Health                                    |                     |
| <b>Total Private Pay</b>                       | <b>180,621.18</b>   |
| <b>Total Home Health Revenue</b>               | <b>180,621.18</b>   |
| <b>Total Other Operating Revenue</b>           | <b>(2,531.12)</b>   |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-20USD  
 5/13/2020 10:16

| NATURAL ACCOUNT COST CENTER                      | YTD Actuals  |
|--|--------------|
| <b>Total Operating Revenue</b>                   | 3,600,723.22 |
| <b>Total General and Administrative Expense</b>  | 729,433.77   |
| <b>Plant</b>                                     |              |
| <b>Total Wages</b>                               | 90,321.64    |
| <b>Total Benefits and Taxes</b>                  | 18,804.48    |
| <b>Total Other Expenses</b>                      | 308,536.26   |
| <b>Total Plant Expenses</b>                      | 417,662.38   |
| <b>Environmental Services</b>                    |              |
| <b>Total Wages</b>                               | 121,257.56   |
| <b>Total Benefits and Taxes</b>                  | 30,253.16    |
| <b>Total Other Expenses:</b>                     | 20,807.69    |
| <b>Total Environmental Service Expense</b>       | 172,318.41   |
| <b>Food Service</b>                              |              |
| <b>Total Wages</b>                               | 246,956.68   |
| <b>Total Benefits and Taxes</b>                  | 51,022.01    |
| <b>Total Other Expenses</b>                      | 270,261.89   |
| <b>Total Food &amp; Beverage Service Expense</b> | 568,240.58   |
| <b>Resident Services</b>                         |              |
| <b>Total Wages</b>                               | 30,226.10    |
| <b>Total Benefits</b>                            | 8,839.61     |
| <b>Total Other Expenses</b>                      | 48,868.65    |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home

MAR-20USD

5/13/2020 10:16

| NATURAL ACCOUNT COST CENTER            | YTD Actuals    |
|--|----------------|
|  |                |
|  |                |
| <b>Total Resident Services Expense</b> | 87,934.36      |
|  |                |
| <b>Health Center</b>                   |                |
|  |                |
| <b>Total Wages</b>                     | 913,572.71     |
| <b>Total Benefits</b>                  | 214,755.92     |
| <b>Total HC Administrative Expense</b> | 64,768.13      |
| <b>Total Ancillary Expense</b>         | 274,088.86     |
|  |                |
| <b>Total Health Center Expense</b>     | 1,467,185.62   |
|  |                |
| <b>Assisted Living - Dementia</b>      |                |
|  |                |
| <b>Total Wages</b>                     | 40,983.87      |
| <b>Total Benefits and Taxes</b>        | 10,803.79      |
| <b>Total Other Expenses</b>            | 573.23         |
|  |                |
| <b>Total Assisted Living Expense</b>   | 52,360.89      |
|  |                |
| <b>Community Home Health</b>           |                |
|  |                |
| <b>Total Wages</b>                     | 167,146.67     |
| <b>Total Labor - Outside Contract</b>  | -              |
| <b>Total Benefits and Taxes</b>        | 27,189.64      |
| <b>Total Other Expenses</b>            | 4,677.64       |
|  |                |
| <b>Total Community Home Health</b>     | 199,013.95     |
|  |                |
| <b>Total Operating Expense</b>         | 3,694,149.96   |
|  |                |
| <b>Net Operating Income</b>            | (93,426.74)    |
|  |                |
| <b>Total Other Income</b>              | (1,272,570.23) |

# WhiteStone: A Masonic and Eastern Star Community Quarterly Operating Statement

Masonic and Eastern Star Home  
 MAR-20USD  
 5/13/2020 10:16

| NATURAL ACCOUNT COST CENTER              | YTD Actuals    |
|--|----------------|
| Total Other Expenses                     | 705,135.47     |
| Net Income/(Loss)                        | (2,071,132.44) |
| <b>SUMMARY</b>                           |                |
| Operating Revenue                        |                |
| Total Independent Living Revenue         | 1,193,909.42   |
| Total Health Center Revenue              | 1,975,104.55   |
| Total Assisted Living Revenue            | 253,619.19     |
| Total Home Health Revenue                | 180,621.18     |
| Total Other Operating Revenue            | (2,531.12)     |
| Total Operating Revenue                  | 3,600,723.22   |
| Operating Expense                        |                |
| Total General and Administrative Expense | 729,433.77     |
| Total Plant                              | 417,662.38     |
| Total Environmental Service              | 172,318.41     |
| Total Food Service Expense               | 568,240.58     |
| Total Resident Services Expense          | 87,934.36      |
| Total Health Center Expense              | 1,467,185.62   |
| Total Assisted Living - Dementia Expense | 52,360.89      |
| Total Community Home Health Expense      | 199,013.95     |
| Total Operating Expense                  | 3,694,149.96   |
| Net Operating Income                     | (93,426.74)    |
| Total Other Income                       | (1,272,570.23) |
| Total Other Expenses                     | 705,135.47     |
| Net Income/(Loss)                        | (2,071,132.44) |

# WhiteStone: A Masonic and Eastern Star Community Statement of Cash Flows

Masonic and Eastern Star Home

MAR-20USD

5/13/2019 10:18

|   | Year To Date Actual   |
|---|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                    |                       |
| Operating Revenue   | 3,600,723.22          |
| <b>Adjustments to Reconcile Net Operating Revenue to Cash:</b>  |                       |
| Decrease (Increase) in Resident Receivables                     | (141,498.59)          |
| Decrease (Increase) in Other Accounts Receivable                | (24,234.39)           |
| <b>Operating Revenue - Cash Basis</b>                           | <b>3,434,990.24</b>   |
| Operating Expenses  | 3,694,149.96          |
| <b>Adjustments to Reconcile Net Operating Expenses to Cash:</b> |                       |
| Increase (Decrease) in Prepaid Expenses and Inventory           | (85,004.38)           |
| Decrease (Increase) in Accounts Payable                         | (16,196.06)           |
| Decrease (Increase) in Accrued Expenses                         | 144,572.52            |
| <b>Operating Expenses - Cash Basis</b>                          | <b>3,737,522.04</b>   |
| <b>Net Operating Income (Loss) - Cash Basis</b>                 | <b>(302,531.80)</b>   |
| <b>Other</b>  |                       |
| Interest Income   | 22,486.28             |
| Interest Expense  | 8,766.30              |
| Other Income & Expense  | (1,745,229.74)        |
| <b>Entrance Fees</b>  |                       |
| Entrance Fees Received Net of Refunds                           | (67,156.44)           |
| Increase (Decrease) in Entrance Fee Deposits                    | 224,991.56            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>               | <b>(1,858,673.84)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                    |                       |
| Purchases of Property and Equipment                             | (676,093.22)          |
| Decrease (Increase) in Intangible Assets                        | (2,750.00)            |
| Decrease (Increase) in Self Restricted Assets                   | 1,830,638.91          |
| Decrease (Increase) in Restricted Assets                        | (173,549.50)          |
| <b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:</b>     | <b>978,246.19</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                    |                       |

# WhiteStone: A Masonic and Eastern Star Community Statement of Cash Flows

Masonic and Eastern Star Home

MAR-20USD

5/13/2019 10:18

|  | Year To Date Actual |
|--|---------------------|
|  |                     |
| Effects of Refinancing/Principal Payment on Debt             | (8,766.30)          |
| Equity Changes - Capital Contributions/Partner Distributions | 1,241.20            |
|  |                     |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:         | (7,525.10)          |
|  |                     |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:        | (887,952.75)        |
|  |                     |
| CASH AND CASH EQUIVALENTS - AT BEGINNING OF PERIOD           | 2,707,121.01        |
|  |                     |
| CASH AND CASH EQUIVALENTS - AT END OF PERIOD                 | 1,819,168.26        |

