

The Chapel Hill Residential Retirement Center, Inc.
Carol Woods Retirement Community
750 Weaver Dairy Road
Chapel Hill, NC 27514



Disclosure Statement
May 29, 2015

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

- *This Disclosure Statement may be delivered until revised, but not after October 25, 2016;**
- *Delivery of the Disclosure Statement to a contracting party is required before execution of a contract for continuing care;**
- *This Disclosure Statement has not been reviewed nor approved by any government agency or representative to ensure accuracy or completeness of the information set out. (North Carolina statutes do not provide for such governmental approval.)**

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I. ORGANIZATION INTRODUCTION AND INFORMATION

A. The Organization and Its Operation

Organized by a group of local citizens who recognized the need for a quality retirement center in Chapel Hill, **The Chapel Hill Residential Retirement Center, Inc.** was incorporated in July 1972 as a nonprofit corporation. The community includes a single campus located at 750 Weaver Dairy Road in Chapel Hill, North Carolina. The corporation generally uses the name **Carol Woods** when doing business.

The mission of the corporation is to provide a broad array of services to persons 65 years of age or older including housing, health care, security, and to develop a satisfying lifestyle and environment. The facility supports and enhances the highest degree of independence appropriate to each individual resident. A copy of Carol Woods' Philosophy Statement and Statement of Mission, Vision and Values are presented in Appendix F.

B. Not-for-Profit Status

Carol Woods is classified by the Internal Revenue Service as a 501(c)(3) corporation. This not-for-profit classification exempts the organization from corporate income taxes and allows Carol Woods to receive charitable contributions that may be tax deductible by the donor. Under IRS regulations no earnings of the Corporation may be used for the benefit of nor distributed to corporate directors, officers, or other individuals. All excess funds remain with Carol Woods for use in its programs and services; and for on-going financial stability.

C. Affiliations

In 2006 Carol Woods created an affiliated corporate entity, naming it The Carol Woods Charitable Fund, Inc. (the Charitable Fund). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a "supporting" corporation to Carol Woods. Under IRS guidelines, a supporting organization is one that is treated as a tax-exempt entity because its primary purpose is to support another charitable, tax-exempt entity; i.e., Carol Woods. Under its Articles of Incorporation and Bylaws, the purpose of the Charitable Fund is to:

- a. Support the facilities, grounds and services of Carol Woods to maintain its high quality and affordability.
- b. Support Carol Woods as a leader in research and development of innovative housing programs, health care services, technology applications, and other needed support services in order to help elderly persons lead meaningful lives as they age.
- c. Support Carol Woods' leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- d. Support Carol Woods' assistance to elderly persons during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in

desired living arrangements and achieving smooth transition to other settings as needed.

- e. Support Carol Woods in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school and trade school levels, thereby increasing the supply of qualified and dedicated personnel available to serve seniors.
- f. Support Carol Woods in its cooperation and collaboration with other public agencies and non-profit corporations in the community, North Carolina and the United States in efforts to determine the most satisfying and fulfilling methods of providing living accommodations and supportive services for elderly persons.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. To maintain sufficient cohesion among the two organizations, all members of the Charitable Fund Board of Directors are appointed by the Carol Woods Board, and a majority of the Charitable Fund Board must be current members of the Carol Woods Board; including the Carol Woods President/CEO and Vice-President of Finance, who serve as ex-officio voting members of the Charitable Fund Board.

The books of the Charitable Fund are presented as part of a set of consolidated financial statements, providing residents and the public the same level of financial disclosure to which they have come to expect with Carol Woods (refer to Appendix A).

Aside from its affiliation with the Carol Woods Charitable Fund, and other than annual membership in several state and national associations such as LeadingAge, Carol Woods has no formal affiliation with any other religious, charitable, other non-profit organization or any other organization. Carol Woods is solely responsible for all of the corporation's financial and contractual obligations.

D. Accreditation

Carol Woods is accredited by the national Commission for Accreditation of Rehabilitation Facilities - Continuing Care Accreditation Commission (CARF-CCAC). The Commission is an independent entity and is the only accreditation body for communities like Carol Woods. Initial accreditation was granted in 1988. Carol Woods was reaccredited in 1993, 1998, 2003, 2008, and most recently in 2013. Each 5-year reaccreditation involves an intensive evaluation process and an on-site visit conducted by a team of trained continuing care professionals. In achieving accreditation, the Commission finds that Carol Woods conforms to specific standards of excellence accepted by the continuing care industry. (See Appendix E for Certificate of Accreditation).

E. Licensure

Carol Woods is licensed to provide continuing care in North Carolina in accordance with State law. The license is issued by the North Carolina Department of Insurance. Documentation of Carol Woods' licensure with the Department of Insurance is presented in Appendix E.

Carol Woods is also licensed by the North Carolina Division of Health Service Regulation to operate 30 skilled nursing facility beds and 89 Home for the Aged beds (the latter comprise Carol Woods' Assisted Nursing Care, Central and Garden Assisted Living facilities).

Carol Woods is also licensed by the North Carolina Division of Health Service Regulation to operate a home care agency.

Current copies of each license from the Division of Health Service Regulation are presented in Appendix E.

The 30-bed skilled nursing center is certified for Medicare participation, as are Carol Woods' primary care medical clinic and outpatient rehabilitation department.

F. Credit Rating

In the fall of 2000 Carol Woods received a credit rating from Standard & Poor's (S&P). Rating agency officials conducted a campus visit and reviewed the financial condition of Carol Woods, its financial projections for the expansion planned at that time, its management and Board, and other elements of the corporation. The result was that S&P has provided Carol Woods with a rating of "A". As of October 2014 a total of 47 communities across the country have a rating of any kind with S&P, and Carol Woods is among only 8 retirement communities that have a rating of "A" or better. S&P reviews Carol Woods' financial position every year or two, taking into consideration such factors as strength of Board and senior management, market conditions, and financial projections. Each time S&P has reaffirmed its "A Stable" Rating of Carol Woods. The most recent reaffirmation was in March, 2015.

II. FACILITY INTRODUCTION AND INFORMATION

A. Physical Location and Capacity

Carol Woods is located on 120 wooded acres in northern Chapel Hill, North Carolina. Its location is between two major universities, the University of North Carolina at Chapel Hill and Duke University.

There are 312 residential living units on campus, comprised of the following:

- 152 are single-story garden cottages,
- 149 units are in three central apartment buildings, and
- 11 are two-story townhomes located contiguous to the main campus.

There is a 60-accommodation health center on site and 3 assisted living facilities with licensed capacity for 59.

As of April 30, 2015 Carol Woods had 483 residents living on campus, and 75 other residents living off campus under the Early Acceptance program.

A variety of central buildings house common facilities (such as the dining hall, social hall, guest house, indoor heated pool, fitness center, library, assembly hall, computer room, and craft rooms/craft shop) and offices. The campus is accessed from a single entrance on Weaver Dairy Road.

In February of 2012, Carol Woods received approval from the NC Department of Insurance to begin to offer an Early Acceptance program. The Early Acceptance option is offered only to persons who are on Carol Woods' priority list, and the admission process for Early Acceptance is identical to the admission process for persons who are moving to campus. Currently there are 75 residents of Carol Woods under the Early Acceptance program with plans to grow to 88 residents by the end of 2015. The total numbers of persons who are accepted to the Early Acceptance program will be determined by the Carol Woods Board, and will be guided by the projected actuarial capacity of Carol Woods' assisted living and health center facilities. The Early Acceptance program is described in more detail in Sections III, IV and V of this Disclosure Statement. The assumptions about fill-up of the Early Acceptance program and the financial implications are presented in the 5-year financial projections in Appendix B.

B. Board of Directors

Carol Woods, as a private community-based not-for-profit corporation, which is governed by a Board of Directors, all of whom serve on a volunteer basis.

There are 16 voting Board members and 3 non-voting ex-officio members -- of whom one is staff, and two are members of the Residents Council. Voting members are nominated and elected by the Board to 3-year terms. Currently 2 residents serve as voting members of the Board. No paid staff members of Carol Woods serve as voting Board members. Each Board member may serve a maximum of two consecutive terms, but then must rotate off the Board for at least one year. Members are typically individuals who have had proven success in professional, business, or community affairs. Most are from the Chapel Hill and Durham area. A number of past board members have later become residents of Carol Woods.

Stephen Elkins-Williams (Chair)

304 E. Franklin Street
Chapel Hill, NC 27514

Education: B.A. in Philosophy from Gonzaga University (Spokane), and M.Div. from Regis College (Toronto). Stephen is the rector of the Chapel of the Cross, a historic Episcopal parish in Chapel Hill which adjoins the UNC campus. Chapel of the Cross recently completed an extensive construction and renovation project. He joined the staff as an Assistant in 1982 and became Rector in 1985. He has led the parish in extensive community outreach, including campus ministry, the Inter-Faith Council, a Habitat for Humanity Partnership, prison ministry, refugee resettlement, global mission, and a twenty-year sister parish relationship with St. Paul AME Church.

Barbara Jessie-Black (Vice-Chair)

115 West Main Street
Carrboro, NC 27510

Education: B.A. in Business Administration from Augusta State University (1986) and M.B.A. from Meredith College (1997). Ms. Jessie-Black is the Executive Director of the PTA Thrift Shop, Inc., and is co-founder and board member of OneVoice Institute of Business and Entrepreneurship, Inc. in Durham, NC. She also serves on the boards of UNC Health Care System and NC Center for Nonprofits. In addition she also serves as a Summer Institute Venture Competition judge with Nourish International, is a member of the Finance Committee for the Chapel Hill/Carrboro Chamber of Commerce, and a member of Project Connect Executive Committee and Employers Work Group member for Orange County Partnership to End Homelessness.

Steve Lackey (Secretary)

410 Martin Luther King Blvd
Chapel Hill, NC 27514

Education: B.A. and J.D. from the University of North Carolina at Chapel Hill (1979 and 1996, respectively), and M.A. from the University of Texas at Austin (1985). Since 1996, Mr. Lackey's practice has focused on estate planning and administration with the firm of Epting & Hackney in Chapel Hill. Prior to practicing law, Steve worked as a preschool teacher. He is active in the Chapel Hill community, having served as president of the Friends of the Seymour Center and a member of Master Aging Plan work group for the Orange County Advisory Board on Aging. Additional past community involvement includes serving on the Board of the Chapel Hill-Carrboro Public School Foundation, as Chair of the United Way Senior Issues Team and as a member of the Orange County Advisory Board on Aging.

Per NCGS §58-64(a)(3)(b) Mr. Lackey's law firm, Tillman, Hinkle and Lackey PLLC (at the address noted above) provides legal advice to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Chris Barnes (Treasurer)

3700 Glenwood Avenue, Suite 200
Raleigh, NC 27612

Education: Bachelor of Arts in Exercise Sports Science from the University of North Carolina at Chapel Hill (1999). Mr. Barnes has been in banking for over 15 years and currently works for Regions Bank as a Commercial Banker. He is the immediate past Chair of the Board for the Chapel Hill-Carrboro Chamber of Commerce, current Chair of the Chamber's 501(c)(3) Partnership for a Sustainable Community and serves on the Board of Advisors for the Durham YMCA. Chris and his wife Brandy have a daughter, Summer. He is very active in his church, and enjoys playing golf and basketball.

Robert Gray Bruce, Jr.

100 Friday Center Drive CB# 1020
Chapel Hill, NC 27599

Education: B.A. in English from the University of Texas at Austin (1991); M.A. in Creative Writing and Ph.D. in American Literature from Texas A&M University (1993 and 1997, respectively). Since 2011 Dr. Bruce has served as director of the University of North Carolina at Chapel Hill William and Ida Friday Center for Continuing Education and as adjunct faculty in the department of English and Comparative Literature. Before joining the Friday Center he served as the associate dean for Continuing & Innovative education at the University of Texas at Austin. Dr. Bruce has over twenty years of higher education experience in a variety of administrative and academic roles, including teaching, online and technology-enhanced learning, continuing education and lifelong learning, faculty and graduate student development, and fundraising. He is a member of the Board of Directors of the University Professional & Continuing Education Association (UPCEA). He also serves on the following UNC Boards: Provost Committee on Inclusive Excellence and Diversity, Summer School Administrative

Board, Carolina Engagement Council, and the Program in the Humanities and Human Values Administrative Board. Dr. Bruce is a Presbyterian Church (U.S.A.) elder and his community volunteerism includes coaching little league sports. He and his wife, Gretchen, have three children.

Eva Pearce Clontz (Resident, Ex-Officio)

750 Weaver Dairy Road, Apt. 124
Chapel Hill, NC 27514

Education: B.A. from Wake Forest University (1964), M.A.T. from Duke University (1967), M.Ed. in Higher and Adult Education from the University of North Carolina at Chapel Hill (1980). Ms. Clontz retired from her position as Program Coordinator at the Statewide Program for Infection Control and Epidemiology, UNC School of Medicine, six weeks after moving to Carol Woods in 2007. After growing up on a farm in Wake County, N.C. and graduating from college, she was a junior high school teacher in Raleigh, then a faculty member at Western Carolina University, and later a short-term missionary in Togo, West Africa, where she and her family lived for a year. Since moving to Chapel Hill in 1971, she has been active in the Olin T. Binkley Memorial Baptist Church, serving on the Church Council, Diaconate, Board of Christian Education and church committees. She has served on the Orange County Commission for Women and was Chair of the Board of the Orange County Women's Center. She and her husband Joe have children and grandchildren living in Durham, NC and Lexington, MA.

Robert (Bob) E. Dunham

PO Box 509
Chapel Hill, NC 27514

Education: B.A. in English from Davidson College; D. Min. from Union Theological Seminary; S.T.M. from Yale University. He has been a pastor at University Presbyterian Church, Chapel Hill since 1991. Past pastorates include South Carolina, Georgia and Alabama. Rev. Dunham has served on the boards of Davidson College and Union Presbyterian Seminary, as well as the Inter-Faith Council in Chapel Hill. He leads a congregation deeply committed to serving beyond itself, locally and globally.

John P. (Jack) Evans

McColl Building CB# 3490
Chapel Hill, NC 27599-3490

Education: Bachelor of Mechanical Engineering, M.S. in Industrial Engineering and Ph.D. in Operations Research, all from Cornell University (1960, 1962 and 1968, respectively). After approximately two years on the faculty of the Graduate School of Business at the University of Chicago, Jack joined the faculty of what is now Kenan-Flagler Business School (KFBS) at the University of North Carolina at Chapel Hill in 1970. While on the faculty, Jack served as Assistant to the Chancellor, Dean and three times as either Acting or Interim Dean of KFBS, Interim Vice Chancellor for Finance and Administration, and Executive Director of Carolina North. He also served as the

university's faculty athletics representative from 1995 to 2010 during which time he was twice president of the Atlantic Coast Conference. He has served on a number of NCAA committees including the Committee on Academic Performance from 2003 to the present. He retired from UNC-Chapel Hill at the beginning of 2011. He came out of retirement in July 2013 to return to KFBS as Interim Dean.

Thomas R. Haber

707 Kensington Drive
Chapel Hill, NC 27514

Education: B.S in Economics from the Wharton School at University of Pennsylvania (1962). Tom is CEO of Hadley Investments. He retired from his position as Senior Vice President/Chief Financial Officer of GlaxoSmithKline U.S., and is currently on the Board of Directors of the GSK NC Foundation. Tom previously worked in financial management at Johnson and Johnson. He serves on the Board of Directors of SECU Family House, Board of Visitors UNC Children's Hospital, Board of Visitors UNC Kenan-Flagler Business School (Emeritus). His previous volunteer activities include UNC Chapel Hill Board of Visitors, Chapel Hill- Carrboro Public School Foundation Board, ArtCenter Board, and Chapel Hill Preservation Society Board. Tom and his wife Margie have lived in Chapel Hill since 1983.

Brenda Jamerson

6409 Fayetteville Road, Suite 120-10
Durham, NC 27713

Education: Pharm.D from The Ohio State University. Dr. Jamerson is Center Fellow at the Center on Biobehavioral Research on Health Disparities at Duke University and affiliated with the VA Medical Center Geriatric Research Education and Clinical Center. She also holds an adjunct appointment in the Department of Medicine at Duke University. Before joining Duke, Dr. Jamerson was Director, Depression/Dependence, Medical Affairs, GlaxoSmithKline. She is currently a board member of the Community Health Coalition. Her scholarly publications are in the area of neuroscience and anesthesia, and she is an investigator in the field of pharmacogenetics and community-based outcomes. Dr. Jamerson is the Editor in Chief for the American Journal on Health Studies and an invited speaker at national conferences in drug development. Her current research interests include pharmacogenetic predictors of therapeutic response, community health and reducing health disparities in underrepresented minority and senior populations.

Larry McManus, CFP®, CRPC®

TEAM Wealth Investments
1525 E. Franklin Street
Chapel Hill, NC 27514

Education: B.S in Financial Management with a minor in Real Estate from Clemson University; M.B.A. from the University of South Carolina and Copenhagen School of Business and Economics. Mr. McManus is a Certified Financial Planner and Chartered Retirement Planning Counselor. He is an investment manager and principal in his own investment firm, TEAM Wealth Investments. Larry's work experience includes a wealth of international management experience in Asia, Japan and Europe including Merger and Acquisitions, Acquisition Integrations, Business Development and Sales at Cisco, Ericsson, BET, Ltd. and ISS, Inc. Larry has led building teams for Habitat for Humanity International in Guatemala, Ghana and Costa Rica, and volunteers locally at Habitat in Durham. He has served as a Chairman of Cub Scout Pack 283, various leadership roles with Boy Scouts of America in Orange County and on Finance Committee of Christ United Methodist Church.

Per NCGS §58-64(a)(3)(b) the firm that Mr. McManus owns, TEAM Wealth Investments at the above address, may provide services to residents of Carol Woods, the anticipated cost of which cannot be estimated.

Dina Mills

3 The Glen
Chapel Hill, NC 27514

Education: M.B.A. from the University of Chicago. Ms. Mills is an Associate Director in the Center for Entrepreneurial Studies at UNC's Kenan-Flagler Business School where she manages Launch Chapel Hill and oversees the 1789 Venture Lab and the Adams Apprenticeship Program. She has over 25 years of experience developing and managing for-profit and not-for-profit entrepreneurial ventures in a wide range of industries across three continents. She served as a Peace Corps Volunteer in Rwanda and spent nine years in Poland launching business ventures including British Petroleum, Blockbuster and Insty Prints. Dina retired to Chapel Hill in 2001. The entrepreneurial bug bit again and she co-founded LunaPops, a gourmet frozen pop producer in 2008, stepping out of the business in 2012. She has four children (13-year-old triplets and a 12-year-old) and currently serves on the Board of the Friends of Downtown.

Patricia Moore-Boyette

211 Friday Center Drive, Suite 2091
Chapel Hill, NC 27517

Education: B.S. in Applied Mathematics from N.C. State University (1973), M.B.A from Meredith College (1983), Certified Public Accountant (1978). Pattie has worked at UNC Healthcare System for the past 30 years, beginning as the Director of Internal Audit for N.C. Memorial Hospital, next as the Vice President of Audit and Reimbursement for UNC Hospitals, and currently as the Vice President of Reimbursement for UNC Health Care System. Previous to that, Pattie spent eight years at Blue Cross and Blue Shield of

NC (NC fiscal intermediary for Medicare and Medicaid) as an auditor and then Audit Supervisor for Teaching and State facilities. She also helps with accounting/auditing in the family business – Joe Moore & Company, Inc., an industrial boiler contractor, located in Raleigh, NC. She serves on the vestry at Saint Michael's Episcopal Church in Raleigh, NC and has taught Sunday School to three-year-olds for over 35 years.

Marlene Rifkin

101 Manning Drive
Med Wing E, 3rd Floor, CB #7600
Chapel Hill, NC 27514

Education: B.S. from Ohio State University, MSM from Florida International University. Marlene has worked at a number of academic medical centers, including her current position at UNC Health Care System as Senior Vice President of Operations where she has oversight responsibility for Oncology, Heart and Vascular, GI Procedures, Urology, Neurosciences Service Lines, Radiology, McLendon Labs, Environmental Health and Safety, Epidemiology/Infection Control, Emergency Preparedness and Disaster Management/Continuity Planning. She grew up in East Liverpool, Ohio. After graduate school, she was selected as an Administrative Fellow by Jackson Memorial Hospital/University of Miami where she completed two Fellowships – a Management Fellowship in 1991 and a Senior Policy Fellowship in Community Health Service in 1994. She has served on numerous boards, including UNC Ambulatory Care Board, Ronald McDonald House of Chapel Hill, Family Violence Prevention Center of Orange County, and The Public Health Trust of Dade County. She also served on the Chapel Hill 20-20 Planning Group in 2013. Marlene moved to Chapel Hill in 1993 with her husband Michael (an attorney who passed away in 2005). She has three children and three grandchildren in Chapel Hill and Indianapolis, IN.

Kelly Ross

333 Burlage Circle
Chapel Hill, NC 27514

Education: B.A. in English from the University of North Carolina at Chapel Hill. Ms. Ross worked for SAS Institute in Cary, NC from 1986 to 2006 in a variety of sales leadership positions. After retiring from SAS in 2006, she worked as SVP of Sales for Misys Healthcare Systems, North American General Manager for Vignette Corporation, SVP of Sales and Marketing for Intuit Health and is currently Vice President of Sales for Futures, Inc. Ms. Ross has served on the Board of Directors of the UNC Libraries, Board of the North Carolina Fellows Program, the Deloitte and Touche Business Women's Mentoring Program and the session of University Presbyterian Church.

Patricia E. Sprigg (Ex-Officio member as President/CEO)

Carol Woods
750 Weaver Dairy Road
Chapel Hill, NC 27514

Education: M.S., University of North Texas B.S., Pennsylvania State University; N.H.A. North Carolina State Licensure. Ms. Sprigg has been involved in long term care since 1975; She was formerly the Vice President for Project Development for the Kendal Corporation; has served on the National LeadingAge Board, House of Delegates, and as Secretary of National LeadingAge, Co-Chair of the Master Aging Plan for Orange County, Past Vice Chair and Member of Armed Forces Retirement Home National Board; Chair-Elect and Continuing Care Accreditation Commissioner, Past Chair of North Carolina Association of Non-Profit Homes for the Aging, National Transition of Care Coalition and the North Carolina Legislative Study Commission on Aging; She currently serves as Co-chair of the National Innovations Cabinet and Chair of the LeadingAge Foundation. . Ms. Sprigg joined Carol Woods in 1992.

Sandra ("Sandy") Venegoni (Resident Member)

750 Weaver Dairy Road, Apt. 115
Chapel Hill, NC 27514

Education: B.S.N. from St. Louis University (1965), M.N. from Emory University (1971), Adult Nurse Practitioner Certificate from East Carolina University (1982), and Ph.D. from Virginia Commonwealth University School of Nursing (1991). Sandy retired with rank of Colonel after 23 years in U. S. Army Reserves (Nursing Administration, Staff Education & Development), including active duty during Operation Desert Storm in 1991. She became involved in gerontological nursing in 1976 and has been committed to gerontological nursing/administration since then. Sandy was a faculty member at several universities, and was involved with the Teaching Nursing Home concept at Saint Louis University, Virginia Commonwealth University School of Nursing and Sailor's Snug Harbor in Sea Level, NC.

Gordon P. Whitaker (Resident, Ex-Officio)

750 Weaver Dairy Road, Apt. 166
Chapel Hill, NC 27514

Educaton: A.B. from Cornell College (1965), and Ph.D. in Political Science from Indiana University at Bloomington (1972). Mr. Whitaker retired as professor emeritus from the School of Government at the University of North Carolina at Chapel Hill in 2012, having served on the faculty of the Department of Political Science and the Institute of Government at UNC since 1973. He is a native of Bloomington, Indiana. Following graduation from Cornell College, he served briefly with the U.S. Public Health Service in Chicago and the Peace Corps (in Somalia). After completing graduate studies, he was an assistant professor at Brooklyn College of the City University of New York (1971-1973). He and his partner, now spouse, Bob Hellwig lived in Durham from 1973 until moving to Carol Woods in 2009. He remains an active member of Durham's Watts

Street Baptist Church. He has also been active in community organizations, including the ACLU and Durham Congregations in Action.

Henry L. Woodward (Resident Member)

750 Weaver Dairy Road, Apt. 173
Chapel Hill, NC 27514

Education: B.A. in Economics from Oberlin College (1960).

Mr. Woodward retired in 2009 from Woodward Financial Advisors, a financial planning and investment management firm that he founded in Chapel Hill in 1995 and sold in 2009. Prior to moving to Chapel Hill in 1994, he spent thirty years with the Information Technology group at The Travelers Insurance Co. in Hartford, CT. He managed software development projects, a large computer operations group, and a financial management group. In the early 1960s he spent three years as the communications officer aboard a U.S. Navy destroyer based in New England. He has served on local church committees, the Board of Pensions for the metropolitan New York City and western CT area of the United Methodist Church, and a long-range community planning task force in CT. He is presently serving on the Residents Financial Advisory Committee at Carol Woods.

Board membership may change between major updates of this disclosure statement. See Appendix H for any changes since this annual update.

C. **Residents Association**

A vibrant quality of Carol Woods is the active involvement of residents in most aspects of the campus through membership in a Residents Association, with an elected Council and appointed Committee structure. The Residents Association is a separate non-profit corporation, independent of the Carol Woods and Charitable Fund corporations. All residents are members on the basis of being Residents of Carol Woods – both those living on campus and those in the Early Acceptance program. Association members elect representatives to a Residents' Council, which is the governing body of the Association. The Residents Council generally meets monthly, and is joined by the President/CEO of Carol Woods. The Council President appoints the chairpersons of a large number of standing committees, ranging in scope from Finance to Fitness -- Dining to Decorating. The President of the Residents' Council and one other member of the Council (selected by the Council) serve as ex-officio, non-voting members of the Carol Woods Board of Directors.

Management works very closely with the residents through the Association, its Council and its committees. Each department manager meets routinely with the appropriate resident committees. Resident-initiated questions and issues relating to operations are directed to the committee level for clarification or discussion with management. Parameters for programs and policies are developed at this level.

Programs and policies developed in this way generally are referred to the President/CEO of Carol Woods with consensus having been reached between the particular resident committee and manager. Similar support is sought and is usually reached at the Resident Council level. The Board of Directors is thereby assured that policies that it must consider, and policies that are within the discretion of management to approve and implement, have had considerable and very real resident input.

D. Executive Staff:

Patricia E. Sprigg, President and CEO:

See profile in Board of Directors.

Kenneth Reeb, Jr., Vice President of Finance and Planning:

Education: MSPH, (Health Care Administration) UNC-CH; BA, Economics, Carleton College; North Carolina NHA and ACH Licenses. Former Administrator of Hampton Woods Senior Campus, Jackson, NC. Mr. Reeb served as Treasurer of the Board of Senior Care of Orange County, and serves as Vice-Chair on the Board of Piedmont Health Services. He has been involved in the health care industry since 1984. He joined Carol Woods in 1996.

David Wilkerson, Vice President of Operations:

Education: B.A. UNC-CH. With over 20 years of experience in information systems, programming, and analysis of software and hardware, Mr. Wilkerson has held positions of Vice President, President and CEO of software companies located in Chapel Hill, NC, Boston, MA, and Portland, OR. He serves as Treasurer of the Board of Senior Care of Orange County, Inc. and joined Carol Woods in 1995.

E. Consulting Professionals:

A. V. Powell and Associates, LLC.

Actuary, Suite 209, 6055 Barfield Road, NE, Atlanta, GA 30328-4403

Dixon Hughes Goodman, PLLC

Auditors and Financial Consultants, 2501 Blue Ridge Road, Suite 200, Raleigh, NC 27607

UBS Financial Services, Inc.

Investment Advisors, 1201 W. Peachtree St., Suite 3500, Atlanta, GA 30309

Womble Carlyle Sandridge & Rice, PLLC

Legal Counsel, 150 Fayetteville Street Mall, Suite 2100 Raleigh, NC 27610

F. Full Disclosure Practice

Carol Woods discloses to its residents all policies and summary financial information related to the retirement center. Both the annual audited financial statements and the monthly interim financial statements are presented to Resident Finance Committee members. Audit forums are offered annually, open for all residents to attend. Committees of the Residents Association and the Residents Council are involved in the budget preparation process. Budget forums are given annually for all residents during and after budget approval. Copies of the annual audits, interim monthly financials, annual budgets, and the annual Disclosure Statement are archived in the Carol Woods library for resident and public reference. Electronic copies are posted to the resident web site for easier access on-line.

No member of the Board of Directors, staff member, nor consultant has a financial interest in Carol Woods. No member of the Board or management staff (i) has been convicted of a felony nor pleaded nolo contendere to a felony charge, nor been held liable nor enjoined in a civil action by final judgment if the felony or civil action involved fraud, embezzlement, fraudulent conversion, or misappropriation of property; (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 the aged, or facility subject to Chapter 58, Article 64 of the NC General Statutes or a similar law in another state.

Carol Woods does not hire nor pay Board members on either a contractual or any other basis. Per Chapter 58, Article 64 of the NC General Statutes Carol Woods ensures that all of its officers, directors, and key management staff disclose "...the name and address of any professional service, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which is presently intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within any given year, including a description of the goods, leases, or services and the probable or anticipated cost thereof to the facility, provider or residents or a statement that this cost cannot presently be estimated..." There is a Board policy that governs the evaluation and disclosure of potential conflicts of interest; a copy of which is presented in Appendix G.

Residents are free to have business relationships with Board members or with organizations they own, control, are employed by, or are otherwise affiliated. Carol Woods neither endorses nor encourages residents to do business with Board members nor related organizations and is not involved in establishing continuing business relationships between residents and Board members.

Each Board member is asked each year to disclose whether they have business relationships with residents. Carol Woods has disclosed those Board members who do or may have business relationships with residents in their individual Board profiles in the previous section.

III. EARLY ACCEPTANCE AND ON-CAMPUS RESIDENTIAL LIVING

Carol Woods offers two programs by which persons can become Residents of Carol Woods:

1. If a cottage, apartment or townhome is available, one can reserve that accommodation, proceed through Carol Woods' admission process, take residency of the accommodation, and enjoy on-campus retirement living and related services, plus ensure access to future health care services as needed.
2. If a slot in Carol Woods' Early Acceptance program is available, one can reserve that slot, proceed through Carol Woods' admission process, become a Resident of Carol Woods with full access to the campus amenities, and ensure access to future health care services as needed -- while remaining in their current home for the time being -- and retaining their position on the Priority List for a potential move to campus at a later date.

Whether living on campus or continuing to live in their current home, residents in each setting have the same financial protections and access to Carol Woods' assisted living facilities, health center and other health care programs.

Since the Early Acceptance program does not include residency on campus, the array of retirement living services offered under Early Acceptance are different than the services offered to residents who live on campus -- and the fee structure reflects those differences (Refer to the Services section of this Disclosure Statement).

Aside from those differences, however, Carol Woods has made the two programs as similar as possible. Some of the key similarities are the following:

1. Only persons who are on Carol Woods' Priority List will be offered available residences on campus and available slots in the Early Acceptance program.
2. Once a member of the Priority List has reserved a residence or a slot in the Early Acceptance Program, the admission process is identical, and includes financial analysis and a health assessment.
3. Once one becomes a Resident of Carol Woods, whether living on campus or through Early Acceptance, they have equal access to all common areas of campus, equal standing as members of the Residents Association, and equal access to Carol Woods' health care facilities and shared health care benefits.

To emphasize the wide array of similarities between the two programs, the next sections on Policies and Services will intersperse information related to both programs. To help understand the similarities and the differences, each section will contain helpful tables that provide side-by-side comparison of key policies and services, and how those apply to each program.

IV. POLICIES

A. Admission

The admission requirements for the Early Acceptance program and for residence at Carol Woods are non-discriminatory with respect to race, creed, religion, gender, sexual orientation or gender expression. Carol Woods is open to both couples (married or unmarried) and singles.

	Early Acceptance	On-Campus Living
1) Access to Program	Available only to Members of Carol Woods' Priority List.	Available only to Members of Carol Woods' Priority List.
2) Geographical Consideration	Persons must live in Orange County, NC or surrounding counties, in convenient proximity to Carol Woods.	No geographical constraint, since persons are seeking a move to Carol Woods.
3) Offering Admission	When an Early Acceptance slot is available, persons on the Priority List who have expressed interest in Early Acceptance are contacted in strict sequential order based upon Priority List Date.	When an apartment, cottage or townhome is available, persons on the Priority List who have expressed interest in that accommodation type are contacted in strict sequential order based upon Priority List Date.
4) Admission Process		
a) Reservation Agreement	Applicant signs an Early Acceptance Reservation Agreement to reserve the available slot.	Applicant signs a Reservation Agreement to reserve the available accommodation.
b) Health Assessment	Applicant submits a Personal Health History within 30 days. Applicant's physician submits a Physician's History and Physical Exam Report.	Applicant submits a Personal Health History within 30 days. Applicant's physician submits a Physician's History and Physical Exam Report.
c) Financial Analysis	Applicant submits a Confidential Financial Statement within 30 days of Reservation Agreement.	Applicant submits a Confidential Financial Statement within 30 days of Reservation Agreement.
d) Insurance Requirements	Applicant must carry Medicare A and B or acceptable alternative primary medical insurance and acceptable supplemental medical insurance.	Applicant must carry Medicare A and B or acceptable alternative primary medical insurance and acceptable supplemental medical insurance.

Carol Woods maintains an active Priority List for persons interested in the Early Acceptance program, and in possibly moving to Carol Woods at a future date. The Priority Agreement (Appendix C) secures the option for persons to go through the admissions process at a later date, but does not guarantee admission to Carol Woods.

As residences on campus become available, persons who have indicated interest in the available unit type are contacted from the Priority List in order by date that one's original deposit was made and offered the option of reserving a residence at that time.

As slots for Early Acceptance become available, persons from the Priority List who live in the local geographic area, and who have expressed an interest in the Early Acceptance program, are contacted and offered the option of becoming a Carol Woods resident under the Early Acceptance program at that time. The geographic area that is served through the Early Acceptance program must be close enough driving distance to be convenient for Early Acceptance Residents to come to Carol Woods and for Carol Woods' care management staff to conduct periodic in-home visits. The service area includes Orange County, NC and portions of surrounding counties that are within appropriate driving distances. Persons considering joining the Priority List will be informed as to whether they live close enough to qualify for Early Acceptance so that they can factor that into their decision of whether to join the Priority List.

A person/couple may defer becoming a resident, and that decision will not change one's position on the Priority List. Their position is set based upon the date that they made their original priority list deposit. Likewise, those who become Carol Woods' residents under the Early Acceptance program remain on the Priority List and retain their original Priority List Date. They will continue to be offered the opportunity to move to a residence on campus as residences of their choice become available, and based upon their original Priority List Date.

A Reservation Agreement or Early Acceptance Reservation Agreement (Appendix C) is signed when a person on the Priority List decides to enter the Admissions process. In this Agreement, Carol Woods agrees to take the available residence or early acceptance slot off the market while the person goes through the Admission process. The Reservation Agreement also establishes the amount of the Entry Fee to be paid upon acceptance.

The Board of Directors, guided by actuarial considerations, determines the number of Early Acceptance contracts that Carol Woods may offer. Prospective residents who elect to proceed through the Early Acceptance admission process shall be subject to the same requirements as the traditional admission process, including signing an Early Acceptance Reservation Agreement and providing timely health and financial information. The admissions criteria for Early Acceptance are the same as those used for other admissions to Carol Woods, as are outlined in the following sections.

B. Health Criteria

Carol Woods is a continuing care retirement community with a fee structure and reserves that are actuarially based and insurance-like in nature. The community's financial projections are based upon the assumption that every resident accepted through Carol Woods' admission process is able to live independently and have a reasonable expectation of an active lifestyle for participation in the community for a minimum of three to five years.

All prospective residents are required to submit a Personal Health History within 30 days of executing the Reservation Agreement or Early Acceptance Reservation Agreement. The prospective resident is also asked to have his/her personal physician complete a Physician's History and Physical Examination Report and, if appropriate, personal interviews are scheduled.

C. Financial and Insurance Criteria

Residents must have assets and income which will be sufficient to meet their financial obligations under the Agreement and to cover other ordinary living expenses, under foreseeable circumstances. Carol Woods requires a Confidential Financial Statement be completed within 30 days of executing the Reservation Agreement or Early Acceptance Reservation Agreement and may request that the resident furnish updated financial information periodically after acceptance.

All residents must also carry Medicare A and B (or an equivalent for those not eligible) and a Medicare supplemental policy that meets Carol Woods' requirements. At a minimum, Carol Woods expects that, since it participates in Medicare, neither one's Medicare nor one's supplemental policy would exclude Carol Woods as a health care provider. Policies are also reviewed to the extent that they cover the following:

1. Deductibles and co-insurance for all Medicare-allowed hospital care;
2. Daily co-insurance for all Medicare-allowed skilled nursing care;
3. Co-insurance for all Medicare-allowed medical visits and outpatient services.

Carol Woods provides Medicare-certified skilled nursing, outpatient rehabilitation, and primary medical care services. Carol Woods also accepts Medicare Assignment, which means that it will bill each resident's Medicare and supplemental insurance policies for Medicare-covered services that Carol Woods provides, and will accept as full payment the amount that Medicare establishes as "allowable."

To the extent that a resident's Medicare and supplemental medical insurance policies do not cover Medicare's allowable amount entirely, Carol Woods will bill the resident the remaining deductible or co-insurance amounts allowed by Medicare.

D. Age Requirements

Admission to either Carol Woods’ Early Acceptance or on-campus programs is restricted to persons 65 years of age or older, except a co-applicant may be 55 years of age or older.

E. Signing of Agreements and Timing of Entry Fee Payments

Appendix C includes copies of the Early Acceptance Agreement, Residence and Services Agreement, and Residence and Services Agreement Following Early Acceptance.

	Early Acceptance	On-Campus Living
1) Upon 10 Days of Notice of Acceptance by Carol Woods’ Admissions Committee	<ul style="list-style-type: none"> • Applicant pays remainder of the entry fee as specified in the Reservation Agreement • 2% of entry fee is considered an Acceptance Fee 	<ul style="list-style-type: none"> • Applicant pays an additional 10% of the entry fee specified in the Reservation Agreement • 2% of entry fee is considered an Acceptance Fee • 8% is considered an Acceptance Deposit
2) Date of Financial Responsibility	<ul style="list-style-type: none"> • Date when Early Acceptance Agreement is signed and remaining entry fee is paid. • Within 10 days of Notice of Acceptance • Commencement of 30-day Rescission Period 	<ul style="list-style-type: none"> • Date when Residence and Services Agreement is signed and remaining entry fee is paid. • Within 90 days of Notice of Acceptance • Commencement of 30-day Rescission Period and 90-day Trial Period • Usually coincides with date of move to campus, although sometimes move to campus may be delayed briefly for extenuating circumstances.

Early Acceptance Agreement. At the time that an applicant is accepted for admission under Carol Woods’ Early Acceptance program, the applicant will be notified in writing and have 10 days to sign an Early Acceptance Agreement and pay the applicable entry fee in full. 2% of this fee is considered an Acceptance Fee, which has bearing if the resident should seek a refund of the entry fee, as is outlined in the following section of this Disclosure Statement. The date that the agreement is signed constitutes the Date of Financial Responsibility for subsequent monthly service fees, and for commencing the 30-day Rescission Period (explained in a following section).

Residence and Services Agreements. At the time that an applicant is accepted for admission to a residence on the Carol Woods campus, when there may still be up to 90 days before the actual Date of Financial Responsibility (the date when the Residence and Services Agreement is signed, which is also generally the move-in date to the on-campus residence), the applicant will be expected to pay a 2% Acceptance Fee and an 8% Acceptance Deposit, for a total of 10% of their total Entry Fee. This payment will be required within 10 days of the applicant being notified in writing of acceptance to a Carol Woods residence.

The Entry Fee for a resident who is moving to campus after having been accepted previously as a Carol Woods resident under the Early Acceptance program shall be the prevailing Entry Fee for the residence to which the resident is moving, less the Entry Fee that the resident paid previously under the Early Acceptance program. The 2% Acceptance Fee and 8% Acceptance Deposit for Early Acceptance residents moving to campus shall be based upon the additional Entry Fee which they will pay upon taking residence on campus, and not upon the Entry Fee that they paid originally when becoming a Carol Woods resident under the Early Acceptance program.

The Residence and Services Agreement, and Residence and Services Agreement Following Early Acceptance, shall be signed not later than 90 days after the applicant is accepted for admission to the reserved residence. The remainder of the applicable entry fee shall be paid at the time that the Agreement is signed. The date that the agreement is signed also constitutes the Date of Financial Responsibility for subsequent monthly service fees, and for commencing the 30-day Rescission Period (explained in a following section).