# **EXHIBIT 5**

**Explanation of Material Differences**

**Balance Sheet**

**Statement of Operations**

**Statement of Cash Flows**

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Financial Position**  
**December 31, 2019**

| <u>Assets</u>  | <u>Audit</u>         | <u>Forecast</u>      | <u>Difference</u> | <u>Variance</u> |
|--|----------------------|----------------------|-------------------|-----------------|
| <b>Current Assets:</b>   |                      |                      |                   |                 |
| Cash and cash equivalents (1)                                  | \$ 1,966,117         | 3,408,000            | (1,441,883)       | -42.31%         |
| Investments (2)  | 8,732,235            | 6,658,000            | 2,074,235         | 31.15%          |
| Assets limited as to use - current (3)                         | 6,292,227            | 5,255,000            | 1,037,227         | 19.74%          |
| Accounts receivable, net of allowance for doubtful amounts     | 848,027              | 807,000              | 41,027            | 5.08%           |
| Accounts receivable, other                                     | 1,402,128            | 1,414,000            | (11,872)          | -0.84%          |
| Prepaid expenses and other assets                              | 310,660              | 313,000              | (2,340)           | -0.75%          |
| Total current assets   | <u>19,551,394</u>    | <u>17,854,000</u>    |                   |                 |
| <b>Long-Term Investments, Deferred Costs and Other Assets:</b> |                      |                      |                   |                 |
| Long-term investments  | 107,344              | -                    | 107,344           | #DIV/0!         |
| Assets limited as to use - long-term                           | 1,382,996            | 1,702,000            | (319,004)         | -18.74%         |
| Assets in split-interest agreements (4)                        | 5,350,964            | 4,804,000            | 546,964           | 11.39%          |
| Deferred costs, net  | 51,536               | 19,000               | 32,536            | 171.24%         |
|  | <u>6,892,840</u>     | <u>6,525,000</u>     |                   |                 |
| Property and equipment, net (5)                                | <u>33,082,822</u>    | <u>30,884,000</u>    | 2,198,822         | 7.12%           |
| Total assets   | <u>\$ 59,527,056</u> | <u>\$ 55,263,000</u> |                   |                 |
| <b><u>Liabilities and Net Assets</u></b>                       |                      |                      |                   |                 |
| <b>Current Liabilities:</b>                                    |                      |                      |                   |                 |
| Current portion of long-term debt                              | \$ 300,000           | \$ 300,000           | -                 | 0.00%           |
| Accounts payable   | 1,528,810            | 1,254,000            | 274,810           | 21.91%          |
| Accrued expenses   | 1,226,764            | 1,244,000            | (17,236)          | -1.39%          |
| Refundable advance fees, current                               | 566,328              | 580,000              | (13,672)          | -2.36%          |
| Total current liabilities                                      | <u>3,621,902</u>     | <u>3,378,000</u>     |                   |                 |
| Long-term debt   | <u>23,161,248</u>    | <u>23,521,000</u>    | (359,752)         | -1.53%          |
| <b>Deferred Revenue and Other Liabilities:</b>                 |                      |                      |                   |                 |
| Deferred revenue from advance fees (6)                         | 13,126,389           | 12,035,000           | 1,091,389         | 9.07%           |
| Refundable advance fees  | 3,530,717            | 3,801,000            | (270,283)         | -7.11%          |
| Deposits on unoccupied units                                   | 523,491              | 176,000              | 347,491           | 197.44%         |
| Long term accounts payable                                     | 40,000               | -                    | 40,000            | #DIV/0!         |
| Resident trust funds   | 112,318              | 118,000              | (5,682)           | -4.82%          |
| Total deferred revenue and other liabilities                   | <u>17,332,915</u>    | <u>16,130,000</u>    |                   |                 |
| Total liabilities  | <u>44,116,065</u>    | <u>43,029,000</u>    |                   |                 |
| <b>Net Assets:</b>   |                      |                      |                   |                 |
| Without Donor Restrictions                                     | 4,967,858            | 2,792,000            | 2,175,858         | 77.93%          |
| With Donor Restrictions  | 10,443,133           | 9,443,000            | 1,000,133         | 10.59%          |
| Total net assets (7)   | <u>15,410,991</u>    | <u>12,235,000</u>    | 3,175,991         | 25.96%          |
| Total liabilities and net assets                               | <u>\$ 59,527,056</u> | <u>\$ 55,264,000</u> |                   |                 |

MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED EXPLANATION OF MATERIAL DIFFERENCES FOOTNOTES - BALANCE SHEET Differences of \$500,000 or greater between audit and forecast are considered Material Differences and are explained below:

- 1) Cash and cash equivalents - Operating cash funded expansion related costs to date no new financing.
- 2) Investments - At year end markets were higher than projected
- 3) Assets limited to use - Current - At year end markets were higher than projected as well as an increase in deposits held for unoccupied units that are part of the expansion.
- 4) Assets in split-interest agreements - At year end markets were up
- 5) Property and equipment, net - Expansion related costs and unit remodel costs more than projected.
- 6) Deferred revenue from advance fees - Attrition higher than anticipated.
- 7) Total Net Assets - Related to investment income as well as split interest agreements. Market was higher than projected in 2019.

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Operations**  
**Year Ended December 31, 2019**

|  | Audit               | Forecast            | Difference  | Variance |
|--|---------------------|---------------------|-------------|----------|
| <b>Operating revenues:</b>                                   |                     |                     |             |          |
| Net resident service revenues                                | \$ 5,280,373        | \$ 5,654,000        | (373,627)   | -6.61%   |
| Net patient health care revenues (1)                         | 8,953,922           | 8,074,000           | 879,922     | 10.90%   |
| Amortization of advance fees                                 | 2,055,437           | 1,951,000           | 104,437     | 5.35%    |
| Total revenues, gains, and other support                     | <u>16,289,732</u>   | <u>15,679,000</u>   |             |          |
| <b>Operating expenses:</b>                                   |                     |                     |             |          |
| Salaries and benefits  | 8,537,204           | 8,511,000           | 26,204      | 0.31%    |
| Contract labor   | 5,609               | -                   | 5,609       | #DIV/0!  |
| Medical supplies and services                                | 1,423,660           | 1,494,000           | (70,340)    | -4.71%   |
| Food supplies and services                                   | 884,853             | 926,000             | (41,147)    | -4.44%   |
| Other supplies and activities                                | 656,293             | 665,000             | (8,707)     | -1.31%   |
| Utilities and communications                                 | 702,193             | 730,000             | (27,807)    | -3.81%   |
| Repairs and maintenance                                      | 730,258             | 624,000             | 106,258     | 17.03%   |
| Property and liability insurance                             | 218,368             | 208,000             | 10,368      | 4.98%    |
| Depreciation   | 1,734,395           | 1,763,000           | (28,605)    | -1.62%   |
| Amortization of contract acquisition costs (2)               | 1,943               | 1,240,000           | (1,238,057) | -99.84%  |
| Interest expense   | 1,073,211           | 1,129,000           | (55,789)    | -4.94%   |
| Bad debts  | -                   | 151,000             | (151,000)   | -100.00% |
| Management fees  | 570,000             | 597,000             | (27,000)    | -4.52%   |
| Other operating expenses                                     | 1,020,138           | 603,000             | 417,138     | 69.18%   |
| Total expenses and losses                                    | <u>17,558,125</u>   | <u>18,641,000</u>   |             |          |
| Operating loss   | <u>(1,268,393)</u>  | <u>(2,962,000)</u>  |             |          |
| <b>Nonoperating income:</b>                                  |                     |                     |             |          |
| Contributions  | 970,794             | 1,260,000           | (289,206)   |          |
| Investment income (3)  | 1,889,279           | 212,000             | 1,677,279   |          |
| Other income (4)   | 14,399              | 535,000             | (520,601)   |          |
| Release from restriction (5)                                 | 548,225             | -                   | 548,225     |          |
| Total nonoperating income                                    | <u>3,422,697</u>    | <u>2,007,000</u>    |             |          |
| Increase (decrease) in net assets without donor restrictions | <u>\$ 2,154,304</u> | <u>\$ (955,000)</u> |             |          |

MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED EXPLANATION OF MATERIAL DIFFERENCES FOOTNOTES – STATEMENT OF OPERATIONS Differences of \$500,000 or greater between audit and forecast are considered Material Differences.