F. Contract Cancellations/Terminations and Applicable Refunds

	Early Acceptance	On-Campus Living
1) Cancellation of Priority List Agreement	Applicant may terminate Priority List Agreement and be removed from the Priority List. \$1,000 deposit is refunded. \$300 Priority List Administration Fee is forfeit.	Applicant may terminate Priority List Agreement and be removed from the Priority List. \$1,000 deposit is refunded. \$300 Priority List Administration Fee is forfeit.
2) Cancellation during Admission Process due to Change in Health Status	Applicant or Carol Woods may terminate Early Acceptance Reservation Agreement and Priority Agreement, with full refund of Priority List deposit, and other portions of Entry Fee already paid, including 2% Acceptance Fee.	Applicant or Carol Woods may terminate Reservation Agreement and Priority Agreement, with full refund of Priority List deposit and other portions of Entry Fee already paid, including 2% Acceptance Fee and 8% Acceptance Deposit
3) Cancellation during Admission Process for Reasons <u>Other than</u> Change in Health Status	Applicant or Carol Woods may terminate Early Acceptance Reservation Agreement and Priority Agreement, with full refund of Priority List deposit, and other portions of Entry Fee already paid, <u>except</u> the 2% Acceptance Fee. 2% Acceptance Fee is forfeit.	Applicant or Carol Woods may terminate Reservation Agreement and Priority Agreement, with full refund of Priority List deposit and other portions of Entry Fee already paid, including the 8% Acceptance Deposit. 2% Acceptance Fee is forfeit.
4) Contract Rescission	30-day period following signing of Early Acceptance Agreement when Resident has the right to terminate the Agreement. Resident is entitled to full refund of the entry fee paid, except the 2% Acceptance Fee, which is forfeit.	30-day period following signing of Residence and Services Agreement when Resident has the right to terminate the Agreement. Resident is entitled to full refund of the entry fee paid, except the 2% Acceptance Fee, which is forfeit.
5) 90-Day Trial Period	Not Applicable under Early Acceptance Program	90-day period following signing of Residence and Services Agreement and move to Carol Woods' campus whereby Resident and Carol Woods can determine suitability of campus living. Contract may be terminated and Resident is entitled to full refund of Entry Fee paid, except the 2% Acceptance Fee which is forfeit.

	Early Acceptance	On-Campus Living
6) Termination following 30-Day Rescission & 90-Day Trial Periods	<ul style="list-style-type: none"> Resident may terminate Early Acceptance Agreement voluntarily by giving 60-day written notice. Carol Woods may terminate Agreement if Resident failed to disclose pertinent health or financial information, or if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carol Woods to be in the Resident's best interest. Carol Woods may terminate if Resident refuses to move to assisted living or the health center or obtain sufficient health care support at home if determined by Carol Woods' health care team to be in the Resident's best interest. Portion of Entry Fee that is refundable declines at a rate of 4% per month for 25 months. After 25 months no portion of Entry Fee is refundable. Resident is responsible for payment of the Monthly Service Fee through the date that the Early Acceptance Agreement is terminated. 	<ul style="list-style-type: none"> Resident may terminate Residence and Services Agreement voluntarily by giving 60-day written notice. Carol Woods may terminate Agreement if Resident failed to disclose pertinent health or financial information, or if Resident fails to abide by the terms of the Agreement, including refusing to receive health care services if that is determined by Carol Woods to be in the Resident's best interest. Carol Woods may terminate if Resident refuses to move to assisted living or the health center or obtain sufficient health care support at home if determined by Carol Woods' health care team to be in the Resident's best interest. Portion of Entry Fee that is refundable declines at a rate of 2% per month for 50 months. After 50 months no portion of Entry Fee is refundable. Resident is responsible for payment of the Monthly Service Fee through the date that the Residence and Services Agreement is terminated, and the residence is cleared of the Resident's belongings.
7) Termination or Death of One of Two Persons Co-Signing an Agreement	Early Acceptance Agreement remains in effect for remaining Resident.	Residence and Services Agreement remains in effect for remaining Resident.

Cancellations During the Admission Process

Cancellations Due to Changes in Health Status. If an applicant's health condition changes during the admissions process and prior to acceptance, including death of one member of a couple, the applicant may terminate a Priority Agreement (Refer to Appendix C), Reservation Agreement or Early Acceptance Reservation Agreement (Refer to Appendix C) prior to acceptance by giving written notice to Carol Woods. In the event of such termination, the applicant will receive refund of \$1,000 of the Priority List deposit, but will forfeit the Priority Agreement Administration Fee (Refer to Appendix C).

If an applicant's health condition changes after having been accepted, but prior to the Date of Financial Responsibility, including death of one member of a couple, the applicant may terminate a Priority Agreement, Reservation Agreement or Early Acceptance Reservation Agreement prior to the Date of Financial Responsibility by giving written notice to Carol Woods. The Date of Financial Responsibility is established as the date that the applicant(s) sign an Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance. In the event of such termination, the applicant will receive refund of the \$1,000 Priority List deposit, 8% Application Deposit, and 2% Acceptance Fee, if applicable, but will forfeit the Priority Agreement Administration Fee.

If an applicant dies, or becomes incapacitated after the date that a Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance is signed, but prior to taking occupancy, and such event precludes the applicant from being able to take occupancy, the Agreement that had been executed shall be cancelled automatically, and a full refund of the entry fee shall be provided. However, the Priority Agreement Administration Fee will be forfeit.

Cancellations for Reasons Other Than Change in Health Status. If the applicant unilaterally elects not to move to Carol Woods or to decline being a resident under the Early Acceptance program for any reason other than a change in health status, the 2% Acceptance Fee will not be refunded. The Acceptance Fee charge covers the costs to Carol Woods of the prospective resident electing to cancel the admission so late in the process.

Carol Woods may terminate an Agreement at any time during the admission process, prior to an applicant's Date of Financial Responsibility if Carol Woods determines that the applicant does not meet the physical, mental, or financial requirements for admission. In the event of such termination, the applicant will receive a refund of the \$1,000 Priority List deposit, but will forfeit the Priority Agreement Administration Fee. Termination of an Agreement by Carol Woods after the Date of Financial Responsibility is outlined in a later section.

Contract Rescission

A resident may rescind the Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance by giving written notice to Carol Woods within 30 days following the later of the execution of the Agreement or the receipt of a disclosure statement, which meets the requirements of Section §58-64-1 et seq. of the North Carolina General Statutes. A resident who has signed a Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance will not be required to move to Carol Woods during such 30-day rescission period. In the event of such rescission, if the reason for rescission is due to a resident's change in health status, the resident will receive 100% refund of the Entry Fee, less the Priority Agreement Administration Fee. If the reason for rescission is not related to a change in health status, the resident will receive a refund of the Entry Fee less the Priority Agreement Administration Fee and less the 2% Acceptance Fee. Carol Woods will pay any such refund within 60 days following receipt of written notice of rescission.

Trial Period for Residency at Carol Woods

Under the Residence and Services Agreement or the Residence and Services Agreement Following Early Acceptance, the first 90 days of residency on Carol Woods' campus will be considered to be on a trial basis. During the 90-day period, the resident has the right to terminate the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance by serving Carol Woods with written notice. During the same 90-day period, Carol Woods also has the right to terminate the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance based on its judgment that the resident's physical condition or emotional adjustment will not permit adaptation to Carol Woods' lifestyle.

If Carol Woods terminates the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance during the trial period, or the resident terminates due to change in health status, the resident will receive 100% refund of the Entry Fee, less the Priority Agreement Administration Fee. If the resident terminates the Agreement during the 90-day trial period, and the termination is not due to a change in health status, then Carol Woods will refund the Entry Fee less the Priority Agreement Administration Fee and less the 2% Acceptance Fee to cover the costs to Carol Woods of the early termination. The refund will be made within 30 days of the date that the Residence and Services Agreement is formally cancelled, or within 30 days from the date that the residence is vacated, whichever is later. The 90-day trial period begins with the Date of Financial Responsibility (the day that the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance is signed, the Entry Fee is paid in full and the applicable monthly fee commences).

If the Residence and Services Agreement Following Early Acceptance is terminated, the Early Acceptance Agreement that had been in effect prior to the resident's move to campus shall be reestablished, unless the reason for terminating the on-campus

agreement is due to factors that would preclude the resident from returning to an early acceptance relationship with Carol Woods.

If the Residence and Services Agreement or Residence and Services Agreement Following Early Acceptance is terminated during the Trial Period, the resident will be responsible for paying the full amount of monthly service fees during that period, up until the day that the accommodation is vacated and the keys returned to Carol Woods.

The 90-day trial period does not apply for residents who sign an Early Acceptance Agreement, since they do not move to Carol Woods, and there is no need for a trial period.

Voluntary Termination After Rescission / Trial Periods

Early Acceptance Agreement. After the rescission period, the resident may terminate an Early Acceptance Agreement at any time by giving Carol Woods 60 days advanced, written notice of such termination. If termination occurs within the first 25 months of the Agreement, the resident is entitled to a pro-rated refund of the Entry Fee. The portion of the Entry Fee that is refundable shall decline at a rate of 4% per month following the Early Acceptance Agreement Date. After 25 months, there is no refund of the Early Acceptance Entry Fee. The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Early Acceptance Agreement is terminated.

Residence & Services Agreement. After the rescission / trial periods, the resident may terminate the Residence and Services Agreement at any time by giving Carol Woods 60 days advanced, written notice of such termination. If termination occurs within the first 50 months of the Agreement, the resident is entitled to a pro-rated refund of the Entry Fee. The portion of the Entry Fee that is refundable shall decline at a rate of 2% per month following the Date of Financial Responsibility. After 50 months, there is no refund. The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Residence & Services Agreement is terminated, or the date the residence is cleared by the resident, whichever is later.

Payment of any Entry Fee refund related to vacating a Carol Woods residence may be made only when the vacated residence has been covered by receipt of an Entry Fee by a subsequent resident.

Residence & Services Agreement Following Early Acceptance. After the rescission / trial periods, the resident may terminate the Residence and Services Agreement Following Early Acceptance at any time by giving Carol Woods 60 days advanced, written notice of such termination. For a Residence and Services Agreement that follows a period in which the person has been a resident of Carol Woods under the Early Acceptance program, the refund period of the additional Entry Fee paid for residence on campus will be set to ensure that the resident receives a full 50-month period of overall refundability. Up to 25 months of refundability may have already been used by the resident under the Early Acceptance

Agreement. However, if it has been less than 25 months since the resident signed the Early Acceptance Agreement, the remaining months of refundability under the Early Acceptance Agreement will be added to the additional 25 months provided upon moving to a Carol Woods residence to establish the period during which portions of the resident's Entry Fee may be refundable. The remaining period of refundability and rate of refund amortization will be specified for each resident in an Exhibit to the Residence and Services Agreement Following Early Acceptance.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the Residence & Services Agreement Following Early Acceptance is terminated, or the date the residence is cleared by the resident, whichever is later.

Payment of any Entry Fee refund related to vacating a Carol Woods residence may be made only when the vacated residence has been covered by receipt of an Entry Fee by a subsequent resident.

Termination Upon Death of a Single Resident

In the event that a single resident dies at any time after the Date of Financial Responsibility, who was covered under the terms of an individual Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance, the applicable Agreement will terminate upon the date of death or the date the residence is vacated if applicable, whichever is later. The resident's estate will be entitled to a pro-rated refund of the Entry Fee in the same manner as stated in the Voluntary Termination in the preceding paragraphs.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the applicable Agreement is terminated, or the date the residence is cleared by the resident's family, whichever is later.

Termination By One Of Two Residents Co-Signing an Agreement

In the event that two residents are each party to the terms of a joint Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance, upon the permanent transfer to the health center, or the death of one such resident, or in the event of the termination of the applicable Agreement with respect to one such resident, the Agreement will continue in effect as to the remaining or surviving resident, and there will be no refund of any portion of the Entry Fee.

Termination by Carol Woods

Carol Woods may terminate the Early Acceptance Agreement, Residence and Services Agreement, or Residence and Services Agreement Following Early Acceptance at any time if there has been any material misrepresentation or omission made on the part of the resident in the application forms; if a material change in the resident's health takes place before the Date of Financial Responsibility; or if the resident fails to make payment to Carol Woods within 30 days after receiving the

monthly statement. In the latter situation, Carol Woods shall give written notice to the resident, who must make payment within 15 days after receiving such written notice. In such events, the resident is entitled to a pro-rated refund of the Entry Fee as described in Voluntary Termination, if applicable.

Carol Woods also reserves the right to terminate the applicable Agreement if the resident fails to abide by Carol Woods' policies and procedures; if there is a breach in the terms of the applicable Agreement; or if the resident's continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health, or safety of others. Carol Woods also may terminate the applicable Agreement if the resident refuses to move to assisted living or the health center, or to obtain sufficient health care services at home, if such services are determined by Carol Woods' health care team to be in the resident's best interests. Carol Woods will provide timely advance written notice of termination in compliance with prevailing laws, regulations and Carol Woods' policies.

The resident shall be responsible for payment of the monthly service fees and other periodic fees accrued through the date that the applicable Agreement is terminated, or the date the residence is cleared by the resident, whichever is later

G. Moves

All moves between Carol Woods’ residences are at Carol Woods’ discretion. Moves are subject to availability and legal requirements. All decisions regarding the resident’s permanent transfer to the assisted living facilities, health center, a special care facility, or to a hospital will be made in consultation with the resident and, when appropriate, the resident’s family or designee. Ultimately, Carol Woods’ decision will be binding.

	To Campus Following Early Acceptance	On-Campus Living
1) Resident “Preference” Moves to Campus, or to Another Apartment, Cottage or Townhome on Campus	<ul style="list-style-type: none"> • Early Acceptance (EA) residents remain on Priority List for accommodations that they have expressed interest in moving to in the future. • When an EA resident is contacted about an available accommodation, a Reservation Agreement Following EA is signed, and health and financial updates are reviewed for appropriateness and affordability. • Upon acceptance to the reserved accommodation, the resident follows the admission process related to a move to campus, as outlined in Section IV.E., signing a Residence and Services Agreement Following Early Acceptance. • Resident pays an entry fee equal to the prevailing entry fee for the reserved accommodation, less the entry fee that the resident paid previously upon acceptance to the Early Acceptance program. • The amount that is refundable and the refundable period are specified in an Exhibit to the Residence and Services Agreement Following Early Acceptance. Overall, the resident receives a total of 50 months for the overall period in which their entry fees are refundable, on a declining basis. • The monthly fee for the new residence takes effect on the date that the resident signs the Residence and Services Agreement Following Early Acceptance. 	<ul style="list-style-type: none"> • Even after moving to campus, residents may request to remain on the Priority List associated with a potential preference move to other desired types of accommodation. • For a preference move, a resident living on campus may be contacted about an available accommodation based upon the date when they originally joined the Priority List. • Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new accommodation is affordable to the resident. • If the preference move is to an accommodation that is larger than the Resident’s current accommodation, they will be charged an additional Entry Fee for the <u>difference</u> between the <u>current</u> entry fees for the larger accommodation and their current accommodation. The additional entry fee must be paid upon approval of the internal move. The additional entry fee paid will have the same refundable period as what remains on the resident’s original entry fee. • The monthly service fee for the new accommodation takes effect on the date that the resident moves to the new accommodation. For a preference move, the resident is also charged 3 months’ monthly service fees for the accommodation that is being vacated for the community’s costs for the preference move.

	To Campus Following Early Acceptance	On-Campus Living
2) Resident “Need-Based” Moves to Another Apartment, Cottage or Townhome on Campus	<ul style="list-style-type: none"> • If a resident’s circumstances change due to health changes, loss of a spouse, or financial reasons, a need-based move to an available campus accommodation may be requested. • Need-based moves may be approved by Carol Woods, if an appropriate accommodation is available, regardless of Priority List position. • Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new accommodation is affordable to the resident. • Upon acceptance to the reserved accommodation, the resident follows the admission process related to a move to campus, as outlined in Section IV.E., and signs a Residence and Services Agreement Following Early Acceptance. • Resident pays an entry fee equal to the prevailing entry fee for the reserved accommodation, less the entry fee that the resident paid previously. • The amount that is refundable and the refundable period are specified in an Exhibit to the new Residence and Services Agreement. Ultimately, the resident receives a total of 50 months for the overall period in which entry fees are refundable. 	<ul style="list-style-type: none"> • If a resident’s circumstances change due to health changes, loss of a spouse, or financial reasons, a need-based move to another campus accommodation may be requested. • Need-based moves may be approved by Carol Woods, if an appropriate accommodation is available, regardless of Priority List position. • Health and financial updates are reviewed to make sure that the move will not cause undue health issues, and that the new accommodation is affordable to the resident. • If the move is to a larger accommodation, the resident will be charged an additional Entry Fee based upon the <u>difference</u> between the <u>current</u> entry fee for the larger accommodation and their current accommodation. The additional entry fee must be paid upon approval of the internal move. The additional entry fee paid will have the same refundable period as that which remains with the original entry fee.
3) Single Person making a permanent move directly to Long-Term Care (LTC) in Assisted Living or the Health Center, <u>vacating</u> their current residence.	<ul style="list-style-type: none"> • The Early Acceptance Agreement remains in effect. • No additional entry fee is due. • Resident’s monthly service fee <u>increases</u> to the prevailing monthly fee for single persons living permanently in LTC facilities on campus. • Resident pays the prevailing discounted per diem charges of a Carol Woods resident. 	<ul style="list-style-type: none"> • The Residence and Services Agreement remains in effect. • No additional entry fee is due. • On the date that the resident clears their previous residence, their monthly service fee <u>decreases</u> to the prevailing monthly fee for single persons living permanently in LTC on campus. • Resident pays the prevailing discounted per diem charges of a Carol Woods resident.

	To Campus Following Early Acceptance	On-Campus Living
4) Couple, with one person making a permanent move directly to Long-Term Care (LTC) in Assisted Living or the Health Center, and the other person remaining in their current residence.	<ul style="list-style-type: none"> • The Early Acceptance Agreement remains in effect. • No additional entry fee is due. • Monthly Service Fee of resident who remains at home remains unchanged. • Monthly Service Fee of resident who is moving to Assisted Living or the Health Center <u>increases</u> to the prevailing monthly fee for 1st persons living permanently in LTC facilities on campus. • Resident in LTC pays the prevailing discounted per diem charges of a Carol Woods resident. 	<ul style="list-style-type: none"> • The Residence and Services Agreement remains in effect. • No additional entry fee is due. • Monthly Service Fee of resident who remains at home remains unchanged. • Monthly Service Fee for the resident who has moved to Assisted Living or the Health Center remains unchanged since the 2nd Person monthly fee is the same regardless of where the 2nd person resides on campus. • Resident in LTC pays the prevailing discounted per diem charges of a Carol Woods resident.
5) Couple, with both persons making a permanent move to Long-Term Care (LTC) in Assisted Living or the Health Center, vacating their current residence.	<ul style="list-style-type: none"> • The Early Acceptance Agreement remains in effect. • No additional entry fee is due. • Residents' monthly service fee <u>increases</u> to the prevailing monthly fee for two persons living permanently in LTC facilities. • Both residents pay the prevailing discounted per diem charges as Carol Woods residents. 	<ul style="list-style-type: none"> • The Residence and Services Agreement remains in effect. • No additional entry fee is due. • On the date that the Residents clear their previous residence their monthly service fee <u>decreases</u> to the prevailing monthly fee for two persons living permanently in LTC facilities. • Both residents pay the prevailing discounted per diem charges as Carol Woods residents.

If a resident requests to make an internal move on campus from one independent living residence to another, Carol Woods differentiates between need-based and preference moves. If the requested internal move is due to a significant change in the resident's circumstances (such as loss of a spouse, change in health or change in financial situation), the move is considered to be need-based -- and Carol Woods will absorb many of the costs of the internal move. If the move is a preference move, the resident will not only be charged the monthly service fee for the new accommodation from the date that they make the move, but also will be charged three (3) additional months' monthly service fee for the previous accommodation to cover the additional months that the accommodation will be vacant preparing for the next admission. For preference moves made within the first 5 years that a resident is living at Carol Woods, the resident also will be expected to cover the refurbishing costs of preparing their previous accommodation for remarketing.

Except in special circumstances, it is expected that residents transferring between independent living residences will vacate their previous residence within ten (10) days, and when moving permanently to assisted living or the health center will vacate their previous residence within thirty (30) days of the move. For transfers between assisted living and health center rooms, the resident is expected to vacate the previous room within two (2) days. The guiding principle for any internal move is to make the prior accommodation available as soon as possible for another resident.

Moving to Assisted Living or the Health Center from an On-Campus Residence. In the event that one member of a couple transfers to the assisted living center or the health center, the Monthly Service Fee continues to reflect the two-person rate of the independent living residence in which the other member of the couple remains. For single residents or both members of a couple who transfer to a higher level of care, and who have released their independent living residence for re-marketing, the Monthly Service Fee will be reduced to a level rate as presented in Carol Woods' prevailing monthly fee schedule.

If Carol Woods subsequently determines that a resident can resume occupancy in a comparable residence as had been occupied prior to such transfer, the resident will have priority to such accommodation as soon as one becomes available.

Moving to Assisted Living or the Health Center from Off Campus Under Early Acceptance. In the event that a single person or one member of a couple who is living off campus under Carol Woods' Early Acceptance program moves permanently to the assisted living center or the health center, the Monthly Service Fee of the individual who is making the move to the higher level of care will increase to the prevailing 1st Person Monthly Service Fee of an on-campus resident. For both members of a couple who had been living off campus under Early Acceptance, and who transfer to higher levels of care, the Monthly Service Fee will be increased to a rate comparable to on-campus couples as presented in Carol Woods' prevailing monthly fee schedule.

Upon the death of one resident, the surviving resident will pay the applicable single-person rate (Refer to the Monthly Service Fee schedule presented in Section VI.C.).

H. Marriages / New Second Occupant

If a non-resident is planning to join a resident in a residence at Carol Woods or under the Early Acceptance program, he/she must apply and be approved for acceptance as a resident. An additional Entry Fee will be charged, calculated as the difference in the amount actually paid by the resident for the current Agreement and the total Entry Fee due for the amended Agreement at the double occupancy rate effective at the time the joint coverage commences.

If the non-resident does not meet all admission criteria, Carol Woods may grant admission subject to limited financial and service responsibilities on the part of Carol Woods.

If one resident of Carol Woods marries another resident of Carol Woods it is presumed that one may wish to move into the current living accommodation of the other. On the date that the other living accommodation is cleared and the key returned to Carol Woods, the monthly service fee shall change to the two-person monthly fee related to the accommodation in which the couple now resides. If the couple elects to remain in their two separate residences, each will continue to be charged the single person monthly service fee for each of the two accommodations in which they continue to reside.

Since both residents had been admitted to Carol Woods previously under separate contracts, each contract will remain in effect separately. There shall be no refund of any balance remaining on either entry fee paid previously, as long as the particular contract related to that entry fee remains in effect. Should the contract of one or another of the persons subsequently be terminated, any potential refund of the entry fee shall be provided as outlined in Section IV.F.

I. Inability to Pay

If the sole reason for non-payment of financial obligations to Carol Woods is insufficient funds or other circumstances beyond the resident's control, Carol Woods will review the matter with the resident. If special financial consideration is determined to be necessary, Carol Woods may partly or wholly subsidize the fees, provided that such subsidy will not impair Carol Woods' sound financial position and maintenance of the quality service provided. Carol Woods may request that the resident make every effort to obtain assistance from all available resources both private and public.

When a resident dies, the estate, if any, will be liable to Carol Woods for the full amount of the subsidy provided by Carol Woods.

This policy applies equally to all Carol Woods residents, whether residing on campus or living off campus under the Early Acceptance program.

V. SERVICES

Carol Woods is a full-service continuing care retirement community, with many of the available services supported through the Entry Fee and Monthly Service Fee pricing structure. There are also other services available to residents on campus for an additional charge.

A. Standard Carol Woods Services Available

General Services

The following services are available to all residents of Carol Woods (those living on campus as well as those in the Early Acceptance program), and are supported by Monthly Service Fees and amortization of initial Entry Fees.

General Services Supported with Entry Fees and Monthly Fees	Early Acceptance	On-Campus Living
1) Membership in Carol Woods' Residents Association	✓	✓
2) Equal participation in all social, educational, recreational and cultural activities offered at Carol Woods and/or to other off-campus activities or events sponsored by Carol Woods or the Residents Association	✓	✓
3) Free parking and use of all Carol Woods' common areas, meeting rooms, classrooms, and private dining rooms	✓	✓
4) Free use of Carol Woods' Campus Amenities, including:		
a) Fitness Center and Indoor Pool	✓	✓
b) Library	✓	✓
c) Craft / Woodworking Shop and Art Studio	✓	✓
d) Computer Room	✓	✓
e) Dog Park & Labrynth	✓	✓
f) Croquet Court, Bocce Court and Natural Walking Trails	✓	✓
5) Assistance with filing medical insurance claims, via the Carol Woods Finance and Accounting Department	✓	✓

Residential Living Services

The following residential living services are available to all residents of Carol Woods who reside on Carol Woods’ campus (not available to those residents in the Early Acceptance program, or available at an extra charge), and are supported by Monthly Service Fees and amortization of initial Entry Fees.

Residential Services Supported with Entry Fees and Monthly Fees	Early Acceptance	On-Campus Living
1) Monthly Meal Credits per resident equal in number to the number of days in the month	At Extra Charge	Included
2) One (1) housekeeping visit per week	Not Included	Included
3) Utilities, including electricity, natural gas, water/sewer, standard Cable TV, and high speed broad band wireless	Not Included	Included
4) One (1) local telephone line if resident chooses to use Carol Woods’ telephone system	Not Included	Included
5) Flat linens / towels (Those provided by Carol Woods are laundered weekly)	Not Included	Included
6) Twenty-four hour security coverage, with central monitoring of emergency call bells installed in every cottage and apartment, and emergency response from Carol Woods’ security and licensed nursing staff	Not Included	Included
7) Routine landscaping around campus	Not Included	Included
8) Garbage Removal	Not Included	Included
9) Maintenance of Carol Woods’ property	Not Included	Included
10) General liability and property insurance coverage of Carol Woods’ property (On campus residents are encouraged to consider personal property insurance coverage. Early Acceptance Residents are encouraged to carry homeowners insurance)	Not Included	Included
11) Operation of a local bus service (in operation 20 to 25 hours per week)	Available from Campus	Included
12) Free Temporary Sick Meal Delivery to one’s residence, when approved by Clinic staff	Not Included	Included
13) County property taxes & fees	Residents pay their own taxes & fees	Included

Health Care / Health Promotion Services

The following services are also supported through Monthly Service Fees and amortization of the initial Entry Fee, and constitute the insurance-like component of Carol Woods’ pricing structure. These services are available to all residents of Carol Woods, including those in the Early Acceptance program.

Health Care & Health Promotion Benefits Supported with Entry Fees and Monthly Fees	Early Acceptance	On-Campus Living
1) Health Care “Free Days” which, when used, make the applicable health care per diem charge \$0	Accrue 15 days per year. Accumulate unused days over time	Accrue 15 days per year. Accumulate unused days over time
2) Deep daily discounts on prevailing per diem charges in Central Assisted Living, Garden Assisted Living, Assisted Nursing and Skilled Nursing levels of care	Same discounts as residents living on campus	Same discounts as Early Acceptance residents
3) Per diem charges in Assisted Nursing and Skilled Nursing levels of care that <u>include</u> most “routine” ancillary charges, such as medical supplies, incontinence supplies, personal need supplies, and non-prescription medications	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
4) On-campus clinic visits for preventative / health promotion purposes otherwise not covered by Resident’s Medicare Part B and supplemental insurance policies.	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
5) Free use of the campus fitness center, indoor pool, walking paths, and other health promotion areas	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
6) Heart-healthy menu options available at every meal served on campus	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
7) Social Services and counseling services provided on campus by Carol Woods’ Well-Being staff	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
8) Activities and programs provided on campus through Carol Woods’ Well-Being program	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
9) Annual In-Home Assessment by Carol Woods’ Well-Being Staff	Included	Available as Needed

B. Carol Woods Services Available at Extra Charge

The following services are provided, arranged or referred by Carol Woods, and are available to residents at an additional charge.

Residential Living Services

Residential Services Available at an Extra Charge	Early Acceptance	On-Campus Living
1) Extra meals taken at Carol Woods	Residents are charged same discounted fees as on-campus residents for each meal taken at Carol Woods.	Residents are charged a discounted fee for each meal beyond the meal credits included in their monthly service fee.
2) A monthly meal program option available at a significantly reduced monthly charge for residents wishing to have a defined number of meal credits on a monthly basis	Same discounted monthly fee as residents living on campus	Same discounted monthly fee as Early Acceptance residents
3) Guest Meals	Same benefits as residents living on campus	Same benefits as Early Acceptance residents
4) On Campus Guest House Accommodations	Guests encouraged to use hotels closer to resident's home	4 rooms available for guest's on-campus convenience
5) Special requests for maintenance of resident's personal property	Carol Woods can assist resident to find a reputable provider	Available from Carol Woods staff at Extra Charge
6) Special requests for landscaping services around resident's residence.	Carol Woods can assist resident to find a reputable provider	Available from Carol Woods staff at Extra Charge
7) Special modifications made to resident's residence.	Carol Woods can assist resident to find a reputable provider	Available from Carol Woods staff at Extra Charge
8) Concierge and other Home Services, such as Closet Reorganizing, Deep Cleaning, etc.	Carol Woods can assist resident to find a reputable provider	Available from Carol Woods staff at Extra Charge

Health Care Services

For both Early Acceptance and On-Campus, residents are charged discounted per diem charges each day that they receive assisted living, assisted nursing or skilled nursing services. A resident may use accumulated Free Days at any time. The value of the Free Day is derived by prevailing discounted per diem on the day in which it is applied, since the Free Day makes the net per diem charge for that day \$0. Section VI.D. presents the discounted per diem charges, which are the same for both Early Acceptance and On-Campus residents.

Health Care Services Available at an Extra Charge	Early Acceptance	On-Campus Living
1) Deep daily discount on prevailing per diem charges in Central Assisted Living, Garden Assisted Living, Assisted Nursing and Skilled Nursing levels of care	Same discounted per diem charges as residents living on campus	Same discounted per diem charges as Early Acceptance residents
2) Medical supplies, personal need supplies, and other “ancillary” items supplied to residents while in the Central and Garden Assisted Living centers	Same charges as On-Campus residents	Same charges as Early Acceptance residents
3) Per diem charges in Assisted Nursing and Skilled Nursing levels of care that <u>include</u> most “routine” ancillary charges, such as medical supplies, incontinence supplies, personal need supplies, and non-prescription medications	Same discounted per diem charges as residents living on campus	Same discounted per diem charges as Early Acceptance residents
4) Medical Transportation charges for residents living independently (Costs of driver and mileage for round-trip to medical appointments). NOTE: Medical Transportation is included in the per diem charge for residents in higher levels of care.	Carol Woods can assist resident to find a reputable provider	Available from Carol Woods staff at Extra Charge
5) Medical Accompaniment (Costs of additional staff person accompanying resident to the medical appointment).	Carol Woods can assist resident to find a reputable provider	Available from Carol Woods staff at Extra Charge
6) Full access to Carol Woods on-campus medical clinic, including the services of Carol Woods’ medical director, medical staff and nursing staff	Billed to insurance. Resident pays deductibles /copays	Billed to insurance. Resident pays deductibles / copays
7) Home Care Services (Personal Care Services at Home)	Carol Woods may provide, or refer to another provider when appropriate	Carol Woods may provide, or refer to another provider when appropriate
8) On-Campus Nutrition and Diet Counseling	Available at Extra Charge	Available at Extra Charge

C. Personal Services

The following services are available on-campus to Carol Woods’ residents.

	Early Acceptance	On-Campus Living
1) A commercial Branch Bank	Available On Campus	Available On Campus
2) US Postal Service post office boxes	US Mail Service will continue at resident’s own home	Available On Campus
3) Gift Shop operated by residents	Available On Campus	Available On Campus
4) A Barber / Beauty Shop managed contractually by a licensed beautician	Available On Campus	Available On Campus
5) Integrative Health Therapies (massage, healing touch) provided by licensed therapists	Available On Campus	Available On Campus
6) Medical specialty services (podiatry, audiology) provided by independent licensed practitioners in the Carol Woods clinic as a convenience to Residents	Available On Campus	Available On Campus
7) Pick up and drop off services of a local dry cleaning service	Not Available	Available only for On Campus residents
8) Pick up and drop off point for UPS and other express mail services	Not Available	Available only for On Campus residents

VI. FEES

A. **Priority List Deposit / Administration Fee**

Carol Woods maintains an active Priority List for persons seeking the opportunity to apply for admission at a future date.

Registering for the Priority List requires payment of \$1,300. \$300 of that sum is a non-refundable Priority Agreement Administration Fee. The remaining \$1,000 is applied to one's initial Entry Fee at the time one proceeds with the application and admission process, or is refunded upon written request for withdrawal from the list.

B. **Entry Fees**

Early Acceptance Agreement. Upon approval of the Admissions Committee and within ten days of notification of acceptance, a prospective Early Acceptance resident is required to sign the Early Acceptance Agreement and make payment of the established Entry Fee. The Entry Fee is that which was established at the start of the admissions process, and stipulated in the Early Acceptance Reservation Agreement. 2% of this fee is considered an Acceptance Fee, which has bearing if the resident should seek a refund of the entry fee, as is outlined in the Policies section of this Disclosure Statement.

Residence and Services Agreement. Upon approval of the Admissions Committee and within ten days of written notification of acceptance, a prospective resident is required to make payment of 10% of the established Entry Fee; comprised of a 2% Acceptance Fee and an 8% Acceptance Deposit. The Entry Fee amount is that which was established at the start of the admissions process, and stipulated in the Reservation Agreement. The balance of the Entry Fee (90%) is due upon signing a Residence and Services Agreement, payment of which establishes the Date of Financial Responsibility, which should occur within a 90-day period after approval. One thousand dollars of the Priority Deposit will be applied toward this 90% amount. The refundability of the entry fee is outlined in the Policies section of this Disclosure Statement.

Residence and Services Agreement Following Early Acceptance. Upon approval of the move to campus, and within ten days of notification of acceptance, a prospective resident is required to make payment of 10% of the established Entry Fee; comprised of a 2% Acceptance Fee and an 8% Acceptance Deposit. The Entry Fee amount is that which was established at the start of the admissions process, and stipulated in the Reservation Agreement. It shall reflect the prevailing entry fee for the reserved accommodation, less the amount that the resident paid previously as an Early Acceptance entry fee. The balance of the Entry Fee (90%) is due upon signing a Residence and Services Agreement Following Early Acceptance, payment of which establishes the new Date of Financial Responsibility, which should occur within a 90-day period after approval. The refundability of the entry fee is outlined in the Disclosure Statement Policies section.

The following table shows Entry Fees related to Early Acceptance and to residency at Carol Woods by accommodation type. The fees shown are effective as of April 1, 2015.

4/1/2015 Entry Fees for Singles and Couples by Type of Unit

Type of Unit		Number of Units	Square Footage	1st Person Entry Fees ⁽¹⁾	2nd Person Entry Fees ⁽¹⁾
Early Acceptance					
Each Person			N/A	32,000	32,000
Central Apartments					
Studio, Expanded	C-SE	15	507	89,300	32,000
1-Bedroom, Small Expanded	C-1SE	7	671	135,800	32,000
1-Bedroom Expanded	C-1E	65	695	143,400	32,000
1-Bedroom Large	C-1L	3	758	158,800	32,000
2-Bedroom, Expanded	C-2E	35	910	195,800	32,000
2-Bedroom Large	C-2L	3	1,042	221,200	32,000
2-Bedroom Extra Large	C-2XL	6	1,160	251,600	32,000
2-Bedroom & Den	C-2D	12	1,292	276,000	32,000
2-Bedroom & Den Large	C-2DL	2	1,345	287,800	32,000
2-Bedroom & Den Extra Large	C-2DXL	1	1,390	303,500	32,000
Apartment Totals / Weighted Averages		149	904	169,800	32,000
Garden Cottages					
1-Bedroom	G-1	14	678	138,200	32,000
1-Bedroom & Den	G-1D	24	801	168,500	32,000
2-Bedroom	G-2	19	957	201,600	32,000
1-Bedroom, Den & Carolina Room	G-1DC	3	1,006	212,600	32,000
2-Bedroom & Den	G-2D	12	1,078	231,000	32,000
2-Bedroom & Carolina Room	G-2C	6	1,149	241,700	32,000
2-Bedroom, Den & Carolina Room	G-2DC	12	1,280	267,400	32,000
1-Bedroom Duplex	G-1DXL	16	1,343	277,500	32,000
2-Bedroom Duplex	G-2DXL	34	1,538	333,800	32,000
2-Bedroom Duplex & Sunroom	G-2DXS	12	1,855	408,100	32,000
Cottage Totals / Weighted Averages		152	1,192	253,700	32,000
Townhomes (Average) ⁽²⁾		11	0	352,800	32,000
ILU Totals / Weighted Averages		312	1,070	216,200	32,000

NOTES:

- (1) The Entrance Fee pricing is effective as of April 1, 2015.
- (2) Each townhome has a unique floor plan and is priced individually

For all contracts, the Entry Fee represents a prepayment of many of the services Carol Woods provides in the basic service package, including a significant amount of future healthcare services (i.e., health center free days, health promotion / prevention services, and discounts on health center per diems). An explanation of how Carol Woods accounts for Entry Fees and the future obligations that they represent is provided in the Reserves, Escrows and Trusts section of this Disclosure Statement.

C. **Monthly Service Fees**

The following table presents the Monthly Service Fees for Early Acceptance and for on-campus residency at Carol Woods by accommodation type. The current monthly fee structure was effective as of January 1, 2015. Any future increases during the next year will be disclosed as an amendment to the disclosure statement, and presented in Appendix K.

1/1/2015 Monthly Service Fees for Singles and Couples by Type of Unit

Type of Unit	Number of Units	Square Footage	Independent Living Monthly Fees ⁽¹⁾		Long-Term Care Monthly Fees ⁽²⁾		
			1st Person Monthly Fees ⁽¹⁾	2nd Person Monthly Fees ⁽¹⁾	1st Person Monthly Fees ⁽²⁾	2nd Person Monthly Fees ⁽²⁾	
Early Acceptance							
Each Person		N/A	858	858	2,413	1,123	
Central Apartments							
Studio	C-S	5	447	2,413	1,123	2,413	1,123
Studio, Expanded	C-SE	10	507	2,466	1,123	2,413	1,123
1-Bedroom, Small Expanded	C-1SE	7	671	2,779	1,123	2,413	1,123
1-Bedroom	C-1	5	635	2,851	1,123	2,413	1,123
1-Bedroom Expanded	C-1E	60	695	2,909	1,123	2,413	1,123
1-Bedroom Large	C-1L	3	758	3,011	1,123	2,413	1,123
2-Bedroom	C-2	2	850	3,597	1,123	2,413	1,123
2-Bedroom, Expanded	C-2E	33	910	3,655	1,123	2,413	1,123
2-Bedroom Large	C-2L	3	1,042	3,871	1,123	2,413	1,123
2-Bedroom Extra Large	C-2XL	6	1,160	4,033	1,123	2,413	1,123
2-Bedroom & Den	C-2D	12	1,292	4,268	1,123	2,413	1,123
2-Bedroom & Den Large	C-2DL	2	1,345	4,378	1,123	2,413	1,123
2-Bedroom & Den Extra Large	C-2DXL	1	1,390	4,436	1,123	2,413	1,123
Apartment Totals / Weighted Averages		149	904	3,235	1,123	2,413	1,123
Garden Cottages							
1-Bedroom	G-1	14	678	2,865	1,123	2,413	1,123
1-Bedroom & Den	G-1D	24	801	3,126	1,123	2,413	1,123
2-Bedroom	G-2	19	957	3,599	1,123	2,413	1,123
1-Bedroom, Den & Carolina Room	G-1DC	3	1,006	3,784	1,123	2,413	1,123
2-Bedroom & Den	G-2D	12	1,078	3,927	1,123	2,413	1,123
2-Bedroom & Carolina Room	G-2C	6	1,149	4,009	1,123	2,413	1,123
2-Bedroom, Den & Carolina Room	G-2DC	12	1,280	4,213	1,123	2,413	1,123
1-Bedroom Duplex	G-1DXL	16	1,343	4,315	1,123	2,413	1,123
2-Bedroom Duplex	G-2DXL	34	1,538	4,520	1,123	2,413	1,123
2-Bedroom Duplex & Sunroom	G-2DXS	12	1,855	4,888	1,123	2,413	1,123
Cottage Totals / Weighted Averages		152	1,192	3,934	1,123	2,413	1,123
Townhomes (Average)		11	1,630	4,580	1,123	2,413	1,123
ILU Totals / Weighted Averages		312	1,070	3,623	1,123	2,413	1,123

NOTES:

- (1) The Monthly Fee pricing is effective as of January 1, 2015.
- (2) When a single person or couple moves from independent living into long term care, the single / 1st person monthly fee is changed to the prevailing monthly fee for a studio apartment. The monthly fees are in addition to the resident's discounted per diem fees.

D. Health Center Fees

The following table shows health center daily room charges effective January 1, 2015. Health center fees are only charged for days that a person occupies a room in an applicable level of care. Daily charges are in addition to Monthly Service Fees. Any future increases during the next year will be disclosed as an amendment to the disclosure statement, and presented in Appendix K.

1/1/2015 Per Diem Fees by Type of Unit

Type of Unit		Number of Beds	Per Diem Fees for Carol Woods' Residents ⁽¹⁾	Per Diem Fees for Outside Referral Residents ⁽¹⁾
Assisted Living (AL)				
Central Assisted Living	Type 1	1	56.00	172.00
Central Assisted Living	Type 2	5	58.00	172.00
Central Assisted Living	Type 3	19	62.00	172.00
Central Assisted Living	Type 4	8	66.00	172.00
Central Assisted Living	Type 5	2	68.00	172.00
2nd Person in Type 4/5			62.00	172.00
Garden Assisted Living		24	62.00	179.00
AL Totals / Weighted Averages		59	62.00	175.00
Assisted Nursing (ANF) & Skilled Nursing (SNF)				
Assisted Nursing	Semi-Private	8	80.00	274.00
Assisted Nursing	Private	22	90.00	289.00
Skilled Nursing	Semi-Private	8	93.00	308.00
Skilled Nursing	Private	22	103.00	323.00
ANF & SNF Totals / Weighted Averages		60	94.00	302.00
Totals / Weighted Averages		119	78.00	239.00

NOTES:

(1) The Per Diem Fee pricing is effective as of January 1, 2015.

Carol Woods' residents receive a discount from per diem rates as a part of their Early Acceptance Agreement or Residence and Services Agreement. Residents may elect to apply "Free" Days from remaining balances in their individual accumulated reserve to cover the additional per diem rate. A resident may elect to defer use of Free Days to a later time, but there is no refund for unused Free Days.

Per Diem charges at the Skilled Nursing, Assisted Nursing, Garden Assisted Living and Central Assisted Living levels of care include 3 meals per day and all the necessary nursing/personal care on a 24-hour basis appropriate for each particular level of care. The per diems for Assisted Nursing and Skilled Nursing also include many ancillary items of daily care, including medical and personal need supplies, non-prescription medications, nutritional supplements, and oxygen as needed.

Prescription medications, physician services, customized medical equipment, and rehabilitation services are NOT included in the above per diem charges, and may be billed separately.

E. Miscellaneous Fees and Credits

The following tables present a variety of miscellaneous fees and credits. Not included are certain fees for personal services that change frequently or that are not always offered or available, or charges for certain medical procedures or supplies. Examples would include the charges for each type of beauty or barber shop service offered, physician and physical therapy charges, wine charges, private-duty gardening or maintenance, etc. The fees and credits below are effective January 1, 2015.

2015 Dining Services and Guest House Fees

Dining Services Fees

Guest Meals (per Meal)	<u>Breakfast</u>	<u>Lunch</u>	<u>Dinner</u>
Adult Guest	\$8.50	\$11.50	\$16.00
Child Guest (Age 2 through 7) (Children under Age 2 are Free)	\$4.25	\$5.75	\$8.00
Resident Additional Meals	\$5.50	\$7.50	\$10.50
Resident Monthly Meal Program ⁽¹⁾		<u>Early Acceptance</u>	<u>On-Campus</u>
Single Meal Credits, per Month		\$150.00	In Monthly Fee ⁽²⁾
Double Meal Credits, per Month		\$245.00	\$95.00
Triple Meal Credits, per Month		\$315.00	\$165.00

Cottage / Apartment Meal Delivery (Only Available On Campus)

No Charge -- Only provided if approved by Clinic

Catering and Special Events

Charges are determined separately by Dining Services staff for each event

Wine & Beer Table Service, Milk Take-Out

Charges are determined separately by Dining Services staff per cost and availability

Guest House Fees (per Night -- Includes Complimentary Breakfast)

1 Person	\$85.00
2 Persons	\$90.00
Each Additional Person over 2 Persons (Children under Age 13 are Free)	\$10.00

NOTES:

- (1) The monthly meal program options are available to residents, at an additional monthly charge, if one wishes to have more meals per month on a regular basis than is covered in one's monthly service fee.

Although regular meals are not included in the monthly service fee for the Early Acceptance program, these monthly meal programs are available to residents under the Early Acceptance program.

- (2) The core meal plan that is currently available to new residents who reside on campus provides monthly meal credits equal to the number of days in the upcoming month under one's monthly service fee.

2015 Charges for Various Medical Services

Medical Services Charges

Medical Transport / Accompaniment ⁽¹⁾

(Charges are for round trip; ½ price for one-way)

From CW to Chapel Hill locations	\$12.00
From CW to South & West Durham Locations	\$18.00
From CW to North Durham Locations	\$24.00
From CW to Other Locations	Home Services Rates
Staff Escort / Accompaniment to Medical Appointments (Per Hour)	\$19.00
Non-Emergency Ambulance	Per Provider

Medical and Outpatient Rehabilitation Services ⁽²⁾

Medical Appointment at CW Clinic	Per Fee Schedule Posted at Clinic
Podiatry Services, per Hour	\$65.00
Rehabilitation Services, per Hour	\$132.00
(Physical, Occupational & Speech Therapy)	

Non-Emergency Nurse Visits to Resident Apartments ⁽³⁾

Charge per Hour	\$50.00
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Medical and Personal Supplies ⁽⁴⁾

Personal Need Supplies	Cost + 10%
Routine Medical Supplies	Cost + 10%

Medical Pendant ⁽⁵⁾

Charge for Initial Installation or Replacement of Lost Pendant	\$135.00
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Home Care Services

Quarterly RN Assessment and Care Plan (per Assessment)	\$50.00
Home Care Charge per Hour of Service (in 1/2 Hour Increments)	\$23.00
Home Care Charge per Hour of Service (Weekends & Holidays)	\$35.00
1-on-1 Companionship Charge per Hour (in 1/2 Hour Increments)	\$23.00
1-on-1 Companionship Charge per Hour (Weekends & Holidays)	\$35.00

NOTES:

- (1) Medical transportation is included at no additional charge to residents who are residing in any of the licensed levels of service in assisted living or the health center (Buildings 4, 5, 6, & 7).
Medical Escort Services, however, are charged to all residents who have staff accompany them to an appointment, regardless of where they reside.
For Medical Escort Services there is a minimum charge of 1.5 hours of service, and the resident is charged in half-hour increments thereafter. All partial half-hours are treated as full half-hours.
- (2) As a provider of medical and rehabilitation services, Carol Woods accepts Medicare "Assignment", accepting Medicare allowable rates as payment in full.
Carol Woods bills each resident's Medicare & Supplemental insurance for reimbursement. Each resident is responsible for any deductibles or copayments imposed by Medicare or their supplemental insurance.
- (3) Emergency Nurse Visits are only available to and included in on-campus Resident's monthly service fees. Nurse visits to on-campus residences that are of a non-emergency nature are charged the applicable rate on an hourly basis, in 1/2 hour increments.
- (4) Medical and personal supplies, if ordered through Carol Woods and delivered to the resident while living in one's apartment or in assisted living (Buildings 5, 6 & 7) are billed as noted.
Medical supplies when provided to residents in the health center (Building 4) are included in one's per diem charge.
- (5) Medical pendant services are only available to Residents living on-campus. Charge is for initial installation of the pendant, or for replacement of lost pendant. 24-hour monitoring of the pendant is included in Resident's monthly service fee.

2015 Charges for Miscellaneous Services

Personal Services Charges

Beauty Shop Charges

Charges are Determined by Salon, and are Posted at Salon

Fitness and Well-Being Classes ⁽¹⁾

Charge per Hour	\$6.00
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Personal Gardening Services

Hourly Charge for On-Campus Service, plus supplies at cost	\$16.00
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On-Campus Home (Concierge) Services ⁽²⁾

Charge per Hour, During Business Hours	\$19.00
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Charge per Hour, During Evenings, Weekends and Holidays	\$28.50
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Telephone Services (On Campus)

Long Distance Calls (Rate per Minute)	\$0.05
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NOTES:

- (1) In the Carol Woods Fitness Center some classes are bundled as part of Resident's monthly service fee. For other classes that are offered a nominal fee is charged to cover the hourly cost of an instructor.
- (2) Home (Concierge) Services include a variety of personal services, such as closet reorganizing, shopping and errands, pet sitting, and deep cleaning. They are charged per hour, in 1/2 hour increments.

If driving is involved, mileage is charged at prevailing federal rates.

F. Fee Change Policies

Fees are changed generally once annually but may be changed at any time. At least thirty days' written notice is provided to residents before new fees take effect. The objective in setting fees is to keep them at the lowest feasible rates consistent with sound fiscal practices and maintenance of high quality service. Changes in the Consumer Price Index as determined by the US Department of Labor are considered in establishing fees, but need not be the sole determining factor.

Entry Fees and Monthly Service Fees are also determined using actuarial modeling. The goal is to set fees that are sufficient to cover residents' current needs as well as projected future needs.

G. Historic Changes in Major Fees

The following table shows average changes in the monthly service fees and health center daily charges over time. Note that it is the average dollar amount of the CHANGE in fees from year to year that is shown - NOT the fees themselves. All changes during this period occurred once per year on January 1.

<u>Monthly Service Fees</u>	2010 – <u>2011</u>	2011 – <u>2012</u>	2012 – <u>2013</u>	2013 – <u>2014</u>	2014 – <u>2015</u>
One Occupant (\$s per mo.)	93	93	95	83	86
Two Occupants (\$s per mo.)	118	118	125	109	111
Approx. Percentage Increase	3.0%	3.0%	2.7%	2.4%	2.4%

<u>Health Center Room Charges</u>					
(Private Room At Residents' Discounted Rate)					
Skilled Nursing (\$s per day)	3.00	3.00	3.00	3.00	3.00
Assisted Nursing (\$s per day)	3.00	3.00	3.00	3.00	3.00
Approx. Percentage Increase	3.7%	3.6%	3.4%	3.3%	3.2%

These data demonstrate Carol Woods' commitment to responsible changes in fees over time. Carol Woods' goal is to institute modest increases in strong economic periods helping to cushion against the need for larger increases in periods of higher inflation.

VII. FINANCIAL INFORMATION

A. Financial Overview

The Appendices to this Disclosure Statement present substantial financial detail on the historic, current and projected financial status of Carol Woods, including:

- Fiscal Year 2014 Audited Financial Statements
- 5-Year Financial Projections including assumptions about Early Acceptance (2015 - 2019)
- Most Recent Monthly Interim Financial Statements

Due to the lifetime commitment that has been made to each resident, Carol Woods uses actuarial planning and forecasting tools in addition to more traditional accounting methods.

Amortization of Entry Fees

Entry Fees are prepaid fees used to help cover costs of providing services to a resident over one's lifetime. As such, rather than record the Entry Fee as revenue only in the year it is paid, Carol Woods elects to "defer" most of the Entry Fee of a new entrant and recognize a portion of the fee as income each year that one remains a resident of Carol Woods. New Entry Fees are recorded as "Deferred Revenue" on Carol Woods' balance sheet. Each year, including the first year, the appropriate amount is reclassified from deferred income to actual income, based on an actuarially derived schedule.

The actuarial model that Carol Woods uses to derive amortized Entry Fees contains life expectancy tables that are reviewed and updated by an independent Certified Actuary. In addition, changes in individual residents' health care situations are updated annually, so that amounts amortized for each resident may be adjusted annually.

By accounting for Entry Fee revenue in this way, Carol Woods spreads its income from one's Entry Fee over one's lifetime, enabling some of the future costs of service to be covered every year by income from the initial Entry Fee.

B. Reserves, Escrows and Trusts

Reserves

North Carolina State law requires that continuing care retirement communities (CCRCs) provide for a minimum operating reserve. If a CCRC has occupancy that is less than or equal to 90%, it must maintain a reserve at least equal to 50% of the upcoming fiscal year's projected operating expenses, less amortization and depreciation; and less debt service if covered by a Debt Service Reserve. If a CCRC has occupancy that is greater than 90%, the reserve can be decreased to 25% of the upcoming fiscal year's budgeted operating expenses.

Campus occupancy at Carol Woods exceeds 90%, so that the 25% factor is applied to calculate the State-mandated reserve.

Carol Woods' reserves far exceed the state requirement now and that trend is projected to continue in the future. According to the state requirements, as of December 31, 2014 Carol Woods must have maintained a minimum operating reserve of \$6,111,000. Clearly, Carol Woods has cash and investments that far exceed the North Carolina statutory requirements. According to the audited financial statements as of December 31, 2014 the corporation has total investments (both current and long-term) of \$57,632,455. Of those funds, \$9,311,117 are "Limited as to Use", including required bond funds and state reserve requirements, leaving a total of \$48,321,338 in current and long-term investments that are unrestricted (Appendix A, Note 3).

By the year 2019 (see Appendix B), the 5-Year Study projects a statutory reserve requirement of \$7,368,000 versus total investments of \$61,136,000. The corporation is projected to exceed substantially the minimum standards for each intervening year as well.

Included in Carol Woods' overall reserves are the following funds presented on the balance sheet of the audited financial statements (see Appendix A):

1. Carol Woods makes a monthly payment to its Bond Sinking Fund accounts equal to 1/12th of the principal amount that it is scheduled to pay each year on both its 2010 bonds and 2012 bonds. This is shown as a current asset that is limited as to use.
2. A second reserve consists of amounts associated with unspent gifts and funds set aside by the Board for resident financial assistance. These are regularly reviewed and updated (refer to Appendix A, Note 3).
3. Carol Woods reserves the use of Entry Fees paid by residents (see Amortization of Entry Fees in the preceding Section). The income is reserved on an actuarial basis to cover costs for services to residents over their respective lifetimes, and is shown on the liability side of the balance sheet.

4. Finally, Carol Woods' unrestricted net assets can be considered reserves that can help the organization remain strong financially during periodic unexpected losses.

Escrows And Trusts

In situations where a CCRC is in startup and premarketing its apartments, and if those CCRCs ask for prepayment of 10% or more of one's entry fee prior to opening, the North Carolina Department of Insurance requires that the prepaid entry fees must be placed in escrow. Since neither condition applies to Carol Woods, it does not escrow entry fees. Management of entry fee funds is outlined in the following section (Investment of Reserves, Escrows & Trusts).

Carol Woods uses trusts in three ways. Bond funds are governed by trust agreements with The Bank of New York Mellon as the named trustee. Certain restricted gifts are accepted through a trust relationship where Carol Woods agrees to use the gift only for specified purposes. Finally, Carol Woods has named Wells Fargo Bank to be trustee of a "pooled-income" fund through which gifts may be made to Carol Woods on a deferred basis giving the donor certain tax advantages.

C. Investment of Reserves, Escrows, & Trusts

As part of the covenants related to the Carol Woods' 2010 and 2012 debt financing, Carol Woods must escrow 1/12th of its annual scheduled principal payment each month. The Bank of New York Mellon holds these bond funds in trust. Investment of these funds is governed by state law and bond document covenants. In general, the funds are in cash or money market accounts to ensure preservation of principal.

Contributions to the "pooled income" trust fund are invested in cash and in an income-oriented bond mutual fund. The fund is intended to maximize current income for donors while preserving the principal that was contributed.

The majority of Carol Woods' remaining cash and investments are maintained in a series of accounts, with various managers.

All investment funds managed by outside managers (with the exception of funds under trustee control) are controlled from a custodial account with UBS Financial Services. All fund managers manage Carol Woods' funds in accordance with a formal investment policy developed by the Board of Directors with the assistance of the UBS Prime Asset Consulting Group. The policy establishes allowable investment instruments and provides limits on the portions of the portfolio that may be invested in certain instruments at any given time. UBS Financial Services also provides manager-search services (through which current managers were selected) and provides on-going manager performance assessment services.

Fund managers direct investment decisions and trades, provided they are in conformance with the Board-adopted investment policy. The current investment policy for invested funds calls for a target portfolio mix of 60% equities and 40% fixed income securities. Managers are given some latitude to vary from those targets within thresholds defined by

Board policy. Carol Woods reconciles investment statements monthly, and does a quarterly review of manager performance against benchmarks that are outlined in the board-adopted investment policy.

D. Financial Projections

Projections

Appendix B includes a 5-year forecast of financial statements compiled by an independent accounting firm in accordance with state law. The assumptions used are included in the notes to that forecast.

Projected Fees

The attached table shows projected Monthly Service Fees and health center daily fees. Projections are based on actuarial assumptions of a 4.5% inflation rate. It is also assumed that fees will be raised by a common percentage and that the program and pricing structure remain the same. All these assumptions are subject to change.

Projected Monthly Service Fees for Singles and Couples by Type of Unit, 2015 - 2019

Type of Unit		2015	2016	2017	2018	2019
		Monthly Fees	Monthly Fees	Monthly Fees	Monthly Fees	Monthly Fees
			4.5%	4.5%	4.5%	4.5%
Early Acceptance						
Each Person		858	897	937	979	1,023
Central Apartments						
Studio	C-S	2,413	2,522	2,635	2,754	2,878
Studio, Expanded	C-SE	2,466	2,577	2,693	2,814	2,941
1-Bedroom	C-1SE	2,851	2,979	3,113	3,253	3,399
1-Bedroom, Small Expanded	C-1	2,779	2,904	3,035	3,172	3,315
1-Bedroom Expanded	C-1E	2,909	3,040	3,177	3,320	3,469
1-Bedroom Large	C-1L	3,011	3,146	3,288	3,436	3,591
2-Bedroom	C-2	3,597	3,759	3,928	4,105	4,290
2-Bedroom, Expanded	C-2E	3,655	3,819	3,991	4,171	4,359
2-Bedroom Large	C-2L	3,871	4,045	4,227	4,417	4,616
2-Bedroom Extra Large	C-2XL	4,033	4,214	4,404	4,602	4,809
2-Bedroom & Den	C-2D	4,268	4,460	4,661	4,871	5,090
2-Bedroom & Den Large	C-2DL	4,378	4,575	4,781	4,996	5,221
2-Bedroom & Den Extra Large	C-2DXL	4,436	4,636	4,845	5,063	5,291
Apartment Totals / Weighted Averages		3,235	3,381	3,533	3,692	3,858
Garden Cottages						
1-Bedroom	G-1	2,865	2,994	3,129	3,270	3,417
1-Bedroom & Den	G-1D	3,126	3,267	3,414	3,568	3,729
2-Bedroom	G-2	3,599	3,761	3,930	4,107	4,292
1-Bedroom, Den & Carolina Room	G-1DC	3,784	3,954	4,132	4,318	4,512
2-Bedroom & Den	G-2D	3,927	4,104	4,289	4,482	4,684
2-Bedroom & Carolina Room	G-2C	4,009	4,189	4,378	4,575	4,781
2-Bedroom, Den & Carolina Room	G-2DC	4,213	4,403	4,601	4,808	5,024
1-Bedroom Deluxe	G-1DXL	4,315	4,509	4,712	4,924	5,146
2-Bedroom Deluxe	G-2DXL	4,520	4,723	4,936	5,158	5,390
2-Bedroom Deluxe & Sunroom	G-2DXS	4,888	5,108	5,338	5,578	5,829
Cottage Totals / Weighted Averages		3,934	4,111	4,296	4,490	4,692
Townhomes (Average)		4,580	4,786	5,001	5,226	5,461
ILU Totals / Weighted Averages		3,623	3,786	3,957	4,135	4,321
2nd Person Monthly Fees, All Units ⁽¹⁾		1,123	1,174	1,227	1,282	1,340
Monthly Fees for Singles / 1st Persons in LTC ⁽²⁾		2,413	2,522	2,635	2,754	2,878

NOTES:

(1) 2nd Persons are charged the same monthly service fee regardless of what unit type in which they reside.

(2) For single residents, or 1st persons of couples, who move permanently into assisted living or the health center, their monthly service fee changes to the prevailing fee for a studio apartment.

Projected Discounted Per Diem Fees by Type of Unit, 2015 - 2019

Type of Unit		2015	2016	2017	2018	2019
		Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾	Discounted Per Diem Fees ⁽¹⁾
			4.5%	4.5%	4.5%	4.5%
Assisted Living (AL)						
Central Assisted Living	Type 1	56.00	59.00	62.00	65.00	68.00
Central Assisted Living	Type 2	58.00	61.00	64.00	67.00	70.00
Central Assisted Living	Type 3	62.00	65.00	68.00	71.00	74.00
Central Assisted Living	Type 4	66.00	69.00	72.00	75.00	78.00
Central Assisted Living	Type 5	68.00	71.00	74.00	77.00	80.00
2nd Person in Type 4/5		62.00	65.00	68.00	71.00	74.00
Garden Assisted Living		62.00	65.00	68.00	71.00	74.00
AL Totals / Weighted Averages		62.00	65.00	68.00	71.00	74.00
Assisted Nursing (ANF) & Skilled Nursing (SNF)						
Assisted Nursing	Semi-Private	80.00	84.00	88.00	92.00	96.00
Assisted Nursing	Private	90.00	94.00	98.00	102.00	107.00
Skilled Nursing	Semi-Private	93.00	97.00	101.00	106.00	111.00
Skilled Nursing	Private	103.00	108.00	113.00	118.00	123.00
ANF & SNF Totals / Weighted Averages		94.00	98.00	103.00	107.00	112.00
Totals / Weighted Averages		78.00	82.00	86.00	89.00	93.00

NOTES:

(1) This table presents the projected per diem fees that are charged to Carol Woods' residents under an Early Acceptance Agreement or Residence and Services Agreement.

Per Diem charges to outside referrals for short term respite or rehabilitative stays are projected to increase by the same annual percentage of 4.5%.

Actual Performance Compared to Historic Projections

The following present fiscal year (FY) 2014 actual performance, as reported in the audited financial statements, compared to what had been projected for FY 2014 in the prior year's Disclosure Statement in terms of revenue, expenses and cash flows.

Carol Woods considers any variance of 5% and \$500,000 as material, and therefore deserving of explanation. Other explanations are also provided if they are deemed to be noteworthy to prospective residents.

Actual 2014 Revenue and Expenses Compared to Historic Projections

	2014 Projected (2013 Disclosure)	2014 Audited	Variance Over (Under)	Notes
REVENUE:				
Resident Monthly Fees - On Campus	16,170,000	16,034,442	(135,558)	
Resident Monthly Fees - Early Acceptance	573,000	537,401	(35,599)	(1)
Amortization of Advance Fees - On Campus	3,449,000	3,527,054	78,054	
Amortization of Advance Fees - Early Acceptance	103,000	96,333	(6,667)	(1)
Guest Meals & Lodging	229,000	225,976	(3,024)	
Health Services	9,195,000	9,353,952	158,952	
Contractual Allowances	(6,056,000)	(6,262,986)	(206,986)	
Net Health Services	3,139,000	3,090,966	(48,034)	
Investment Income	2,140,000	3,721,114	1,581,114	(2)
Miscellaneous Operating Revenue	564,000	764,867	200,867	(3)
Unrealized Gain (Loss) on Interest Rate Swaps	0	(2,056,381)	(2,056,381)	(4)
Total Revenue	26,367,000	25,941,772	(425,228)	
EXPENSES:				
Health Services	6,476,000	6,433,923	42,077	
Dietary Services	3,837,000	3,778,902	58,098	
Facility Services	5,351,000	5,367,640	(16,640)	
Early Acceptance	57,000	37,640	19,360	(1)
Administration	4,855,000	4,869,601	(14,601)	
Depreciation & Amortization	2,966,000	2,783,234	182,766	(5)
Debt Expense	2,056,000	2,053,972	2,028	
Loss on Retirement of Fixed Assets	65,000	239,635	(174,635)	(5)
Operating Expenses	25,663,000	25,564,547	98,453	
TOTAL NET REVENUE	704,000	377,225	(326,775)	

NOTES to Revenue and Expense Variances:

- (1) **Revenue and expenses related to Early Acceptance (EA)** show a variance primarily due to the actual rate of growth of the program in its 2nd year of full operation compared with the rate of growth that had been projected. EA census at the beginning of the year was 2 persons less than had been projected. The program had been projected to grow to a total of 72 residents by the end of 2014, but it had only grown to 64 residents. A portion of the negative revenue variance was offset by a positive expense variance. A major reason for the slower rate of fill up of the EA program was that during the year 15 EA residents subsequently took residence on campus.
- (2) **Investment income**, including interest and dividends from investments, is projected based upon an assumption that investments will generate an annual return of 4.0%. This is a projection of investment yield rather than an estimate of what a particular annual return might be. In 2014, interest and dividend income, plus the overall return on investments was 6.4% rather than 4.0%
- (3) **Miscellaneous revenue** was higher than projected due to some revenue that had not been anticipated, particularly related to receipt of a \$75,000 grant, a \$58,000 dividend from the workers comp insurance for low loss experience, and more net assets released from restrictions for operations than had been projected.
- (4) **Gain (Loss) on Interest Rate Swaps**. In its 5-year projections, Carol Woods does not try to estimate annual changes in interest rates as measured by LIBOR. At the end of 2014 LIBOR was at such a low rate (16bp) that the fair market value of Carol Woods' two swaps were \$2 million lower than what they had been valued at at the end of 2013. If Carol Woods holds the two swaps to maturity, the fair market value of each will become \$0.
- (5) **Expenses related to fixed assets** show variances that are inter-related. Depreciation expense shows a positive variance in 2014 of \$182,766, whereas loss on retirement of fixed assets shows a negative variance of -\$176,635. In 2014, as the major campus expansion of 2012-2014 was completed, a relatively large number of fixed assets were retired, which had not been factored into the 5-year projections. As those fixed assets were retired, those that were not fully depreciated ended up saving some depreciation expense.

Actual 2014 Cash Flows Compared to Historic Projections

	2014 Projected (2013 Disclosure)	2014 Audited	Variance Over (Under)	Notes
CASH FLOWS:				
Cash Flows from Operating Activities	6,064,000	5,327,805	(736,195)	
Proceeds from Advance Fees	5,938,000	5,356,452	(581,548)	(1)
Other Cash Flows from Operations	126,000	(28,647)	(154,647)	
Cash Flows from Investing Activities	(8,265,000)	(7,348,470)	916,530	
Net Sale (Purchase) of Investments	(3,767,000)	(1,608,794)	2,158,206	(2)
Purchase of Property and Equipment	(4,498,000)	(5,739,676)	(1,241,676)	(3)
Cash Flows from Financing Activities	2,201,000	2,933,976	732,976	
Proceeds from Long-Term Debt	4,262,000	4,979,869	717,869	(4)
Net Proceeds from Line of Credit	(222,000)	(221,901)	99	
Principal Payments on Long-Term Debt	(1,720,000)	(1,720,000)	0	
Refund of Advance Fees	(119,000)	(103,992)	15,008	
NET CASH FLOW	0	913,311	913,311	

NOTES to Cash Flow Variances:

- (1) **Proceeds from Advance Fees.** In 2014, a total of 15 people who moved to campus were already residents of Carol Woods under the Early Acceptance program. As such, there was approximately \$450,000 in entry fees that the EA residents got credit for as they moved to campus.
- (2) **Net Sale (Purchase) of Investments.** This cash flow line relates to both the cash flows from operations as well as the net cash flow. The 2014 projections assumed that CW might be able to transfer up to \$1.9 million into investments from operations, which would result in a net cash flow of \$0. In actuality, CW generated \$736,000 less in cash flow from operations, and left \$913,000 in operating cash rather than transferring those funds to investments. In 2014, CW made no withdrawals from investments, but also made no transfers to investments.
- (3) **Purchase of Property and Equipment.** Projections for property and equipment was heavily influenced by assumptions about major campus construction projects and other capital plans related to that expansion. Construction progressed a bit faster than expected.
- (4) **Proceeds from Long-Term Debt.** \$22,000,000 in bonds were issued in mid-2012 as projected. The bonds are structured as draw-down, and the timing of the draws, coinciding with the construction work, was faster than had been projected.

VIII. FACILITY DEVELOPMENT AND EXPANSION

Campus Enhancement. In 2014 Carol Woods completed all of the elements of its campus enhancement which had been planned to be financed with \$22,000,000 in tax exempt bonds issued in July 2012. \$575,000 in charitable funds also was raised, and was applied to the project. As of December 31, 2014, \$282,330 in bonds and \$17,000 in charitable gifts remain to be applied to the campus enhancement project, which should be completed by early 2015.

Central Apartment Accommodation Expansions. 2014 earmarked the 12th year of a capital project to expand or combine central apartments. Central apartments were originally constructed in 1979 with galley kitchens, and laundry facilities were centrally located in each building. In 2003, responding to changing market demands, new architectural designs were developed to achieve full kitchens and washers/dryers in each accommodation. Living room space was recaptured with sunrooms constructed from existing porches. In some cases adjacent studios and 1-bedroom accommodations were combined to achieve much larger 2-bedroom and 2-bedroom with den accommodations. From 2003 through 2014, all but 11 of the 140 original central accommodations have been expanded or combined into larger accommodations. These changes continue to receive strong positive market response.

Additional Independent Living Townhomes. In 2009, Carol Woods began to offer to its Priority List several two-story townhomes that it owns that are located immediately adjacent to its original garden cottages. These accommodations are being offered with the same Residence and Services Agreement and lifetime obligations as are provided to all other Carol Woods residents living on campus. As of April 30, 2015 a total of 18 residents live in 9 townhomes. Two additional townhomes have been added, and will be occupied by Carol Woods residents in 2015.

As additional townhomes become available, Carol Woods may make offers to purchase on a selective basis. Once owned, Carol Woods will continue to offer these accommodations to the Priority List along with a Residence and Services Agreement commitment.

APPENDIX A

The following presents the 2014 Audited Financial Statements for Carol
Woods

The Chapel Hill Residential Retirement Center,
Inc. d/b/a Carol Woods Retirement Community
and The Carol Woods Charitable Fund, Inc.

Consolidated Financial Statements
and Supplementary Information

December 31, 2014 and 2013

(with Independent Auditors' Report thereon)

**The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.**

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December 31, 2014 and 2013

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Independent Auditors' Report

To the Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and
The Carol Woods Charitable Fund, Inc.
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively the "Center"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and
The Carol Woods Charitable Fund, Inc.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 24-26 is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and is not a required part of the consolidated financial statements. Additionally, the other schedules on pages 27-30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Raleigh, North Carolina
February 12, 2015

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Balance Sheets
December 31, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 2,772,983	\$ 1,859,672
Temporary investments	1,223,897	1,430,296
Assets limited as to use	1,443,713	1,293,894
Accounts receivable	1,463,884	1,031,497
Other receivables	115,147	399,456
Prepaid expenses and inventory	<u>317,018</u>	<u>380,643</u>
Total current assets	<u>7,336,642</u>	<u>6,395,458</u>
Assets limited as to use:		
By contractual agreement	131,484	127,604
Reserves required by state statute	6,111,000	5,766,000
By board designation	<u>1,624,920</u>	<u>1,624,920</u>
Total assets limited as to use	<u>7,867,404</u>	<u>7,518,524</u>
Property and equipment, net	54,428,616	51,672,318
Investments	47,097,441	43,980,151
Deferred bond issuance costs, net of accumulated amortization of \$108,987 in 2014 and \$69,496 in 2013	<u>673,063</u>	<u>712,554</u>
Total assets	<u>\$ 117,403,166</u>	<u>\$ 110,279,005</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Line of credit	\$ -	\$ 221,901
Current maturities of long-term debt	1,920,000	1,720,000
Accounts payable	607,063	609,834
Accrued expenses	<u>1,491,893</u>	<u>1,447,866</u>
Total current liabilities	4,018,956	3,999,601
Long-term debt, less current maturities	45,567,670	42,507,801
Refundable fees	261,495	246,247
Deferred revenue from advance fees	38,752,853	37,123,780
Priority list deposits	879,010	891,690
Interest rate swap agreements	7,570,413	5,514,032
Other non-current liabilities	<u>609,462</u>	<u>540,440</u>
Total liabilities	<u>97,659,859</u>	<u>90,823,591</u>
Net assets:		
Unrestricted	17,933,440	17,556,215
Temporarily restricted	<u>1,809,867</u>	<u>1,899,199</u>
Total net assets	<u>19,743,307</u>	<u>19,455,414</u>
Total liabilities and net assets	<u>\$ 117,403,166</u>	<u>\$ 110,279,005</u>

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

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2014 and 2013

	2014	2013
Unrestricted revenue, gains and other support:		
Resident services		
On campus	\$ 16,034,442	\$ 14,890,558
Early acceptance	537,401	201,614
Amortization of advanced fees		
On campus	3,527,054	3,064,906
Early acceptance	96,333	43,752
Guests' meals and lodging	225,976	249,734
Health center		
Routine services	8,089,175	7,400,274
Special services	1,264,777	1,245,724
Adjustments and allowances	(6,262,986)	(5,792,178)
Miscellaneous	272,528	249,731
Investment interest and dividends	1,920,318	1,490,798
Net assets released from restrictions used for operations	492,339	812,220
Total unrestricted revenue, gains and other support	26,197,357	23,857,133
Expenses:		
Health center	6,433,923	6,218,930
Dietary services	3,778,902	3,647,294
Facility services	5,367,640	4,912,679
Early acceptance	37,640	23,349
Administration	4,909,092	5,261,715
Depreciation	2,743,743	2,409,576
Interest	2,053,972	1,359,045
Total expenses	25,324,912	23,832,588
Income from operations	872,445	24,545
Non-operating income (loss):		
Realized gains on sale of investments	3,150,752	1,888,794
Other-than-temporary impairment of investments	(817,118)	(687,992)
Loss on disposal of property and equipment	(239,635)	(185,969)
Change in fair value of interest rate swap agreements	(2,056,381)	4,347,084
Total non-operating income	37,618	5,361,917
Excess of revenues, gains and other support over expenses	910,063	5,386,462
Net unrealized (losses) gains on investments and assets limited as to use	(532,838)	3,964,213
Change in unrestricted net assets	\$ 377,225	\$ 9,350,675

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

**The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Unrestricted net assets:		
Excess of revenues, gains and other support over expenses	\$ 910,063	\$ 5,386,462
Net unrealized (losses) gains on investments and assets limited as to use	<u>(532,838)</u>	<u>3,964,213</u>
Change in unrestricted net assets	<u>377,225</u>	<u>9,350,675</u>
Temporarily restricted net assets:		
Contributions	403,007	939,875
Net assets released from restrictions used for operations	<u>(492,339)</u>	<u>(812,220)</u>
Change in temporarily restricted net assets	<u>(89,332)</u>	<u>127,655</u>
Change in net assets	287,893	9,478,330
Net assets, beginning of year	<u>19,455,414</u>	<u>9,977,084</u>
Net assets, end of year	<u>\$ 19,743,307</u>	<u>\$ 19,455,414</u>

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

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 287,893	\$ 9,478,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from advance fees	5,356,452	9,142,821
Depreciation	2,743,743	2,409,576
Amortization of advance fees	(3,623,387)	(3,108,658)
Amortization of deferred costs	39,491	39,491
Other-than-temporary impairment of investments	817,118	687,992
Realized gains on sale of investments	(3,150,752)	(1,888,794)
Loss on disposal of property and equipment	239,635	185,969
Net unrealized (losses) gains on investments and assets limited as to use	532,838	(3,964,213)
Change in fair value of interest rate swaps	2,056,381	(4,347,084)
Change in assets and liabilities:		
Accounts receivable	(432,387)	29,036
Other receivables	284,309	(149,827)
Prepaid expenses and inventory	63,625	(32,281)
Accounts payable	(2,771)	104,670
Accrued expenses	44,027	(309,612)
Refundable fees	15,248	35,879
Priority list deposits	(12,680)	(124,400)
Other non-current liabilities	69,022	60,735
Net cash provided by operating activities	<u>5,327,805</u>	<u>8,249,630</u>
Cash flows from investing activities:		
Purchase of property and equipment	(5,739,676)	(13,553,780)
Proceeds from sale of investments and assets limited as to use	33,620,592	16,632,489
Purchase of investments and assets limited as to use	<u>(35,229,386)</u>	<u>(22,357,417)</u>
Net cash used by investing activities	<u>(7,348,470)</u>	<u>(19,278,708)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	4,979,869	12,615,276
Principal payments on long-term debt	(1,720,000)	(875,000)
Net change in line of credit	(221,901)	(182,221)
Refund of advance fees	<u>(103,992)</u>	<u>-</u>
Net cash provided by financing activities	<u>2,933,976</u>	<u>11,558,055</u>
Net increase in cash and cash equivalents	913,311	528,977
Cash and cash equivalents, beginning of year	<u>1,859,672</u>	<u>1,330,695</u>
Cash and cash equivalents, end of year	<u>\$ 2,772,983</u>	<u>\$ 1,859,672</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 2,056,007</u>	<u>\$ 2,048,383</u>

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

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

1. Description of Organization and Summary of Significant Accounting Policies

Organization – The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the “Center”), provides housing, health care and other related services to residents through the operation of a retirement community containing 150 apartments, 152 cottages, 12 townhomes, a 35-bed assisted living center, two 12-unit assisted living homes, and a 60-bed health center located in Chapel Hill, North Carolina.

In 2006, The Chapel Hill Residential Retirement Center, Inc. (“Carol Woods”) created an affiliated corporate entity, The Carol Woods Charitable Fund, Inc. (the “Charitable Fund”). The Charitable Fund has been established as a separate 501(c)(3) charitable organization and has been organized as a “supporting” organization to Carol Woods. Under IRS guidelines, a supporting organization is one that is treated as a charitable tax-exempt entity because its primary purpose is to support another charitable, tax-exempt entity. The Charitable Fund’s purpose as described in its Articles of Incorporation and Bylaws follows:

- a. Support the facilities, grounds and services of Carol Woods to maintain its high quality and affordability.
- b. Support Carol Woods as a leader in research and development of innovative housing programs, healthcare services, technology applications and other needed support services in order to help elderly persons lead meaningful lives as they age.
- c. Support Carol Woods’ leadership role in the community, identifying and addressing potential gaps in the service delivery system, financial issues and other barriers to seniors being able to access needed services.
- d. Support Carol Woods’ assistance to elderly persons during periods in which the aging process may lead to personal loss, supporting seniors as long as possible in desired living arrangements and achieving smooth transition to other settings as needed.
- e. Support Carol Woods in promoting the care and service to seniors as a fulfilling career choice for students at high school, college, graduate school and trade school levels, thereby, increasing the supply of qualified and dedicated personnel available to serve seniors.
- f. Support Carol Woods in its cooperation and collaboration with other public agencies and non-profit corporations in the community, North Carolina and the United States in efforts to determine the most satisfying and fulfilling methods of providing living accommodations and supportive services for elderly persons.

The Charitable Fund can accept charitable donations for which the donor may receive a tax deduction. To maintain sufficient control over the Charitable Fund, all members of the Board of Directors of the supporting organization are appointed by the Carol Woods Board, and a majority of the Charitable Fund Board must be current members of the Carol Woods Board; including the Center’s President/CEO and Vice-President of Finance, who serve as ex-officio voting members of the Charitable Fund Board.

Early Acceptance Program – In 2012, the Center received approval from the NC Department of Insurance to offer a “continuing care without lodging” contract for persons to become residents of the Center while not taking residence at the Center initially. Under the Early Acceptance contract, residents who are living off-campus receive the same access to the Center’s campus amenities and the same health care services and future benefits that are afforded to residents who are living on campus. NC General Statute § 58-64-7(c) stipulates that the Center must account for the revenue and expenses related to the Early Acceptance program separate from revenue and expenses for on-campus services on financial statements and five-year forecasts. The Center had 64 residents and 41 residents under contract in the Early Acceptance program as of December 31, 2014 and 2013, respectively.

Cash and Cash Equivalents – Cash and cash equivalents, excluding those classified as assets limited as to use, include investments with original maturities of three months or less when purchased. At December 31, 2014 and 2013, a portion of these funds were in excess of federal deposit insurance limits.

Investments – Investments include money market funds, common stocks, an exchange-traded fund, mutual funds, debt and obligation securities (including U.S. Treasury and government obligations, municipal obligations, corporate obligations and asset-backed obligations), which are carried at fair value. Investment interest and dividends are included with unrestricted revenue, gains and other support and are included in income from operations. Realized gains and losses are reported as non-operating income (loss), and are included in excess of revenues, gains and other support over expenses. Net unrealized gains and losses on investments and assets limited as to use are excluded from excess of revenues, gains and other support over expenses and are reported as other changes in unrestricted net assets. The cost of securities sold is based on the first in, first out cost method, adjusted for other-than-temporary impairment in the value of investments.

Other-than-temporary does not mean a permanent impairment. In addition, accounting standards require certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. There were no investments held in unrealized loss positions at December 31, 2014 and 2013 that have not recognized other-than-temporary-impairment. Declines in fair value below cost that are deemed to be other-than-temporary are included in the accompanying consolidated statements of operations as a non-operating loss. For the years ended December 31, 2014 and 2013, the Center recorded \$817,118 and \$687,992 in other-than-temporary losses for declines in fair value of investments.

Deferred Bond Issuance Costs – Deferred financing costs are being amortized on the straight-line basis over the life of long-term debt and other credit instruments issued.

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

- *Current assets limited as to use* – Current assets limited as to use include funds held by trustee that are held in accordance with the trust and loan agreements. Under the terms of the trust and loan agreements between the Center and the North Carolina Medical Care Commission, these funds are deposited with the trustee. The assets are current because they will be used to repay the current portion of the Center’s long-term debt on April 1 of the upcoming year.
- *By contractual agreement* – Assets limited as to use by contractual agreement show the balance in a pooled income bond fund. The fund is comprised of charitable gifts that have been donated to the Center on a deferred basis. The gifts are held by a trustee, and the donors receive interest from their deferred gift during their lifetime. Upon the death of the donor or designated beneficiary, the gift then flows to the Center.
- *Reserves required by state statute* – Assets limited as to use include funds held totaling twenty-five percent of the upcoming years total budgeted operating costs set aside to meet the operating reserve requirements of N. C. General Statute Chapter 58, Article 64.
- *By board designation* – Assets limited as to use include funds designated by the Board of Directors. The Board retains control over these assets and may, at its discretion, subsequently redesignate them for other purposes.