- 1) Net patient health care revenues - Assisted Living - Dementia revenue wasn't included in the forecast.
- 2) Amortization of contract acquisition costs - FASB revenue from contracts with customers (topic 606) accounting change not included in 2019 forecast.
- 3) Investment Income - At year end markets were higher than projected
- 4) Other income - Accounting Re-Classification for Release from Restriction
- 5) Release from restriction - Accounting Re-Classification for Release from Restriction

**MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPORATED**  
**D/B/A WHITESTONE**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**

|  | Audit               | Forecast            | Difference  | Variance |
|--|---------------------|---------------------|-------------|----------|
| Cash flows from operating activities:  |                     |                     |             |          |
| Changes in net assets (1)  | \$ 3,154,530        | \$ (955,000)        | 4,109,530   | -430.32% |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: |                     |                     |             |          |
| Depreciation and amortization (2)  | 1,682,832           | 3,003,000           | (1,320,168) | -43.96%  |
| Advance fees, refundable fees and deposits on unoccupied units received (3)                  | 4,458,583           | 2,316,000           | 2,142,583   | 92.51%   |
| Amortization of advance fees   | (2,055,437)         | (1,951,000)         | (104,437)   | 5.35%    |
| Loss on disposal of property and equipment   | 8,000               | -                   | 8,000       | 100.00%  |
| Net realized and unrealized gains on investments and reinvested income (4)                   | (2,306,851)         | -                   | (2,306,851) | 100.00%  |
| Change in value of split-interest agreements (5)   | (546,594)           | -                   | (546,594)   | 100.00%  |
| (Increase) decrease in:  |                     |                     |             |          |
| Accounts receivable  | (64,953)            | (41,000)            | (23,953)    | 58.18%   |
| Accounts receivable, other   | (29,718)            | (23,000)            | (6,718)     | 28.60%   |
| Prepaid expenses and other assets  | (4,459)             | (7,000)             | 2,541       | -36.30%  |
| Increase (decrease) in:  |                     |                     |             |          |
| Accounts payable   | 303,225             | 28,000              | 275,225     | 982.95%  |
| Accounts payable - Long Term   | 40,000              | -                   | 40,000      | 100.00%  |
| Accrued expenses   | 10,611              | 28,000              | (17,389)    | -62.10%  |
| Other deposits and liabilities   | (5,244)             | 13,000              | (18,244)    | -140.34% |
| Net cash provided by operating activities  | <u>4,644,525</u>    | <u>2,410,000</u>    | 2,234,525   | 92.71%   |
| Cash flows from investing activities:  |                     |                     |             |          |
| Purchase of property and equipment (6)   | (2,876,712)         | (693,000)           | (2,183,712) | 315.11%  |
| Proceeds from the sale of property and equipment   | 4,000               | -                   | 4,000       | 100.00%  |
| Payments on deferred costs   | (53,479)            | (21,000)            | (32,479)    | 154.66%  |
| Proceeds from the sale and maturity of investments (7)                                       | 4,479,288           | -                   | 4,479,288   | 100.00%  |
| Purchase of investments (8)  | (4,507,524)         | -                   | (4,507,524) | 100.00%  |
| Net change in assets whose use is limited  | (1)                 | -                   | (1)         | 100.00%  |
| Net cash used in investing activities  | <u>(2,954,428)</u>  | <u>(714,000)</u>    | (2,240,428) | 313.79%  |
| Cash flows from financing activities:  |                     |                     |             |          |
| Refunds of advance fee (9)   | (817,335)           | -                   | (817,335)   | 100.00%  |
| Refunds of other fees  | (54,162)            | -                   | (54,162)    | 100.00%  |
| Payments of principal on bonds payable   | (290,000)           | (290,000)           | -           | 0.00%    |
| Net cash provided by (used in) financing activities  | <u>(1,161,497)</u>  | <u>(290,000)</u>    | (871,497)   | 300.52%  |
| Increase (decrease) in cash and cash equivalents   | 528,600             | 1,406,000           | (877,400)   | -62.40%  |
| Cash, cash equivalents and restricted cash - beginning                                       | <u>2,178,520</u>    | <u>2,002,000</u>    | 176,520     | 8.82%    |
| Cash, cash equivalents and restricted cash - ending  | <u>\$ 2,707,120</u> | <u>\$ 3,408,000</u> | (700,880)   | -20.57%  |

MASONIC AND EASTERN STAR HOME OF NORTH CAROLINA, INCORPATED EXPLANATION OF MATERIAL DIFFERENCES FOOTNOTES - CASH FLOW Differences of \$500,000 or greater between audit and forecast are considered Material Differences and are explained below:

- 1) Changes in net assets - Related to investment income as well as split interest agreements. Market was higher than projected in 2019.
- 2) Depreciation and amortization - FASB revenue from contracts with customers (topic 606) accounting change not included in 2019 amortization forecast
- 3) Advance fees, refundable fees and deposits on Amortization of advance fees - we received more fees than what was forecasted.
- 4) Net realized and unrealized gains on investments and reinvested income -net change in market values during the year not forecasted
- 5) Change in value of split-interest agreements - Net Change in market values during the year not forecasted
- 6) Purchase of property and equipment - Expansion related costs and unit remodel costs more than projected.
- 7) Proceeds from the sale and maturity of investments - net change in proceeds from the sale of investments not forecasted
- 8) Purchase of investments - Not forecasted
- 9) Refunds of advance fee - Not forecasted and turnover higher than expected

# **EXHIBIT 6**

## **50% Return-of-Capital™ Residency Agreement**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**50% Return-of-Capital™  
Residency Agreement**

05/27/2015

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY**  
**50% RETURN-OF-CAPITAL™**  
**RESIDENCY AGREEMENT**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services described below, you agree to pay to us (in

addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement.

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

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**2.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the

Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

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

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your absence in order to qualify for the Monthly Fee credit.

**2.8 Reserve Funds.** The amount of the Monthly Fee is and will continue to be

affected by our policy of maintaining reserve funds for the financial security of the Community.

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

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

- As of the date you executed this Agreement the monthly Dining Allocation is \$\_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The Resident is responsible for the charges related to telephone, and cable or satellite television reception;

- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy,

Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;

- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the

age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

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

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

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

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

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in

your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

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

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

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

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without

paying the Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

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

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any

additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

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

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

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to

serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

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

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or

should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.4 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

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

**5.12 Managed Care.** If you have chosen to participate in a managed care pro-

gram as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with

your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be

entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.4 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to

operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

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

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our

sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

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

Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

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

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

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

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

**9.2 Default Notice.** Prior to cancellation for any Default described in Section 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee until cancellation. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

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

will promptly notify your personal representative or attending physician.

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed ninety-six percent (96%) of the total Entrance Fee paid upon residency, less an amount equal to two percent (2%) for each month of residency for up to twenty-three (23) months. Subject to our offset rights outlined in Section 10.6, the repayment of the Entrance Fee will not be less than fifty percent (50%). Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

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

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement

grants to us complete decision-making authority regarding the management and operation of the Community.

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

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

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

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

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial

decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

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

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

**11.12 Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

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

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

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

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

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

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

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding

the tax considerations associated with this Agreement.

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

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

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

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any

contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Paragraph 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

---

**RESIDENT**

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Witness

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**RESIDENT**

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Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

---

Printed Name of Authorized Representative

---

Signature of Authorized Representative

Attachment: Exhibit A



05/27/2015

J:\Complnc\WhiteStone\Agreements URM\Residency  
Agreements URM\50% Return of Capital Residency  
Agreement (2015-05-27).doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | <b>\$</b>     |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**

# **EXHIBIT 7**

## **90% Return-of-Capital™ Residency Agreement**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**90% Return-of-Capital™  
Residency Agreement**

05/27/2015

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY**  
**90% RETURN-OF-CAPITAL™**  
**RESIDENCY AGREEMENT**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services described below, you agree to pay to us (in

addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement.

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

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**2.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the

Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

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

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your absence in order to qualify for the Monthly Fee credit.

**2.8 Reserve Funds.** The amount of the Monthly Fee is and will continue to be

affected by our policy of maintaining reserve funds for the financial security of the Community.

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

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

- As of the date you executed this Agreement the monthly Dining Allocation is \$\_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The Resident is responsible for the charges related to telephone, and cable or satellite television reception;

- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy,

Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;

- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the age,

health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

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

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

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

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

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in

your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

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

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

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

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of nursing care (non-cumulative) in the Community Health Center (while you

are a resident of your Residence), without paying the Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

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

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the

charges for physician services and any additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

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

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

**5.9 Medical Director, Attending Physician, and Additional Health Services.**

We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

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

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community

Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.4 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

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

**5.12 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a

Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.4 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

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

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on

your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

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

from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

### **9.1.2 Misrepresentation.**

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

### **9.1.3 Nonpayment.**

You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

### **9.1.4 Threat to Health or Safety.**

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

### **9.1.5 Change in Condition.**

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

**9.2 Default Notice.** Prior to cancellation for any Default described in Section 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee until cancellation. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the

event of the occurrence of a Default described in Section 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such

repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed ninety-six percent (96%) of the total Entrance Fee paid upon residency, less an amount equal to two percent (2%) for each month of residency for up to three (3) months. Subject to our offset rights outlined in Section 10.6, the repayment of the Entrance Fee will not be less than ninety percent (90%). Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described

in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

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

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as

provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

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

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

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

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

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the

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

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

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

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance

with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

**11.12 Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

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

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

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

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

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

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

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

rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

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

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

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

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in

the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Paragraph 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

---

Printed Name of Authorized Representative

---

Signature of Authorized Representative

Attachment: Exhibit A



05/27/2015

J:\Complnc\WhiteStone\Agreements URM\Residency  
Agreements URM\90% Return of Capital Residency  
Agreement (2015-05-27).doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | \$            |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**

# **EXHIBIT 8**

## **Traditional Residency Agreement**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

## **Traditional Residency Agreement**

**05/27/2015**

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY  
TRADITIONAL  
RESIDENCY AGREEMENT**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$\_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services described below, you agree to pay to us (in

addition to the Monthly Fee described below) an Entrance Fee in the amount of \$\_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement.