Property and Equipment, net – Property and equipment is reported at cost less accumulated depreciation. Contributed property is reported at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of routine maintenance and repairs is expensed as incurred.

The Center periodically assesses the realizable value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any asset may not be recoverable. Impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than 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. At December 31, 2014, the Center has determined that no impairment indicators exist.

Interest Rate Swap Agreements – The Center entered into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. These cash-flow hedges are reported in the accompanying consolidated balance sheets at estimated fair value at December 31, 2014 and 2013. The Center does not hold derivative instruments for any purpose other than limiting the effects of interest rate fluctuations and does not hold interest rate swap agreements for speculative or investment purposes.

Deferred Revenue from Advance Fees – Fees paid by each resident upon entering into a continuing care contract are reported as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a contract is terminated, by death of last survivor or withdrawal, any unamortized advance fees, net of refundable amounts, are recognized as net resident service revenue.

Obligation to Provide Future Services – The Center enters into continuing care contracts with residents – both for those taking residence on campus and those becoming residents under the Early Acceptance program. A continuing care contract is an agreement between a resident and the Center specifying the services and facilities to be provided over the resident’s remaining life. Under each contract, the Center has the ability to increase fees as deemed necessary. As of December 31 of each fiscal year, the Center calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No liability has been recorded as of December 31, 2014 or 2013 because the present value of the estimated net costs of future services and use of facilities is less than the balance of deferred revenue from advance fees.

Temporarily Restricted Net Assets – The Center reports net assets using the following three classes: unrestricted, temporarily restricted and permanently restricted, depending on the presence and type of donor-imposed restrictions limiting the Center’s ability to use or dispose of specific contributed assets or the economic benefits embodied in those assets. Unrestricted net assets include those whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period or purpose. The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations and consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as contributed are reflected as unrestricted contributions in the accompanying consolidated statements of operations and consolidated statements of changes in net assets. Permanently restricted net assets are those net assets which have been restricted by donors to be maintained by the Center in perpetuity. There were no permanently restricted net assets at December 31, 2014 and 2013.

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

Excess of Revenues, Gains and Other Support Over Expenses – The consolidated statements of operations include excess of revenues, gains and other support over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, gains and other support over expenses, consistent with industry practice, would include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

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

Principles of Consolidation – The consolidated financial statements include the accounts of The Chapel Hill Residential Retirement Center, Inc. d/b/a/ Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. Significant intercompany balances and transactions between the consolidated entities have been eliminated.

Income Tax Status – The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying consolidated financial statements do not reflect a provision or liability for federal and state income taxes. The Center has determined that it does not have any material unrecognized tax benefits nor obligations as of December 31, 2014. The Center believes it is no longer subject to income tax examinations for years prior to December 31, 2011.

Net Resident Service Revenue – Net resident services revenue represents the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Contractual adjustments represent the difference between the Center's standard health care charges and the amounts received for health care services. Medicare contractual adjustments are a result of established allowable rates differing from amounts charged by the Center. Additionally, continuing care contracts signed by each resident contain contractual adjustments for health care charges.

Community Benefit – The Center provides various outreach programs and volunteer services to the community in addition to direct financial support. The recorded benefit for these services is based on management assessment of the fair market value of services provided.

Concentration of Credit Risk – Concentrations of credit risk with respect to resident accounts receivable are limited due to the formalized agreements with third-party payors. The Center has significant accounts receivable (approximately 54% in 2014 and 51% in 2013) whose collectability or realizability is dependent upon the performance of Medicare. Management does not believe there are significant credit risks associated with Medicare.

Subsequent Events – The Center evaluated the effect subsequent events would have on the consolidated financial statements through February 12, 2015, which is the date the consolidated financial statements were available to be issued.

2. **Fair Value of Assets and Liabilities**

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

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

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

Assets Measured at Fair Value on a Recurring Basis

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include common stocks, an exchange-traded fund, mutual funds and U.S. Treasury obligations and corporate bonds. Level 2 investment securities include municipal and asset-backed obligations and liability for interest rate swap agreements for which quoted prices are not available in active markets for identical instruments. The Center utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. The determination of fair value of interest rate swap agreements incorporates various factors including not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Center's nonperformance risk on its liabilities.

The Center does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during 2014. There were no changes during 2014 to the Center's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following table sets forth by level, within the fair value hierarchy, the Center's assets and liabilities accounted for at fair value at December 31, 2014 and 2013.

	December 31, 2014			
	(Level 1)	(Level 2)	(Level 3)	Total
Assets:				
Common stocks:				
Large cap	\$ 14,789,397	\$ -	\$ -	\$ 14,789,397
Mid cap	3,371,464	-	-	3,371,464
Small cap	3,388,190	-	-	3,388,190
International	<u>6,818,949</u>	-	-	<u>6,818,949</u>
Total common stocks	28,368,000	-	-	28,368,000
Fixed income exchange traded fund	<u>232,175</u>	-	-	<u>232,175</u>
Mutual funds:				
Global allocation	5,190,375	-	-	5,190,375
Fixed income	<u>8,938,344</u>	-	-	<u>8,938,344</u>
Total mutual funds	14,128,719	-	-	14,128,719
Debt and obligation securities:				
U.S. treasury and government	1,437,506	-	-	1,437,506
Municipal	-	3,214,310	-	3,214,310
Corporate	5,663,370	-	-	5,663,370
Asset-backed	<u>-</u>	<u>1,915,191</u>	-	<u>1,915,191</u>
Total debt and obligation securities	7,100,876	5,129,501	-	12,230,377
Money market funds	<u>1,229,470</u>	-	-	<u>1,229,470</u>
Total assets	<u>\$ 51,059,240</u>	<u>\$ 5,129,501</u>	<u>\$ -</u>	<u>\$ 56,188,741</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 7,570,413</u>	<u>\$ -</u>	<u>\$ 7,570,413</u>

The Center had \$1,443,714 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2014 which are not included in the fair value hierarchy.

	December 31, 2013			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Assets:				
Common stocks:				
Large cap	\$ 13,318,273	\$ -	\$ -	\$ 13,318,273
Mid cap	3,039,070	-	-	3,039,070
Small cap	3,178,376	-	-	3,178,376
International	<u>7,010,816</u>	<u>-</u>	<u>-</u>	<u>7,010,816</u>
Total common stocks	26,546,535	-	-	26,546,535
Fixed income exchange traded fund	<u>213,108</u>	<u>-</u>	<u>-</u>	<u>213,108</u>
Mutual funds:				
Global allocation	5,186,249	-	-	5,186,249
Fixed income	<u>3,753,045</u>	<u>-</u>	<u>-</u>	<u>3,753,045</u>
Total mutual funds	8,939,294	-	-	8,939,294
Debt and obligation securities:				
U.S. treasury and government	3,599,479	-	-	3,599,479
Municipal	-	3,269,662	-	3,269,662
Corporate	5,049,824	-	-	5,049,824
Asset-backed	<u>-</u>	<u>3,875,783</u>	<u>-</u>	<u>3,875,783</u>
Total debt and obligation securities	8,649,303	7,145,445	-	15,794,748
Money market funds	<u>1,435,286</u>	<u>-</u>	<u>-</u>	<u>1,435,286</u>
Total assets	<u>\$ 45,783,526</u>	<u>\$ 7,145,445</u>	<u>\$ -</u>	<u>\$ 52,928,971</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 5,514,032</u>	<u>\$ -</u>	<u>\$ 5,514,032</u>

The Center had \$1,293,894 of cash and cash equivalents included with investments and assets limited as to use as of December 31, 2013 which are not included in the fair value hierarchy.

3. **Investments and Assets Limited as to Use**

The Center allocates its investment portfolios between investments and various categories of assets limited as to use. The allocation between assets limited as to use and investments is set forth in the following table at December 31:

	<u>2014</u>	<u>2013</u>
Assets limited to use:		
Board designated:		
For resident assistance	\$ 308,876	\$ 308,876
For mission development	<u>1,316,044</u>	<u>1,316,044</u>
	1,624,920	1,624,920
Reserves required by state statute	6,111,000	5,766,000
Contractual agreement, including current portion	<u>1,575,197</u>	<u>1,421,498</u>
Total assets limited as to use	9,311,117	8,812,418
Temporary investments	1,223,897	1,430,296
Investments	<u>47,097,441</u>	<u>43,980,151</u>
Total assets limited as to use and investments	<u>\$ 57,632,455</u>	<u>\$ 54,222,865</u>

Investment income, net of investment fees, consists of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Investment interest and dividends, net of investment fees	\$ 1,920,318	\$ 1,490,798
Net realized gains on sale of investments	3,150,752	1,888,794
Other-than-temporary impairment of investments	(817,118)	(687,992)
Net unrealized gains (losses)	<u>(532,838)</u>	<u>3,964,213</u>
Total investment income, net of investment fees	<u>\$ 3,721,114</u>	<u>\$ 6,655,813</u>

Investment fees paid by the Center, exclusive of any bond trustee fees, were approximately \$458,000 and \$371,000 for 2014 and 2013, respectively.

4. **Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 833,077	\$ 833,077
Land improvements	4,409,981	1,601,487
Buildings	73,215,777	60,984,523
Furniture and fixtures	2,492,201	2,841,567
Equipment	5,880,589	5,818,550
Construction in progress	<u>1,773,718</u>	<u>12,474,919</u>
	88,605,343	84,554,123
Less accumulated depreciation	<u>(34,176,727)</u>	<u>(32,881,805)</u>
Property and equipment, net	<u>\$ 54,428,616</u>	<u>\$ 51,672,318</u>

Depreciation expense was \$2,743,743 and \$2,409,576 for the years ended December 31, 2014 and 2013, respectively.

5. **Long-Term Debt and Short-Term Line of Credit**

Long-term debt consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
2010 North Carolina Medical Care Commission tax-exempt variable rate bank-qualified bonds; payable on a predetermined payment schedule with payments through 2035.	\$ 26,570,000	\$ 27,490,000
2012 North Carolina Medical Care Commission tax-exempt variable rate non-bank-qualified bonds; payable on a predetermined payment schedule with payments through 2030.	<u>20,917,670</u>	<u>16,737,801</u>
Total long-term debt	<u>47,487,670</u>	<u>44,227,801</u>
Less current maturities of long-term debt	<u>(1,920,000)</u>	<u>(1,720,000)</u>
Long-term debt, less current maturities	<u>\$ 45,567,670</u>	<u>\$ 42,507,801</u>

Maturities of long-term debt computed under the 2010 and 2012 Trust Agreements as of December 31, 2014 are as follows:

	<u>2010 Bonds</u>	<u>2012 Bonds</u>	<u>Total Bonds</u>
2015	\$ 960,000	\$ 960,000	\$ 1,920,000
2016	1,000,000	1,000,000	2,000,000
2017	1,045,000	1,045,000	2,090,000
2018	1,095,000	1,095,000	2,190,000
2019	1,145,000	1,145,000	2,290,000
2020 – 2024	6,565,000	6,565,000	13,130,000
2025 – 2029	8,225,000	8,225,000	16,450,000
2030 – 2034	5,830,399	1,165,000	6,995,399
2035 – 2037	<u>704,601</u>	<u>-</u>	<u>704,601</u>
	26,570,000	21,200,000	47,770,000
Remaining draws available	<u>-</u>	<u>(282,330)</u>	<u>(282,330)</u>
Long-term debt as of December 31, 2014	<u>\$ 26,570,000</u>	<u>\$ 20,917,670</u>	<u>\$ 47,487,670</u>

2010 Series Bonds – On October 1, 2010 the Center entered into a debt agreement with the North Carolina Medical Care Commission (the “Commission”) pursuant to the Commission’s \$30,000,000 bond offering (“Series 2010 Bonds”) for purposes of refinancing previously existing debt and to provide financing for additional routine capital needs. Proceeds from this offering were placed in trust and distributed to pay off the existing debt. The Center’s 2001 bonds were retired on November 5, 2010. The Series 2010 Bonds are held by Branch Banking & Trust Company (“BB&T”) under a Bank Terms and Conditions Agreement dated October 1, 2010. Since BB&T holds the Series 2010 Bonds, the Bonds are not remarketed in bond markets and credit enhancement of the Series 2010 Bonds is not required.

Under the Bank Terms and Conditions Agreement, Master Trust Indenture, and the Supplemental Indentures, the Center is required to comply with various covenants including, but not limited to, making monthly payments of interest to Bank of New York Mellon, (the “Trustee”) on behalf of BB&T, making monthly payments to a Trustee held bond sinking fund of one-twelfth of the annual scheduled bond principal amount, meeting minimum reporting requirements and limitations on incurrence of additional indebtedness and various financial ratios at specified reporting dates. According to these agreements, the Center has the ability to remedy any covenant violation within thirty days after receiving written notification from the Commission without accelerating the debt payments.

Security for the 2010 Series Bonds consists of a pledge and assignment to the Trustee of all rights, title and interest in and to the Center’s deed of trust dated July 2, 2001, which evidences the Center’s obligation to repay the loan issued by the Commission. Under the deed of trust, the Commission assigned its rights as beneficiary to the Trustee, which granted the Trustee first priority deed of trust on the site and any buildings or improvements and assigned its rights as secured party with respect to its security interest.

The Series 2010 Bonds are scheduled to amortize over a period of 25 years. The amortization schedule for the first 21 years, through April 1, 2031, is identical to the amortization schedule of the previous \$27,315,000 in 2001 bonds that were refunded with the 2010 issuance. The remaining \$2,685,000 in bonds will amortize over the final 4 years through April 1, 2035.

For the first ten years of the 2010 bond issue, the bonds carry a blended fixed and variable interest rate of 1.1375% plus 68% of 1-month London Inter-Bank Offered Rate (“LIBOR”). The fixed portion of 1.1375% is fixed through July, 2020, at which point it will be renegotiated with the bank for a new term and rate.

2012 Series Bonds – On July 1, 2012 the Center entered into a debt agreement with the Commission to enter into a non-bank-qualified bond issue of \$22,000,000 (“Series 2012 Bonds”) that has a draw down feature in which the outstanding principal is the amount that has been drawn to reimburse expenditures allowable under the loan agreement. The funds must be drawn down within a three year period. As of December 31, 2014 and 2013, \$20,917,670 and \$16,737,801 of the issue had been drawn, respectively. As of December 31, 2014, \$282,330 remained to be drawn on the Series 2012 Bonds. The Center anticipates drawing down the remaining funds early in fiscal year 2015.

The Series 2012 Bonds are to fund a campus enhancement construction project and to provide financing for additional routine capital needs. The Series 2012 Bonds are held by First Tennessee Bank (“First Tennessee”) under a Credit Agreement dated July 1, 2012. Since First Tennessee holds the Series 2012 Bonds, the Series 2012 Bonds are not remarketed in bond markets and credit enhancement of the Series 2012 Bonds is not required.

Under the Credit Agreement, Master Trust Indenture, and the Supplemental Indentures, the Center is required to comply with various covenants including, but not limited to, making monthly payments of interest to the Trustee, on behalf of First Tennessee, making monthly payments to a Trustee held bond sinking fund of one-twelfth of the annual scheduled bond principal amount, meeting minimum reporting requirements and limitations on incurrence of additional indebtedness and various financial ratios at specified reporting dates. According to these agreements, the Center has the ability to remedy any covenant violation within thirty days after receiving written notification from the Commission without accelerating the debt payments.

Security for the Bonds consists of a pledge and assignment to the Trustee of all rights, title and interest in and to the Center’s deed of trust dated July 2, 2001, which evidences the Center’s obligation to repay the loan issued by the Commission. Under the deed of trust, the Commission assigned its rights as beneficiary to the Trustee, which granted the Trustee first priority deed of trust on the site and any buildings or improvements and assigned its rights as secured party with respect to its security interest.

The Series 2012 Bonds are scheduled to amortize over a period of 18 years. The amortization schedule for the Series 2012 Bonds is designed so that the outstanding 2010 and 2012 series bonds, together, mirror the outstanding notional amounts of two interest rate swap agreements to which the Center is party.

For the first 10 years of the 2012 bond issue, the bonds carry a blended fixed and variable interest rate of 0.78% plus 65% of 1-month LIBOR. The fixed portion of 0.78% is fixed through June, 2022, at which point it will be renegotiated with the bank for a new term and rate.

Line of Credit – On June 27, 2014, the Center renewed the unsecured revolving line of credit with a financial institution with maximum limit of \$2,000,000. The line of credit is extended through June 5, 2015. Interest is 1-month LIBOR plus 2.25%, which was 2.40% at December 31, 2014, subject to monthly adjustments. The funds are used for short-term working capital needs. There was no balance on the line of credit at December 31, 2014. At December 31, 2013, \$221,901, was drawn on the line of credit.

6. Interest Rate Swap Agreements

The Center has entered into interest rate swap agreements with certain investment companies which reduce the volatility of interest rates on certain variable rate debt. As such, the Center pays a fixed rate of interest, noted in the following table, while the investment company pays based on a floating LIBOR. The difference between the fixed and floating rates for the aforementioned interest rate swap agreements is accrued monthly and recorded as interest expense in the accompanying consolidated statements of operations. The fair value of these derivative instruments are recorded on the consolidated balance sheets as a long-term liability.

The 1271 CounterParty, LLC swap was first transacted in 2005 as a forward swap agreement with Lehman Brothers Special Financing (“Lehman Brothers”). Due to the bankruptcy of Lehman Brothers, in 2012 the Center entered into a Novation Agreement with 1271 Counterparty, LLC (“1271 Counterparty”) – an LLC established by the bankruptcy court to enable transfer of agreements to which Lehman Brothers had been a counter party to a new counter party. Under the Novation Agreement all of the terms of the original 2005 swap agreement remain the same, with 1271 Counterparty becoming the new counter party to the agreement. A Guarantee Agreement was also effected with Deutsche Bank under which Deutsche Bank guarantees the performance of 1271 Counterparty for the duration of the agreement.

Under the 1271 Counterparty swap, which took effect on April 1, 2012 and continues until April 1, 2031, the Center pays a fixed rate of 3.48% and receives a floating amount of 65% of 1-month LIBOR.

In 2009, the Center entered into a forward interest rate swap agreement with Deutsche Bank. This interest rate swap agreement also took effect on April 1, 2012, and continues until April 1, 2031. The Center pays a fixed rate of 3.153% and receives a floating amount of 68% of 1-month LIBOR.

The variable portion of interest on the Series 2010 Bonds is 68% of 1-month LIBOR, and the variable portion of the Series 2012 Bonds is 65% of 1-month LIBOR. These percentages were done in order to better mirror the variable components of the Deutsche Bank and 1271 Counter Party swaps that pay a floating rate of 68% of 1-month LIBOR and 65% of 1-month LIBOR, respectively. As such, they will mitigate much of the risk of interest rate fluctuations on the variable-rate of the outstanding Series 2010 Bonds and Series 2012 Bonds.

The following are schedules outlining the terms and fair market values of the derivative instruments on December 31:

	<u>1271 Counter Party Swap</u>	<u>Deutsche Bank Swap</u>
Notional amount - original	\$ 25,680,000	\$ 25,680,000
Notional amount - December 31, 2014	\$ 23,885,000	\$ 23,885,000
Trade date	12/15/2005	11/03/2009
Effective date	04/01/2012	04/01/2012
Termination date	04/01/2031	04/01/2031
Fixed rate	3.48%	3.153%
Floating rate (percentage of LIBOR)	65%	68%
Fair value at December 31, 2012	\$ (5,364,233)	\$ (4,496,883)
Unrealized gains	<u>2,187,533</u>	<u>2,159,551</u>
Fair value at December 31, 2013	(3,176,700)	(2,337,332)
Unrealized losses	<u>(991,206)</u>	<u>(1,065,175)</u>
Fair value at December 31, 2014	<u>\$ (4,167,906)</u>	<u>\$ (3,402,507)</u>

By using an interest rate swap to hedge exposure to change in interest rates, the Center exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of the financial instrument that results from a change in interest rates. The market risk associated with an interest rate swap is managed by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2014</u>	<u>2013</u>
Resident assistance	\$ 1,213,573	\$ 1,334,641
Employee development	35,939	35,062
Resident life	96,247	103,186
Campus	75,091	281,397
Community mission development	189,405	27,946
Duke endowment grant	50,000	25,000
Other	<u>149,612</u>	<u>91,967</u>
Total temporarily restricted net assets	<u>\$ 1,809,867</u>	<u>\$ 1,899,199</u>

8. **Refundable Fees**

Any resident who takes residency on the Center's campus, and subsequently withdraws before the expiration of the first 90 days of residency is entitled to a full refund of their advance fee. After the first 90 days of residency, the amount refundable upon withdrawal or death declines by 2% per month over the first 50 months of residency. Anyone who becomes a resident under the Early Acceptance program, which does not involve residency initially, the amount of their advance fee that is refundable upon death or withdrawal declines by 4% per month for the first 25 months of the Early Acceptance contract. If an Early Acceptance resident should subsequently move to an independent living unit on the Center's campus, which would involve payment of an additional advance fee for the unit, they will have an additional period in which the total advance fee paid declines in the amount that is refundable at a rate of 4% per month. The total number of months any fees would be refundable for an Early Acceptance resident is 50 months.

The estimated aggregate amount of advance fees that are expected to be refunded is derived actuarially, and shown on the consolidated balance sheets as refundable fees, totaling \$261,495 and \$246,247 at December 31, 2014 and 2013, respectively. The total amount of contractual refund obligations under existing contracts (that is, if all residents with a refundable balance were to have withdrawn) totaled \$12,417,969 and \$12,455,378 at December 31, 2014 and 2013, respectively, and is included in deferred revenue from advance fees on the consolidated balance sheets. There was one withdrawal within the first 90 days of residency in 2014 that resulted in a full refund of \$84,200, and one death in 2014 that resulted in a refund of \$19,792. There were no contracts terminated that resulted in a refund of advance fees in 2013.

9. **Resident Services Revenue**

Resident services revenue represents the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Resident services revenue consists of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Resident services	\$ 16,571,843	\$ 15,092,172
Amortization of advanced fees	3,623,387	3,108,658
Guests' meals and lodging	225,976	249,734
Health center routine services	8,089,175	7,400,274
Health center special services	1,264,777	1,245,724
Adjustments and allowances	<u>(6,262,986)</u>	<u>(5,792,178)</u>
Net resident services revenue	<u>\$ 23,512,172</u>	<u>\$ 21,304,384</u>

10. Charity Care and Community Benefits

The Center provides assistance to its residents who can no longer financially afford to provide for themselves in the form of subsidizing the resident's monthly fee due to the Center. The Center is also involved in the community through participation in various community outreach and educational programs, direct financial support, donated volunteer services and voluntary payments to government agencies. Charity care and community benefits, at cost, for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Resident assistance / charitable care	\$ 223,023	\$ 221,387
Community benefits:		
Community benefit	142,036	102,182
Charitable donations	405,283	409,123
Donated volunteer services	<u>77,235</u>	<u>60,196</u>
Total community benefits	<u>624,554</u>	<u>571,501</u>
Total support	<u>\$ 847,577</u>	<u>\$ 792,888</u>

In addition to direct resident assistance and community charitable donations, the Center participates in the Medicare program, which provides payment based on established reimbursement guidelines rather than the Center's established fee for services. Participation in this program results in unreimbursed costs of approximately \$400,000 annually.

11. Retirement Plans

The Center sponsors retirement plans under Internal Revenue Code Section 401(a) and 403(b). The plan under Internal Revenue Code Section 401(a) provides for employer-only discretionary contributions for eligible employees. Employees are eligible if they are hired into a position that would normally work 1,000 hours during the plan year or worked at least 1,000 hours during the plan year and are still employed on December 31. The Center's discretionary contribution was based on 3% of eligible compensation for 2014 and 2013. Employees become fully vested after three years of service. Employer contributions to the plan were \$275,931 and \$257,820 for the years ended December 31, 2014 and 2013, respectively.

The plan under Internal Revenue Code Section 403(b) provides for employee-only contributions in accordance with Internal Revenue Service guidelines with employee balances being fully vested at all times.

12. **Commitments and Contingencies**

The Center has occurrence-based insurance coverage for possible litigation in the ordinary course of business related to general and professional liability claims. Management believes that claims, if asserted, would be settled within the limits of coverage, with limits of \$1,000,000 per claim and \$3,000,000 in the aggregate.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, requirement for participation in governmental health care programs, reimbursement for patient services and Medicare fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that they are in compliance with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidating Balance Sheet
December 31, 2014

<u>Assets</u>	<u>Carol Woods Retirement Community</u>	<u>The Carol Woods Charitable Fund, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash and cash equivalents	\$ 1,220,341	\$ 1,552,642	\$ -	\$ 2,772,983
Temporary investments	1,223,897	-	-	1,223,897
Assets limited as to use	1,443,713	-	-	1,443,713
Accounts receivable	1,462,684	1,200	-	1,463,884
Other receivables	115,147	-	-	115,147
Prepaid expenses and inventory	<u>317,018</u>	<u>-</u>	<u>-</u>	<u>317,018</u>
Total current assets	<u>5,782,800</u>	<u>1,553,842</u>	<u>-</u>	<u>7,336,642</u>
Assets limited as to use:				
By contractual agreement	131,484	-	-	131,484
Reserves required by state statute	6,111,000	-	-	6,111,000
By board designation	<u>1,624,920</u>	<u>-</u>	<u>-</u>	<u>1,624,920</u>
Total assets limited as to use	<u>7,867,404</u>	<u>-</u>	<u>-</u>	<u>7,867,404</u>
Property and equipment, net	54,428,616	-	-	54,428,616
Investments	47,097,441	-	-	47,097,441
Deferred bond issuance costs, net of accumulated amortization of \$108,697 in 2014	<u>673,063</u>	<u>-</u>	<u>-</u>	<u>673,063</u>
Total assets	<u>\$ 115,849,324</u>	<u>\$ 1,553,842</u>	<u>\$ -</u>	<u>\$ 117,403,116</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Current maturities of long-term debt	\$ 1,920,000	\$ -	\$ -	\$ 1,920,000
Accounts payable	607,063	-	-	607,063
Accrued expenses	<u>1,491,893</u>	<u>-</u>	<u>-</u>	<u>1,491,893</u>
Total current liabilities	4,018,956	-	-	4,018,956
Long-term debt, less current maturities	45,567,670	-	-	45,567,670
Refundable fees	261,495	-	-	261,495
Deferred revenue from advance fees	38,752,853	-	-	38,752,853
Priority list deposits	879,010	-	-	879,010
Interest rate swap agreements	7,570,413	-	-	7,570,413
Other non-current liabilities	<u>609,462</u>	<u>-</u>	<u>-</u>	<u>609,462</u>
Total liabilities	<u>97,659,859</u>	<u>-</u>	<u>-</u>	<u>97,659,859</u>
Net assets:				
Unrestricted	17,383,839	549,601	-	17,933,440
Temporarily restricted	<u>805,626</u>	<u>1,004,241</u>	<u>-</u>	<u>1,809,867</u>
Total net assets	<u>18,189,465</u>	<u>1,553,842</u>	<u>-</u>	<u>19,743,307</u>
Total liabilities and net assets	<u>\$ 115,849,324</u>	<u>\$ 1,553,842</u>	<u>\$ -</u>	<u>\$ 117,403,166</u>

See accompanying auditors' report on supplementary information.

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidating Statement of Operations and Changes in Net Assets
Year Ended December 31, 2014

	<u>Carol Woods Retirement Community</u>	<u>The Carol Woods Charitable Fund, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Unrestricted revenue, gains and other support:				
Resident services				
On campus	\$ 16,034,442	\$ -	\$ -	\$ 16,034,442
Early acceptance	537,401	-	-	537,401
Amortization of advanced fees				
On campus	3,527,054	-	-	3,527,054
Early acceptance	96,333	-	-	96,333
Guests' meals and lodging	225,976	-	-	225,976
Health center				
Routine services	8,089,175	-	-	8,089,175
Special services	1,264,777	-	-	1,264,777
Adjustments and allowances	(6,262,986)	-	-	(6,262,986)
Miscellaneous	260,492	12,036	-	272,528
Investment interest and dividends	1,919,771	547	-	1,920,318
Net assets released from restrictions used for operations	<u>442,339</u>	<u>50,000</u>	-	<u>492,339</u>
Total unrestricted revenue, gains and other support	<u>26,134,774</u>	<u>62,583</u>	-	<u>26,197,357</u>
Expenses:				
Health center	6,433,923	-	-	6,433,923
Dietary services	3,778,902	-	-	3,778,902
Facility services	5,367,640	-	-	5,367,640
Early acceptance	37,640	-	-	37,640
Administration	4,856,022	53,070	-	4,909,092
Depreciation	2,743,743	-	-	2,743,743
Interest	<u>2,053,972</u>	-	-	<u>2,053,972</u>
Total expenses	<u>25,271,842</u>	<u>53,070</u>	-	<u>25,324,912</u>
Income from operations	862,932	9,513	-	872,445
Non-operating income (loss):				
Realized gains on sale of investments	3,150,752	-	-	3,150,752
Other-than-temporary impairment of investments	(817,118)	-	-	(817,118)
Loss on disposal of property and equipment	(239,635)	-	-	(239,635)
Change in fair value of interest rate swap agreements	<u>(2,056,381)</u>	-	-	<u>(2,056,381)</u>
Total non-operating income	<u>37,618</u>	-	-	<u>37,618</u>
Excess of revenues, gains and other support over expenses	900,550	9,513	-	910,063
Net unrealized losses on investments and assets limited as to use	<u>(532,838)</u>	-	-	<u>(532,838)</u>
Change in unrestricted net assets	<u>\$ 367,712</u>	<u>\$ 9,513</u>	<u>\$ -</u>	<u>\$ 377,225</u>

See accompanying auditors' report on supplementary information.

**The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidating Statement of Operations and Changes in Net Assets (continued)
Year Ended December 31, 2014**

	<u>Carol Woods Retirement Community</u>	<u>The Carol Woods Charitable Fund, Inc.</u>	<u>Eliminations</u>	<u>Consolidated</u>
Temporarily restricted net assets:				
Contributions	\$ 318,650	\$ 84,357	\$ -	\$ 403,007
Contributions to/from affiliates	170,717	(170,717)	-	-
Net assets released from restrictions used for operations	<u>(442,339)</u>	<u>(50,000)</u>	<u>-</u>	<u>(492,339)</u>
Change in temporarily restricted net assets	<u>47,028</u>	<u>(136,360)</u>	<u>-</u>	<u>(89,332)</u>
Change in net assets	414,740	(126,847)	-	287,893
Net assets, beginning of year	<u>17,774,725</u>	<u>1,680,689</u>	<u>-</u>	<u>19,455,414</u>
Net assets, end of year	<u>\$ 18,189,465</u>	<u>\$ 1,553,842</u>	<u>\$ -</u>	<u>\$ 19,743,307</u>

See accompanying auditors' report on supplementary information.

**The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Schedule of Property and Equipment
December 31, 2014 and 2013**

	Assets, At Cost				Balance December 31, 2014
	Balance December 31, 2013	Acquisitions	Retirements	Transfers	
Land	\$ 833,077	\$ -	\$ -	\$ -	\$ 833,077
Land improvements	1,601,487	2,363,504	(234,407)	679,397	4,409,981
Buildings	60,984,523	-	(143,118)	12,374,372	73,215,777
Furniture and fixtures	2,841,567	246,509	(595,875)	-	2,492,201
Equipment	5,818,550	159,751	(715,056)	617,344	5,880,589
Construction in progress	12,474,919	2,969,912	-	(13,671,113)	1,773,718
	<u>\$ 84,554,123</u>	<u>\$ 5,739,676</u>	<u>\$ (1,688,456)</u>	<u>\$ -</u>	<u>\$ 88,605,343</u>
	Accumulated Depreciation				Depreciated Cost
	Balance December 31, 2013	Depreciation	Retirements	Balance December 31, 2014	December 31, 2014
Accumulated depreciation	<u>\$ (32,881,805)</u>	<u>\$ (2,743,743)</u>	<u>\$ 1,448,821</u>	<u>\$ (34,176,727)</u>	<u>\$ 54,428,616</u>

See accompanying auditors' report on supplementary information.

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Statements of Operations and Changes in Net Assets Information (Alternative Format)
Years Ended December 31, 2014 and 2013

	2014	2013
Revenue:		
Resident services	\$ 16,571,843	\$ 15,092,172
Guests' meals and lodging	225,976	249,734
Health Center:		
Routine services	8,089,175	7,400,274
Special services	1,264,777	1,245,724
Adjustment and allowances	(6,262,986)	(5,792,178)
Net assets released from restrictions used for operations	492,339	812,220
Investment interest and dividends	1,920,318	1,490,798
Miscellaneous	<u>272,528</u>	<u>249,731</u>
Total revenue	<u>22,573,970</u>	<u>20,748,475</u>
Expenses:		
Health center	6,433,923	6,218,930
Dietary services	3,778,902	3,647,294
Facility services	5,367,640	4,912,679
Early acceptance	37,640	23,349
Administration	4,909,092	5,261,715
Interest	<u>2,053,972</u>	<u>1,359,045</u>
Total expenses	<u>22,581,169</u>	<u>21,423,012</u>
Decrease in unrestricted net assets before amortization of advance fees, investment income, depreciation and change in fair value of interest rate swap agreements	<u>(7,199)</u>	<u>(674,537)</u>
Amortization of advance fees	3,623,387	3,108,658
Investment income (loss):		
Realized gains on sales of investments	3,150,752	1,888,794
Other-than-temporary impairment on investments	(817,118)	(687,992)
Net unrealized (losses) gains on investments	<u>(532,838)</u>	<u>3,964,213</u>
Total investment income	1,800,796	5,165,015
Depreciation	(2,743,743)	(2,409,576)
Change in fair value of interest rate swap agreements	(2,056,381)	4,347,084
Loss on disposal of property and equipment	<u>(239,635)</u>	<u>(185,969)</u>
Change in unrestricted net assets	<u>\$ 377,225</u>	<u>\$ 9,350,675</u>
Supplemental information:		
Entrance fee proceeds	<u>\$ 5,356,452</u>	<u>\$ 9,142,821</u>
Capital expenditures	<u>\$ 5,739,676</u>	<u>\$ 13,553,780</u>

See accompanying auditors' report on supplementary information.

The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Schedule of Expenses
Year ended December 31, 2014

Expenses (Excluding Depreciation, Interest, and Interest Rate Swap Agreements)	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and wages, regular	\$ 4,604,554	\$ 15,576	\$ 1,588,316	\$ 2,353,033	\$ 1,385,275	\$ 9,946,754
Payroll taxes and employee benefits	943,186	-	322,141	555,297	786,260	2,606,884
Retirement benefits and deferred compensation	123,743	-	37,941	68,673	45,576	275,933
Supplies	208,750	-	164,626	288,760	76,285	738,421
Purchased services	17,759	-	139,589	216,340	42,313	416,001
Food purchases	-	-	1,467,799	-	-	1,467,799
Professional dues and subscriptions	2,017	-	-	14,746	203,187	219,950
Professional and consulting fees	5,498	-	-	-	158,413	163,911
Amortization of deferred loan costs	-	-	-	-	39,491	39,491
Maintenance and repairs	4,616	-	-	701,119	31,233	736,968
Prescriptions	69,943	-	-	-	-	69,943
Oxygen	10,466	-	-	-	-	10,466
Equipment purchases and rentals	18,000	-	6,267	13,005	40,216	77,488
Physicians' services	279,932	-	-	-	-	279,932
Laboratory	4,046	-	-	-	-	4,046
Property taxes	-	-	-	-	115,558	115,558
Insurance	-	-	-	-	154,106	154,106
Telephone and internet	-	-	-	-	316,759	316,759
Utilities	-	-	-	1,099,878	-	1,099,878
Advertising	-	-	-	-	96,631	96,631
Investment fees	-	-	-	-	468,922	468,922
Gifts to community	-	-	-	-	828,815	828,815
Miscellaneous	141,413	22,064	52,223	56,789	120,052	392,541
	<u>\$ 6,433,923</u>	<u>\$ 37,640</u>	<u>\$ 3,778,902</u>	<u>\$ 5,367,640</u>	<u>\$ 4,909,092</u>	<u>\$ 20,527,197</u>

See accompanying auditors' report on supplementary information.

**The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.
Consolidated Schedule of Expenses
Year ended December 31, 2013**

Expenses (Excluding Depreciation, Interest, and Interest Rate Swap Agreements)	Health Center	Early Acceptance	Dietary Services	Facility Services	Administration	Total
Salaries and wages, regular	\$ 4,458,612	\$ 15,576	\$ 1,604,652	\$ 2,238,154	\$ 1,542,918	\$ 9,859,912
Payroll taxes and employee benefits	880,959	-	307,483	500,285	716,282	2,405,009
Retirement benefits and deferred compensation	108,421	-	34,300	60,788	54,102	257,611
Supplies	209,570	-	132,988	185,644	66,540	594,742
Purchased services	32,680	-	132,951	216,683	36,362	418,676
Food purchases	-	-	1,430,790	-	-	1,430,790
Professional dues and subscriptions	9,108	-	-	10,170	187,738	207,016
Professional and consulting fees	4,595	-	-	-	183,175	187,770
Amortization of deferred loan costs	-	-	-	-	39,491	39,491
Maintenance and repairs	5,768	-	-	685,335	28,903	720,006
Physical therapy	3,332	-	-	-	-	3,332
Prescriptions	129,335	-	-	-	-	129,335
Oxygen	4,461	-	-	-	-	4,461
Equipment purchases and rentals	21,129	-	2,362	11,338	24,555	59,384
Physicians' services	304,220	-	-	-	-	304,220
Laboratory	20,491	-	-	-	-	20,491
Property taxes	-	-	-	-	114,997	114,997
Insurance	-	-	-	-	245,606	245,606
Telephone and internet	-	-	-	-	265,518	265,518
Utilities	-	-	-	935,212	-	935,212
Advertising	-	-	-	-	78,874	78,874
Investment fees	-	-	-	-	401,388	401,388
Gifts to community	-	-	-	-	898,547	898,547
Miscellaneous	26,249	7,773	1,768	69,070	376,719	481,579
	<u>\$ 6,218,930</u>	<u>\$ 23,349</u>	<u>\$ 3,647,294</u>	<u>\$ 4,912,679</u>	<u>\$ 5,261,715</u>	<u>\$ 20,063,967</u>

See accompanying auditors' report on supplementary information.

APPENDIX B

The following presents the 5-Year Projected Financial Statements for Carol Woods for the 5 years ending December 31, 2015 through December 31, 2019.

The Chapel Hill Residential
Retirement Center, Inc.
d/b/a Carol Woods
Retirement Community and
The Carol Woods
Charitable Fund, Inc.

Financial Forecast

Years Ending December 31, 2015 through 2019

(with Independent Accountants' Compilation Report thereon)



**The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc.**

Compilation of a Financial Forecast

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Independent Accountants' Compilation Report

Board of Directors
The Chapel Hill Residential Retirement Center, Inc.
d/b/a Carol Woods Retirement Community and
The Carol Woods Charitable Fund, Inc.
Chapel Hill, North Carolina

We have compiled the accompanying forecasted consolidated balance sheets, forecasted consolidated statements of operations and changes in net assets and cash flows of The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively the "Center") as of December 31, 2015 through 2019, and for each of the five years then ending, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The accompanying forecast and this report were prepared to comply with the requirements of North Carolina General Statutes, Chapter 58, Article 64 and should not be used for any other purpose.

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

Dixon Hughes Goodman LLP

*Raleigh, North Carolina
March 30, 2015*

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.