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

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the date you assume occupancy at the Community or within ninety (90) days from the date this Agreement is executed by you, whichever is earlier. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

**2.4 Initial Monthly Fee.** The initial Monthly Fee payable by you is \$\_\_\_\_\_ per month and an additional \$\_\_\_\_\_ per month as a Second Person Monthly Fee component of the

Monthly Fee if two persons reside as Joint Residents pursuant to this Agreement.

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

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

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your absence in order to qualify for the Monthly Fee credit.

**2.8 Reserve Funds.** The amount of the Monthly Fee is and will continue to be

affected by our policy of maintaining reserve funds for the financial security of the Community.

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

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

- As of the date you executed this Agreement the monthly Dining Allocation is \$\_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;
- Water, sewer, air conditioning, heating, electricity, trash removal, and municipal services. The Resident is responsible for the charges related to telephone, and cable or satellite television reception;

- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy,

Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;

- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the

age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

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

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

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

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

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in

your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

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

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

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

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without

paying the Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

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

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any

additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

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

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

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to

serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

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

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or

should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.4 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

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

**5.12 Managed Care.** If you have chosen to participate in a managed care pro-

gram as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with

your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be

entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.4 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to

operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

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

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a non-profit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our

sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

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

Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.4 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

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

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

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

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

**9.2 Default Notice.** Prior to cancellation for any Default described in Section 9.1.1, 9.1.2 or 9.1.3 above, we shall give you notice in writing of such Default, and you shall have at least thirty (30) days thereafter within which to correct such Default. No Default shall eliminate your obligation to pay the Monthly Fee until cancellation. If you correct such Default within such time, this Agreement shall not be canceled. If you fail to correct such Default within such time, this Agreement shall cancel at the expiration of such thirty (30) days.

In the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5 above, if we or the Medical Director determines that either the giving of notice of Default or the lapse of time as above provided might be detrimental to you or others, then such notice and/or waiting period prior to cancellation shall not be required. Also, in the event of the occurrence of a Default described in Section 9.1.4 or 9.1.5, we are expressly authorized by you to transfer you to an

appropriate hospital or other facility, and we will promptly notify your personal representative or attending physician.

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one-thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof for up to fifty (50) months. After fifty (50) months of occupancy, no repayment of the Entrance Fee will be made. Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

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

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement

grants to us complete decision-making authority regarding the management and operation of the Community.

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

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

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

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

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial

decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

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

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

**11.12 Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

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

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

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

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

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

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

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding

the tax considerations associated with this Agreement.

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

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

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

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any

contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Paragraph 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

---

**RESIDENT**

---

Witness

---

**RESIDENT**

---

Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

---

Printed Name of Authorized Representative

---

Signature of Authorized Representative

Attachment: Exhibit A



05/27/2015

J:\Complnc\WhiteStone\Agreements URM\Residency  
Agreements URM\Traditional Residency Agreement  
(2015-05-27).doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | \$            |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**

# **EXHIBIT 9**

## **50% Return-of-Capital™ Residency Agreement for Expansion Residences**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**50% Return of Capital  
Residency Agreement  
(For Expansion Residences)**

09/03/2019

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY  
50% RETURN OF CAPITAL  
RESIDENCY AGREEMENT  
(FOR EXPANSION RESIDENCES)**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$ \_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services

described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$ \_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$ \_\_\_\_\_ is due and payable upon your execution of this Agreement. We will apply any Priority Fee you have paid against the Entrance Fee deposit.

**2.2.2** The balance of \$ \_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

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

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

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

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your

absence in order to qualify for the Monthly Fee credit.

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

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

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

- As of the date you executed this Agreement the monthly Dining Allocation is \$ \_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;

- Water, sewer, air conditioning, heating, electricity, trash removal, municipal services, basic cable, and Wi-fi internet. The Resident is responsible for the charges related to telephone;
- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Bi-weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy, Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;
- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of

you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

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

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be

surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

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

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

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during

which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

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

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

**4.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good condition, except for normal

wear and tear. You shall be liable to us for any charges incurred to restore your Residence to good condition, normal wear and tear excepted.

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Assisted Living or Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of assisted living or nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without paying the appropriate Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

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

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.4, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent assisted living or nursing care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.3, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

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

**5.8 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously

occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

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

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community

Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.3 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your

ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Section 7.1, and we retain the right to revoke your right to reside at the Community and cancel the Residency Agreement as provided in Section 9.

**5.12 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you

are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical

treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.4.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.3 until you attain the age of 60. During this time, you will be

entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

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

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets

other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

**8.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice

signed by you (both of you in the case of Joint Residents). Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within twenty-four (24) months from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Section 10.7

**8.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

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

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

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

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

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

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

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

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. If construction of the residence building has begun, the repayment of your Entrance Fee will also be reduced by a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee. Such repayment shall be paid within sixty (60) days

of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed ninety-six percent (96%) of the total Entrance Fee paid upon residency, less an amount equal to two percent (2%) for each month of residency for up to twenty-three (23) months. Subject to our offset rights outlined in Section 10.6, the repayment of the

Entrance Fee will not be less than fifty percent (50%). Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

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

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**10.7 Availability of the Residence.** If the Residence is not available to you for occupancy within twenty-four (24) months from the date we execute this Agreement, you may cancel this Agreement upon written notice to us. In such event, the full amount of the

Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of cancellation.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

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

**11.3 Amendment.** This Agreement may be amended by agreement of the parties

to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

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

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

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the

disposition of all of your furniture, property, and possessions located on the premises of the Community.

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

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

**11.12 Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall

not impair or affect in any way the validity or enforceability of the rest of this Agreement.

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

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

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

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

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

**11.18 Transfers.** We may sell or transfer our interest in the Community pro-

vided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

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

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

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

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Section 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved

by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

Approved this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

\_\_\_\_\_  
Printed Name of Authorized Representative

\_\_\_\_\_  
Signature of Authorized Representative

Attachment: Exhibit A



50% Return of Capital Residency Agreement for  
Expansion Residences (2019-09-03) .doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | <b>\$</b>     |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**

# **EXHIBIT 10**

## **90% Return-of-Capital™ Residency Agreement for Expansion Residences**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**90% Return of Capital  
Residency Agreement  
(For Expansion Residences)**

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY  
90% RETURN OF CAPITAL  
RESIDENCY AGREEMENT  
(FOR EXPANSION RESIDENCES)**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.** \_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_, \_\_\_\_\_ no. \_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$ \_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

**2.2 Entrance Fee.** In order to reside at the Community for life, subject to this Agreement, and to receive the services

described below, you agree to pay to us (in addition to the Monthly Fee described below) an Entrance Fee in the amount of \$ \_\_\_\_\_. The total amount of the Entrance Fee shall be payable as follows:

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$ \_\_\_\_\_ is due and payable upon your execution of this Agreement. We will apply any Priority Fee you have paid against the Entrance Fee deposit.

**2.2.2** The balance of \$ \_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

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

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

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

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your

absence in order to qualify for the Monthly Fee credit.

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

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

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

- As of the date you executed this Agreement the monthly Dining Allocation is \$ \_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;

- Water, sewer, air conditioning, heating, electricity, trash removal, municipal services, basic cable, and Wi-fi internet. The Resident is responsible for the charges related to telephone;
- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Bi-weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy, Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;
- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of

you in the case of Joint Residents) live unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

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

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be

surrendered. The repayment due for the surrendered residence, if any, will be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

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

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

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during

which such personal property remains in the Residence or remove and store such personal property at the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

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

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

**4.11 Condition of Residence.** Upon vacating the Residence, you agree to leave it in good condition, except for normal

wear and tear. You shall be liable to us for any charges incurred to restore your Residence to good condition, normal wear and tear excepted.

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide assisted living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Assisted Living or Nursing Care in the Community Health Center.** You are eligible to receive thirty (30) annual days of assisted living or nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without paying the appropriate Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

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

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.3, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent assisted living or nursing care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.3, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

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

**5.8 Return to Residence.** If we subsequently determine, in consultation with your attending physician, your personal representative and you to the extent possible, that you can resume occupancy in a residence equivalent to the residence you previously

occupied, you shall have the right to relocate to such equivalent residence as soon as one is available. Upon reoccupying a residence, your Monthly Fee will be based on the then-current Monthly Fee for the residence.