Forecasted Consolidated Balance Sheets

At December 31,
(in thousands of dollars)

	2015	2016	2017	2018	2019
Current Assets:					
Cash and Cash Equivalents	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773
Temporary Cash Investments	1,224	1,224	1,224	1,224	1,224
Assets Limited as to Use	1,568	1,643	1,718	1,800	1,883
Accounts Receivable, Net	1,568	1,730	1,809	1,889	1,958
Other Receivables	96	96	96	96	96
Prepaid Expenses and Inventory	361	373	390	407	424
Total Current Assets	7,590	7,839	8,010	8,189	8,358
Assets Limited as to Use:					
By Contractual Agreement	131	131	131	131	131
Reserves Required by State Statute	6,325	6,558	6,798	7,051	7,368
By Board Designation	1,625	1,625	1,625	1,625	1,625
Total Assets Limited as to Use	8,081	8,314	8,554	8,807	9,124
Investments	46,167	46,400	46,833	47,517	48,146
Property and Equipment, net	54,663	54,616	54,556	54,482	54,425
Deferred Bond Issuance Costs, net	634	595	556	517	478
Total Assets	\$ 117,135	\$ 117,764	\$ 118,509	\$ 119,512	\$ 120,531
Current Liabilities:					
Current Maturities on Long-Term Debt	\$ 2,000	\$ 2,090	\$ 2,190	\$ 2,290	\$ 2,400
Accounts Payable	662	684	714	745	778
Accrued Expenses	1,624	1,680	1,753	1,829	1,909
Total Current Liabilities	4,286	4,454	4,657	4,864	5,087
Long-Term Liabilities					
Long-Term Debt, Less Current Maturities	43,850	41,760	39,570	37,280	34,880
Deferred Advance Fee Revenue:					
Refundable Fees	161	120	122	140	136
Non-Refundable Fees	39,150	39,714	40,380	41,347	42,516
Priority List Deposits	879	879	879	879	879
Interest Rate Swap Agreements	7,570	7,570	7,570	7,570	7,570
Other Non-Current Liabilities	609	609	609	609	609
Total Long-Term Liabilities	92,219	90,652	89,130	87,825	86,590
Total Liabilities	96,505	95,106	93,787	92,689	91,677
Net Assets:					
Unrestricted Net Assets	18,820	20,848	22,912	25,013	27,044
Temporarily Restricted Net Assets	1,810	1,810	1,810	1,810	1,810
Total Net Assets	20,630	22,658	24,722	26,823	28,854
Total Liabilities and Net Assets	\$ 117,135	\$ 117,764	\$ 118,509	\$ 119,512	\$ 120,531

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

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.
Forecasted Consolidated Statements of Operations and Changes in Net Assets
For Each of the Five Years Ending December 31,
(in thousands of dollars)

	2015	2016	2017	2018	2019
Revenue, Gains and Other Support:					
Resident Monthly Fees, On Campus	\$ 16,669	\$ 17,614	\$ 18,351	\$ 19,137	\$ 19,954
Resident Monthly Fees, Early Acceptance	807	1,249	1,349	1,375	1,399
Amortization of Advance Fees, On Campus	3,591	3,713	3,762	3,823	3,901
Amortization of Advance Fees, Early Acceptance	135	166	145	141	148
Guests' Meals and Lodging	224	234	245	256	268
Health Center:					
Routine Services	8,730	9,736	10,342	11,022	11,785
Special Services	1,476	1,542	1,611	1,683	1,759
Adjustments and Allowances	(6,687)	(6,969)	(7,412)	(7,912)	(8,662)
Investment Income	2,480	2,467	2,491	2,524	2,566
Miscellaneous	782	504	527	551	575
Contribution / Gift Income	-	-	-	-	-
Total Revenue, Gains and Other Support	28,207	30,256	31,411	32,600	33,693
Expenses:					
Health Center	6,996	7,308	7,636	7,980	8,339
Dietary Services	3,889	4,109	4,283	4,462	4,652
Housekeeping and Laundry	1,452	1,517	1,585	1,657	1,731
Plant Operations, Maintenance, Security & Transportation	4,547	4,422	4,621	4,828	5,046
Early Acceptance	62	96	104	105	107
Administration	5,028	5,283	5,500	5,727	5,962
Depreciation	3,227	3,412	3,625	3,839	4,022
Amortization of Deferred Bond Issuance Costs	39	39	39	39	39
Interest Expense, 2010 Bonds & 2009 Swap	1,029	1,018	974	928	879
Interest Expense, 2012 Bonds & 2005 Swap	961	889	845	799	750
Loss on Disposal of Property & Equipment	90	135	135	135	135
Total Expenses	27,320	28,228	29,347	30,499	31,662
Income from Operations and Change in Net Assets	887	2,028	2,064	2,101	2,031
Net Assets:					
Beginning of the Year	19,743	20,630	22,658	24,722	26,823
End of the Year	\$ 20,630	\$ 22,658	\$ 24,722	\$ 26,823	\$ 28,854

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

THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY
THE CAROL WOODS CHARITABLE FUND, INC.

Forecasted Consolidated Statements of Cash Flows
For Each of the Five Years Ending December 31,
(in thousands of dollars)

	2015	2016	2017	2018	2019
Cash Flows From Operating Activities:					
Change in Net Assets	\$ 887	\$ 2,028	\$ 2,064	\$ 2,101	\$ 2,031
Adjustments to Reconcile Change in Net Assets to Net Cash					
Provided by Operating Activities:					
Proceeds from Advance Fees	4,197	4,563	4,695	5,071	5,354
Amortization of Advance Fees	(3,726)	(3,879)	(3,907)	(3,964)	(4,049)
Depreciation	3,227	3,412	3,625	3,839	4,022
Amortization of Deferred Bond Issuance Costs	39	39	39	39	39
Loss on Disposal of Property & Equipment	90	135	135	135	135
Change in Accounts Receivable and Prepaid Expenses	(148)	(174)	(96)	(97)	(86)
Change in Accounts Payable and Accrued Expenses	187	78	103	107	113
Net Cash Provided by Operating Activities	4,753	6,202	6,658	7,231	7,559
Cash Flows From Investing Activities:					
Net (Increase) Decrease in Investments and Assets Limited as to Use	610	(541)	(748)	(1,019)	(1,029)
Purchase of Property and Equipment	(3,551)	(3,500)	(3,700)	(3,900)	(4,100)
Net Cash Used in Investing Activities	(2,941)	(4,041)	(4,448)	(4,919)	(5,129)
Cash Flows From Financing Activities:					
Proceeds from 2012 Bonds	282	-	-	-	-
Principal Payments on Long-Term Debt	(1,920)	(2,000)	(2,090)	(2,190)	(2,290)
Refund of Advance Fees	(174)	(161)	(120)	(122)	(140)
Net Cash Used in Financing Activities	(1,812)	(2,161)	(2,210)	(2,312)	(2,430)
Net Change in Cash and Cash Equivalents	-	-	-	-	-
Cash and Cash Equivalents, Beginning of the Year	2,773	2,773	2,773	2,773	2,773
Cash and Cash Equivalents, End of the Year	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773	\$ 2,773

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

**THE CHAPEL HILL RESIDENTIAL RETIREMENT CENTER, INC.
d/b/a CAROL WOODS RETIREMENT COMMUNITY AND
THE CAROL WOODS CHARITABLE FUND, INC.**

Summary of Significant Forecast Assumptions and Accounting Policies
For the years ending December 31, 2015 – 2019

Nature of Business

This accompanying financial forecast presents, to the best knowledge and belief of the management (“Management”) of The Chapel Hill Residential Retirement Center, Inc., doing business as Carol Woods Retirement Community and The Carol Woods Charitable Fund, Inc. (collectively, the “Center”), the expected consolidated financial position, changes in net assets and cash flows of the Center as of and for each of the five years ending December 31, 2019. Accordingly, the forecast reflects management’s judgment of the expected conditions and its expected course of action as of March 30, 2015. The financial forecast is based on management’s assumptions concerning future events and circumstances. The assumptions disclosed herein are those which management believes are significant to the forecast or are key factors upon which the financial results depend.

Management’s purpose in releasing this financial forecast is for inclusion in the Center’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. The assumptions disclosed herein are those that Management believes are significant to the prospective consolidated financial statements (herein referred to as “financial statements”). The Center recognizes that there will be differences between prospective and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Management does not intend to revise this forecast to reflect changes in present circumstances or the occurrence of unanticipated events.

Organization – The Chapel Hill Residential Retirement Center, Inc., doing business as Carol Woods Retirement Community (the “Center”), provides housing, health care and other related services to residents through the operation of a retirement facility containing three hundred thirteen independent living apartments, cottages and townhomes; a thirty-five bed assisted living center; two twelve-unit assisted living homes; and a sixty-bed health center located in Chapel Hill, North Carolina. The Center provides care to residents over their remaining lives under terms it establishes for individual residents.

The following table summarizes the type, number, approximate square footage, baseline monthly fees (“Monthly Fees”) and baseline entrance fees (“Entrance Fees”) for the Existing Independent Living Units.

Type of Unit		Number of Units	Square Footage	Entry Fees ⁽¹⁾	Monthly Fees ⁽²⁾
Early Acceptance					
Each Person			N/A	32,000	858
Central Apartments					
Central Studio	C-S	6	447	N/A	2,413
Central Studio, Expanded	C-SE	9	507	89,300	2,466
Central 1-BR	C-1	5	635	N/A	2,851
Central 1-BR, Small Expanded	C-1SE	7	671	135,800	2,779
Central 1-BR Expanded	C-1E	60	695	143,400	2,909
Central 1-BR Large	C-1L	3	758	158,800	3,011
Central 2-BR	C-2	2	850	N/A	3,597
Central 2-BR, Expanded	C-2E	33	910	195,800	3,655
Central 2-BR Large	C-2L	3	1,042	221,200	3,871
Central 2-BR Extra Large	C-2XL	6	1,160	251,600	4,033
Central 2-BR & Den	C-2D	12	1,292	276,000	4,268
Central 2-BR & Den Large	C-2DL	2	1,345	287,800	4,378
Central 2-BR & Den Extra Large	C-2DXL	1	1,405	303,500	4,436
Apartment Totals / Weighted Averages		149	809	169,800	3,235
Garden Cottages					
Garden 1-BR	G-1	14	678	138,200	2,865
Garden 1-BR & Den	G-1D	25	801	168,500	3,126
Garden 2-BR	G-2	20	957	201,600	3,599
Garden 1-BR, Den & Carolina Room	G-1DC	2	1,006	212,600	3,784
Garden 2 BR & Den	G-2D	12	1,078	231,000	3,927
Garden 2-BR & Carolina Room	G-2C	5	1,149	241,700	4,009
Garden 2-BR, Den & Carolina Room	G-2DC	12	1,280	267,400	4,213
Garden 1-BR Deluxe	G-1DXL	16	1,343	277,500	4,315
Garden 2-BR Deluxe	G-2DXL	34	1,538	333,800	4,520
Garden 2-BR Deluxe & Sunroom	G-2DXS	12	1,855	408,100	4,888
Cottage Totals / Weighted Averages		152	1,189	253,200	3,927
Townhomes (Average)		12	1,620	350,100	4,568
ILU Totals / Weighted Averages		313	1,025	217,200	3,622
Second Person Fees ⁽³⁾				32,000	1,123
1st Person Fees upon move to LTC ⁽⁴⁾					2,413

Source: Management

- (1) The Entrance Fee pricing is effective as of April 1, 2015. Entrance Fee refunds decline 2% per month for 50 months.
- (2) The Monthly Fee pricing is effective as of January 1, 2015.
- (3) Second persons are charged the same entry fees and monthly service fees regardless of where they are living.
- (4) When a single person or couple vacates their independent living unit the single / 1st person monthly fee is reduced to the prevailing monthly fee for a studio (C-S) apartment.

The following table summarizes the type, number, approximate square footage, and the monthly/daily fees of the Health Center effective January 1, 2015.

Table 2			
Health Center Configuration			
Type of Unit	Beds	Approximate Square Footage	Daily Fees ⁽¹⁾
Assisted Living Units			
Central-Private	35	350	\$172
Garden-Private	24	250	179
Total/weighted averages:	59	309	\$175
Assisted Nursing Beds			
Private	22	280	\$289
Semi-private	8	140	274
Total/weighted averages:	30	243	\$285
Skilled Nursing Beds			
Private Room	22	280	\$323
Semi-private	8	140	308
Total/weighted averages:	30	243	\$319
Total/weighted averages	119	276	\$239

Source: Management

(1) The "Daily Fees" shown are the non-resident rates effective January 1, 2015. Carol Woods' residents receive a life care benefit in which they pay Daily Fees that are discounted approximately 70% from the non-resident rates (refer to Table 4).

Significant Accounting Policies

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

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

Cash and Cash Equivalents – Cash and cash equivalents, excluding those classified as assets limited as to use, include investments with original maturities of three months or less when purchased.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. The fair values of investments are determined based upon quoted market prices. Contributed investments are stated at the fair market value at the date of receipt.

Fair Value Measurements – Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Center utilizes market data or assumptions that market participants would use in pricing the asset or liability.

Deferred Bond Issuance Costs – Deferred bond issuance costs are being amortized based on the expected maturities of the bonds and other credit instruments issued.

Assets Limited as to Use – Assets limited as to use by Board designation include amounts set aside for resident assistance and mission development. Reserves required by State Statute are set aside to meet the operating reserve requirements of N. C. General Statute Chapter 58, Article 64. Assets limited as to use under contractual agreements represent monthly escrow of annual bond redemption requirements of the Center's bond covenants held by the bond trustee, and trustee-held deferred charitable gifts.

Property and Equipment – Property and equipment is stated at cost less accumulated depreciation. Contributed property is recorded at the estimated fair value at the date of receipt. Depreciation is computed under the straight-line method and is based on estimated useful lives from 3 to 40 years. The cost of maintenance and repairs is expensed as incurred.

The Center periodically assesses the realizable value of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of any 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 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.

Interest Rate Swap Agreements – Interest rate swap agreements are recorded at estimated fair value in the forecasted financial statements using the most recent audited valuations. The Center entered into interest rate swap agreements to limit the effect of increases in the interest rates of floating rate debt. The Center does not hold or issue derivatives, hedging, or financial instruments for trading purposes.

Deferred Revenue from Advance Fees – Fees paid by a resident upon entering into a continuing care contract are recorded as deferred revenue and amortized into net resident services revenue using the straight-line method over the estimated remaining life expectancy of the resident, adjusted on an annual basis. When a contract is terminated, by death of last survivor or withdrawal, any unamortized advance fees, net of refundable amounts, are recognized as net resident service revenue.

Obligation to Provide Future Services – The Center enters into continuing care contracts with residents. A continuing care contract is an agreement between a resident and the Center specifying the services and facilities to be provided over the resident's remaining life. Under each contract, the Center has the ability to increase fees as deemed necessary. As of the end of each year, the Center calculates the present value of the estimated net cost of future services to be provided to current residents, including the cost of facilities, and compares the amount with the balance of deferred revenue from advance fees at that date. If the present value of the net cost of future services and use of facilities exceeds the balance of deferred revenue from advance fees, a liability (obligation to provide future services) is recorded. No such liability is expected in the forecasted financial statements.

Temporarily Restricted Net Assets – Temporarily restricted net assets are those whose use by the Center has been limited by donors to a specific time period or purpose. The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the forecasted statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reflected as unrestricted contributions in the accompanying forecasted financial statements.

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

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

Net Resident Service Revenue – Net resident services revenue represents the estimated net realizable amounts from residents, third-party payors, and others for services rendered. Contractual adjustments represent the difference between the Center’s standard health care charges and the amounts that are received for health care services. Medicare contractual adjustments are a result of established allowable rates differing from amounts charged by the Center. Additionally, continuing care contracts signed by each resident contain contractual adjustments for health care charges.

Community Benefit – The Center provides various outreach programs and volunteer services to the community in addition to direct financial support. The recorded benefit for these services is based on management assessment of the fair market value of services provided.

Concentration of Credit Risk – Concentrations of credit risk with respect to resident accounts receivable are limited due to the formalized agreements with third-party payors. The Center has significant accounts receivable whose collectability is dependent upon the performance of Medicare. Management does not believe there are significant credit risks associated with Medicare.

Early Acceptance Program – In 2010 the North Carolina General Assembly enacted a new statute (§ 58-67-7) that permits Continuing Care Retirement Communities (CCRC’s) licensed in the State to offer “Continuing care services without lodging.” In February, 2012 the Center received approval from the North Carolina Department of Insurance to offer its Early Acceptance program. As of December, 2014 the Center has accepted 64 residents to the program, and will continue to add residents to the program over the course of the next few years as noted in Table 3.

The core elements of the program are as follows:

1. Since the Center has an extensive priority list of persons waiting to move to campus, this program is offered exclusively to persons who have already joined the priority list.
2. Admission to the Early Acceptance program is identical to admission to the Center's campus, requiring health screening and financial screening. The only difference is that the Early Acceptance candidate will not be reserving a residential unit on campus nor looking to move to campus in the immediate future.
3. Upon acceptance, the person becomes a "Resident" of the Center, but remains living in their current home. They sign an Early Acceptance Agreement providing the Resident equal access to all of the campus amenities, as well as to the same access and financial protections for the prospect of needing future health care.
4. They pay an entrance fee and monthly service fees that cover the costs of current amenities and future access to health care.
5. Early Acceptance Residents remain on the Center's priority list, and will be offered opportunity to move to the Center in the future -- either to a desired independent living residence or to a health care facility. If they subsequently move to an independent living residence on campus, the entrance fee that they paid originally for Early Acceptance will be applied in full to the entrance fee for the residence to which they are moving.
6. Home visits are made by the Center's care management staff on an annual basis.
7. Other in-home services will be coordinated by the Center's care management staff as needed and provided either by the Center or by other area providers on a fee-for-service basis.

Revenue and expenses related to the Early Acceptance program are reported separately on the financial statements for this forecast, as is required by the Department of Insurance. The current entrance fees for Early Acceptance are \$32,000 per person, and the current monthly fees are \$858 per person.

Revenue and Expenses

Revenue: Forecasted revenue from monthly service fees and from health care per diems are based on available independent living and health care units, forecasted average census, and forecasted fees as are presented in the following Tables 3, 4 and 5. Monthly service fees and health care per diems are assumed to increase an average of 4.5% annually. The increases may be greater or less than those forecasted based on the increased costs to operate the Center because of inflation and other factors. Residents of the Center who have vacated a previous independent living unit and made a permanent move to assisted living or to the health center will pay a discounted per diem, and their monthly fee will decrease to the prevailing monthly fee for a central studio (C-S) apartment.

Table 3
Independent Living Unit Configuration and Average Census, 2015 through 2019

Type of Unit	2015		2016		2017		2018		2019	
	Units	Ave Census	Units	Ave Census	Units	Ave Census	Units	Ave Census	Units	Ave Census
Early Acceptance (EA) ⁽¹⁾										
No. of Units / Average Occupied	65	50	65	55	65	60	65	61	65	61
Number of Persons in EA		78		116		120		117		114
Central Apartments										
Central Studio C-S	6	6	5	5	4	4	3	3	2	2
Central Studio, Expanded ⁽²⁾ C-SE	9	7	10	8	11	9	12	10	13	11
Central 1-BR C-1	5	5	4	4	2	2	0	0	0	0
Central 1-BR, Small Expanded ⁽²⁾ C-1SE	7	7	7	7	7	7	7	7	7	7
Central 1-BR Expanded ⁽²⁾ C-1E	60	58	61	59	63	61	65	63	65	63
Central 1-BR Large C-1L	3	3	3	3	3	3	3	3	3	3
Central 2-BR C-2	2	2	1	1	0	0	0	0	0	0
Central 2-BR, Expanded ⁽²⁾ C-2E	33	32	34	33	35	34	35	34	35	34
Central 2-BR Large C-2L	3	3	3	3	3	3	3	3	3	3
Central 2-BR Extra Large C-2XL	6	6	6	6	6	6	6	6	6	6
Central 2-BR & Den C-2D	12	12	12	12	12	12	12	12	12	12
Central 2-BR & Den Large C-2DL	2	2	2	2	2	2	2	2	2	2
Central 2-BR & Den Extra Large C-2DXL	1	1	1	1	1	1	1	1	1	1
Garden Cottages										
Garden 1-BR G-1	14	13	14	13	14	13	14	13	14	13
Garden 1-BR & Den G-1D	25	23	25	23	25	23	25	23	25	23
Garden 2-BR G-2	20	18	20	18	20	18	20	18	20	18
Garden 1-BR, Den & Carolina Room G-1DC	2	2	2	2	2	2	2	2	2	2
Garden 2 BR & Den G-2D	12	11	12	11	12	11	12	11	12	11
Garden 2-BR & Carolina Room G-2C	5	4	5	4	5	4	5	4	5	4
Garden 2-BR, Den & Carolina Room G-2DC	12	12	12	12	12	12	12	12	12	12
Garden 1-BR Deluxe G-1DXL	16	16	16	16	16	16	16	16	16	16
Garden 2-BR Deluxe G-2DXL	34	34	34	34	34	34	34	34	34	34
Garden 2-BR Deluxe & Sunroom G-2DXS	12	12	12	12	12	12	12	12	12	12
Townhomes (Average)	12	12	12	12	12	12	12	12	12	12
Total ILU's / Average Census	313	301	313	301	313	301	313	301	313	301
		96.2%		96.2%		96.2%		96.2%		96.2%

Source: Management

- (1) 64 persons are currently in the Early Acceptance program, and almost 300 others on the Center's priority list have already expressed interest in the program. The Center assumes to continue accepting new residents to the program, and to fill up the program gradually at a rate of 1 to 2 per month.
- (2) Since 2003, as Studio, 1-BR and 2-BR central apartments turn over, they are being expanded to include an enclosed sunroom and expanded kitchen and laundry facilities. Conversion of unexpanded to expanded units is forecasted to continue as units continue to turn over.

Table 4
Forecasted Private Pay and CCRC Per Diem Charges, 2015 through 2019

Type of Unit	2015		2016		2017		2018		2019	
	Private Per Diems	CCRC Per Diems ⁽¹⁾	Private Per Diems	CCRC Per Diems ⁽¹⁾	Private Per Diems	CCRC Per Diems ⁽¹⁾	Private Per Diems	CCRC Per Diems ⁽¹⁾	Private Per Diems	CCRC Per Diems ⁽¹⁾
Forecasted Per Diem Fees ⁽²⁾										
Central Assisted Living, Private	\$172	\$62	\$180	\$65	\$188	\$68	\$196	\$71	\$205	\$74
Garden Assisted Living, Private	179	62	187	65	195	68	204	71	213	74
Assisted Nursing, Semi-Private	274	80	286	83	299	86	312	89	326	92
Assisted Nursing, Private	289	90	302	93	316	96	330	99	345	102
Skilled Nursing, Semi-Private	308	93	322	96	336	99	351	102	367	105
Skilled Nursing, Private	323	103	338	106	353	109	369	112	386	115
Skilled Nursing, Medicare ⁽³⁾	358		358		358		358		358	

Source: Management

- (1) Under the terms of its Residence and Services and Early Acceptance Agreements, residents of the Center are charged a per diem amount that is discounted from the private pay per diem.
- (2) The Center assumes 4.5% annual increases in private pay per diems, and \$3 per day per year increases in CCRC per diems.
- (3) The Medicare per diem is derived using historic weighted averages of rates per day. It is assumed that Medicare rates do not increase.

Table 5
Assisted Living and Nursing Facility Licensed Capacity and Average Census, 2015 through 2019

Type of Unit	2015		2016		2017		2018		2019	
	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾	Beds	Average Census ⁽¹⁾
Forecasted Average Census										
Central Assisted Living, Private	35	33.0	35	33.0	35	33.0	35	33.0	35	33.0
		94.3%		94.3%		94.3%		94.3%		94.3%
Greenhouse Assisted Living, Private	20	15.4	16	13.6	16	13.0	16	13.4	18	15.0
		77.0%		85.0%		81.3%		83.8%		83.3%
Assisted Nursing, Semi-Private	8	5.0	8	6.0	8	6.0	8	6.0	8	7.0
Assisted Nursing, Private	22	21.0	22	21.0	22	21.0	22	21.0	22	21.0
Greenhouse Assisted Nursing, Private	4	4.0	8	8.0	8	8.0	8	8.0	6	6.0
		88.2%		92.1%		92.1%		92.1%		94.4%
Skilled Nursing, Medicare ⁽²⁾	8	8.0	8	8.0	8	8.0	8	8.0	8	8.0
Skilled Nursing, Private	22	20.9	22	17.7	22	17.7	22	18.7	22	20.7
		82.7%		75.0%		82.3%		87.3%		93.7%
Total Capacity / Average Census	119	103.2	119	104.1	119	105.7	119	107.6	119	110.1
		86.7%		87.5%		88.8%		90.4%		92.5%

Source: Management

- (1) Average census is derived from open group population simulations from an actuarial program that the Center leases for long-term actuarial planning
- (2) With some excess capacity forecasted in skilled nursing, it is assumed that the Center will seek outside referrals to semi-private rooms for short-term rehabilitative care under Medicare.

Resident's entrance fees (advance fees) are amortized into revenue based on the actuarially-determined remaining life expectancy of the resident. The rate of annual amortization assumes that the remaining balance of deferred advance fees on the balance sheet covers an additional 12.0 to 12.5 years. Entrance fees are forecasted to increase an average of 3.0% annually.

Investment income is forecasted on an average yield of 4.4% on temporary cash investments, assets limited as to use, long-term portions, and investments each year.

Other revenue sources are forecasted to increase at a rate of 3.7% annually.

Expenses: Baseline operating expenses for 2015 are taken from budgeted amounts and thereafter are assumed to increase an average of 4.5% annually. Operating expenses are adjusted in years 2015 through 2019 to reflect management's assumptions of the additional costs of implementing the Early Acceptance program. It is assumed that the Center will add 1 full-time equivalent (FTE) position of a care manager in 2015 to support the Early Acceptance program and a 2nd FTE care manager in 2016 as the number of residents in the Early Acceptance program increases.

Depreciation and amortization is based on current depreciation and amortization tables, factoring in capital additions. Table 6 presents forecasted capital additions and retirements for 2015 through 2019.

**Table 6
Schedule of Property and Equipment
(In Thousands)**

Years Ending December 31,	2015	2016	2017	2018	2019
Property and equipment, gross beginning balance	\$ 88,319	\$ 91,780	\$ 95,145	\$ 98,710	\$ 102,475
Capital additions	3,551	3,500	3,700	3,900	4,100
Capital retirements	(90)	(135)	(135)	(135)	(135)
Property and equipment, gross	91,780	95,145	98,710	102,475	106,440
Accumulated depreciation	(37,117)	(40,529)	(44,154)	(47,993)	(52,015)
Property and equipment, net ending balance	\$ 54,663	\$ 54,616	\$ 54,556	\$ 54,482	\$ 54,425

Source: Management

The Center plans for annual additions to capital in aggregate amounts that are comparable to annual depreciation expense in order to be proactive in maintaining its facilities. Depreciation expense is forecasted using the straight-line method over useful lives of 40 years for buildings, 15 to 20 years for building improvements, 5 to 10 years for equipment and 3 to 10 years for furniture and fixtures. Amortization expense of deferred costs is derived based upon the amortization schedule of each credit instrument.

Long-Term Debt

For purposes of this financial forecast, it has been assumed that the historical carrying value of long-term debt equals the fair value of such debt. Long-term debt consists of two series of tax-exempt variable rate bonds hedged with two interest rate swap agreements, as follows:

1. \$30,000,000 in North Carolina Medical Care Commission bank-qualified bonds issued in 2010 (the "Series 2010 Bonds"), which have a variable rate with predetermined annual principal payments scheduled through 2035. The Series 2010 Bonds are held by BB&T Bank, therefore no credit enhancement or remarketing fees have been assumed.
2. \$22,000,000 in North Carolina Medical Care Commission non-bank-qualified bonds issued in 2012 (the "Series 2012 Bonds"), which have a variable rate with predetermined annual principal payments scheduled through 2030. The 2012 bonds are held by First Tennessee Bank, therefore no credit enhancement or remarketing fees have been assumed. The 2012 bonds are structured for monthly draws, with \$282,000 remaining to be drawn in early 2015.
3. The Center holds an interest rate swap agreement with Deutsche Bank ("DB") that became effective on April 1, 2012. Under the DB swap, the Center pays 3.153% and receives 68% of 1-month LIBOR on an original notional amount of \$25,680,000. The notional amount will decline by a predetermined annual schedule, as noted in Table 7, and will mature on April 1, 2031.
4. The Center also holds an interest rate swap agreement with 1271 Counter Party, LLC ("1271"), with a DB guaranty, that also became effective April 1, 2012 and matures on April 1, 2031. Under the 1271 swap, the Center pays 3.48% and receives 65% of 1-month LIBOR on an original notional amount of \$25,680,000. The notional amount will decline by a predetermined annual schedule, as noted in Table 7.

Table 7 presents the amortization schedules for the Series 2010 Bonds and Series 2012 Bonds and the declining notional amounts of the DB and 1271 swaps, and the terms of each. The final years are segmented to show the April 1, 2031 maturity of the two interest rate swap agreements, at which time \$2,685,000 will be outstanding on the 2010 bonds. Table 7 also presents forecasted annual interest on the two series of bonds, and net payments for the two interest rate swap agreements.

The Center records the value of its interest rate swap agreements at market value at the end of each year. As of December 31, 2014 the value of the interest rate swap agreements were recorded on the balance sheet as a liability of approximately \$7,570,000. At the time, the rate for 1-month LIBOR was approximately 0.16%. The Center makes no assumptions about changes in the market value of its interest rate swap agreements, so that the mark-to-market valuations remain unchanged.

Table 7
Schedule of 2010 and 2012 Series Bonds
And 1271 Counter Party, LLC and Deutsche Bank Interest Rate Swaps
(In Thousands)

	Year	2010 Series Bonds	DB Interest Rate Swap	2012 Series Bonds	1271 Interest Rate Swap
Bond maturities and swap amortization schedules	2015	\$ 960	\$ 960	\$ 960	\$ 960
	2016	1,000	1,000	1,000	1,000
	2017	1,045	1,045	1,045	1,045
	2018	1,095	1,095	1,095	1,095
	2019	1,145	1,145	1,145	1,145
	2020-2024	6,565	6,565	6,565	6,565
	2025-2029	8,225	8,225	8,225	8,225
	2030-2031	3,850	3,850	3,850	3,850
	2032-2035	2,685	-	-	-
Total bonds / swaps		\$ 26,570	\$ 23,885	\$ 21,200	\$ 23,885
Fixed Rates on Bonds / Swaps		1.1375%	3.153%	0.78%	3.48%
Floating % of 1-month LIBOR		+ 68%	- 68%	+ 65%	- 65%
	2015	2016	2017	2018	2019
Annual Interest, 2010 Bonds	646	621	595	568	540
Annual Interest, 2012 Bonds	424	405	384	362	338
Net Payments, 1271 Swap	505	483	461	437	412
Net Payments, DB Swap	415	398	379	360	339
Total Interest & Swap Payments	1,990	1,907	1,819	1,727	1,629
	4.30%	4.30%	4.30%	4.30%	4.30%

Source: Management

Current Assets and Current Liabilities

Current assets limited as to use represent 9/12ths of the subsequent year’s scheduled bonds to be redeemed, since those amounts are escrowed with the bond trustee at a rate of 1/12th per month. Current maturities of long-term debt are taken from the predetermined amortization schedules of the Series 2010 Bonds and Series 2012 Bonds (refer to Table 7). Table 8 presents the assumptions related to adjustments to other current assets and current liabilities from 2015 through 2019.

Table 8		
Working Capital – Days on Hand		
Accounts receivable	27	days operating revenues
Prepaid expenses and inventories	6	days operating expenses
Accounts payable	11	days operating expenses
Other accrued liabilities	27	days operating expenses

Source: Management

Operating Reserve Requirement

North Carolina General Statute § 58-64-33 requires Continuing Care Retirement Communities (“CCRC’s”) to maintain an operating reserve (the “Reserves Required by State Statute”) equal to 50 percent of the total operating costs in a given year, or to 25 percent of such total operating costs if occupancy as of a certain date exceeds 90 percent of the independent living unit capacity. This law provides security to residents that the CCRC is able to meet its contractual obligations to provide continuing care. The Center’s forecasted occupancy is such that its reserve requirements are 25 percent of total operating costs for each of the five forecasted years. Management’s forecasts show sufficient cash and investment balances to comply with the Statutory Operating Reserve Requirement throughout the forecast period. Table 9 presents the estimated annual reserves required for both the Center’s on-campus and Early Acceptance programs.

Table 9					
Operating Reserve Requirement					
(In Thousands)					
	2015	2016	2017	2018	2019
Reserves required – on campus					
Forecasted operating expenses, following year	\$ 28,132	\$ 29,243	\$ 30,394	\$ 31,555	\$ 32,975
PLUS: Principal payment, following year	2,090	2,190	2,290	2,400	2,510
LESS: Depreciation expense, following year	(3,412)	(3,625)	(3,839)	(4,022)	(4,203)
LESS: Amortization expense, following year	(39)	(39)	(39)	(39)	(39)
LESS: Bond sinking fund balance (12/31)	<u>(1,568)</u>	<u>(1,643)</u>	<u>(1,718)</u>	<u>(1,800)</u>	<u>(1,883)</u>
Adjusted operating expenses	\$ 25,203	\$ 26,126	\$ 27,088	\$ 28,094	\$ 29,360
Apply 25% factor	6,301	6,532	6,772	7,024	7,340
Reserves required – early acceptance					
Forecasted operating expenses, following year	\$ 96	\$ 104	\$ 105	\$ 107	\$ 112
PLUS: Principal payment, following year	N/A	N/A	N/A	N/A	N/A
LESS: Depreciation expense, following year	N/A	N/A	N/A	N/A	N/A
LESS: Amortization expense, following year	N/A	N/A	N/A	N/A	N/A
LESS: Bond sinking fund balance (12/31)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Adjusted operating expenses	\$ 96	\$ 104	\$ 105	\$ 107	\$ 112
Apply 25% factor	24	26	26	27	28
Total Reserves Required	\$ 6,325	\$ 6,558	\$ 6,798	\$ 7,051	\$ 7,368

Source: Management

Forecasted Selected Ratios

The Center uses financial ratios to measure operating performance, liquidity and capital structure. Under its bond covenants, the Center must maintain certain ratios, including a day's cash on hand ratio of at least 300 days and a debt service coverage ratio of at least 1.20. The following table presents certain forecasted ratios of the Center.

**Forecasted Selected Financial Ratios
For Each of the Five Years Ending December 31,
(in thousands of dollars, except for ratios)**

	2015	2016	2017	2018	2019
1) Debt Service Coverage Ratio					
a) Change in Net Assets	887	2,028	2,064	2,101	2,031
b) PLUS: Entry Fees Received	4,197	4,563	4,695	5,071	5,354
c) LESS: Entry Fees Refunded	(174)	(161)	(120)	(122)	(140)
d) LESS: Amortization of Entry Fees	(3,726)	(3,879)	(3,907)	(3,964)	(4,049)
e) PLUS: Depreciation	3,227	3,412	3,625	3,839	4,022
f) PLUS: Amortization	39	39	39	39	39
g) LESS: Unrealized Gains on Swaps	-	-	-	-	-
h) PLUS: Interest & Swaps	1,990	1,907	1,819	1,727	1,629
Income Available for Debt Service	6,440	7,909	8,215	8,691	8,886
Divided By:	-----	-----	-----	-----	-----
Annual Debt Service (Subsequent Year)	3,997	4,009	4,017	4,029	4,079
Debt Service Coverage Ratio	1.61	1.98	2.05	2.16	2.18
2) Unrestricted Cash & Investments to Debt Ratio					
a) Current & NonCurrent Cash & Investments	58,114	58,580	59,253	60,190	61,136
Divided By:	-----	-----	-----	-----	-----
b) LT Debt, Less Current Portion	43,850	41,760	39,570	37,280	34,880
Unrestricted Cash & Investments to Debt Ratio	1.33	1.40	1.50	1.61	1.75
3) Days Cash on Hand Ratio					
a) Cash	2,773	2,773	2,773	2,773	2,773
b) Temporary Cash Investments	1,224	1,224	1,224	1,224	1,224
c) Reserves Required by State Statute	6,325	6,558	6,798	7,051	7,368
d) Board Designated Reserves	1,625	1,625	1,625	1,625	1,625
e) Unrestricted Investments	46,167	46,400	46,833	47,517	48,146
f) Total Expenses	27,230	28,093	29,212	30,364	31,527
g) MINUS: Depreciation & Amortization	(3,266)	(3,451)	(3,664)	(3,878)	(4,061)
h) Daily Cash Expenses	66	68	70	73	75
Days Cash on Hand Ratio	880.52	861.47	846.47	824.52	815.15
4) Debt to Capitalization Ratio					
a) Indebtedness of Money Borrowed by Borrower	45,850	43,850	41,760	39,570	37,280
Divided By:	-----	-----	-----	-----	-----
b) Unrestricted Net Assets	18,820	20,848	22,912	25,013	27,044
c) PLUS: Indebtedness of Money Borrowed by Borrower	45,850	43,850	41,760	39,570	37,280
d) PLUS: Deferred Revenue from Entrance Fees	39,311	39,834	40,502	41,487	42,652
e) LESS: Refundable Entrance Fees	(161)	(120)	(122)	(140)	(136)
Debt to Capitalization Ratio	0.44	0.42	0.40	0.37	0.35
5) Average Age of Facilities Ratio					
a) Accumulated Depreciation	37,117	40,529	44,154	47,993	52,015
Divided By:	-----	-----	-----	-----	-----
b) Annual Depreciation Expense	3,227	3,412	3,625	3,839	4,022
Average Age of Facilities Ratio	11.50	11.88	12.18	12.50	12.93

APPENDIX C

The following presents Carol Woods' contracts and agreements, including:

- (1) Priority List Agreement

- (2) Reservation Agreements
 - a. Early Acceptance Reservation Agreement
 - b. On-Campus Reservation Agreement
 - c. On-Campus Reservation Agreement Following Early Acceptance

- (3) Residence and Services Agreement
- (4) Early Acceptance Agreement, and
- (5) Residence and Services Agreement Following Early Acceptance

PRIORITY LIST INFORMATION

NAME _____ Date of Birth _____

Address _____ City _____

State _____ Zip Code _____ Home Telephone _____

Cell Telephone _____ Work Telephone _____

E-mail Address(es) _____

Marital Status _____ Education Level _____ Institution _____

Are you retired? _____ Current or former occupation _____

Interests, hobbies, community service: _____

CO-APPLICANT NAME _____ Date of Birth _____

Marital Status _____ Education Level _____ Institution _____

Are you retired? _____ Current or former occupation _____

Interests, hobbies, community service: _____

Please check the accommodations you would like to be contacted about at this time.

You can always make changes to your selections in the future.

When making your selections, please consider that many cottages may have Carolina rooms or sunrooms that can add up to 200 sq. ft. Some one-bedroom cottages could also have a half bath.

- Studio apartment (507 sq. ft.)
- One-bedroom apartment (671-758 sq. ft.)
- Two-bedroom apartment (910 – 1,160 sq. ft.)
- Two-bedroom with den apartment (1,292-1,405 sq. ft.)
- One-bedroom original cottage (678 sq. ft.)
- One-bedroom with den original cottage (801 sq. ft.) *Includes cottages with and without Carolina Rooms*
- Two-bedroom original cottage (957 sq. ft.) *Includes cottages with and without Carolina Rooms*
- Two-bedroom with den original cottage (1,078 sq. ft.) *Includes cottages with and without Carolina Rooms*
- One-bedroom with den duplex cottage (1,343 sq. ft.)
- Two-bedroom with den duplex cottage (1,538 sq. ft.)
- Two-bedroom with den and sun room duplex cottage (1,855 sq. ft.)
- Two-story Coventry townhome (1,160-1,884 sq. ft.) *Located adjacent to the Carol Woods campus.*
- Early Acceptance Program (*With this program, you stay in your own home*)

Comments: _____

When would you like to start being contacted about available homes? _____

Please list a person we might contact if we are unable to reach you:

Name _____ Relationship _____

Address _____ Telephone _____

Please list name(s), address and telephone number of your children, if any:

Carol Woods Retirement Community

PRIORITY LIST AGREEMENT

This Priority Agreement is made with the understanding that Admission to Carol Woods is not guaranteed at this time. This Agreement secures the option for you to go through the admissions process at a later date.

1. Upon entering into the Priority Agreement, you are asked to make a deposit of \$1,300.00, made payable to Carol Woods. This deposit is refundable, less a \$300 Administrative Fee, should you elect not to proceed. The Priority Deposit is non-interest bearing. Applicants will be considered for admission in the order of their priority deposits. The Priority Agreement does not establish the amount of the Entrance Fee.

2. At the time of formal admission to Carol Woods, applicants must be independent and capable of living independently of any other individual. They must have a reasonable expectation of an active lifestyle of participation in the retirement community for three to five years.

3. When the decision to reserve a specific accommodation is made, the applicant will be asked to complete application forms including (1) Family and Personal Information, (2) Confidential Health History, (3) Confidential Financial Statement, (4) Health Insurance Information and (5) Physician’s History and Physical Examination Report. Once Admissions has received the completed forms, the Admission Committee will review and, if appropriate, interviews will be scheduled. All prospective residents will be required to stay overnight in the Carol Woods guesthouse, unless they live locally. Interviews with the President & CEO, VP of Finance & Planning, Director of Social Services and Geriatric Nurse Practitioner will be scheduled over a two-day period. If there are medical concerns, the applicant will be interviewed by the Medical Director for Carol Woods. After final review by the Admissions Committee, the applicant will be notified in writing of the decision of the Committee. The decision to admit or not to admit an applicant is made by Carol Woods in the exercise of its sole discretion. The applicant agrees to accept such decisions as binding and final in all respects.

4. At the time of formal acceptance to Carol Woods, you are asked to make a deposit equal to 10% of the Entrance Fee for the residence you have selected. One thousand dollars of your Reservation Deposit will be applied towards this amount. The 10% deposit is fully refundable.

5. You will be notified of the date your residence will be ready for occupancy and schedule a move-in date. Arrangements for the move will be coordinated with the Director of Admissions. The balance of the Entrance Fee is due within ninety days of the approval of the Admissions Committee or move-in, whichever occurs first.

6. You may terminate this Agreement for any reason prior to execution of the Residence and Services Agreement by giving written notice to Carol Woods. A refund of the Priority Deposit, less the \$300 administrative fee, will be made to you within 60 days of such notification.

7. The rights of applicants under this Agreement are personal to You and may not be transferred or assigned by You to heirs or personal representatives.

Applicant’s Signature Date _____

Co-Applicant’s Signature Date _____

I have received a Disclosure Statement dated _____

Date _____
Director, Admissions & Public Relations

Please mail completed form to:

**Attn: Admissions Dept.
Carol Woods Retirement Community
750 Weaver Dairy Road, Chapel Hill, NC 27514**

A

**EARLY ACCEPTANCE RESERVATION AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

PRELIMINARY RESERVATION AGREEMENT

This Agreement is Preliminary in nature and in no way represents acceptance or approval on the part of Carol Woods. Acceptance to Carol Woods under the Early Acceptance program is rendered by the Admissions Committee, whose decision shall be binding.

This Reservation Agreement is made this _____ day of _____, _____, between The Chapel Hill Residential Retirement Center, Inc. d/b/a Carol Woods, a North Carolina not-for-profit corporation, and _____.

On this date, you desire to reserve a slot offered to you by Carol Woods to become a Resident of Carol Woods under the Early Acceptance program. If accepted, you agree to pay an Entry Fee in the amount of \$_____. In addition to the Entry Fee, you agree to pay the Monthly Service Fee in effect on the date that you sign the Early Acceptance Agreement.

The projected Date of Financial Responsibility for your acceptance under the Early Acceptance program is estimated to be _____, _____. The actual date shall be determined in the Early Acceptance Agreement.

ADMISSION PROCEDURE

Application for Admission. Carol Woods requests that you complete and return the Application for Admission package within Thirty (30) Days of this Reservation.

Personal Interviews. Once the application package has been completed and returned to the Director of Admissions, the Admissions Committee will review at the next scheduled meeting and, if appropriate, will schedule interviews. Interviews are with the President/CEO, Vice President of Finance & Planning, Social Worker and Geriatric Nurse Practitioner. An in-home visit will also be scheduled by a staff facilitator. When deemed appropriate, the applicant may be interviewed by the Medical Director.

Admission Review. Final acceptance for admission to Carol Woods' Early Acceptance program is contingent upon the Admissions Committee's approval following all interviews. You will be notified in writing by the Director of Admissions of the Committee's decision. You agree that the decision of the Admissions Committee will be final and uncontested. If the Application for Admission is not approved, you will receive a refund of your Priority List Deposit, less the Administrative Fee.

Assuming Financial Responsibility. Upon receiving formal notification of acceptance to Carol Woods under the Early Acceptance program, you are expected to take financial responsibility by signing an Early Acceptance Agreement within 10 days of receiving formal notification of acceptance. The full amount of the Entry Fee that is noted above, less \$1,000 of your original Priority List Deposit, is payable when the Early Acceptance Agreement is signed. 2% of the Entry Fee that you pay shall be an Acceptance Fee in the amount of \$_____. The 2% Acceptance Fee is non-refundable unless Carol Woods rescinds acceptance or exercises its right to terminate the Early Acceptance Agreement within the first 30 days of the Agreement due to a change in health status by a prospective resident or death of a spouse within that time period.

TERMINATION AND REFUND

You or Carol Woods may terminate this Early Acceptance Reservation Agreement prior to the execution of an Early Acceptance Agreement for any reason by giving written notice. Carol Woods shall refund all Deposits, less the Administrative Fee portion of your Priority List Agreement and the 2% Acceptance Fee, unless the Agreement is terminated due to a change in your health status during the period between acceptance and the signing of an Early Acceptance Agreement. Any refunds owed to you will be reduced by any amount that you owe to Carol Woods.

This Early Acceptance Reservation Agreement is preliminary in nature and precedent to the Early Acceptance Agreement.

Prospective Resident

Director, Admissions & Public Relations
Carol Woods Retirement Community

Prospective Resident

Date

Date

**RESERVATION AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

A

PRELIMINARY RESERVATION AGREEMENT

This Agreement is preliminary in nature and in no way represents acceptance or approval on the part of Carol Woods. Approval for residency is rendered by the Admissions Committee, whose decision shall be binding.

This Reservation Agreement is made this _____ day of _____, 2015 between Chapel Hill Residential Retirement Center, Inc., d/b/a/ Carol Woods, a North Carolina not-for-profit corporation, and _____.

On this date, you desire to reserve the residence number _____, a _____ type of residence within the Community. You agree to pay Carol Woods an Entry Fee in the amount of \$_____. In addition to the Entry Fee, you agree to pay the Monthly Service Fee in effect on the date you sign the Residence and Services Agreement.

The projected Date of Financial Responsibility for your residence is estimated to be _____, 2015. The actual date shall be determined in the Residence and Services Agreement.

ADMISSION PROCEDURE

Application for Admission. Carol Woods requests that you complete and return the Application for Admission package within Thirty (30) Days of this Reservation Agreement.

Personal Interviews. Once the application package has been completed and returned to the Director of Admissions, the Admissions Committee will review at the next scheduled meeting and, if appropriate, will schedule interviews. Out-of-town applicants must stay overnight in the Carol Woods' guest accommodations. Interviews are with the President/CEO, Vice President of Finance & Planning, Social Worker and Geriatric Nurse Practitioner. When deemed appropriate, the applicant may be interviewed by the Medical Director.

Admission Review. Final acceptance for admission to Carol Woods is contingent on the Admissions Committee's approval following all interviews. You will be notified in writing by the Director of Admissions of the Committee's decision. You agree that the decision of the Admissions Committee will be final and uncontested. If the Application for Admission is not approved, you will receive a refund of your original Priority List Deposit, less the Administrative Fee.

Ten Percent (10%) Deposit. Within 10 days of receiving formal notification of acceptance to Carol Woods, You agree to pay 10 percent (\$_____) of the Entry Fee. This includes a 2% Acceptance Fee in the amount of \$_____ and an 8% Acceptance Deposit in the amount of \$ _____ , for a total of 10% of the Entry Fee. The 2% Acceptance Fee is non-refundable unless Carol Woods rescinds acceptance or exercises its right to terminate the Residence and Services Agreement within the first 90 days of occupancy or the prospective resident has a change in health status or death of a spouse prior to move-in. The 8% Acceptance Deposit is refundable should You elect to cancel the Reservation Agreement prior to taking occupancy or terminate Your Residence and Services Agreement within 90 days of occupancy.

Assuming Financial Responsibility. The exact date of your move will be coordinated with the Director of Admissions. However, You are expected to take financial responsibility for your unit within 90 days of acceptance. The Ninety Percent (90%) balance of the Entry Fee, less \$1000 of Your original Priority List Deposit, is payable when the Residence and Services Agreement is signed and You take possession of Your unit.

TERMINATION AND REFUND

You or Carol Woods may terminate this Reservation Agreement prior to the execution of the Residence and Services Agreement for any reason by giving written notice. Carol Woods shall refund all Deposits, less the Administrative Fee portion of your Priority List Deposit and the 2% Acceptance Fee, unless the Agreement is terminated due to a change in Your health status during the 90 days between Acceptance and taking financial responsibility of your unit. Any refunds owed to You will be reduced by any amount that You owe to Carol Woods.

This Reservation Agreement is preliminary in nature and precedent to the Residence and Services Agreement.

Prospective Resident

Director, Admissions & Public Relations
Carol Woods Retirement Community

Prospective Resident

Date

Date

PAYMENT OF NON-STANDARD RENOVATION OPTIONS AGREEMENT

It is understood and agreed to that any modifications made to your apartment or cottage that you have requested and that are outside of Carol Woods' normal renovations will be your financial responsibility.

It is also understood and agreed to that, should you terminate the Reservation Agreement prior to taking possession of your apartment or cottage, you will be responsible for all costs specifically incurred by Carol Woods associated with personal modifications made to the unit.

You agree to remit payment in full within 60 days of termination of the Reservation Agreement. Carol Woods, at its sole discretion, may withhold any amounts owed out of any refund due to you to cover any costs incurred for such personal modifications.

Prospective Resident

Director, Admissions & Public Relations

Prospective Resident

Date

Date

4/1/09

**RESERVATION AGREEMENT
FOLLOWING EARLY ACCEPTANCE
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

A

RESERVATION AGREEMENT FOLLOWING EARLY ACCEPTANCE

This Agreement is for persons who previously have become Residents of Carol Woods under the Early Acceptance program. Approval for residency to the residence listed below is rendered by the Admissions Committee, whose decision shall be binding.

This Reservation Agreement is made this _____ day of _____, 2015 between Chapel Hill Residential Retirement Center, Inc., d/b/a/ Carol Woods, a North Carolina not-for-profit corporation, and _____.

On this date, you desire to reserve the residence number _____, a _____ type of residence within the Community. You agree to pay Carol Woods an Entry Fee in the amount of \$ _____. 100% of the \$ _____ Entry Fee that you paid previously under the Early Acceptance program is hereby applied to this new Entry Fee. In addition to the Entry Fee, you agree to pay the Monthly Service Fee in effect on the date you sign the Residence and Services Agreement Following Early Acceptance.

The projected Date of Financial Responsibility for your residence is estimated to be _____, 2015. The actual date shall be determined in the Residence and Services Agreement following Early Acceptance.

RESIDENCY PROCEDURE

Application for Residency and Personal Interviews. Depending upon how long You have been a Resident under the Early Acceptance program, Carol Woods reserves the right to request that you complete and return an updated Application for Admission package within Thirty (30) Days of this Reservation Agreement. Carol Woods also reserves the right to schedule interviews with the President/CEO, Vice President of Finance & Planning, Social Worker and Geriatric Nurse Practitioner. When deemed appropriate, the applicant may be interviewed by the Medical Director. The purpose of the updated application materials and interviews shall be to determine the appropriateness of the reserved residence for You from a financial and health perspective.

Admission Review. Final acceptance for residence to the reserved unit at Carol Woods is contingent on the Admissions Committee's approval following all interviews, when applicable. You will be notified in writing by the Director of Admissions of the Committee's decision. You agree that the decision of the Admissions Committee will be

final and uncontested. If the Application for Residence is not approved, You will remain a resident of Carol Woods under the Early Acceptance program.

Ten Percent (10%) Deposit. Within 10 days of receiving formal notification of acceptance to the reserved residence at Carol Woods, You agree to pay a 2% Acceptance Fee in the amount of \$ _____ and an 8% Acceptance Deposit in the amount of \$ _____, for a total of 10% of the Entry Fee for the reserved residence, net of the Early Acceptance Entry Fee that you paid previously. The 2% Acceptance Fee is non-refundable unless Carol Woods rescinds acceptance or exercises its right to terminate the Residence and Services Agreement within the first 90 days of occupancy or the prospective resident has a change in health status or death of a spouse prior to move-in. The 8% Acceptance Deposit is refundable should You elect to cancel the Reservation Agreement prior to taking occupancy or terminate Your Residence and Services Agreement Following Early Acceptance within 90 days of occupancy.

Assuming Financial Responsibility. The exact date of your move will be coordinated with the Director of Admissions. However, You are expected to take financial responsibility for your unit within 90 days of acceptance. The remaining balance of the Entry Fee, less Your original Early Acceptance Entry Fee, is payable when the Residence and Services Agreement Following Early Acceptance is signed and You take possession of Your unit.

TERMINATION AND REFUND

You or Carol Woods may terminate this Reservation Agreement prior to the execution of the Residence and Services Agreement Following Early Acceptance for any reason by giving written notice. Carol Woods shall refund the 8% Acceptance Deposit, but not the 2% Acceptance Fee, unless the Agreement is terminated due to a change in Your health status during the 90 days between Acceptance and taking financial responsibility of your unit. Any refunds owed to You will be reduced by any amount that You owe to Carol Woods.

Termination of the Reservation Agreement will terminate Your reservation of the particular residence on Carol Woods' campus, but will not terminate your Early Acceptance Agreement. As such, You will remain a Resident of Carol Woods despite terminating reservation of a particular residence on campus.

This Reservation Agreement is preliminary in nature and precedent to the Residence and Services Agreement Following Early Acceptance.

Early Acceptance Resident

Director, Admissions & Public Relations
Carol Woods Retirement Community

Early Acceptance Resident

Date

Date

PAYMENT OF NON-STANDARD RENOVATION OPTIONS AGREEMENT

It is understood and agreed to that any modifications made to your apartment or cottage that you have requested and that are outside of Carol Woods' normal renovations will be your financial responsibility.

It is also understood and agreed to that, should you terminate the Reservation Agreement Following Early Acceptance prior to taking possession of your apartment or cottage, you will be responsible for all costs specifically incurred by Carol Woods associated with personal modifications made to the unit.

You agree to remit payment in full within 60 days of termination of the Reservation Agreement. Carol Woods, at its sole discretion, may withhold any amounts owed out of any refund due to you to cover any costs incurred for such personal modifications.

Early Acceptance Resident

Director, Admissions & Public Relations

Early Acceptance Resident

Date

Date

4/1/13

**RESIDENCE AND SERVICES AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

This Residence and Services Agreement (referred to as the "Agreement") is made this ____ day of _____, 2____ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We or "Us"), a North Carolina non-profit corporation and _____ (referred to as "You" or "Your"). If two persons sign this Agreement as Residents, the words, "You" and "Your" apply to both persons unless the context requires otherwise. You agree to take financial responsibility for Your residence on the ____ day of _____, 2____.

WHEREAS, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

WHEREAS, the retirement community (referred to as the Community) consists of independent living apartments in mid-rise buildings, single-story garden cottages, two-story townhomes, a Community Center with common areas and amenities, and on-campus Health Centers providing facilities for outpatient services, assisted living and skilled nursing care; and

WHEREAS, You desire to enter into this Agreement for residence in the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted;

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

I. RESIDENCE, COMMON AREAS, AND GENERAL SERVICES:

- A. Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferable right to reside, use, and enjoy residence number _____ a _____ type of residence located within Carol Woods, or such other residence or accommodation within Carol Woods to which You may be transferred in accordance with this Agreement (referred to as the "Residence").
- B. Furnishings.** Carol Woods will provide floor covering, window coverings, kitchen and laundry appliances, and other furnishings as described in the current literature. You will provide all other furnishings and decorations, which shall be purchased and maintained by You at Your risk.

- C. **Maintenance and Repair Service.** Carol Woods will perform and provide repairs, maintenance, and replacement of property and equipment owned by Carol Woods. The maintenance, repair, and replacement of Your personal property is Your responsibility. Any change or replacement by You of the property or equipment provided by Carol Woods in Your Residence gives title in the changed or replaced property or equipment to Carol Woods unless otherwise agreed to in writing in advance. Carol Woods may decline to repair, maintain, or replace any property or equipment that You change, modify, or replace. You will be responsible for the cost of repairing any damage to property of Carol Woods caused by Your negligence and/or that of any guest of Yours, ordinary wear and tear excepted.
- D. **Grounds.** Carol Woods will furnish basic grounds-keeping care, including lawn service and snow removal. With Carol Woods' approval, You may elect to plant and maintain a specifically defined area adjacent to Your Residence. Title to such plantings is vested in Carol Woods unless otherwise agreed to in writing.
- E. **Meals.** Carol Woods will offer three meals a day, with a selective menu, in the dining rooms. Meal credits equal to the number of days in the month are included in Your basic monthly fee.

For an additional charge, optional meal plans for double or triple the number of monthly meal credits may be arranged in full calendar month increments, and must be made in advance. Residents who exhaust their monthly meal credits may purchase additional meals, which shall be billed on a monthly basis at prevailing resident additional meal charges. Guests are welcome in the dining room. Guest meals may be charged to You at guest meal rates or You may purchase a meal ticket at the reception desk.

- F. **Tray Service.** Tray service will be provided during short-term illness, when ordered by one of Carol Woods' authorized health service personnel. Tray service includes the delivery and pick-up of a selected meals to You at the Residence.
- G. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are tobacco-free environments.
- H. **Health Center.** Carol Woods will provide or arrange transfer to the facilities necessary for the medical care and services specified in this Agreement. In this Agreement, the term "Health Center" includes facilities for outpatient services, assisted living care, and skilled nursing care. A restraint-free policy is upheld in Carol Wood's facilities.

- I. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site, in the community, as well as emergency call devices and smoke detectors in each residence. You are responsible for locking your Residence and taking appropriate security measures to protect yourself and your personal property. We are not responsible for loss or damage to Your personal property.
- J. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests. Parking areas will be unassigned except for those for the townhomes.
- K. **Linens.** Carol Woods will furnish and launder bed and bath linens on a regular basis. Carol Woods will also provide washers and dryers for Your personal laundry in each residence or apartment building as well as common laundry facilities in the Health Center and Assisted Living.
- L. **Housekeeping.** Carol Woods will provide housekeeping services on a regular basis to each residence.

You must maintain Your Residence in a clean, safe and sanitary condition. If not, Carol Woods, after notice to You, will maintain the Residence and charge such cost to You.

- M. **Utilities.** Carol Woods will furnish heating, air conditioning, water, electricity and/or gas, as appropriate, sewage disposal, and garbage and trash removal from collection points. Carol Woods provides local telephone service and supplies connection for standard television service. You will be responsible for the cost of long distance telephone calls, which will be billed to You on a monthly basis. If You choose to arrange other television, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
- N. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents.
- O. **Taxes.** Carol Woods will pay all property taxes assessed on Carol Woods' real property. You will be responsible for all taxes owed by you, including, without limitation, all personal income taxes and taxes assessed on Your personal property.
- P. **Storage.** Additional storage space is provided for each apartment in the central apartment buildings. Garden cottages and townhomes include additional storage areas inside and/or outside of each unit.
- Q. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.

- R. **Other Services Provided.** You may not engage third parties, including private duty nurses and companions, for services to be rendered within Carol Woods without prior notification to and written authorization by Carol Woods' management. At any point in time, Carol Woods may revoke its authorization for other services provided should Carol Woods determine such third party poses a risk to You or other residents, or such third party fails to comply with any applicable rule or policy issued by Carol Woods. Such revocation shall be in writing and effective immediately or as specified in the writing.

II. **MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY CAROL WOODS**

- A. **General.** Carol Woods will furnish or cause to be furnished the following medical and health care services:
- 1) Medical services provided by primary care physicians who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic;
 - 2) Medical and surgical services provided by specialty care physicians who have established relationships with Carol Woods, and to whom one of Carol Woods primary care physicians has referred You, in advance, for the specialty care;
 - 3) Hospital acute care and outpatient care services in hospitals which have an established relationship with Carol Woods, when one of Carol Woods' primary care physicians has referred You, in advance, for the necessary care;
 - 4) General nursing and personal care provided in Carol Woods' inpatient health center levels of care;
 - 5) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and nursing staff;
 - 6) Physical, Occupational, and Speech Therapy when ordered by Carol Woods' physicians and provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in the Health Center.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- B. **Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists.

C. **Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the Physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the Physician will have the authority to arrange for Your discharge and transfer or return to Carol Woods.

D. **Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance in writing by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other Providers of Your choice. However, Carol Woods will supply the referral provider with Your policy information upon request, and will assist You in overseeing that other Providers are filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

E. **Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy, approved in writing by Carol Woods, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

F. **Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Carol Woods.

Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.

G. Automobile Accident Insurance. If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.

H. Carol Woods' Rights in Case of Injury Caused by a Third Party. You hereby grant Carol Woods an irrevocable power of attorney to act in Your behalf to recover any claims for compensation from injuries caused by a third party.

After Carol Woods has been reimbursed for all costs, expenses, and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account, or, in the event of Your death, will be paid to Your estate.

III. MEDICAL AND OTHER HEALTHCARE SERVICES EXCLUDED IN THIS AGREEMENT

A. Use of Medical Practitioners and Facilities Not Referred by Carol Woods. You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community is not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued presence is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in the Community, then Carol Woods may transfer You to another facility of Your choosing.

You will continue to be responsible for payment of the Monthly Fee as if You were at Carol Woods. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. Other Excluded Services.** Carol Woods will not be responsible for any services not described in paragraph II.A. These excluded services include, but are not limited to payment for prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.

- D. Illness or Accident Away from the Community.** If You have an accident or are ill while You are away from Carol Woods, We will have no responsibility to pay for costs resulting from such accident or illness until You return to Carol Woods and become subject to the care of one of Carol Woods' physicians.

IV. TERMS OF RESIDENCY

- A. **Rights of Resident.** If You are 65 years of age and Your spouse is at least 55 years of age, You have the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, during Your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Carol Woods other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** You will abide by Carol Woods' policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by Carol Woods.
- C. **Relationships Between Residents and Staff.** Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of management.
- D. **Modifications to Residence.** Modifications to any Residence by You will require prior written approval by Carol Woods of both the plans for the modifications and the firm or individual retained to make such modifications. The firm or individual retained to make the modifications shall be licensed appropriately, and shall carry insurance that adequately protects Carol Woods against the risks of injury or liability occasioned by the work being done on Carol Woods' property. Such modifications will be at Your expense. Approval of such modifications may be conditioned upon Your payment to Carol Woods of a sum sufficient to restore the Residence to its original condition.
- E. **Changes in the Residence.** Carol Woods has the right to change the Residence to meet requirements of any applicable statutes, law, regulation or ordinance. The Residence may not be used in any matter that violates any zoning ordinances or other governmental law or regulation.
- F. **Visitors.** Except for short-term guests, no person other than You may reside in the Residence without the written approval of Carol Woods.
- G. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is

understood that You have the responsibility of providing any desired insurance protection covering any such loss.

- H. **Right of Entry.** You hereby authorize employees or agents of Carol Woods to enter the Residence for the purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.
- I. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us.

V. **FINANCIAL ARRANGEMENTS**

- A. **Entry Fee.** You agree to pay Carol Woods an Entry Fee in the amount of \$_____ as a condition for becoming a Resident. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal law or regulation, or upon transfer to a larger residence, marriage, or entry of another resident to share the Residence.
- B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee for the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with the Residence is \$_____ per month and an additional \$_____ per month if a second person occupies the Residence. The Monthly Fee will commence at the Date of Financial Responsibility. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are also to be paid by the fifth of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then current legal maximum for any late payment.

- C. **Assisted Living or Health Center Charges.** If You need care in Carol Woods' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and the type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be

discounted significantly to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident receives Fifteen (15) "Free Days" each year, which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident.

- D. Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Assisted Living, Health Center, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.

VI. TRANSFERS, MOVES, RELOCATION, AND CHANGES IN RESIDENCE

- A. Transfers.** All transfers or moves between Residences are at Carol Woods' sole discretion. Transfers are subject to availability and legal requirements. The terms of payment for refunds resulting from such transfers or moves are described in Paragraph VIII. H.
- B. Refurbishing Expenses.** If You make a preference move as defined in paragraph VI.E. from one Residence to another, You will be responsible for the cost of refurbishing the Residence vacated. If you make a need-based move or if You move permanently to Assisted Living, the Health Center, an outside facility under III. B., or the hospital, You are only responsible for reversal of Residence Modifications made under IV.D.
- C. Transfer to a Larger Residence.** If You move to a larger Residence, You will pay an additional Entry Fee amount based on the difference between the Entry Fee of Residence You are leaving and the Entry Fee of the one into which You are moving. The Entry Fees used in the calculations will be the ones in effect at the time of Your move to the larger residence. Either the Single or Two Person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of Your move. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.

- D. Transfer to a Smaller Residence.** If You move to a smaller Residence during the first fifty (50) months of occupancy, You may receive a refund of a portion of Your Entry Fee. The current Entry Fee of the smaller residence will be amortized in accordance with VIII.H.1. The Entry Fee that was in effect at the date You occupied the Residence You are leaving will be amortized in the same manner. You will be refunded the difference between the two unamortized balances in accordance with VIII.H.2. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.
- E. Preference Versus Need-Based Moves.** Carol Woods considers a move as “need-based” if the move is conditioned by a change in Your health status or marital status, permanent transfer of a spouse to a higher level of care, or by financial need. If the move is made to another Residence for any other reason, it is considered a “preference move.” For any preference move, when occupancy has been 5 years or less, not only will Your Monthly Fee will be adjusted effective the date of the move to the new Residence as outlined in Sections VI.C. and VI.D., but You will also be charged an additional amount equal to three (3) months’ Monthly Fee for the residence being vacated to cover partially the costs to Carol Woods of the preference move.
- F. Sharing Occupancy With a New Resident.** If a non-resident is joining You as a resident, the additional Entry Fee due is the difference in the amount actually paid by You for the current Residence and the total Entry Fee due for the same Residence at the double occupancy rate effective at the time double occupancy commences.

A non-resident must apply for admission as a Resident and be approved. If the non-resident is not approved as a Resident, Carol Woods may grant admission with limited rights.

- G. Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.** All decisions regarding Your permanent transfer to Assisted Living, Health Center, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your family or designee. Carol Woods’ decision will be binding. No Entry Fee adjustment is made with these types of transfers. If You are a member of a couple, and the other person remains in Your Independent Residence, the Monthly Fee will continue to reflect the two-person rate of the Independent Residence. For single residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be reduced to the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The lower Monthly Fee takes effect on the date that You release Your previous Residence to Carol Woods for remarketing.

You will remove all personal belongings from the Independent Residence within Thirty (30) Days of transfer and within Two (2) Days of transfer

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from Assisted Living or Health Center residence. If You or Your designee is unable to arrange for the removal, Carol Woods has the authority to make the necessary arrangements, place belongings in storage and bill all costs related to such a move to You or Your estate.

If Carol Woods subsequently determines that You can resume occupancy in an Independent Residence or accommodations comparable to those occupied by You prior to such transfer, You will have priority to such accommodations as soon as they become available.

VII. FINANCIAL ASSISTANCE

- A. Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability or Your estate's ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You receive for the entire time of residency. This paragraph will apply

whether or not You are in residence at the Community at the time of death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

VIII. TERMINATION AND REFUNDS

- A. Termination by Resident Prior to Occupancy.** This Agreement may be terminated by You for any reason prior to The Date of Financial Responsibility by giving written notice to Carol Woods. In the event such termination is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee paid less the Administrative Fee (as defined in Your Priority Agreement) and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive refund of the Entry Fee, less an acceptance fee equal to 2% of the Entry Fee (the 2% "Acceptance Fee") which shall be retained by Carol Woods to cover the costs of the termination.

If You die before occupying Your unit, or if illness, injury, incapacity, or change in marital status occur prior to taking occupancy of Your unit, this Agreement shall be cancelled automatically, and You or Your estate shall receive a full refund of the Entry Fee that You have paid.

- B. Trial Period.** The first Ninety (90) Days of residency at Carol Woods will be considered to be on a trial basis. During this Ninety (90) Day period, You will have the right to terminate this Agreement by serving Carol Woods with written notice. If the termination is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee paid less the Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive a refund of the Entry Fee less the 2% Acceptance Fee which shall be retained by Carol Woods to cover the costs of the termination.

During the same Ninety (90) Day Trial Period, Carol Woods also has the right to terminate this Agreement based on its judgment that Your physical condition or emotional adjustment will not permit adaptation to Carol Woods' lifestyle. In such event, Carol Woods will refund the full Entry Fee following termination during the Ninety (90) Day trial period. The refund will be made within Thirty (30) Days after the residence is vacated. The Ninety (90) Day Trial Period begins with the Date of Financial Responsibility.

- C. Voluntary Termination After Occupancy.** After the Trial Period, this Agreement may be terminated by You at any time by serving Carol

Woods Sixty (60) Days advanced written notice of such termination. If termination occurs within the first Fifty (50) Months of residency, You will be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H.

- D. Termination Upon Death.** In the event of Your death at any time after occupancy, this Agreement will terminate upon the date of death or the date Your Residence is vacated, whichever is later. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H.
- E. Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time if there has been any material misrepresentation or omission made by You in the application forms; if a material change in Your health takes place before the Date of Financial Responsibility; or if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Paragraph V. B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H. Carol Woods also reserves the right to terminate the Agreement if You fail to abide by Carol Woods' policies and procedures, breach the terms of this Agreement, or if Your continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health or safety of others. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.
- F. Termination by One of Two Residents Sharing a Residence.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to a Health Center or the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement will continue in effect as to the remaining or surviving Resident and there will be no refund of any portion of the Entry Fee. In the event of one or both Residents transferring to a Health Center, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single occupancy rate of the associated residence.
- G. Condition of Residence.** Upon termination of this Agreement, You will vacate the Residence and will leave it in good condition except for normal wear and tear. You or Your estate will be liable to Carol Woods for any cost incurred in restoring the Residence to good condition except for normal wear and tear.

H. Calculation for Pro-Rated Refunds.

1. **Calculation of Refund.** If termination of this Agreement occurs during the first Fifty (50) Months of residency, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to the Entry Fee less Two Percent (2%) for each month or portion of a month of residency for up to Fifty (50) Months. After Fifty (50) Months, there is no refund of the Entry Fee. Residency begins on the Date of Financial Responsibility.
2. **Payment.** Payment of any refund due of an Entry Fee may be made only when a new Entry Fee has been paid for Your Residence by a subsequent Resident.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods within Thirty (30) Days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et. seq. of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Administrative Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less the Acceptance Fee which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. You will not be required to move to Carol Woods before the expiration of such Thirty (30) Day period. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Paragraph.

X. GENERAL

- A. **Assignment.** The rights and privileges for You under this Agreement to the Residence, common areas and amenities, and services and programs of Carol Woods are personal to You and may not be transferred or assigned by You or otherwise.
- B. **Management of the Community.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person for residency. Residents do not have the right to determine admission or terms of admission of any Resident.
- C. **Entire Agreement.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound

in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement.

- D. Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and Your heirs, executors, administrators, and assigns.
- E. Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are Subordinate to the right of the lender under any mortgage now or in the future executed by The Chapel Hill Residential Retirement Center, Inc.
- F. Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating a competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. You will provide Carol Woods with copies of Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of the Will upon execution, and within ninety (90) days of assuming financial responsibility.
- G. Resident Contracted Employees.** If you wish to privately employ outside assistance for any reason, your contracted employee must adhere to all Carol Woods policies, and You must obtain the prior written approval of Carol Woods to hire such individual. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident terminate immediately the employment or contract with such a person at any time upon written notice to Resident.
- H. Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such event.
- I. Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information you have supplied to it confidential. You agree that Carol Woods can disclose such information to those who have a need, in its judgment, or right to know (e.g., to provide information for transfer to a hospital).

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- J. Indemnity.** You agree to indemnify, defend and hold Carol Woods harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with your negligent or intentional act or omission or those of your guests, including private duty nurses. This Section X.J. shall survive the termination of this Agreement.
- K. Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.
- L. Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:
- The Chapel Hill Residential Retirement Center, Inc.
750 Weaver Dairy Road
Chapel Hill, North Carolina 27514-1502
- Your address for the purpose of giving notice is the address appearing after Your signature below.

XI. Mediation and Binding Arbitration of Disputes

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- A. Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within thirty (30) days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.
- B. Arbitration.** You and Carol Woods hereby agree that to the extent permitted by North Carolina law, whether or not mediation is requested

by either party, any dispute, claim or controversy, including any that remains unresolved 120 days after an agreement for mediation, arising from or relating to this Agreement, including any dispute arising out of the diagnosis, treatment, or care provided to You, shall be resolved by binding arbitration by an arbitrator agreed upon by both parties. This agreement to arbitrate will be governed by the Federal Arbitration Act. Information may be obtained and claims may be filed at any office of the National Arbitration Forum, at www.arbitration-forum.com or at P.O. Box 50191, Minneapolis, MN 55405.

This agreement binds all parties whose claims may arise out of or relate to this Agreement or services rendered hereunder, including Your spouse or heirs.

The parties agree and understand that the result of this arbitration agreement is that claims submitted to arbitration, including malpractice claims that You may have against Carol Woods, employees or agents, cannot be brought as a lawsuit in court before a judge or jury, and agree that all such claims will be resolved as described in this section.

You also understand that nothing in this agreement prevents you from contacting regulatory or administrative agencies in relation to services provided by Carol Woods.

The parties agree that costs of arbitration, or of any related litigation, including reasonable attorney's fees of the prevailing party, shall be paid by the other party.

The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to dispute, controversy or claim from seeking equitable relief in a court of law to remain the status quo while a mediation or arbitration is pending.

This Section XI.B. shall survive the termination of this Agreement.

I hereby acknowledge the receipt of the Carol Woods Retirement Community's Disclosure Statement dated _____. I acknowledge that the Disclosure Statement was received prior to the execution of this contract and the payment of the Entry Fee to Carol Woods.

IN WITNESS WHEREOF, Carol Woods has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Witness

Resident

Witness

Resident

Your Address

Street Address

City, State & Zip Code

Date

The Chapel Hill Residential Retirement Center, Inc.

Signature, President & CEO

Date

**EARLY ACCEPTANCE AGREEMENT
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

This Early Acceptance Agreement (referred to as the "Agreement") is made this _____ day of _____, 2____ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We, Our or "Us"), a North Carolina non-profit corporation and _____ (referred to as "You" or "Your"). If two persons sign this Agreement as Residents, the words, "You" and "Your" apply to both persons unless the context requires otherwise. You agree to take financial responsibility for this Agreement on the above date (the "Date of Early Acceptance")

WHEREAS, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

WHEREAS, the retirement community (referred to as the Community) consists of independent living apartments in mid-rise buildings, single-story garden cottages, and two-story townhomes, a Community Center with common areas and amenities, and on-campus Health Centers providing facilities for outpatient services, assisted living and skilled nursing care; and

WHEREAS, You desire to enter into this Agreement for acceptance in the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted; and

WHEREAS, You desire to enter into this Agreement as a resident of the Community ("Resident") without lodging to access some of the services provided by Carol Woods until a residence becomes available to You;

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

I. EARLY ACCEPTANCE AS CAROL WOODS RESIDENT

- A. General.** You have gone through the admission process, and Carol Woods has accepted You as a Resident of Carol Woods. As a Resident of Carol Woods, you are hereby entitled to the general services provided on the Carol Woods campus, as outlined in this Agreement. If there is a fee related to particular services provided to You as a Resident, You will be charged the fee that corresponds to being a Resident of Carol Woods rather than a guest.

During the time that You are a Carol Woods Resident, but not yet residing on campus, Carol Woods will provide annual visits to Your home by staff qualified to provide in-home assessments. If more

frequent in-home assessments are needed, or if any needs are identified that may require subsequent in-home services, Carol Woods staff will assist You by referring You to services that may be available to you in the community outside of the Carol Woods Community. If more frequent home visits are required of Carol Woods' staff, those visits will be provided to You on a fee-for-service basis.

As a Resident of Carol Woods, You will remain on Our Priority List. Your Priority List Date will remain _____, which is the date on which You joined Our Priority List originally. As a member of Our Priority List, You will have the same rights as other members of Our Priority List and will be offered on-campus accommodations as described in the then current Carol Woods' Priority List Policy.

At the time You choose to reserve an apartment, cottage, or townhome on Carol Woods' campus, having already been accepted as a Carol Woods Resident, You will not have to repeat an admission process. Since time will have passed since the date of Your original acceptance, Carol Woods reserves the right to seek updated medical and financial information in order to determine Your ability to live independently and to afford the additional entry fee and higher monthly service fees required for residency in the particular reserved unit. Your acceptance as a Carol Woods Resident, however, will continue in full force.

B. Execution of the Residence and Services Agreement Following Early Acceptance. Prior to taking occupancy and financial responsibility for a particular residential unit on Carol Woods' campus, You agree to execute the Residence and Services Agreement Following Early Acceptance then in effect. Your occupancy of a residence shall be expressly conditioned upon your execution of such agreement. The executed Residence and Services Agreement Following Early Acceptance shall supersede and replace this Agreement in its entirety.

If the Residence and Services Agreement Following Early Acceptance is subsequently terminated, as outlined in that Agreement, this Early Acceptance Agreement may be re-executed, allowing You to remain a Resident of Carol Woods who does not reside on campus -- as long as the reason for termination of the Residence and Services Agreement Following Early Acceptance does not preclude continuation of a contractual relationship.

II. GENERAL SERVICES PROVIDED ON CAMPUS

- A. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms, lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are smoke free environments.
- B. **Health Center.** Carol Woods will provide or arrange admission to the facilities necessary for the medical care and services specified in this Agreement. In this Agreement, the term "Health Center" includes the facilities for outpatient services, assisted living care ("Assisted Living"), and skilled nursing care. A restraint-free policy is upheld in Carol Wood's facilities.
- C. **Parking.** Carol Woods will provide and maintain unassigned parking areas for Residents and guests.
- D. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.
- E. **Meals.** You may eat in the Carol Woods dining rooms, and be charged the prevailing Resident additional meal charge and be billed monthly.
- F. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site in the Community. You are responsible for taking appropriate security measures to protect yourself and your personal property at the Community. We are not responsible to provide security to You in Your lodging nor for loss or damage to your personal property.

III. MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY CAROL WOODS

- A. **General.** You hereby acknowledge and agree that Carol Woods is not responsible for furnishing You or causing to be furnished to You medical services in your home. Carol Woods will provide you "Care Management" services, as more specifically described in Section III. E. of this Agreement. In addition, Carol Woods will furnish or cause to be furnished the following medical and health care services at the Community that you may choose to receive:
 - 1) Medical services provided by primary care physicians who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic;

- 2) Medical and surgical services provided by specialty care physicians who have established relationships with Carol Woods, and to whom one of Carol Woods primary care physicians has referred You, in advance, for the specialty care;
- 3) Hospital acute care and outpatient care services in hospitals which have an established relationship with Carol Woods, when one of Carol Woods' primary care physicians has referred You, in advance, for the necessary care;
- 4) General nursing and personal care provided in Carol Woods' inpatient health center levels of care;
- 5) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and other care management staff;
- 6) Physical, Occupational, and Speech Therapy when ordered by Carol Woods' physicians and provided at Carol Woods Outpatient Rehabilitation department or in an inpatient setting in the Health Center.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- B. Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists, if You choose to use them.
- C. Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the Physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the Physician will have the authority to arrange for Your discharge and transfer or return to Your home, or to the Health Center at Carol Woods if that is needed.
- D. Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other Providers of Your choice. However, Carol Woods will supply the referral provider with Your policy information upon request, and will assist You in overseeing that other Providers are filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

E. Care Management and Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.

Initials

Carol Woods shall furnish Care Management services to You by qualified staff who will (i) assess your needs; (ii) develop a plan of care with You to address needs that are identified; (iii) help identify reputable providers in the area to whom You can be referred for services to meet those needs; and (iv) follow up to ensure that those services are meeting Your needs and the goals of Your care plan.

You hereby acknowledge and agree that Carol Woods is not responsible for furnishing You or causing to be furnished to You medical or other personal care services in your home, unless recommended and approved by Carol Woods as part of Your Care Management program. All decisions regarding Your Care Management plan, including the prospect of Your need for support services in Your home, temporary or permanent transfer to Assisted Living or Health Center, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your family or designee.

If it is determined by Carol Woods' Care Management staff that Your needs require temporary or permanent transfer to Carol Woods' Assisted Living or Health Center facilities, and if You choose not to make the move to those facilities, then You must agree to sufficient services to provide for appropriate care and safety in Your home. If, in Our sole judgment, the services You elect to receive are insufficient for appropriate care and safety in Your home, You must move to an appropriate care level at Carol Woods, or We will have the right to terminate this Agreement. Carol Woods' decision will be binding.

No Entry Fee adjustment is made with permanent transfer from Your Home to Carol Woods' Assisted Living or Health Center facilities or to another special service facility. If You are a member of a couple, and the other Resident remains in Your home, the Monthly Fee for the Resident remaining in the home will continue to reflect the single rate, and the Monthly Fee for the Resident making the permanent move shall reflect the prevailing 1st Person Monthly Fee for Residents who have made a permanent move to Assisted Living or the Health Center. For single Residents, or when both members of a couple make a permanent transfer, the Monthly Fee shall be charged at the prevailing rate comparable to other singles or couples who have made such a

permanent transfer. The new Monthly Fee takes effect on the date that You make such a permanent transfer.

- F. Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy, approved in writing by Carol Woods, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided to You that otherwise would have been covered by an approved policy.

- G. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Carol Woods. Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.

- H. Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.

- I. Carol Woods' Rights in Case of Injury Caused by a Third Party.** In the event Carol Woods has incurred costs, expenses and damages on Your behalf relating to injuries or illnesses caused to You by a third party (including, but not limited to, reasonable costs of care Carol Woods may furnish You because of such accident or injury), You hereby agree that any amount recovered by You or on Your behalf from any and all sources relating to Your injuries or illnesses shall first be paid to Carol

Woods in an amount to reimburse Carol Woods for its costs, expenses and damages incurred, with the balance of any amount recovered then paid to You or credited to Your account, or, in the event of Your death, paid to Your estate.

IV. MEDICAL, HEALTHCARE, AND OTHER SERVICES EXCLUDED IN THIS AGREEMENT

- A. Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities. If a healthcare provider should seek payment for such services from Carol Woods, You will hold Carol Woods harmless from all loss or liability arising from such claims for payment.

In situations when Carol Woods' medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community's facilities and services are not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued stay in Your home or use of the Community facilities is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in Your home or in the Community, then Carol Woods may transfer You to another facility of Your choosing. Carol Woods may terminate this Agreement if You refuse to make the recommended transfer. You will continue to be responsible for payment of the Monthly Fee as if You were at home. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an

amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take responsibility for its share of the costs of Your care in the other facility.