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

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

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community

Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.3 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

If failure to maintain Medicare Part A, Medicare Part B, supplemental health insurance or other health insurance coverage causes depletion of your resources and impairs your

ability to meet your financial obligations, we need not defer your financial obligations to us as outlined in Section 7.1, and we retain the right to revoke your right to reside at the Community and cancel the Residency Agreement as provided in Section 9.

**5.12 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you

are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical

treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.3.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.3 until you attain the age of 60. During this time, you will be

entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

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

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets

other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

**8.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice

signed by you (both of you in the case of Joint Residents). Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within twenty-four (24) months from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Section 10.7

**8.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

**9.1 Cancellation Upon Notice.** We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

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

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

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

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

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

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

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

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. If construction of the residence building has begun, the repayment of your Entrance Fee will also be reduced by a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee. Such repayment shall be paid within sixty (60) days

of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed ninety-six percent (96%) of the total Entrance Fee paid upon residency, less an amount equal to two percent (2%) for each month of residency for up to three (3) months. Subject to our offset rights outlined in Section 10.6, the repayment of the Entrance

Fee will not be less than ninety percent (90%). Such repayment will be paid, without interest, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

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

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**10.7 Availability of the Residence.** If the Residence is not available to you for occupancy within twenty-four (24) months from the date we execute this Agreement, you may cancel this Agreement upon written notice to us. In such event, the full amount of the

Entrance Fee you have paid will be refunded to you, without interest, within thirty (30) days from the date we receive your notice of cancellation.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

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

**11.3 Amendment.** This Agreement may be amended by agreement of the parties

to this Agreement. No amendment of this Agreement shall be valid unless in writing and signed by you and us.

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

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

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the

disposition of all of your furniture, property, and possessions located on the premises of the Community.

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

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

**11.12 Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall

not impair or affect in any way the validity or enforceability of the rest of this Agreement.

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

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

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

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

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

**11.18 Transfers.** We may sell or transfer our interest in the Community pro-

vided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

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

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

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

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Section 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved

by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

Approved this \_\_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

\_\_\_\_\_  
Printed Name of Authorized Representative

\_\_\_\_\_  
Signature of Authorized Representative

Attachment: Exhibit A



90% Return of Capital Residency Agreement (2019-09-03) .doc

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | <b>\$</b>     |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**

# **EXHIBIT 11**

## **Traditional Residency Agreement for Expansion Residences**



**700 South Holden Road  
Greensboro, North Carolina 27407  
(336) 299-0031**

**Traditional  
Residency Agreement  
(For Expansion Residences)**

09/03/2019

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Exhibit A – Non-Standard Features Added at Resident's Request

**WHITESTONE: A MASONIC & EASTERN STAR COMMUNITY  
TRADITIONAL  
RESIDENCY AGREEMENT  
(FOR EXPANSION RESIDENCES)**

**RECITALS:**

**A. Provider.** The Masonic and Eastern Star Home of North Carolina, Inc., a non-profit corporation (hereafter "we" or "us" or "our"), is the provider of a continuing care retirement community known as WhiteStone: A Masonic & Eastern Star Community (the "Community") located in Greensboro, North Carolina.

**B. Resident.**

\_\_\_\_\_ ("Resident" or "you" or "your", or when two people ("Joint Residents") are named in this Agreement, each of them and the survivor of them, except as otherwise indicated) wishes to live at the Community and to enjoy, consistent with the rights, welfare and contentment of the other residents, the facilities and services provided by the Community.

**C. Requirements for Residency.** Except as waived by us after full disclosure, we require that Resident be at least sixty (60) years of age or applying for the same Residence with a Joint Resident who is sixty (60) or older, be capable of meeting the requirements of occupancy with or without reasonable accommodation and/or reasonable modification, and have sufficient assets and income, all as are specified in our Residency Policy.

**NOW, THEREFORE,** this Agreement is made and entered into between us and Resident as a commitment by Resident and us

to the terms and conditions hereinafter set forth.

**1. THE RESIDENCE.** We agree to make available to you, for as long as you live and subject to the terms of this Agreement, a room, studio, apartment or cottage at the Community described as follows: \_\_\_\_\_

\_\_\_\_\_,  
\_\_\_\_\_ no.

\_\_\_\_\_ (hereafter "Residence"), and to provide, for your lifetime, the services and amenities described in Section 3.1 below. You may select certain options and custom features in the Residence at an extra charge, which shall not be subject to any repayment provision herein. Any such options and custom features selected and paid for by you will become our property. Such options and custom features must be approved by the Executive Director of the Community prior to adding them to the Residence. The Executive Director of the Community has consented to your request to add the non-standard features set forth on Exhibit A to the Residence, and you agree to pay the amount(s) set forth on Exhibit A to cover the additional charges for these features.

**2. CHARGES FOR RESIDENCE AND PRIMARY SERVICES.**

**2.1 Application Fee.** Prior to or upon execution of this Agreement, you will pay to us an Application Fee of \$ \_\_\_\_\_. The Application Fee will be used by us to process your application for residency and is non-refundable.

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

**2.2.1** Ten percent (10%) of the total Entrance Fee or \$\_\_\_\_\_ is due and payable upon your execution of this Agreement. We will apply any Priority Fee you have paid against the Entrance Fee deposit.

**2.2.2** The balance of \$\_\_\_\_\_ (ninety percent (90%) of the Entrance Fee) shall be paid on the earlier of (i) the date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy.

**2.3 Monthly Fee.** You are obligated to begin paying a Monthly Fee (or a pro rata portion thereof) on the earlier of (i) date you assume occupancy at the Community or (ii) within thirty (30) days from the date you are notified that the Residence is ready for occupancy. Thereafter, the Monthly Fee shall be paid by the tenth (10<sup>th</sup>) day of each month during the term of this Agreement. The Monthly Fee is initially set at a specific amount that can be increased as described in Section 2.6 below. A "Second Person Monthly Fee" shall become part of the Monthly Fee and shall be paid if two persons are Joint Residents under this Agreement. If there are Joint Residents under this Agreement and one Joint Resident dies, the Second Person Monthly Fee shall cease and the remaining Resident shall continue to pay the Monthly Fee without the Second Person Monthly Fee component.

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

**2.5 Continuance of Monthly Fee.** The Monthly Fee will continue until (i) your death (in the case of Joint Residents, the death of the surviving Resident), or (ii) surrender of your Residence due to your permanent assignment to Health Center Level Services (as defined in Section 5.1), or (iii) the cancellation of this Agreement as outlined in Sections 8 and 9. If this Agreement is canceled on a date other than the last day of the month, the amount of the Monthly Fee shall be prorated to the date of cancellation. If you have paid more than the prorated Monthly Fee, we will repay the excess amount to you within thirty (30) days after the date of cancellation.

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

**2.7 Reduction in Monthly Fee Due to Absence.** If you are absent from the Community for more than seven (7) consecutive days, you will be eligible for a Monthly Fee credit equivalent to the costs of meals paid for and not consumed. You are required to notify us in advance of your

absence in order to qualify for the Monthly Fee credit.

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

**2.9 Late Payment Charge.** We may charge a one percent (1%) late payment charge per month on any Monthly Fees or extra charges that have not been paid within thirty (30) days of receipt of a monthly statement from us.

### **3. DESCRIPTION OF PRIMARY AND SUPPLEMENTAL SERVICES.**

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

- As of the date you executed this Agreement the monthly Dining Allocation is \$ \_\_\_\_\_ per month. Each Resident will receive the monthly Dining Allocation as part of the Monthly Fee and Second Person Monthly Fee, to be applied toward dining charges in the main dining room, other designated dining areas, or for other food and beverage services. This Dining Allocation may be expended by you, or with your permission, your guests. Each month, you will be charged for any dining charges in excess of your Dining Allocation. Any unused Dining Allocation at the end of a month can be carried over up to thirty (30) days, but will expire after such thirty (30) days. Your monthly Dining Allocation will be adjusted annually to reflect changes in food service expenses;

- Water, sewer, air conditioning, heating, electricity, trash removal, municipal services, basic cable, and Wifi Internet. . The Resident is responsible for the charges related to telephone;
- Access to one unassigned parking stall (other spaces, if available, may be provided for an additional fee);
- Building and grounds maintenance;
- Bi-weekly housekeeping service;
- Availability of laundry facilities so that you may wash and dry personal laundry;
- Planned activities -- social, educational, cultural, recreational, and spiritual -- for those who wish to participate;
- Services of an activities director;
- Use of the Community's common areas and amenities during scheduled hours -- central dining room, chapel, library, mail boxes, lounges, arts and crafts room, exercise areas, community garden, dog park, fellowship hall, and woodworking shop;
- Carpeting (except in the kitchen and bath where there is other floor covering);
- A kitchen, including refrigerator with icemaker, range/oven, garbage disposal, dishwasher, and microwave;
- Local transportation scheduled by us;
- Twenty-four (24) hour emergency call monitoring in your Residence by nursing staff;
- Guest parking areas;
- Fire detection system;
- Security for buildings and grounds;
- Health Center Level Services, for thirty (30) free annual days of care (see Section 5 for additional details).

**3.2 Supplemental Services Provided for an Extra Charge.** Supplemental services, when available, will be provided at extra charge and are described below:

- Additional meals in the dining room over those provided in consideration for the Monthly Fee;
- Guest accommodations, if available;
- Certain other supplies and services such as medicine, drugs, prescribed therapy, Health Center Medical Director, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment;
- Other optional services related or unrelated to care in the Health Center as approved by us;
- Personal laundry service;
- Guest meals;
- Additional housekeeping services;
- Special events transportation;
- Extended dietician services when ordered by your attending physician or dietician services not ordered by your attending physician;
- Tray service to your Residence when ordered by your attending physician, the Health Center Medical Director, the Health Center director of nursing, assistance-in-living director or resident services director;
- Health Center Level Services beyond the thirty (30) free annual days of care.

#### **4. TERMS OF RESIDENCY.**

**4.1 Use of the Residence.** The Residence is for living only and will not be used for carrying on any business or profession, nor in any manner in violation of zoning restrictions. This Agreement is not a lease, and grants you only a lifetime use of the Residence and other facilities of the Community and to available services, subject to the terms and conditions of this Agreement.

**4.2 Duration of Your Right to Occupy the Residence.** You may reside in your Residence for as long as you (or either of you in the case of Joint Residents) live

unless you (both of you in the case of Joint Residents) are not capable of occupancy as set forth in our Residency Policy, or this Agreement is canceled by you or by us. A copy of our current Residency Policy, outlining the age, health and financial requirements for residency, is available for review in the Community Marketing Office. If, in the opinion of your attending physician or the Medical Director, your physical or mental health requires that assisted living, skilled nursing care, or specialized care for dementia or related disorders be given, you will be requested to relocate to the Community Health Center where we are licensed to provide such care.

#### **4.3 Occupants of the Residence.**

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

If the Resident marries a person who is also a resident of the Community, and should they decide to occupy one residence as Joint Residents, they must declare which residence will be occupied and which residence will be surrendered. The repayment due for the surrendered residence, if any, will

be provided pursuant to the Entrance Fee repayment terms in the residency agreement of the surrendered residence.

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

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

**4.6 Insurance.** You are required at your own expense to carry personal property insurance and liability insurance. If requested by us, you agree to provide us with proof of such insurance coverage.

**4.7 Removal and Storage of Resident's Personal Property.** Your personal property must be removed from the Residence within thirty (30) days following any of the following dates: (i) the date of your death (if Joint Residents, the date of death of the surviving Resident), (ii) the date notice of cancellation is delivered by you or us pursuant to Section 8 or 9, or (iii) the date notice is delivered to you of your permanent assignment or transfer to the Community Health Center or a Comparable Facility for Health Center Level Services (see definitions in Sections 5.1 and 5.2). If your personal property has not been removed from the Residence within such thirty (30) day period, then we may, in our sole discretion, either charge you an additional Monthly Fee for each month thereafter during which such personal property remains in the Residence or remove and store such personal property at

the expense and risk of you or your estate. In the event of your death, while you are a resident of the Community under this Agreement, only the executor(s) named in your Will will be allowed to remove or dispose of your furnishings and belongings in your living accommodation and any related storage areas at the Community. Members of your family or those to whom you have granted Power of Attorney will not be allowed access to your personal property after your death, unless they are the executor(s) named in your Will.

**4.8 Furnishings.** Furnishings within the Residence provided by you shall not be such as to interfere with the health, safety or general welfare of you, other residents, or others.

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

**4.10 Alterations by You.** You may not undertake any alterations to your Residence without our prior written approval, as set forth in a separate addendum to this Agreement.

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

Residence to good condition, normal wear and tear excepted.

**4.12 Rights of Second Single Resident.** When two Joint Residents reside in a single Residence under this Agreement, upon the death or permanent assignment of one Resident to the Community Health Center Level Services, or other inability to continue residing in the Residence, the remaining Resident may continue to reside in the Residence under the terms of this Agreement and shall pay the Monthly Fee.

## **5. THE COMMUNITY HEALTH CENTER.**

**5.1 Description.** The Community Health Center is the portion of the Community which is licensed to provide Assisted Living, skilled nursing care, and specialized care for dementia or related disorders (collectively "Health Center Level Services"). The Community Health Center is staffed by licensed nursing personnel 24 hours a day.

**5.2 Alternate Accommodations.** You will be given priority over non-residents for admission to the Community Health Center. In the event the Community Health Center is fully occupied when you are determined appropriate for admission, you agree to relocate to an alternate health care facility that provides services similar to the Community Health Center (a "Comparable Facility"). Upon your relocation to a Comparable Facility, you shall continue to be responsible for the Monthly Fee (unless your Residence is surrendered). We will not be responsible for the charges associated with the Comparable Facility.

**5.3 Thirty (30) Annual Days of Assisted Living or Nursing Care in the Community Health Center .** You are

eligible to receive thirty (30) annual days of assisted living or nursing care (non-cumulative) in the Community Health Center (while you are a resident of your Residence), without paying the appropriate Health Center per diem charge. In the case of Joint Residents, each of you will receive thirty (30) annual days, but the days cannot be combined and used by only one of you, and unused days cannot be carried over to subsequent years. You are required to pay any charges for physician services and any additional health services as outlined in Section 5.10. Once you are permanently assigned to the Health Center, you no longer qualify for the thirty (30) annual days.

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

**5.5 Temporary Assignment to the Community Health Center.** In the event you require temporary care in the Community Health Center beyond the thirty (30) annual days of care as outlined in Section 5.3, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. In addition, you will continue to pay the Monthly Fee for your Residence.

**5.6 Permanent Assignment to Health Center Level Services.** In the event you require permanent assisted living or nursing care in the Community Health Center

beyond the thirty (30) annual days of care as outlined in Section 5.3, you will pay the per diem charge applicable to the level of care needed by you, as well as the charges for physician services and any additional health services as outlined in Section 5.10. If you are determined appropriate for Health Center Level Services, and are admitted or relocated to the Community Health Center or a Comparable Facility, you will be required to surrender the Residence to us. We shall have the right to reassign the Residence for occupancy by others except as provided in Section 4.12. Release of the Residence due to your permanent assignment to the Community Health Center or to a Comparable Facility does not qualify you for reimbursement of the Entrance Fee, unless this Agreement is canceled.

Once the Residence is surrendered, you will no longer be obligated to pay the Monthly Fee for the Residence.

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

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

**5.9 Medical Director, Attending Physician, and Additional Health Services.** We have designated a licensed physician to serve as Medical Director of the Community Health Center. You are required to have a local attending physician. You may engage the services of the Medical Director at your expense. We will not be responsible for the charges for medical treatment or services by the Medical Director or your attending physician, nor will we be responsible for the charges for medication, prescribed therapy, nursing supplies, and other medical and miscellaneous supplies and services associated with medical treatment.

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

**5.11 Medicare and Health Insurance.** When age eligible, you are required to maintain Medicare Part A, Medicare Part B, and one supplemental health insurance policy or equivalent insurance coverage acceptable to us to assure your ability to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility. You shall furnish to us such evidence of coverage as we may from time to time request. Such supplemental insurance should cover Medicare co-insurance and deductibles. Should your supplemental health insurance

or equivalent coverage not fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, or should you fail to purchase supplemental health insurance or equivalent coverage to fully cover a Medicare-qualified stay in the Community Health Center or a Comparable Facility, you shall be financially responsible for paying deductibles, co-insurance amounts, and any other charges for each Medicare-qualified admission and stay in the Community Health Center or a Comparable Facility. If you are eligible to receive the thirty (30) annual days of care in the Community Health Center as provided in Section 5.3 and your stay in the Community Health Center is a Medicare-qualified stay, such thirty (30) annual days will be applied after the expiration of your Medicare-qualified stay providing you have Medicare Part A, Medicare Part B and acceptable supplemental health insurance or equivalent insurance coverage.

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

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

Residency Agreement as provided in Section 9.