- C. **Transportation.** Carol Woods will not be responsible for providing any type of transportation to You during this Agreement, including but not limited to any transportation to or from the Carol Woods campus and emergency transportation to any hospital or other health care facility.
- D. **Security.** Carol Woods will not be responsible for providing any type of security, staff emergency response, emergency call devices, smoke detectors or the like to Your home or personal residence during this Agreement.
- E. **Housekeeping and Grounds Keeping.** Carol Woods will not be responsible for providing any type of laundry or housekeeping services to Your home or personal residence during this Agreement. Carol Woods will not be responsible for providing any type of grounds keeping care to Your home or personal residence during this Agreement.
- F. **Utilities.** Carol Woods will not be responsible for furnishing any type of utilities, including but not limited to heating, air conditioning, water, electricity and/or gas, sewage disposal, trash removal, television service, internet service and telephone service, to You during this Agreement.
- G. **Taxes.** Carol Woods will not be responsible for paying any taxes owed by you, including, without limitation, any income taxes or personal or real property taxes assessed on Your personal or real property during this Agreement. You are solely responsible for all taxes, owed by you, including, without limitation, all personal income taxes and all taxes assessed on Your personal and real property.
- H. **Other Excluded Services.** Carol Woods will not be responsible for payment for any services not described in paragraph III.A. These excluded services include, but are not limited to prescription and non-prescription medications, refractions, eye-glasses, contact lenses, audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.
- I. **Illness or Accident.** If You have an accident or if You are ill, We will have no responsibility to pay for costs resulting from such accident or illness until You become subject to the care of one of Carol Woods' physicians.

V. **TERMS OF BEING A CAROL WOODS RESIDENT**

- A. **Rights of Resident.** As a Resident, You have the right to use and enjoy the common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, during Your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Carol Woods other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** You will abide by Carol Woods' policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by Carol Woods.
- C. **Relationships Between Residents and Staff.** Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of the management of Carol Woods.
- D. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- E. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as the basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us. As one of those representations, You affirm that You are at least 65 years old and that your spouse, if a party to this Agreement, is at least 55 years old.

VI. FINANCIAL ARRANGEMENTS

A. **Entry Fee.** You agree to pay Carol Woods an entry fee in the amount of \$_____ as a condition for becoming a Resident. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal programs, execution of a subsequent Residence and Services Agreement Following Early Acceptance should you move to Carol Woods some time in the future, marriage, or acceptance of another Resident as party to this Agreement.

B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee during the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with this Agreement is \$_____ per month and an additional \$_____per month if a second person becomes a party to this Agreement. The Monthly Fee will commence at the Date of Early Acceptance. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are to be paid by the fifth day of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then current legal maximum for any late payment.

C. **Assisted Living or Health Center Charges.** If You need care in Carol Woods' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted significantly to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each resident receives Fifteen (15) "Free Days" each year for care in the Assisted Living or Health Care facilities, which may be used to cover the additional, discounted per diem rate charged to You at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident.

- D. **Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Assisted Living, Health Center, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.

VII. **FINANCIAL ASSISTANCE**

- A. **Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. **Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' prior written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. **Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You received for the entire time of this Agreement. This Agreement will

operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

VIII. TERMINATION AND REFUNDS

- A. **Voluntary Termination After Date of Early Acceptance.** This Agreement may be terminated by You at any time by providing Carol Woods sixty (60) days advanced written notice of such termination. You may be entitled to a prorated refund of the Entry Fee pursuant to Paragraph VIII.E.
- B. **Termination Upon Death.** In the event of Your death at any time after the Date of Early Acceptance, this Agreement will terminate upon the date of death. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.E.
- C. **Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time (i) pursuant to Section III.E or to Section IV.B. of this Agreement, (ii) if there has been any material misrepresentation or omission made by You in the application forms, (iii) if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Paragraph VI. B., (iv) if You fail to abide by Carol Woods' policies and procedures, or (v) if You breach the terms of this Agreement. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.E. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.
- D. **Termination by One of Two Residents to the Agreement.** In the event that two (2) individuals are party to the terms of this Agreement, upon the termination of this Agreement for any reason with respect to one (1) of the individuals, the Agreement will continue in effect as to the remaining individual, there will be no refund of any portion of the Entry Fee and the remaining individual will pay the single Monthly Fee.
- E. **Calculation for Pro-Rated Refunds.** If termination of this Agreement occurs during the first Twenty-Five (25) Months of this Agreement, You or Your estate will be entitled to a partial refund of the Entry Fee. You will receive a refund in the amount equal to: (i) the Entry Fee; less (ii) Four Percent (4%) for each month that this Agreement has been in effect for up to Twenty-Five (25) Months; less (iii) any amounts due to Carol Woods. After Twenty-Five (25) Months there is no refund of the Entry Fee. The Twenty-Five (25) Month period begins with the Date of Early Acceptance. Payment, if any, shall be made within Sixty (60) Days of written notice of termination.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods within Thirty (30) Days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et. seq. of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Application Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less an "Acceptance Fee" equal to two percent (2%) of the Entry Fee, which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Paragraph.

X. GENERAL

- A. Assignment.** The rights and privileges for You under this Agreement to the common areas, amenities, and services and programs of Carol Woods are personal to You and may not be transferred or otherwise assigned by You.
- B. Management of the Community.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person as a Resident. Residents do not have the right to determine admission or terms of acceptance of any other Resident.
- C. Entire Agreement.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement.
- D. Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and Your heirs, executors, administrators, and assigns.
- E. Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of the lender under any mortgage executed now or in the future by The Chapel Hill Residential Retirement Center, Inc.
- F. Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power

Initials

of Attorney. Within ninety (90) days of the Date of Early Acceptance, You will provide Carol Woods with copies of Your Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of Your executed Will.

- G. Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such event.
- H. Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information You have supplied confidential. You agree that Carol Woods can disclose such information to those who have a need, in Our judgment, or right to know (e.g., to provide information for transfer to a hospital).
- I. Indemnity.** You agree to indemnify, defend and hold Carol Woods harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligent or intentional act or omission or those of Your guests, including private duty nurses or any other third party service contracted by You. This Section X.I. shall survive termination of this Agreement.
- J. Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement
- K. Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively "notices") will be in writing and addressed as follows:

The Chapel Hill Residential Retirement Center, Inc.
750 Weaver Dairy Road

Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

- L. **No Guarantee of Residence.** Carol Woods' execution of this Agreement does not guarantee that any apartment or cottage will become available for Your occupancy during Your lifetime or prior to the termination of this Agreement for any reason.

XI. **MEDIATION AND BINDING ARBITRATION OF DISPUTES**

Initials A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within thirty (30) days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.

- B. **Arbitration.** You and Carol Woods hereby agree that to the extent permitted by North Carolina law, whether or not mediation is requested by either party, any dispute, claim or controversy, including any that remains unresolved 120 days after an agreement for mediation, arising from or relating to this Agreement, including any dispute arising out of the diagnosis, treatment, or care provided to You, shall be resolved by binding arbitration by an arbitrator agreed upon by both parties. This agreement to arbitrate will be governed by the Federal Arbitration Act. Information may be obtained and claims may be filed at any office of the National Arbitration Forum, at www.arbitration-forum.com or at P.O. Box 50191, Minneapolis, MN 55405.

This Agreement binds all parties whose claims may arise out of or relate to this Agreement or services rendered hereunder, including Your spouse or heirs.

The parties agree and understand that the result of this arbitration agreement is that claims submitted to arbitration, including malpractice claims that You may have against Carol Woods, employees or agents, can not be brought as a lawsuit in court before a judge or jury, and agree that all such claims will be resolved as described in this section.

You also understand that nothing in this agreement prevents you from contacting regulatory or administrative agencies in relation to services provided by Carol Woods.

The parties agree that costs of arbitration, or of any related litigation, including reasonable attorney's fees of the prevailing party, shall be paid by the other party.

The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to a dispute, controversy or claim from seeking equitable relief in a court of law to maintain the status quo while a mediation or arbitration is pending.

This Section XI.B. shall survive termination of this Agreement.

I hereby acknowledge the receipt of the Carol Woods Retirement Community's Disclosure Statement dated _____. I acknowledge that the Disclosure Statement was received prior to the execution of this contract and the payment of the Entry Fee to Carol Woods.

IN WITNESS WHEREOF, Carol Woods has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Witness

Resident

Witness

Resident

Your Address

Street Address

City, State & Zip Code

Date

The Chapel Hill Residential Retirement Center, Inc.

Signature, President & CEO

Date

**RESIDENCE AND SERVICES AGREEMENT
FOLLOWING EARLY ACCEPTANCE
CAROL WOODS RETIREMENT COMMUNITY
CHAPEL HILL, NORTH CAROLINA**

This Residence and Services Agreement Following Early Acceptance_(referred to as the "Agreement") is made this _____ day of _____, 2____ between The Chapel Hill Residential Retirement Center, Inc., d/b/a Carol Woods (referred to as "Carol Woods" or "We, Our or "Us"), a North Carolina non-profit corporation and _____ (referred to as "You" or "Your"). If two persons sign this Agreement as Residents, the words, "You" and "Your" apply to both persons unless the context requires otherwise. You agree to take financial responsibility for Your residence on the _____ day of _____, 2____ (the "Date of Financial Responsibility").

WHEREAS, Carol Woods owns and operates a retirement community located at 750 Weaver Dairy Road, Chapel Hill, North Carolina; and

WHEREAS, the retirement community (referred to as the Community) consists of independent living apartments in mid-rise buildings, single-story garden cottages, two-story townhomes, a Community Center with common areas and amenities, and on-campus Health Centers providing facilities for outpatient services, assisted living and skilled nursing care; and

WHEREAS, prior to entering into this Agreement, You and Carol Woods were a party to that certain Early Acceptance Agreement dated _____, 2____ (the "Early Acceptance Agreement"), pursuant to which you were a resident of the Community without lodging with access to some of the services provided by Carol Woods; and

WHEREAS, You desire to enter into this Agreement for residence in and to be a resident ("Resident") of the Community, and whereas You have applied for admission to Carol Woods and Your application has been accepted; and

WHEREAS, this Agreement shall supersede the Early Acceptance Agreement;

NOW THEREFORE, subject to the terms and conditions set forth in this Agreement, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, You and Carol Woods agree as follows:

I. RESIDENCE, COMMON AREAS, AND GENERAL SERVICES:

- A. Residence.** Subject to the terms and conditions set forth in this Agreement, Carol Woods agrees to provide You a personal, exclusive, non-transferable right to reside, use, and enjoy residence number _____ a _____ type of residence located within Carol Woods, or

such other residence or accommodation within Carol Woods to which You may be transferred in accordance with this Agreement (referred to as the "Residence").

- B. **Furnishings.** Carol Woods will provide floor covering, window coverings, kitchen and laundry appliances and other furnishings as described in the current literature. You will provide all other furnishings and decorations, which shall be maintained by you at your risk.
- C. **Maintenance and Repair Service.** Carol Woods will perform and provide repairs, maintenance, and replacement of property and equipment owned by Carol Woods. The maintenance, repair, and replacement of Your personal property is Your responsibility. Any change or replacement by You of the property or equipment provided by Carol Woods in Your Residence gives title to Carol Woods unless otherwise agreed to in writing in advance. Carol Woods may decline to repair, maintain, or replace any property or equipment that You change, modify, or replace. You will be responsible for the cost of repairing any damage to property of Carol Woods caused by Your negligence and/or that of any guest of Yours, ordinary wear and tear excepted.
- D. **Grounds.** Carol Woods will furnish basic grounds keeping care, including lawn service and snow removal. With Carol Woods' approval, You may elect to plant and maintain a specifically defined area adjacent to Your Residence. Title to such plantings is vested in Carol Woods unless otherwise agreed to in writing.
- E. **Meals.** Carol Woods will offer three (3) meals a day, with a selective menu, in the dining rooms. Meal credits equal to the number of days in the month are included in Your basic monthly fee.

For an additional charge, optional meal plans for double or triple the number of monthly meal credits may be arranged for in full calendar month increments, and must be made in advance. Residents who exhaust their monthly meal credits may purchase additional meals, which shall be billed on a monthly basis at prevailing resident additional meal charges. Guests are welcome in the dining room. Guest meals may be charged to You at guest meal rates or You may purchase a meal ticket at the reception desk.

- F. **Tray Service.** Tray service will be provided during short-term illness, when ordered by one of Carol Woods' authorized health service personnel. Tray service includes the delivery and pick-up of a selected meal to You at the Residence.
- G. **Community Common Areas and Amenities.** We will provide common areas and amenities for the use and benefit of all Residents. These facilities currently include the main dining room, private dining rooms,

lobbies, assembly hall, library, social, and recreational facilities (indoor and outdoor), and craft facilities. Some common areas may require advance reservation. All common areas are tobacco free environments.

- H. **Health Center.** Carol Woods will provide or arrange transfer to the facilities necessary for the medical care and services specified in this Agreement. In this Agreement, the term "Health Center" includes the facilities for outpatient services, assisted living care, and skilled nursing care. A restraint free policy is upheld at all times in Carol Wood's facilities.
- I. **Security.** We will use reasonable care in providing security on the premises of Carol Woods. Carol Woods will provide twenty-four (24) hour security staffing on-site, in the community, as well as emergency call devices and smoke detectors in each residence. You are responsible for locking your Residence and taking appropriate security measures to protect yourself and your personal property. We are not responsible for loss or damage to Your personal property.
- J. **Parking.** Carol Woods will provide and maintain parking areas for Residents and guests. Parking areas will be unassigned except for those for the townhomes.
- K. **Linens.** Carol Woods will furnish and launder bed and bath linens on a regular basis. Carol Woods will also provide washers and dryers for Your personal laundry in each residence or apartment building as well as common laundry facilities in the Health Center and Assisted Living.
- L. **Housekeeping.** Carol Woods will provide housekeeping services on a regular basis to each residence.

You must maintain Your Residence in a clean, safe and sanitary condition. If not, Carol Woods, after notice to You, will maintain the Residence and charge such cost to You.

- M. **Utilities.** Carol Woods will furnish heating, air conditioning, water, electricity and/or gas, as appropriate, sewage disposal, and garbage and trash removal from collection points. Carol Woods provides local telephone service and supplies connection for standard television service. You will be responsible for the cost of long distance telephone calls, which will be billed to You on a monthly basis. If You choose to arrange other television, internet or telephone services beyond what is provided, You may do so at Your own expense and receive no credit.
- N. **Local Transportation.** Carol Woods will provide limited local, scheduled transportation for Residents.

- O. **Taxes.** Carol Woods will pay all real estate taxes assessed on Carol Woods' real property. You will be responsible for all taxes owed by you, including, without limitation, all personal income taxes and taxes assessed on Your personal property.
- P. **Storage.** Additional storage space is provided for each apartment in the central apartment buildings. Garden cottages and townhomes include additional storage areas inside and/or outside of each unit.
- Q. **Activities.** Social, recreational, educational, and cultural activities are provided through an active Resident-directed program.
- R. **Other Services Provided.** You may not engage third parties, including private duty nurses and companions, for services to be rendered within Carol Woods without prior notification to and written authorization by Carol Woods' management. At any point in time, Carol Woods may revoke its authorization for other services provided should Carol Woods determine such third party poses a risk to You or other residents, or such third party fails to comply with any applicable rule or policy issued by Carol Woods. Such revocation shall be in writing and effective immediately or as specified in the writing.

II. **MEDICAL AND OTHER HEALTH CARE SERVICES PROVIDED OR COORDINATED BY CAROL WOODS**

- A. **General.** Carol Woods will furnish or cause to be furnished the following medical and health care services:
 - 1) Medical services provided by primary care physicians who are part of Carol Woods' group practice, and who see You at the Carol Woods' on-site clinic;
 - 2) Medical and surgical services provided by specialty care physicians who have established relationships with Carol Woods, and to whom one of Carol Woods primary care physicians has referred You, in advance, for the specialty care;
 - 3) Hospital acute care and outpatient care services in hospitals which have an established relationship with Carol Woods, when one of Carol Woods' primary care physicians has referred You, in advance, for the necessary care;
 - 4) General nursing and personal care provided in Carol Woods' inpatient health center levels of care;
 - 5) General nursing and personal care provided in a similarly licensed nursing facility when space is not available at Carol Woods, and when coordinated by Carol Woods' medical and nursing staff;
 - 6) Physical, Occupational, and Speech Therapy when ordered by Carol Woods' physicians and provided at Carol Woods Outpatient

Rehabilitation department or in an inpatient setting in the Health Center.

For those services provided by Carol Woods that are covered by Medicare, We will accept Medicare Assignment, billing Medicare first and accepting Medicare's allowable reimbursement rates as payment in full. You shall be responsible for amounts allowed by Medicare that are treated as deductibles, co-payments or other cost-sharing amounts imposed by Medicare or Your supplemental insurance.

- B. **Community's Physicians.** Carol Woods will appoint a Medical Director and physicians as needed. They will be responsible for Your medical care, including office visits, medical review, Health Center visits, hospital attendance, and referral to specialists.
- C. **Hospitalization.** When one of Carol Woods' physicians determines that it has become necessary to hospitalize You, the Physician will have the authority to arrange such hospitalization. When the conditions necessitating such hospitalization no longer exist, the Physician will have the authority to arrange for Your discharge and transfer or return to Carol Woods.
- D. **Medical Referrals.** Carol Woods will be responsible for coordinating and following Your medical, surgical and other health care services when such services either (i) are provided by Carol Woods, or (ii) are provided by licensed outside providers to whom You have been referred in writing by one of Carol Woods' physicians for treatment or consultation. Such responsibility will be limited to the specific condition for which referral was made. Carol Woods will not be responsible for secondary referrals or for follow-up visits unless approved in advance by one of Carol Woods' physicians.

Carol Woods cannot be responsible for filing for insurance reimbursement for services provided by other Providers of Your choice. However, Carol Woods will supply the referral provider with Your policy information upon request, and will assist You in overseeing that other Providers are filing with Your insurance diligently, in order to help maximize Your Medicare and supplemental insurance benefits.

- E. **Health Care Insurance Requirements.** You shall be responsible for carrying both Medicare Part A and Medicare Part B insurance coverage, or a substitute policy approved in writing by Carol Woods. You shall also carry a supplemental insurance policy, approved in writing by Carol Woods, which adequately covers the hospital, medical, and skilled nursing deductibles and co-payments required of Your primary insurance plan. Both Your primary and supplemental health insurance policies must recognize Carol Woods as a health care provider; or You assume

the financial responsibility for services provided that otherwise could be covered.

You shall be responsible for ensuring that the health insurance coverage that was approved does not lapse, and You shall provide Carol Woods with evidence of such coverage upon request. If Your health insurance coverage should lapse, Carol Woods may require that You reapply for suitable coverage. If You are unable to obtain adequate new coverage, Carol Woods shall charge You for any costs of medical and other health care services provided that otherwise would have been covered by an approved policy.

- F. Carol Woods' Filing for and Rights to Insurance Benefits.** Carol Woods shall be responsible for filing for reimbursement from Your Medicare and supplemental health insurance plans for covered medical, nursing, and outpatient therapy services when provided by Carol Woods. Carol Woods has a right to the benefits payable under the insurance You carry for services provided by Carol Woods as required in this Agreement, except where costs of care were borne solely by You and not Carol Woods. You hereby authorize Carol Woods to file claims for benefits to which You are entitled under this Agreement and to execute all documents necessary to enable Carol Woods to collect or enforce such claims. If, for any reason, Carol Woods cannot apply directly for benefits payable under insurance required by this Agreement, You agree to make such application and to pay Carol Woods the proceeds received that are due for services provided by Carol Woods.
- G. Automobile Accident Insurance.** If You are a licensed driver, You are responsible for maintaining automobile accident insurance to cover medical costs from automobile accidents causing injury.
- H. Carol Woods' Rights in Case of Injury Caused by a Third Party.** You hereby grant Carol Woods an irrevocable power of attorney to act in Your behalf to recover any claims for compensation from injuries caused to You by a third party.

After Carol Woods has been reimbursed for all costs, expenses, and damages incurred by Carol Woods on Your behalf (including reasonable costs of care Carol Woods may furnish You because of such accident or injury), the balance of any amount recovered on Your behalf from all sources will be paid to You or credited to Your account, or, in the event of Your death, will be paid to Your estate.

III. MEDICAL AND OTHER HEALTHCARE SERVICES EXCLUDED IN THIS AGREEMENT

- A. **Use of Medical Practitioners and Facilities Not Referred by Carol Woods.** You may engage the services of primary care physicians other than those who are part of the Carol Woods practice, and seek care at other hospital, specialty medical, surgical or allied health services with whom Carol Woods' does not have referral relationships. However, if You do so, it is at Your own expense. Further, Carol Woods will not be liable for any subsequent expenses resulting from such care including, but not limited to, the cost of medical, surgical, hospital or nursing care provided, ordered, prescribed or occasioned by any such practitioner or such facilities.

In situations when Carol Woods medical staff is not involved in the referral to a physician or other health care provider from whom You seek services, it is Your responsibility to require those providers to furnish Carol Woods, promptly in writing and in confidence, with medical information regarding Your condition, diagnosis, medications, and treatment.

You may not engage third parties for medical or other health-related services to be rendered at Carol Woods without prior notification to and written authorization by Carol Woods' management.

- B. **Psychiatric Illness, Dangerous Communicable Disease, Drug or Alcohol Abuse.** The Community is not designed to care for persons who have an active psychiatric illness, who have a dangerous communicable disease or who are involved with drug or alcohol abuse. Should Carol Woods determine that Your physical or psychiatric illness, or that Your condition as a result of drug or alcohol abuse, is such that Your continued presence is either dangerous or detrimental to Your life, health, safety or peace, or the life, health, safety, or peace of others in the Community, then Carol Woods may transfer You to another facility more suitable.

You will continue to be responsible for payment of the Monthly Fee as if You were at Carol Woods. You will also be responsible for payment of any additional amount needed for Your care at any other such facility. Carol Woods will pay a portion of the cost of Your care in that facility up to an amount equal to Your Monthly Fee. You must pay Your Monthly Fee each month before Carol Woods will take any responsibility for its share of the costs of Your care in the other facility.

- C. **Other Excluded Services.** Carol Woods will not be responsible for any services not described in paragraph II.A. These excluded services include, but are not limited to payment for prescription and non-prescription medications, refractions, eye-glasses, contact lenses,

audiological tests, hearing aids, dentistry, dentures, dental inlays, incontinent and other personal hygiene supplies, orthopedic appliances, podiatry, chiropractic services, organ transplants, renal dialysis, treatment for alcohol and drug abuse, and diagnosis and therapy for psychiatric disorders.

- D. **Illness or Accident Away from the Community.** If You have an accident or are ill while You are away from Carol Woods, We will have no responsibility to pay for costs resulting from such accident or illness until You return to Carol Woods and become subject to the care of one of Carol Woods' physicians.

IV. **TERMS OF RESIDENCY**

- A. **Rights of Resident.** If You are 65 years of age and Your spouse is at least 55 years of age, You have the right to occupy, use, and enjoy the Residence, common areas, amenities, programs, and services of Carol Woods, as provided in this Agreement, during Your lifetime unless this Agreement is terminated as provided herein. It is understood that this Agreement does not transfer or grant any interest in the real or personal property owned by Carol Woods other than the rights and privileges as described in this Agreement.
- B. **Policies and Procedures.** You will abide by Carol Woods' policies and procedures and such amendments, modifications, and changes of the policies and procedures as may hereafter be adopted by Carol Woods.
- C. **Relationships Between Residents and Staff.** Carol Woods is built on mutual respect and instructs its staff to be cordial and helpful to You. The relationship is to remain professional. Employees must not be delayed or deterred by Residents in the performance of their duties. Management is solely responsible for the supervision of staff. Complaints or requests for special assistance must be made to the appropriate supervisor. Giving gratuities or bequests to employees or employees' families is not permitted. You will not employ Carol Woods' employees nor hire former Carol Woods' employees without the prior written consent of management.
- D. **Modifications to Residence.** Modifications to any Residence by You will require prior written approval by Carol Woods of both the plans for the modifications and the firm or individual retained to make such modifications. The firm or individual retained to make the modifications shall be licensed appropriately, and shall carry insurance that adequately protects Carol Woods against the risks of injury or liability occasioned by the work being done on Carol Woods' property. Such modifications will be at Your expense. Approval of such modifications may be conditioned upon Your payment to Carol Woods of a sum sufficient to restore the Residence to its original condition.

- E. **Changes in the Residence.** Carol Woods has the right to change the Residence to meet requirements of any applicable statutes, law, regulation or ordinance. The Residence may not be used in any manner that violates any zoning ordinances or other governmental law or regulation.
- F. **Visitors.** Except for short-term guests, no person other than You may reside in the Residence without the prior approval of Carol Woods.
- G. **Loss of Property.** Carol Woods will not be responsible for the loss of or damage to any property belonging to You due to theft, mysterious disappearance, fire, employee accident, or any other cause. It is understood that You have the responsibility of providing any desired insurance protection covering any such loss.
- H. **Right of Entry.** You hereby authorize employees or agents of Carol Woods to enter the Residence for the purposes of housekeeping, repairs, maintenance, inspection, and in the event of an emergency.
- I. **Representations.** You affirm that the representations made in the Application for Admission, Personal Health History, and Confidential Financial Statement are true and correct and may be relied upon by Carol Woods as the basis for entering into this Agreement. You agree to provide updates of this information in a timely way to Us.

V. **FINANCIAL ARRANGEMENTS**

- A. **Entry Fee.** You agree to pay Carol Woods an entry fee in the amount of \$ _____ as a condition for occupying the Residence (the "Additional Entry Fee"). The Entry Fee is in addition to the entry fee of \$ _____ that You paid under the Early Acceptance Agreement (the "Initial Entry Fee"). Together, (i) the remaining balance after any amortization of the Initial Entry Fee under the Early Acceptance Agreement and (ii) the Additional Entry Fee equal the prevailing entry fee ("Entry Fee") for Your Residence. The Entry Fee is a lump sum payment and will not be increased or changed during the term of this Agreement, except for changes required by state or federal law or regulation, or upon transfer to a larger residence, marriage, or entry of another resident to share the Residence. Your right to a refund of any portion of this Entry Fee is outlined in Section VIII.H. of this Agreement.
- B. **Monthly Fee and Other Charges.** You agree to pay a Monthly Fee for the term of this Agreement. This fee will be payable before the fifth day of each month or within Five (5) Days of the date monthly statements are distributed. The current Monthly Fee associated with the Residence is \$ _____ per month and an additional \$ _____ per month

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if a second person occupies the Residence. The Monthly Fee will commence at the Date of Financial Responsibility. It will be paid on a prorated basis for any partial month.

You will be invoiced monthly for services and supplies which may be provided for You beyond that which is included in the Monthly Fee, and those invoices are to be paid by the fifth of the month or within Five (5) Days of the date monthly statements are distributed.

If You fail to make payment within Thirty (30) Days after receiving the monthly statement, Carol Woods may give You written notice that You must make payment within Fifteen (15) Days after receiving such notice. If You fail to comply, We may terminate this Agreement. Carol Woods reserves the right to apply late fees up to the then current legal maximum for any late payment.

- C. Assisted Living or Health Center Charges.** If You need care in Carol Woods' Assisted Living or Health Center facilities, You will be charged an additional daily fee based on the particular level of care and the type of accommodation. This fee is in addition to the Monthly Fee, which You will continue to be charged. The daily charge to You, however, will be discounted significantly to reflect Your prepayment of health care costs in Your Entry Fee and Monthly Fees.

As part of the Entry Fee and Monthly Fee, each Resident receives Fifteen (15) "Free Days" each year, which may be used to cover the additional, discounted per diem charged to You; at either the semi-private or private rate, depending upon Your particular accommodation at the time. Unused Free Days may accumulate over time, with no limit. No credit, however, is provided for Free Days that are never used; nor can Free Days be transferred to another resident. Any Free Days You accumulated while an Early Acceptance Resident will be carried over.

- D. Adjustments in the Monthly Fee and Other Charges.** Carol Woods may adjust the Monthly Fee, Assisted Living, Health Center, and other charges from time to time on the basis of experience or to reflect changes in the cost of achieving the mission or purposes of Carol Woods. Carol Woods agrees that, in the exercise of its discretion, which will be binding on You, Carol Woods will endeavor to maintain all fees and charges at the lowest feasible amounts which, in the judgment of the Board of Directors of Carol Woods, is consistent with sound financial operation and maintenance of the quality of facility, program and service provided.

VI. TRANSFERS, MOVES, RELOCATION, AND CHANGES IN RESIDENCE

- A. **Transfers.** All transfers or moves between Residences are at Carol Woods' sole discretion. Transfers are subject to availability and legal requirements. The terms of payment for refunds resulting from such transfers or moves are described in Paragraph VIII.H.
- B. **Refurbishing Expenses.** If You make a preference move as defined in paragraph VI.E. from one Residence to another, You will be responsible for the cost of refurbishing the Residence vacated. If you make a need-based move or if You move permanently to Assisted Living, the Health Center, an outside facility under III. B., or the hospital, You are only responsible for reversal of Residence Modifications made under IV.D.
- C. **Transfer to a Larger Residence.** If You move to a larger Residence, You will pay an additional Entry Fee amount based on the difference between the Entry Fee of the Residence You are leaving and the Entry Fee of the one into which You are moving. The Entry Fees used in the calculations will be the ones in effect at the time of Your move to the larger Residence. Either the Single or Two person Entry Fees will be applied in the calculations depending upon the number of people that are party to this Agreement at the date of Your move. You will pay the applicable Monthly Fee for the new Residence effective the date of Your move.
- D. **Transfer to a Smaller Residence.** If You move to a smaller Residence, You may receive a refund of a portion of Your Entry Fee. The current Entry Fee of the smaller residence will be amortized in accordance with VIII.H.1. The Entry Fee that was in effect at the date You occupied the Residence You are leaving will be amortized in the same manner. You will be refunded the difference between the two unamortized balances in accordance with VIII.H.2. You will pay the applicable Monthly Fee for the new Residence effective upon the date of Your move.
- E. **Preference Versus Need-Based Moves.** Carol Woods considers a move as "need-based" if the move is conditioned by a change in Your health status or marital status, permanent transfer of a spouse to a higher level of care, or by financial need. If the move is made to another Residence for any other reason, it is considered a "preference move." For any preference move, when occupancy has been 5 years or less, not only will Your Monthly Fee will be adjusted effective the date of the move to the new Residence as outlined in Sections VI.C. and VI.D., but You will also be charged an additional amount equal to three (3) months' Monthly Fee for the residence being vacated to cover partially the costs to Carol Woods of the preference move.
- F. **Sharing Occupancy With a New Resident.** If a non-resident is joining You as a Resident, the additional Entry Fee due is the difference in the

amount actually paid by You for the current Residence and the total Entry Fee due for the same Residence at the double occupancy rate effective at the time double occupancy commences.

A non-resident must apply for admission as a Resident and be approved. If the non-resident is not approved as a Resident, Carol Woods may grant admission with limited rights.

G. Permanent Transfer to Assisted Living, the Health Center, a Special Service Facility, or a Hospital.

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All decisions regarding Your permanent transfer to Assisted Living, Health Center, a special service facility, or to a hospital will be made after consultation with You and, when appropriate, with Your family or designee. Carol Woods' decision will be binding. No Entry Fee adjustment is made with these types of transfers. If You are a member of a couple, and the other person remains in Your Independent Residence, the Monthly Fee will continue to reflect the two-person rate of the Independent Residence. For single residents, or when both members of a couple make a permanent transfer, the Month Fee shall be reduced to the prevailing rate comparable to other singles or couples who have made such a permanent transfer. The lower Monthly Fee takes effect on the date that You release Your previous Residence to Carol Woods for remarketing.

You will remove all personal belongings from the Independent Residence within Thirty (30) Days of transfer and within Two (2) Days of transfer from an Assisted Living or Health Center residence. If You or Your designee is unable to arrange for the removal, Carol Woods has the authority to make the necessary arrangements, place belongings in storage and bill all costs related to such a move to You or Your estate.

If Carol Woods subsequently determines that You can resume occupancy in an Independent Residence or accommodations comparable to those occupied by You prior to such transfer, You will have priority to such accommodations as soon as they become available.

VII. FINANCIAL ASSISTANCE

- A. **Carol Woods' Policy.** Carol Woods' policy is that, if the sole reason for non-payment of Your financial obligations to Carol Woods is insufficient funds or other circumstances beyond Your control, Carol Woods will review the matter with You, provided, however, this policy shall not change the right of Carol Woods to expect payment from You or to terminate this Agreement for Your failure to pay, under the terms of this Agreement.

If special financial consideration is determined by Carol Woods to be necessary, Carol Woods may, in its sole discretion, partly or wholly subsidize Your fees provided that such subsidy will not impair Carol Woods' sound financial operation and maintenance of the quality of service provided. Carol Woods may request that You make every effort to obtain assistance from all available resources both private and public.

All determinations regarding financial assistance will be final and binding on You and will be handled as a confidential transaction except for reports required to financial institutions lending moneys to Carol Woods or to regulatory or governmental bodies.

- B. **Transfer of Property.** You hereby represent that You have not made and will not make any gift or other transfer of money or personal property, nor pledge Your money or personal property as collateral for another who is not party to this Agreement, to the degree to which the amount transferred or pledged would impair Your ability or Your estate's ability to satisfy financial obligations under this Agreement. If Your fees are subsidized by Carol Woods, You may not sell or otherwise transfer or pledge property without Carol Woods' written consent. Carol Woods may request updated financial information from time to time and/or copies of Your tax returns.
- C. **Recovery of Subsidies Provided by Carol Woods.** When You die, if Your fees have been subsidized wholly or partly by Us, Your estate, if any, will be liable to Carol Woods for the full amount of the subsidy You receive for the entire time of residency. This paragraph will apply whether or not You are in residence at the Community at the time of Your death. This Agreement will operate as a lifetime assignment, transfer, and conveyance to Carol Woods of so much of Your property as is necessary to cover such liability. Any amount due Carol Woods under this paragraph may be deducted from any refund payable to You or to Your estate.

VIII. TERMINATION AND REFUNDS

- A. **Termination by Resident Prior to Occupancy.** This Agreement may be terminated by You for any reason prior to The Date of Financial Responsibility by giving written notice to Carol Woods. In the event such termination is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee paid less the Administrative Fee (as defined in Your Priority Agreement) and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive refund of the Entry Fee, less an acceptance fee equal to 2% of the Entry Fee (the "2% Acceptance Fee") which shall be retained by Carol Woods to cover the costs of the termination.

If You die before occupying Your unit, or if illness, injury, incapacity, or change in marital status occur prior to taking occupancy of Your unit, this Agreement shall be cancelled automatically, and You or Your estate shall receive a full refund of the Entry Fee that You have paid.

- B. **Trial Period.** The first Ninety (90) Days of residency at Carol Woods will be considered to be on a trial basis. During this Ninety (90) Day period, You will have the right to terminate this Agreement by serving Carol Woods with written notice. If the termination is conditioned by a change in Your health status, You will receive a full refund of the current Entry Fee paid less the Administrative Fee and any nonstandard costs that have been incurred by Carol Woods at Your request. If You terminate the Agreement for any reason other than a change in health status, You will receive a refund of the Entry Fee less the 2% Acceptance Fee which shall be retained by Carol Woods to cover the costs of the termination.

During the same Ninety (90) Day Trial Period, Carol Woods also has the right to terminate this Agreement based on its judgment that Your physical condition or emotional adjustment will not permit adaptation to Carol Woods' lifestyle. In such event, Carol Woods will refund the full Entry Fee following termination during the Ninety (90) Day trial period. The refund will be made within Thirty (30) Days after the residence is vacated. The Ninety (90) Day Trial Period begins with the Date of Financial Responsibility.

- C. **Voluntary Termination After Occupancy.** After the Trial Period, this Agreement may be terminated by You at any time by serving Carol Woods Sixty (60) Days advanced written notice of such termination. You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.H.

If this Agreement is terminated voluntarily, You and Carol Woods may reinstate the Early Acceptance Agreement that had been in effect prior to the Your move to campus upon the mutual written consent of You and

Carol Woods, unless the reason for terminating this Agreement is due to factors that would preclude You from returning to an Early Acceptance relationship with Carol Woods.

- D. Termination Upon Death.** In the event of Your death at any time after occupancy, this Agreement will terminate upon the date of death or the date Your Residence is vacated, whichever is later. Your estate may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII.H.
- E. Termination by Carol Woods.** Carol Woods may terminate this Agreement at any time if there has been any material misrepresentation or omission made by You in the application forms; if a material change in Your health takes place before the Date of Financial Responsibility; or if You fail to make payment to Carol Woods and Carol Woods gives notice provided for in Paragraph V. B. In such events, You may be entitled to a Pro-rated Refund of the Entry Fee pursuant to Paragraph VIII. H. Carol Woods also reserves the right to terminate the Agreement if You fail to abide by Carol Woods' policies and procedures, breach the terms of this Agreement, or if Your continued presence is considered by Carol Woods to be a serious disruption or threat to the life, health or safety of others. Carol Woods will provide timely advance written notice of termination that is in compliance with prevailing laws, regulations and Carol Woods' policies.
- F. Termination by One of Two Residents Sharing a Residence.** In the event that two (2) Residents occupy a Residence under the terms of this Agreement, upon the permanent transfer to a Health Center or the death of one (1) of such Residents, or in the event of the termination of this Agreement with respect to one (1) of such Residents, the Agreement will continue in effect as to the remaining or surviving Resident and there will be no refund of any portion of the Entry Fee. In the event of one or both Residents transferring to a Health Center, the monthly fee continues to reflect the double occupancy rate. Upon death of one (1) Resident, the surviving Resident will pay the single occupancy rate of the associated residence.
- G. Condition of Residence.** Upon termination of this Agreement, You will vacate the Residence and will leave it in good condition except for normal wear and tear. You or Your estate will be liable to Carol Woods for any cost incurred in restoring the Residence to good condition except for normal wear and tear.
- H. Calculation for Prorated Refunds.**
- 1. Calculation of Refund.** Between the entry fee that You paid when You first became a Carol Woods Resident under the Early Acceptance Agreement, and the additional entry fee that You are

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paying as part of this Residence and Services Agreement Following Early Acceptance, Carol Woods wants to ensure that You receive a full Fifty (50) Months during which you are entitled to refund of a portion of Your entry fees paid. Exhibit A to this Agreement (which is incorporated into and made a part of this Agreement) outlines the specific dates of the applicable agreements, the entry fees paid, the amount of Your entry fees that are currently refundable, and the number of months, rate per month, and amount per month that Your entry fees will decline in refundability hereafter, as of the Date of this Agreement.

2. **Payment.** Payment of any refund due of an Entry Fee may be made only when a new Entry Fee has been paid for Your Residence by a subsequent resident.

IX. RIGHT OF RESCISSION

Notwithstanding anything herein to the contrary, this Agreement may be rescinded by You giving written notice of such rescission to Carol Woods within Thirty (30) Days following the later of the execution of this Agreement or the receipt of a disclosure statement that meets the requirements of Section 58-64-1 et. seq. of the North Carolina General Statutes. In the event of such rescission, if it is conditioned by a change in Your health status, You will receive a full refund of the Entry Fee, less the Administration Fee. If the rescission is for a reason other than change in Your health status, You will receive a refund of the Entry Fee less the 2% Acceptance Fee which will be retained to cover the costs to Carol Woods of Your rescission following acceptance. You will not be required to move to Carol Woods before the expiration of such Thirty (30) Day period. Any such refund will be paid by Carol Woods within Sixty (60) Days following receipt of written notice of rescission pursuant to this Paragraph.

X. **GENERAL**

- A. **Assignment.** The rights and privileges for You under this Agreement to the Residence, common areas and amenities, and services and programs of Carol Woods are personal to You and may not be transferred or otherwise assigned by You.
- B. **Management of the Community.** The absolute rights of management are reserved by Carol Woods and its Board of Directors. Carol Woods reserves the right to accept or reject any person for residency. Residents do not have the right to determine admission or terms of admission of any Resident.
- C. **Entire Agreement.** This Agreement constitutes the entire Agreement between Carol Woods and You. Carol Woods will not be liable or bound in any manner by any statements, representations, or promises made by any person representing or claiming to represent Carol Woods, unless such statements, representations, or promises are set forth in this Agreement.

This Agreement supersedes all prior and contemporaneous agreements and understandings between You and Carol Woods with respect to such subject matter hereof including, without limitation, the Early Acceptance Agreement.

- D. **Successors and Assigns.** Except as set forth herein, this Agreement will bind and inure to the benefit of the successors and assigns of Carol Woods and Your heirs, executors, administrators, and assigns.
- E. **Rights Subordinate to Mortgage.** Pursuant to the requirements of any lender, You agree that Your rights under this Agreement are subordinate to the right of the lender under any mortgage executed now or in the future by The Chapel Hill Residential Retirement Center, Inc.
- F. **Durable Power of Attorney, Will, Living Will, and Health Care Power of Attorney.** You agree to execute a Durable Power of Attorney designating some competent person as attorney-in-fact. You agree to execute a Will, Living Will, and designate a Durable Health Care Power of Attorney. You will provide Carol Woods with copies of Durable Power of Attorney, Living Will, and Health Care Power of Attorney as well as the location of Your Will upon execution, and within ninety (90) days of assuming financial responsibility.
- G. **Resident Contracted Employees.** If you wish to privately employ outside assistance for any reason, You must obtain the prior written approval of Carol Woods to hire such individual and Your contracted employee must adhere to all Carol Woods policies.. You agree to hold Carol Woods harmless for any claim, damages or other harm arising out

Initials

of Resident's private employment or contracting with any individual(s) or otherwise related to the provisions of such outside services. Carol Woods has the right to require that the Resident immediately terminate the employment or contract with such a person at any time upon written notice to Resident.