**5.12 Managed Care.** If you have chosen to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, the terms of this Agreement governing nursing care will include the following provisions:

**5.12.1 Participating Provider.** If the Community Health Center is a participating provider with your managed care program and your stay is a Medicare-qualified stay, the Community agrees to be reimbursed at the rate negotiated with your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care you are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.2 Not a Participating Provider.** If the Community Health Center is not an approved participating provider with your managed care program and you choose to receive health care services at a managed care participating provider, then you agree that you must relocate for as long as necessary for those services to be provided, and be responsible for all charges for health care services. In addition, while receiving health care services at the managed care participating provider, you agree that unless this Agreement is canceled, you will continue to pay the Monthly Fee for your Residence, unless your Residence has been surrendered to us. Such a stay at a managed care participating provider other than the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.3 Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and your stay is a Medicare-qualified stay, we will use our best effort to negotiate a reimbursement rate with your managed care program. If we are able to negotiate an acceptable rate, we agree to accept as full payment the rate provided by your managed care program. Such a managed care stay in the Community Health Center will not reduce the number of days of care that you are eligible to receive without extra charge pursuant to Section 5.3.

**5.12.4 No Negotiated Managed Care Rate.** If the Community Health Center is not a participating provider in your managed care program and a negotiated rate is not agreed upon and you would still like to receive health care in the Community Health Center during a Medicare-qualified stay, then each day of your stay in the Community Health Center will reduce by one day the number of days of care you are eligible to receive without extra charge pursuant to Section 5.4. During any such Medicare-qualified stay in the Community Health Center, you agree that you will continue to pay the Monthly Fee, unless your Residence has been surrendered to us, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment. If at any time during any such Medicare-qualified stay in the Community Health Center you are no longer eligible to receive any of the days of care provided for in Section 5.4, then you agree to pay the per diem rate for your care in the Community Health Center, the charges for medication, prescribed therapy, medical treatment by physicians, and other medical and miscellaneous supplies and services associated with medical treatment, and the

Monthly Fee for your Residence, unless your Residence has been surrendered to us.

**5.12.5 Post Medicare-Qualified Stay.** At the conclusion of each such Medicare-qualified stay, you will be entitled to health care in the Community Health Center in accordance with the terms of this Agreement other than as provided in this Section 5.13, as adjusted to reflect any reduction during such stay in the number of days of care that you are eligible to receive without extra charge as provided in Section 5.3.

**5.13 Transfer to Hospital or Other Care Facility.** If we determine after consultation with your attending physician, your personal representative and you to the extent possible, that you need care beyond that which the Community Health Center is licensed to provide, you will be transferred to a hospital or other care facility. We shall not be responsible for any charges associated with the transfer and health care expenses or charges incurred by you after such a transfer. You shall continue to pay the Monthly Fee until your Residence is surrendered.

**5.14 Community Health Center Admission Agreement.** If you require care in the Community Health Center, you agree to enter into a separate Community Health Center Admission Agreement to be signed by you and us.

**5.15 Under Age 60.** If you are under the age of 60 when you occupy your Residence under this Agreement, you are not eligible to receive thirty (30) annual days of nursing care in the Community Health Center as described in Section 5.3 until you attain the age of 60. During this time, you will be entitled to Health Center Level Services at the then-current rate being charged to non-residents until age 60.

## **6. REPRESENTATIONS.**

**6.1 Our Representations.** We represent and warrant that we are a nonprofit corporation and that we do not propose to operate at a profit. We are exempt from payment of Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. We are affiliated with The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina. The Grand Lodge of North Carolina and The Grand Chapter, Order of the Eastern Star in North Carolina are not responsible for our financial or contractual obligations.

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

## **7. PROMISES.**

**7.1 Our Promises.** It is and shall be our declared policy to operate as a nonprofit organization. We will not cancel this Agreement without just cause as specified in Section 9. Further, we shall not cancel this Agreement solely by reason of your financial inability to pay the full Monthly Fee or the per diem charge for care in the Community Health Center. This provision shall not apply if you have impaired your ability to meet your financial obligations hereunder by transfer of assets other than to meet ordinary and customary living expenses or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance, or other health insurance after assuming occupancy. You

shall be permitted to remain at the Community for a reduced fee based on your ability to pay for as long as you establish facts to justify deferment of such charges and when deferment of such charges can, in our sole discretion, be granted without impairing our ability to operate the Community on a sound financial basis for the benefit of the residents.

**7.2 Your Promises.** You agree to comply with all policies and procedures of the Community as now existing or as hereafter amended; to pay the Entrance Fee, Monthly Fee, and any other charges as provided in this Agreement; to not impair your ability to meet the financial obligations under this Agreement by transferring assets, other than to meet ordinary and customary living expenses, or by not maintaining Medicare Part A, Medicare Part B, supplemental insurance or other health insurance, without our consent, and to abide by all other terms of this Agreement.

## **8. CANCELLATION BY RESIDENT.**

**8.1 Right of Rescission.** Within thirty (30) days following the later of the execution of this Agreement by you or the receipt of a Disclosure Statement from us, you may rescind this Agreement by giving us written notice. You shall not be required to move into the Residence prior to the expiration of the thirty (30) day rescission period. Repayment of the amount of the Entrance Fee paid shall be as outlined in Section 10.2.

**8.2 Cancellation Prior to Occupancy.** You may cancel this Agreement for any reason at any time before you move into the Community by giving us written notice signed by you (both of you in the case of Joint Residents). Repayment of the amount of the Entrance Fee paid shall be as outlined in

Section 10.3 or 10.4. If you die prior to occupying the Residence or if, on account of illness, injury or incapacity, you are precluded from occupying the Residence under the terms of this Agreement, this Agreement will automatically cancel. Repayment of the Entrance Fee shall be as outlined in Section 10.3.

**8.3 Cancellation Due to Residence Not Available.** You may cancel this Agreement upon written notice to us if we have not made the Residence available to you for occupancy within twenty-four (24) months from the date we execute this Agreement. Refund of the Entrance Fee shall be as outlined in Section 10.7

**8.4 Cancellation After Occupancy.** You may cancel this Agreement for any reason after moving into the Community by giving us thirty (30) days' prior written notice of cancellation, which shall be effective and irrevocable upon delivery. Cancellation shall occur thirty (30) days after written notice is delivered, and you must vacate the Residence within the thirty (30) days. You are obligated to pay the Monthly Fee during the thirty (30) days. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

**8.5 Cancellation Due to Death After Occupancy.** This Agreement will automatically cancel upon your death (the death of the surviving Resident in the case of Joint Residents). After such automatic cancellation, your personal representative will have thirty (30) days from the date of your death to remove your personal property from the Residence. Repayment of the Entrance Fee shall be as outlined in Section 10.5.

## **9. CANCELLATION BY US.**

### **9.1 Cancellation Upon Notice.**

We may, upon notice and opportunity to cure as hereinafter provided, cancel this Agreement for just cause. Just cause shall include the occurrence of any of the following events (hereinafter referred to as a "Default"):

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

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

**9.1.3 Nonpayment.** You fail to pay any charges to us, subject to the provisions of Section 7.1, within sixty (60) days of the date when such charges are due.

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

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

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

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

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

## **10. REPAYMENT OF ENTRANCE FEE.**

**10.1 Nonacceptance by Us.** If we do not accept you for residency at the Community, the full amount of the Entrance Fee you have paid will be promptly repaid to you, with interest.

**10.2 Right of Rescission.** If you rescind this Agreement as provided in Section 8.1, you shall receive a repayment of the portion of the Entrance Fee paid by you, less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. If construction of the residence building has begun, the repayment of your Entrance Fee will also be reduced by a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee. Such repayment shall be paid within sixty (60) days of our receipt of the written notice of rescission.

**10.3 Cancellation Prior to Occupancy Due to Death, Illness, Injury, Incapacity, or Change in Financial Condition.** If, prior to occupancy, you die or you cancel this Agreement because of illness, injury, incapacity, or change in your financial condition, you or your estate will receive a repayment of the portion of the Entrance Fee paid by you, less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.4 Cancellation Prior to Occupancy for Other Reasons.** If you cancel this Agreement for reasons other than those stated in Section 10.3 above, you shall receive a repayment of the portion of the Entrance Fee paid by you, less (i) a service charge equal to the greater of one thousand dollars (\$1,000) or two percent (2%) of the Entrance Fee, and (ii) less any charges specifically incurred by us at your request and set forth on Exhibit A or in writing in a separate addendum to this Agreement, signed by you and us. Such repayment shall be paid within sixty (60) days after our receipt of the written notice of cancellation.

**10.5 Cancellation After Occupancy.** In the event you or we cancel this Agreement after occupancy or in the event of your death (the death of the survivor in the case of Joint Residents), you or your estate will be reimbursed the amount of the Entrance Fee previously paid by you, less two percent (2%) for each month of residency or portion thereof for up to fifty (50) months. After fifty (50) months of occupancy, no repayment of the Entrance Fee will be made. Such repayment will be paid, without inter-

est, within sixty (60) days after your Residence has been reserved by a new resident and our receipt of the full amount of the Entrance Fee paid by such new resident. In the event your Residence is not reserved by a new resident, such repayment will be paid, without interest, within twenty-four (24) months from the date cancellation of your Residency Agreement becomes effective.

**10.6 Offset Against Entrance Fee Repayment.** In the event of cancellation of this Agreement after occupancy as described in Section 10.5 above, we will offset against any Entrance Fee repayment due to you the following:

**10.6.1** The amount of any Monthly Fees or other charges deferred by us on your behalf under Section 7.1; and

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

**10.6.3** Any charges incurred to restore the Residence to good condition, normal wear and tear excepted, as outlined in Section 4.11; and

**10.6.4** Any charges incurred as a result of non-standard features added to the Residence at your request as outlined in Exhibit A or in a separate addendum to this Agreement.

**11.7 Availability of the Residence.** If the Residence is not available to you for occupancy within twenty-four (24) months from the date we execute this Agreement, you may cancel this Agreement upon written notice to us. In such event, the full amount of the Entrance Fee you have paid will be refunded to you, without interest, within thirty

(30) days from the date we receive your notice of cancellation.

## **11. MISCELLANEOUS.**

**11.1 Nature of Rights.** You understand and agree that (i) this Agreement or your rights (including the use of the Residence) under it may not be assigned, and no rights or benefits under this Agreement shall inure to the benefit of your heirs, legatees, assignees, or representatives, except as to receipt of the amounts described in Section 10; (ii) this Agreement and your contractual right to occupy the Community will exist and continue to exist during your lifetime unless canceled as provided herein; (iii) this Agreement grants you a revocable right to occupy and use space in the Community but does not give you exclusive possession of the Residence against us, and you will not be entitled to any rights of specific performance but will be limited to such remedies as set forth herein and as provided by continuing care law; (iv) this Agreement is not a lease or easement and does not transfer or grant you any interest in real property owned by us; and (v) this Agreement grants to us complete decision-making authority regarding the management and operation of the Community.

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

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

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

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

**11.6 Monthly Statement.** You shall receive a monthly statement from us showing the total amount of fees and other charges owed by you, which shall be paid by the tenth (10<sup>th</sup>) day of each month.

**11.7 Responsible Party for Business and Financial Decision Making.** Within sixty (60) days after assuming residency at the Community, you agree to execute and deliver to us a Durable Power of Attorney, trust documents, or other documentation naming a responsible party for business and financial decision-making. These documents should be drafted to remain effective notwithstanding your incompetence or disability and shall be in a form acceptable to us. You agree to keep such documents in effect as long as this Agreement is in effect. The person(s) named as your responsible party shall not be a person(s) employed by us or any other entity engaged in the management of the Community.

**11.8 Disposition of Furniture, Possessions, and Property.** Within sixty (60) days after the date of residency, you agree to make provision by will or otherwise for the disposition of all of your furniture, property, and possessions located on the premises of the Community.

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

**11.10 Notices.** Any notice required to be given to us under this Agreement shall be in writing and sent certified mail or hand-delivered to the Executive Director of the Community at 700 South Holden Road; Greensboro, North Carolina 27407. Such notices shall be dated and signed.

Any notice required to be given to you shall be delivered to you at the Community or at such other place as you shall designate to us in writing. All notices mailed in accordance with this Section shall be deemed to be given when mailed whether or not they are actually received.

**11.11 Indemnity.** We will not be liable for and you agree to indemnify, defend and hold us harmless from claims, damages and expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or that of your guests.

**11.12 Separability.** The invalidity of any restriction, condition or other provision of this Agreement, or any part of the same, shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

**11.13 Subordination.** You agree that all your rights under this Agreement will

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

**11.14 Capacity.** This Agreement has been executed on our behalf by our duly authorized agent, and no officer, director, agent or employee of ours shall have any personal liability hereunder to you under any circumstances. This Agreement will become effective upon acceptance and signature by us.

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

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

**11.17 Reimbursement of Charges.** You agree to reimburse us for any charges we incur to collect any unpaid amounts you owe to us under this Agreement.

**11.18 Transfers.** We may sell or transfer our interest in the Community provided the buyer will agree to assume this Agreement and all other existing Residency Agreements. Upon the assumption of this Agreement by a buyer of the Community and its agreement to perform this Agreement and

all other agreements, we will have no further obligation hereunder. Your signature hereto constitutes your consent and approval of any such future transaction.

**11.19 Private Employee of Resident.** If you need additional services, you can obtain these needed services from a private employee, an independent contractor, or through an agency (personal service provider). In such instances, we strongly advise you to obtain these needed services from a licensed and/or certified home health agency. In any event, you must comply with our policy regarding personal service providers, and ensure that your private employee, independent contractor, or person you employ through an agency complies with our policies and rules of conduct set forth in our policy. If you fail to follow or enforce the policies and rules set forth therein, then we may elect, at our sole option, to cancel this Agreement.

**11.20 Tax Considerations.** You should consult with your tax advisor regarding the tax considerations associated with this Agreement.

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

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

**11.23 Survival of Representations and Obligations.** Your representations and obligations under this Agreement, including but not limited to, your obligation to pay all

sums owed by you to us, and your agreement to indemnify us as set forth in Section 11.11, and our representations and obligations under this Agreement, will survive any cancellation of your residency in the Community, regardless of the reason for such cancellation and regardless of whether it is initiated by you or by us.

**11.24 Acknowledgment of Receipt of Documents.** You hereby certify that you received a copy of this Agreement and a copy of our most current Disclosure Statement.

## **12. ARBITRATION.**

**12.1 Voluntary Arbitration of Negligent Health Care Claims.** For all claims for damages for personal injury or wrongful death based on alleged negligence in the provision of health care, the parties may voluntarily elect to submit to arbitration pursuant to the procedures set forth in Article 1H of Chapter 90 of the North Carolina General Statutes. N.C.G.S. §90-21.60(b) prohibits any contract from requiring prior agreement of the parties to arbitrate alleged negligent health care claims. If the parties agree to arbitrate such actions, said arbitration will be governed in accordance with N.C.G.S. §90-21.60, *et seq.*

**12.2 Arbitration for Other Claims.** You agree that any dispute, claim or controversy of any kind (except for those disputes, claims or controversies arising under Section 12.1 above) between the parties arising out of, in connection with, or relating to this Agreement and any amendment hereof, or the breach hereof, which cannot be resolved by mutual agreement or in small claims court, will be submitted to and determined by arbitration in Guilford County, North Carolina in accordance with the Federal Arbitration Act and the then-current commercial arbitration

rules of the Federal Arbitration Act. You and we will jointly agree on an arbitrator and the arbitrator will be selected according to the procedure set forth in State law, if applicable. In reaching a decision, the arbitrator shall prepare findings of fact and conclusions of law. Any direct arbitration costs incurred by you will be borne by you. Costs of arbitration, including our legal costs and attorneys' fees, arbitrators' fees, and similar costs, will be borne by all residents of the Community, provided that the arbitrator may choose to award the costs of arbitration against us if the arbitrator determines that the proposed resolution urged by us was not reasonable. If the issue affects more than one resident, we may elect to join all affected residents into a single arbitration proceeding, and you hereby consent to such joinder.

**12.3 Withdrawal of Agreement to Arbitrate.** You may withdraw your agreement to arbitrate within thirty (30) days after signing this Agreement by giving written notice of your withdrawal to us.

**12.4 Binding Effect of Arbitration.** This arbitration clause binds all parties to this Agreement and their spouses, heirs, representatives, executors, administrators, successors, and assigns, as applicable. After cancellation of this Agreement, this arbitration clause shall remain in effect for the resolution of all claims and disputes that are unresolved as of that date.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**RESIDENT**

\_\_\_\_\_  
Witness

Approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**THE MASONIC AND EASTERN STAR  
HOME OF NORTH CAROLINA, INC.  
d/b/a WhiteStone: A Masonic & Eastern  
Star Community**

\_\_\_\_\_  
Printed Name of Authorized Representative

\_\_\_\_\_  
Signature of Authorized Representative

Attachment: Exhibit A



Traditional Residency Agreement for Expansion  
Residences (2019-09-03) .docx

**Exhibit A**

| <b>Non-Standard Features Added at Resident's Request:</b> | <b>Amount</b> |
|---|---------------|
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
|   | \$            |
| <b>Total of Non-Standard Features</b>                     | \$            |

**Initials** \_\_\_\_\_  
**Community**

\_\_\_\_\_  
**Resident(s)**