- H. **Uncontrollable Interruption of Services.** No breach of Carol Woods' obligations under this Agreement and no liability for injury to Resident or Resident's property shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond the reasonable control of Carol Woods, specifically including strikes or other forms of labor disturbances, government regulations and/or embargoes, shortages of labor or materials, fire, flood, earthquakes, inclement weather or acts of the Resident. Carol Woods shall make every effort to continue to provide the usual services in such event.
- I. **Confidentiality.** Carol Woods has the responsibility to keep all of the personal, medical and financial information You have supplied to it confidential. You agree that Carol Woods can disclose such information to those who have a need, in its judgment, or right to know (e.g., to provide information for transfer to a hospital).
- J. **Indemnity.** You agree to indemnify, defend and hold Carol Woods harmless from claims, damages or expenses, including attorneys' fees and court costs, resulting from any injury or death to persons and any damages to property caused by, resulting from, attributable to or in any way connected with Your negligent or intentional act or omission or those of Your guests, including private duty nurses. This Section X.J. shall survive the termination of this Agreement.
- K. **Affiliated Corporation.** In compliance with N.C.G.S. § 58-64-25(b)(8), Carol Woods hereby discloses that it has a close affiliation with The Carol Woods Charitable Fund, Inc. ("Charitable Fund"). The Charitable Fund was created by Carol Woods as a Supporting Corporation, whose purpose is to support Carol Woods in its charitable mission. The full Board of the Charitable Fund is appointed by the Board of Carol Woods, and at least half of the Charitable Fund Board is comprised of current members of the Carol Woods Board, as well as Carol Woods' President/CEO and Vice President of Finance/CFO. The Charitable Fund has no responsibility for the financial and contractual obligations of this Agreement. Carol Woods is solely responsible for the financial and contractual obligations of this Agreement.

- L. **Notice Provisions.** Any notices, consents, or other communications to Carol Woods hereunder (collectively “notices”) will be in writing and addressed as follows:

The Chapel Hill Residential Retirement Center, Inc.
750 Weaver Dairy Road
Chapel Hill, North Carolina 27514-1502

Your address for the purpose of giving notice is the address appearing after Your signature below.

XI. **MEDIATION AND BINDING ARBITRATION OF DISPUTES**

- A. **Mediation.** You and Carol Woods hereby agree that any claim or dispute relating to this Agreement, or any other matters, disputes, or claims between the two parties shall be subject to non-binding mediation within thirty (30) days of either party making a request in writing to the other. The mediation sessions shall be held at a place agreed upon by both parties, or in the absence of such agreement, at Carol Woods, and shall be conducted according to the mediation rules of the National Arbitration Forum. This Section XI.A. shall survive termination of this Agreement.

Initials

- B. **Arbitration.** You and Carol Woods hereby agree that to the extent permitted by North Carolina law, whether or not mediation is requested by either party, any dispute, claim or controversy, including any that remains unresolved 120 days after an agreement for mediation, arising from or relating to this Agreement, including any dispute arising out of the diagnosis, treatment, or care provided to You, shall be resolved by binding arbitration by an arbitrator agreed upon by both parties. This agreement to arbitrate will be governed by the Federal Arbitration Act. Information may be obtained and claims may be filed at any office of the National Arbitration Forum, at www.arbitration-forum.com or at P.O. Box 50191, Minneapolis, MN 55405.

This Agreement binds all parties whose claims may arise out of or relate to this Agreement or services rendered hereunder, including Your spouse or heirs.

The parties agree and understand that the result of this arbitration agreement is that claims submitted to arbitration, including malpractice claims that You may have against Carol Woods, employees or agents, cannot be brought as a lawsuit in court before a judge or jury, and agree that all such claims will be resolved as described in this section.

You also understand that nothing in this agreement prevents you from contacting regulatory or administrative agencies in relation to services provided by Carol Woods.

The parties agree that costs of arbitration, or of any related litigation, including reasonable attorney's fees of the prevailing party, shall be paid by the other party.

The arbitrators shall have no authority to make legal determinations which are, or are based on, material errors of law, to award punitive damages, or to add to, modify or refuse to enforce any valid and enforceable agreement(s) between the parties. The arbitrator shall make findings of fact and conclusions of law and shall have no authority to make any award that could not have been made by a court of law or that would cause any party to be in violation of any governmental law or regulation. Nothing herein shall prohibit a party to dispute, controversy or claim from seeking equitable relief in a court of law to remain the status quo while a mediation or arbitration is pending.

This Section XI.B. shall survive the termination of this Agreement.

I hereby acknowledge the receipt of the Carol Woods Retirement Community's Disclosure Statement dated _____. I acknowledge that the Disclosure Statement was received prior to the execution of this contract and the payment of the Entry Fee to Carol Woods.

IN WITNESS WHEREOF, Carol Woods has executed this Agreement and You have read and understand this Agreement and have executed this Agreement.

Witness

Resident

Witness

Resident

Your Address

Street Address

City, State & Zip Code

Date

The Chapel Hill Residential Retirement Center, Inc.

Signature, President & CEO

Date

APPENDIX D

The following presents Carol Woods' Interim Financial Statements for the period ending March 31, 2015

CAROL WOODS
CONSOLIDATED STATEMENT OF ACTIVITIES (INCOME STATEMENT) - UNAUDITED
For the Three Months Ending March 31, 2015

	March			YTD			
	(1) Actual	(2) Budget	(3) Variance	(4) Actual	(5) Budget	(6) Variance	(7) % Var
Operating Revenue							
Net Monthly Service Fees - Early Acceptance	58,107	64,350	(6,243)	170,526	187,902	(17,376)	(9%)
Net Monthly Service Fees - CW Campus	1,360,486	1,389,987	(29,501)	4,090,319	4,167,260	(76,941)	(2%)
Entry Fee Amortization - Early Acceptance	10,279	10,323	(44)	29,545	29,368	177	1%
Entry Fee Amortization - CW Campus	283,447	312,697	(29,250)	816,139	920,923	(104,784)	(11%)
Tertiary Medical Insurance W/O's	(14,892)	(19,644)	4,752	(41,201)	(40,751)	(450)	(1%)
Net Assisted Living Revenue	77,585	90,672	(13,087)	248,070	260,463	(12,393)	(5%)
Net Assisted Nursing Revenue	73,440	66,500	6,940	169,428	135,880	33,548	25%
Net Skilled Nursing Revenue	82,489	122,408	(39,919)	276,327	339,709	(63,382)	(19%)
Clinic / Rehab Revenue	50,127	45,806	4,321	121,214	125,187	(3,973)	(3%)
Dining Services Revenue	11,584	13,448	(1,864)	35,686	39,367	(3,681)	(9%)
Guest House Revenue	181	3,647	(3,466)	4,612	12,422	(7,810)	(63%)
Other / Miscellaneous Revenue	15,199	18,972	(3,773)	50,272	57,666	(7,394)	(13%)
Investment Dividends & Interest	99,199	112,504	(13,305)	285,474	376,298	(90,824)	(24%)
Restricted Assets Released for Operations	67,647	29,583	38,064	132,269	115,249	17,020	15%
Total Operating Revenue	2,174,878	2,261,254	(86,376)	6,388,680	6,726,943	(338,264)	(5%)
Operating Expenses							
Early Acceptance	4,410	4,950	540	12,726	14,454	1,728	12%
Assisted Living (Bldgs 5, 6 & 7)	96,209	90,626	(5,583)	304,138	283,015	(21,123)	(7%)
Assisted Nursing (Bldg 4, 2nd Floor)	142,325	139,265	(3,060)	433,513	427,623	(5,890)	(1%)
Skilled Nursing (Bldg 4, 3rd Floor)	131,998	149,384	17,386	403,314	457,524	54,210	12%
Clinic, Rehab & Well-Being	142,792	144,216	1,424	423,564	443,980	20,416	5%
Dining Services	293,974	295,106	1,132	891,669	921,019	29,350	3%
Housekeeping & Laundry	110,643	105,737	(4,906)	320,560	328,785	8,225	3%
Maint & Engineering, Grounds, Security/Transport	367,403	345,938	(21,465)	1,005,344	1,095,033	89,689	8%
Administration	295,785	296,880	1,095	900,970	955,999	55,029	6%
Directed Charitable & Community Benefit	59,785	65,856	6,071	177,620	198,768	21,148	11%
Investment Management & Bank Charge Expenses	2,210	2,426	216	70,149	71,865	1,716	2%
Contingency	23,665	0	(23,665)	24,332	0	(24,332)	0%
LT Debt Expense, Including Net Swap	176,113	175,466	(647)	526,311	526,396	85	0%
Depreciation	253,346	258,999	5,653	758,263	775,215	16,952	2%
Total Operating Expenses	2,100,659	2,074,849	(25,810)	6,252,473	6,499,676	247,203	4%
Net Operating Revenue / (Loss)	74,218	186,405	(112,186)	136,207	227,267	(91,060)	(40%)
Non-Operating Revenue							
Realized Gains/(Losses) on Investments	244,791	57,829	186,962	915,386	173,487	741,899	428%
Restricted Assets Released for Capital	0	0	0	2,837	0	2,837	0%
Total Excess Revenue	244,791	57,829	186,962	918,224	173,487	744,737	429%
Unrealized Gains/(Losses) on Investments	(415,335)	57,828	(473,163)	207,406	173,484	33,922	20%
Unrealized Gains/(Losses) on Swaps	(243,787)	227,114	(470,901)	(618,524)	681,346	(1,299,870)	(191%)
Gain/(Loss) on Retirement of Fixed Assets	(7,296)	(7,500)	204	(18,935)	(22,500)	3,565	16%
CW Charitable Fund Revenue	246	0	246	13,851	12,500	1,351	11%
Other Non-Operating Revenue	(666,171)	277,442	(943,613)	(416,203)	844,830	(1,261,033)	(149%)
Non-Operating Expenses							
CW Charitable Fund Expenses	2,210	14,500	12,290	15,875	22,500	6,625	29%
Total Non-Operating Expenses	2,210	14,500	12,290	15,875	22,500	6,625	29%
Net Non-Operating Revenue / (Loss)	(423,590)	320,771	(744,361)	486,146	995,817	(509,671)	(51%)
TOTAL NET REVENUE / (LOSS)	(349,372)	507,176	(856,548)	622,353	1,223,084	(600,731)	(49%)

CAROL WOODS
CONSOLIDATED STATEMENT OF POSITION (BALANCE SHEET) - UNAUDITED
For the Three Months Ending March 31, 2015

	<u>Carol Woods Retirement Community</u>	<u>Carol Woods Charitable Fund</u>	<u>03/31/15 Consolidated</u>	<u>12/31/14 Comparison</u>
ASSETS				
Current Assets				
Cash - Operating Funds	775,383	1,473,474	2,248,856	2,772,982
Bond Trustee Funds	1,923,701	0	1,923,701	1,443,714
Resident Receivables	424,272	0	424,272	461,412
3rd Party Receivables	1,150,279	1,050	1,151,329	1,082,880
Due To / From Charitable Fund	24,978	0	24,978	34,741
PrePaid Expenses, Inventory & Other	310,904	0	310,904	317,018
Total Current Assets	4,609,517	1,474,524	6,084,041	6,112,747
Long-Term Investments				
Fixed Income Funds	22,581,160	0	22,581,160	21,232,005
Equities / Other Mutual Funds	34,779,509	0	34,779,509	34,825,255
Total Long-Term Investments	57,360,669	0	57,360,669	56,057,259
Trustee-Held Funds				
Pooled Income Fund	131,485	0	131,485	131,485
Total Bond / Trustee Funds	131,485	0	131,485	131,485
Property and Equipment				
Land & Land Improvements	5,243,058	0	5,243,058	5,243,058
Buildings & Building Improvements	74,886,398	0	74,886,398	73,215,777
Furniture & Furnishings	2,504,881	0	2,504,881	2,492,201
Equipment	5,968,734	0	5,968,734	5,880,589
Construction-in-Process	385,374	0	385,374	1,773,718
LESS: Accumulated Depreciation	(34,904,729)	0	(34,904,729)	(34,176,727)
Total Net Property & Equipment	54,083,717	0	54,083,717	54,428,616
Deferred Costs				
Prepaid Bond Issuance Costs	663,190	0	663,190	673,062
Total Deferred Costs	663,190	0	663,190	673,062
TOTAL ASSETS	116,848,577	1,474,524	118,323,101	117,403,170
LIABILITIES				
Current Liabilities				
Vendor Accounts Payable	301,462	0	301,462	605,058
Accrued Payroll Expenses	944,056	0	944,056	941,324
Bond Interest Payable	171,345	0	171,345	172,672
Other Accrued Expenses	222,173	0	222,173	379,902
Current Portion of Long-Term Debt	1,920,000	0	1,920,000	1,920,000
Total Current Liabilities	3,559,035	0	3,559,035	4,018,957
Long-Term Liabilities				
Outstanding Long-Term Debt	45,850,000	0	45,850,000	45,567,670
Interest Rate Swap Mark-to-Market Value	8,188,937	0	8,188,937	7,570,413
Deferred Revenue from Entry Fees - Early Acceptance	2,001,874	0	2,001,874	1,838,995
Deferred Revenue from Entry Fees - On Campus	36,807,390	0	36,807,390	37,175,353
Other Deferred Revenue & LT Liabilities	1,651,102	0	1,651,102	1,488,472
Total Long-Term Liabilities	94,499,304	0	94,499,304	93,640,904
TOTAL LIABILITIES	98,058,339	0	98,058,339	97,659,860
NET ASSETS				
UnRestricted Net Assets				
UnDesignated Net Assets	16,383,300	547,578	16,930,878	16,308,525
Board Designated-Resident Assistance	308,876	0	308,876	308,876
Board Designated-Mission Development	1,316,044	0	1,316,044	1,316,044
Total UnRestricted Net Assets	18,008,220	547,578	18,555,798	17,933,445
Temporarily Restricted Net Assets				
Temporarily Restricted-Resident Assistance	407,867	733,357	1,141,224	1,212,799
Other Temporarily Restricted Net Assets	374,151	193,589	567,740	597,065
Total Temporarily Restricted Net Assets	782,018	926,946	1,708,964	1,809,864
TOTAL NET ASSETS	18,790,238	1,474,524	20,264,762	19,743,310
TOTAL LIABILITIES AND NET ASSETS	116,848,577	1,474,524	118,323,101	117,403,170

CAROL WOODS
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the Three Months Ending March 31, 2015

Carol Woods
Retirement Community
& Charitable Fund

Cash Flows from Operations

YTD Increase (Decrease) in Net Assets	622,353
Adjustments to Reconcile Change in Net Assets To Net Cash from Operations:	
ADD: Entry Fee Proceeds	696,176
ADD: Depreciation Expense	758,263
LESS: Entry Fee Amortization Revenue	(845,684)
ADD: Amortization of Deferred Costs	9,873
Realized (Gain) / Loss on Investments	(915,386)
(Gain) / Loss on Disposal of Property	18,935
Unrealized (Gain) / Loss on Investments	(207,406)
Unrealized (Gain) / Loss on Interest Rate Swaps	618,524
(Increase) / Decrease in Current Assets:	
Accounts Receivable	(21,696)
Prepaid Expenses & Inventory	6,114
Increase / (Decrease) in Current Liabilities:	
Accounts Payable	(302,192)
Accrued Expenses	(157,729)
Other Deferrals	162,630
Net Cash from Operations	<u>442,774</u>

Cash Flows from Investing Activities

Proceeds from Sale of Investments	5,013,091
Purchase of Property & Equipment	(432,297)
Purchase of Investments	(5,350,026)
Net Cash in Investing Activities	<u>(769,232)</u>

Cash Flows from Financing Activities

Principal Payments on LT Debt	(480,000)
Draws on LT Borrowings	282,330
Net Cash in Financing Activities	<u>(197,670)</u>

Net Increase / (Decrease) in Cash **(524,128)**

Cash at Beginning of Period **2,772,983**

Cash at End of Period **2,248,855**

CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Admission and Census Notes
For the Period Ending 03-31-2015

I. Admissions, Deaths and Census Statistics

Since census is a major determinant of monthly service fee revenue as well as revenue in CW's 24/7 health care continuum, the following tables present pertinent year-to-date admissions, deaths and budget-to-actual census statistics:

A. CCRC Admission & Death Statistics	1st Persons	2nd Persons
New Residents on Campus, Year-to-Date:	3	1
New Early Acceptance Residents, Year-to-Date:	4	4
Total New Carol Woods Residents	7	5
Deaths/Withdrawals, Year-to-Date:	5	2
B. Admissions Activity-in-Process:		
Residents <u>Accepted</u> , Move to Campus Pending:	10	6
Persons Who Have <u>Reserved</u> Units for On-Campus Admission:	8	4
Residents Who Have Reserved Units for Internal Moves:	1	0
Early Acceptance Slots Reserved for Admission:	10	9

C. Status of Independent Living Units:	Number of Units	Percent Occupancy
Total Number of Independent Living Units:	311	
Number of Independent Living Units Currently Occupied:	291	93.6%
Number of Units Reserved, Pending Admission:	18	
Number of Units Occupied and Reserved:	309	99.4%
D. Status of Priority List (PL):		
YTD Number of New Deposits / (Deposit Refunds):	30	(11)
Number of Folders on Priority List (<u>Excluding</u> Early Acceptance):	819	

	Current Census as of: 3/31/2015	Actual Average Year-to-Date		Budgeted Average Year-To-Date	
		Average # Residents Per Day	Average Percent Occupancy	Average # Residents Per Day	Average Percent Occupancy
No. of Residents in Apartments/Cottages:	395	401	94.1%	409	96.8%
No. of Residents <u>Permanently</u> in Health Ctr/Assisted Living:	87	83		79	
Total CW Residents on Campus:	482	484		488	
No. of Residents in Early Acceptance:	70	66		73	
Total CW Residents:	552	550		561	
No. of Couples:	119	121		120	
Health Center (Building 4) Occupancy:	46	50	83.7%	51	78.5%
Assisted Living (Buildings 5, 6 & 7) Occupancy:	52	48	80.1%	47	82.0%
		YTD Actual		YTD Budget	
Free Days Used:		1,550		1,655	105
Free Day Write Offs:		(147,562)		(148,564)	1,002

CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Revenue and Expense Notes
For the Period Ending 03-31-2015

II. Revenue Notes

A. Monthly Service Fee Revenue	Actual	Budgeted	Difference		NOTES
Net Monthly Service Fee Revenue	4,260,845	4,355,162	(94,317)	-2.2%	
Average Number of Residents on Campus	484	488	(4)	-0.8%	16 scheduled to move to campus in next 3 months
Average Number of Residents -- Early Acceptance	66	73	(7)	-9.6%	70 Early Acceptance residents + 19 reservations vs. 77 by 06/30

B. Entry Fee Amortization Income	Actual	Budgeted	Difference		NOTES
On-Campus Entry Fee Amortization (Year-to-Date)	762,023	788,923	(26,900)	-3.4%	Prorated YTD Amortization of entry fees of 482 current residents.
Early Acceptance Entry Fee Amortization (YTD)	29,545	29,368	177	0.6%	Prorated YTD Amortization of entry fees of 70 current EA residents.
Entry Fee Income from Contract Termination	54,116	132,000	(77,884)	-59.0%	5 actual contract terminations YTD vs. 22 budgeted for 2015.
Total Revenue from Amortization	845,684	950,291	(104,607)	-11.0%	\$7,731 / Termination Actual vs. \$24,000 / Termination Budgeted

C. Health Center Revenue, Net of Expenses	Actual	Budgeted	Difference		NOTES (Monthly Fees & Entry Fees help support costs of higher levels of care)
Assisted Living Revenue <u>Net</u> of Expenses	(56,068)	(22,552)	(33,516)	-148.6%	48 average census in AL versus 47 budgeted
Assisted Nursing Revenue <u>Net</u> of Expenses	(264,085)	(291,743)	27,658	9.5%	+\$39,360 positive variance in Free Days
Skilled Nursing Revenue <u>Net</u> of Expenses	(126,987)	(117,815)	(9,172)	-7.8%	-\$46,990 negative variance in in Free Days

D. Investments & Investment Income	Actual	Budgeted	Difference		NOTES
Portfolio Value, January 1st	56,057,259	54,491,000	1,566,259	2.9%	Reflects portfolio appreciation during 4th quarter of 2014
Current Portfolio Value	57,360,669	55,254,000	2,106,669	3.8%	2.3% Actual returns YTD vs. 1.4% YTD Budget
Dividends & Interest	285,474	376,298	(90,824)	-24.1%	** 5.5% annual return is CW's <u>long-term</u> benchmark.

III. Expense Notes

A. Selected Operating Expenses, YTD	Actual	Budgeted	Difference		NOTES
Total Regular / Overtime Wages Paid	2,159,717	2,180,863	21,146	1.0%	Wages & Benefits represent over 50% of CW's total costs (Wages YTD reflective of 6 of 26 Pay Days)
Total Paid Time Off (PTO) & Holiday Benefits Paid	209,258	236,914	27,656	11.7%	-\$26,924 Sick / Funeral Pay negative variance
Payroll Taxes & Employee Benefits	623,114	663,978	40,864	6.2%	Includes employer FICA, group insurance (medical, dental, LT disability, life) & 401(a) retirement
Utilities, Including Telephone & Cable	361,397	392,811	31,414	8.0%	
Insurance- Property, Liability, Auto, Work Comp	96,909	168,862	71,953	42.6%	
Building & Equipment Refurbishment & Repair	231,764	249,384	17,620	7.1%	
Food & Beverages <u>Net</u> of Dining Revenue	330,143	324,961	(5,182)	-1.6%	
Depreciation Expense	758,263	775,215	16,952	2.2%	
Other Operating Expenses (excluding debt & deprec)	955,597	980,292	24,695	2.5%	

B. LT Debt	Actual	Budgeted	Difference		NOTES
(1) Outstanding Balance on 2010 Bonds	26,570,000	26,570,000	0	0.0%	
(2) Outstanding Balance on 2012 Bonds	21,200,000	21,200,000	0	0.0%	2012 Bonds fully drawn down as of January, 2015
(3) LT Debt Expense, Net Swap, Fees & Bond Amort	526,311	526,396	85	0.0%	
(4) YTD Interest Rate, Annualized (includes fees & amort)	4.42%	4.42%	0.00%		LT debt expense in Line B(3), annualized, and divided by <u>average</u> outstanding debt throughout the year.

CAROL WOODS
Interim Monthly Financial Statements
As Presented to the Board of Directors
Balance Sheet, Cash Flow and Summary Notes
For the Period Ending 03-31-2015

IV. Notes to Balance Sheet & Cash Flow Statement

A. Key Cash Flow Measures

To the degree to which CW can apply new entry fees to operations and debt payments, and otherwise manage its day-to-day cash flow, it enables dividends and interest from investments to be reinvested. The tables below present some key cash flow statistics, and indicate that Carol Woods has avoided the need to withdraw funds from its investment portfolio during the current year to-date.

YTD Operating Cash Flows	In Flows	(Out Flows)
Net New Entry Fees Received / (Refunded)	696,176	
Additional Capital Expenditures		(432,297)
Net Borrowing / (Repayment) of ST Credit		0
LT Debt Drawn / (Escrowed)	282,330	(480,000)
Net Cash Flows through Operations	66,209	

YTD Investment Cash Flows	In Flows	(Out Flows)
Interest & Dividends, Reinvested	285,474	
Investment Fees		(104,856)
Transfers To / (From) Investments		
Realized & Unrealized Gain / (Loss)	1,122,792	
Net Change in Investments	1,303,410	

B. Other Balance Sheet Notes

	3/31/2015	12/31/2014	Change	NOTES
2009 Swap Mark-to-Market (MTM) Valuation	(3,722,741)	(3,402,507)	(320,234) -9.4%	Swap fixed @ 3.153% vs variable 68% of 1-month LIBOR
2005 Swap Mark-to-Market (MTM) Valuation	<u>(4,466,196)</u>	<u>(4,167,906)</u>	(298,290) -7.2%	Swap fixed @ 3.48% vs variable 65% of 1-month LIBOR
Total Swap Mark-to-Market Valuations	(8,188,937)	(7,570,413)	(618,524) -8.2%	Historically low LIBOR rates result in swaps valued "underwater"
1-Month LIBOR:	0.18%	0.16%		1-month LIBOR remains below 10-Year rolling average of <u>1.73%</u>

V. Summary

- (1) **Net Operating Revenue** Operationally, through 3 months, CW shows a net operating gain of \$136,207 against a budgeted gain of \$227,267. Operating revenue, including investment dividends & interest, shows a negative variance of -\$338,264 (5%). Operating expenses show a positive variance of \$247,203 (4%).
- (2) **Non-Operating Revenue & Total Net Revenue** The investment portfolio YTD shows realized gains of \$915,386 and unrealized gains of \$207,406. YTD CW shows an unrealized loss on its 2 interest rate swaps of -\$618,524, reflective of prevailing interest rates.
- (3) **Assets** CW's Total Assets have increased YTD by \$919,931 (0.8%). Investments have increased \$1,303,410 (2.3%). No funds have been withdrawn from investments except for investment management fees. Net property and equipment has decreased -\$344,899 (0.6%).
- (4) **Liabilities** CW's outstanding long-term debt has increased by \$282,330, which is the final draw on the 2012 series bonds. \$1,920,000 in bonds are scheduled to be redeemed on 4/1/15. Deferred Revenue from Entry Fees has decreased -\$205,084 (0.5%). \$696,176 in net new entry fees received have been offset by \$845,684 in entry fees amortized to revenue. No entry fees have been refunded. The balance on CW's short-term line of credit remains at \$0, related to routine cash flows from operations.
- (5) **Net Assets** CW's net assets have increased by \$521,452 (4.6%). \$1,303,410 of that increase is the change in the valuation of CW's investment portfolio.

APPENDIX E

The following presents various certifications and licenses of Carol Woods, including:

1. Certificate of Accreditation with CARF – CCAC through 2018
2. Documentation of Licensure with NC Department of Insurance
3. 2015 Combination Nursing / Adult Care Home License with NC DHSR
4. 2015 Adult Care Home License with NC DHSR– Building 6
5. 2015 Adult Care Home License with NC DHSR – Building 7
6. 2015 Home Care License with NC DHSR

carf INTERNATIONAL

*Carol Woods Retirement Community
Chapel Hill, North Carolina*

*has earned accreditation as a
Continuing Care Retirement Community*

*This accreditation is valid through
December 2018*

The accreditation seals in place below signify that the organization has met annual conformance requirements for quality standards that enhance the lives of persons served.



This accreditation certificate is granted by authority of:

Kayda Johnson
Chair
CARF International Board of Directors

Brian J. Boon, Ph.D.
President/CEO
CARF International

carf

carfccac

carf CANADA

FINANCIAL EVALUATION

August 15, 2014

Ms. Patricia Sprigg
President/CEO
Carol Woods
750 Weaver Dairy Road
Chapel Hill, NC 27514-1438

Re: Carol Woods – 2013 Annual Filing Requirements Met

Dear Ms. Sprigg:

This letter shall serve as notification that:

1. The annual disclosure statement filing for Carol Woods has been received by the North Carolina Department of Insurance; and
2. Carol Woods has met the annual filing requirements as set forth in GS § 58-64-5(f) and GS § 58-64-30.

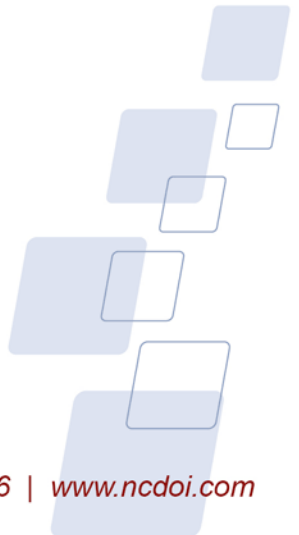
Please contact me at 919-807-6614, or via e-mail at Steve.Johnson@ncdoi.gov, should you have any questions.

Sincerely,



Steve Johnson
Manager
Special Entities Section

cc: Mr. Kenneth C. Reeb, Vice President of Finance/CFO-Carol Woods



State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 01, 2015, this license is issued to

The Chapel Hill Residential Retirement Center Inc

to operate a nursing facility known as

Carol Woods

located in Chapel Hill, Orange County

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2015.*

Facility ID: 923061

License Number: NH0258

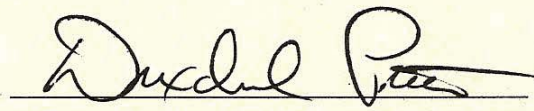
Bed Capacity: 95

Nursing Facility Beds 30 / Adult Care Home Beds 65

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

*Effective January 1, 2015, this license is issued to
Chapel Hill Residential Retirement Center Inc
to operate an Adult Care Home known as
The Carol Woods Retirement Community - Building 6
located at 750 Weaver Dairy Road
Chapel Hill, NC, Orange County.*

*This license is issued subject to the statutes of the State of North
Carolina, is not transferable and shall expire
December 31, 2015.*

License Number: HAL-068-020

**** This home serves only elderly persons. ****

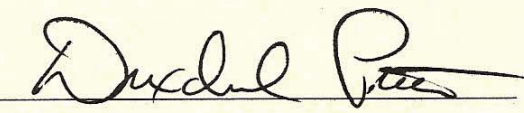
Capacity: 12

Special Care Units: Yes No

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

*Effective January 1, 2015, this license is issued to
Chapel Hill Resident Retirement Center, Inc
to operate an Adult Care Home known as
Carol Woods Retirement Community - Building 7
located at 750 Weaver Dairy Road
Chapel Hill, NC, Orange County.*

*This license is issued subject to the statutes of the State of North
Carolina, is not transferable and shall expire
December 31, 2015.*

License Number: HAL-068-021

**** This home serves only elderly persons. ****

Capacity: 12

Special Care Units: Yes No

Authorized by:

Aldona W. M.D.

Secretary, N.C. Department of Health and
Human Services



Dwight P. ...

Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

*Effective January 01, 2015, this license is issued to
The Chapel Hill Residential Retirement Center, Inc.*

*to operate an agency known as
Carol Woods Retirement Community*

*located at 750 Weaver Dairy Road
City of Chapel Hill, North Carolina.*

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2015.*

Facility ID: 110559

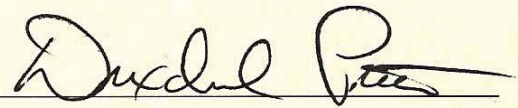
License Number: HC4428

Home Care Services: In-home Aide , Companion, Sitter, Respite

Authorized by:



Secretary, N.C. Department of Health and
Human Services



Director, Division of Health Service Regulation

APPENDIX F

The following presents Carol Woods' Philosophy Statement, and Statement of Mission, and Value Statement

THE CAROL WOODS PHILOSOPHY

Revised by the Board of Directors - September 27, 2011

Carol Woods values individual and community well-being, defined as a sense of life satisfaction, meaning and purpose. Success is measured by the quality of life achieved by residents. Personal autonomy and dignity are honored in a safe and secure community conscious of its generous but limited resources.

Carol Woods' approach to well-being, which includes health care, is holistic, proactive and collaborative, integrating a broad array of traditional and emerging modalities and interventions tailored to the unique needs of each person. Each person's life experiences, capabilities and goals are respected and honored. Carol Woods is restraint-free and supports individual choices in end-of-life decisions.

The partnership between staff and residents is fundamental to successful well-being. Mutual respect between residents and staff fosters a natural sense of cooperation and caring. Staff supports residents in making decisions about individual services, healthcare and transitions. Carol Woods encourages open communication and partnership in planning, implementing, and evaluating community initiatives. Open and honest interaction builds relationships of appreciation and trust among residents, families, staff, administration, and the board of directors.

Staff members are supported personally and professionally through high quality education and training to gain a thorough understanding of the aging process and the latest developments on resident focused services to support the community's philosophy.

Carol Woods' commitment to these values builds a strong community that is responsive to changes and extends beyond its own members. Research, education and community service further quality of life for elders in the wider world.

CAROL WOODS STATEMENT OF MISSION

Mission

Carol Woods shall be a charitable, not-for-profit corporation meeting the needs of older adults for housing, health, well-being, and protection of financial security.

The mission of Carol Woods shall be to provide a safe, healthful, and secure environment for persons throughout their later years, as well as to engage in cooperative research, development, and education in areas encompassed by the mission. High quality residential living and health services shall be provided according to individual needs. Residents' ongoing needs to maintain and promote health and well-being shall be supported through the provision of appropriate resources. Carol Woods shall encourage diversity, residents' leadership, participation in and service to Carol Woods and the larger community. Carol Woods shall also foster a high quality work experience for staff and facilitate staff development that embodies the values of the organization.

Intent

To that end, Carol Woods shall:

- a) Obtain, manage, and apply assets and income exclusively for the benefit of older adults, subject to the restrictions and limitations as set forth in its Articles of Incorporation;
- b) Supply for older adults residential facilities and programs that are specifically designed and staffed to support health, well-being and autonomy
- c) Provide, by itself or through continuing arrangements with other organizations, facilities, personnel, and/or services designed to enhance the physical and emotional well-being of older adults;
- d) Continue to maintain in residence any persons who become unable to pay their regular charges due to circumstances beyond their control in accordance with the provisions of the Residence and Service Agreements;
- e) Provide high quality services at the lowest feasible costs; maintain resources of Carol Woods, taking into consideration the payment of indebtedness, maintenance of reserves adequate to ensure the life care of each resident, and to provide physical expansion commensurate with the corporate needs;
- f) Engage in cooperative research, development, and education in areas encompassed by this mission;
- g) Foster a high quality work experience for staff and provide programs that support staff's professional and personal growth as they embody the values and fulfill the mission of the organization;
- h) Engage in providing community leadership and services appropriate to our mission.

VALUE STATEMENT
CHRRC/CAROL WOODS

MISSION

The Chapel Hill Residential Retirement Center (Carol Woods) shall be a charitable, not-for-profit corporation meeting the needs of older adults for housing, health, socialization, and protection of financial security.

The mission of Carol Woods shall be to provide a safe, healthful, and secure environment for persons throughout their later years, as well as to engage in cooperative research, development, and training in areas encompassed by the mission. High quality residential living and health services shall be provided according to individual needs. Residents' ongoing needs for social, cultural, intellectual, emotional, recreational, and spiritual enrichment shall be supported through the provision of appropriate resources, encouragement of residents' leadership, participation in and service to Carol Woods and the larger community.

VISION

The Chapel Hill Residential Retirement Center (CHRRC) strives to serve as a national model for continuing care communities and to be a leader in promoting successful aging throughout the state and the nation.

VALUES

We promote individual growth and fulfillment for both residents and staff through education, research, and recognition of each person's unique contribution. We value social accountability, while maintaining financial and organizational strength of the Carol Woods' community. We embrace collaborative planning among our board, residents, and staff. We strive for a comfortable, relaxed, versatile environment that respects diversity of lifestyles, self-determination, and personal dignity.

We take pride in the shared responsibility of residents and staff in nurturing our community and believe in individual and collective contributions. We value optimal independence and security, a meaningful lifestyle, and the highest quality of health care for every resident. We seek to provide research and education that will enhance the health and care of older adults.

We value excellence, effectiveness, efficiency, and human caring in our employees and affiliated professionals. We embrace initiative, innovation, teamwork, and mutual respect. We seek to keep lines of communication open and to nurture ties outside Carol Woods, enabling contributions to the larger community.

APPENDIX G

The following presents Carol Woods' Board Policy Governing the
Evaluation and Disclosure of Potential Conflicts of Interest

Carol Woods Board of Directors Conduct Policy Statement (Conflict of Interest Policy)

Adopted by the Carol Woods Board of Directors, November 24, 1998

I. Disclosure and Conflict of Interest

Chapel Hill Residential Retirement Center Inc., doing business as Carol Woods, is licensed as a Continuing Care Retirement Center under North Carolina law. The Department of Insurance is responsible for its regulation and the enforcement of relevant state laws.

The law requires that the disclosure statement which Carol Woods files with the Department and provides to prospective residents include information about any business relationships Directors have with residents and with companies doing business with Carol Woods. Additional details of disclosure requirements are outlined in Appendix I. The North Carolina Statute defining Director Conflict of Interest is Appendix II.

It is the policy of Carol Woods that Carol Woods Directors not hold directorships, employment, or other affiliation with any organization whose mission may be in conflict or competition with that of Carol Woods or that threatens the autonomy of Carol Woods.

Residents may have business relationships with Directors or with organizations that Directors may control, be employed by, and/or are otherwise affiliated with. Carol Woods does not endorse or encourage residents to do business with such Directors or organizations and is not involved in establishing continuing relationships between residents and Directors.

No Director shall engage in any activity in relation to Carol Woods that is likely to be materially beneficial to that person without prior knowledge of the Executive Committee of the Board of Directors. Any Director who provides goods or services to a resident of Carol Woods should inform the Executive Committee of the Board of Directors of that fact.

It is the policy of Carol Woods that if a possible conflict of interest is identified by any Director, he or she will not participate in discussion nor vote on that particular issue.

The resolution of any apparent conflict of interest shall be reached by consensus among the Directors. If consensus cannot be reached the procedure in the N. C. Statute 55A-8-31 will be applied. (See Appendix II)

2. Confidentiality and General Conduct

No Director shall disclose any confidential information about Carol Woods.

No present or former Director shall ask or expect special favors or consideration from the President/CEO or any staff member by virtue of present or prior Board membership.

No Director shall ever instruct a staff member in the performance of his or her duties. Any advice of that sort should be directed to the President/CEO. Directors should address all questions about operations only to the President/CEO.

This policy shall be discussed with Director candidates before the Nominating Committee presents them for the Carol Woods Board of Directors.

The policies in this statement shall also apply to immediate family members of Directors. (See Appendix III)

This policy shall be reviewed annually. Each Director will be asked to update any information as necessary. This statement will include disclosure of any organizational relationship or other activity or interest that might possibly constitute a conflict of interest. (See Appendix IV)

Appendix I

Disclosure Requirements

Board of Directors

Management

- a. A description of the business experience of this person, if any, in the operation or management of similar facilities;
- b. The name and address of any professional service firm, association, trust, partnership, or corporation in which this person has, or which has in this person, a ten percent (10%) or greater interest and which it is now intended shall currently or in the future provide goods, leases, or services to the facility, or to residents of the facility, of an aggregate value of five hundred dollars (\$500.00) or more within any year, including a description of the goods, leases, or services and the probably or anticipated cost thereof to the facility, provider, or residents or a statement that the cost cannot now be estimated; and
- c. A description of any matter in which the person (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 subject to this Article or a similar law in another state.

Appendix II

North Carolina Statute

§55A-8-31. Director conflict of interest.

(a) A conflict of interest transaction is a transaction with the corporation in which a director of the corporation has a direct or indirect interest. A conflict of interest transaction is not voidable by the corporation solely because of the director's interest in the transaction if any one of the following is true:

- (1) The material facts of the transaction and the director's interest were disclosed or known to the board of directors or a committee of the board and the board or committee authorized, approved, or ratified the transaction;
- (2) The material facts of the transaction and director's interest were disclosed or known to the members entitled to vote and they authorized, approved, or ratified the transaction; or
- (3) The transaction was fair to the corporation.

(b) For purposes of this section, a director of the corporation has an indirect interest in a transaction if:

- (1) Another entity in which he has a material financial interest or in which he is a general partner is a party to the transaction; or
- (2) Another entity of which he is a director, officer, or trustee is a party to the transaction and the transaction is or should be considered by the board of directors of the corporation.

(c) For purposes of subdivision (a)(1) of this section, a conflict of interest transaction is authorized, approved, or ratified if it receives the affirmative vote of a majority of the directors on the board of directors (or on the committee) who have no direct or indirect interest in the transaction, but a transaction shall not be authorized, approved, or ratified under this section by a single director. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under subdivision (a)(1) of this section if the transaction is otherwise authorized, approved, or ratified as provided in that subdivision.

(d) For purposes of subdivision (a)(2) of this section, a conflict of interest transaction is authorized, approved, or ratified by the members if it receives a majority of the votes entitled to be counted under this subsection. Votes cast by or voted under the control of a director who has a direct or indirect interest in the transaction, and votes cast by or voted under the control of an entity described in subdivision (b)(1) of this section, shall not be counted in a vote of members to determine whether to authorize, approve, or ratify a conflict of interest transaction under subdivision (a)(2) of this section. The vote of these members, however, is counted in determining whether the transaction is approved under other sections of this Chapter. A majority of the votes, whether

or not present, that are entitled to be cast in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this section.

(e) The articles of incorporation, bylaws, or a resolution of the board may impose additional requirements on conflict of interest transactions. (1985 (Reg. Sess., 1986), c. 801, s.26; 1993, c. 398, s. 1.)

Appendix III

Immediate family includes spouse, children, parents, grandparents, grandchild, brother, sister, step and adoptive relatives and spouses of each.

Appendix IV

Carol Woods Board of Directors

Statement of Conflict of Interest

I acknowledge receipt of a copy of the Carol Woods policy concerning Conflict of Interest.

As a part of the annual disclosure procedure, I list the following business or organizational affiliations or other activity or interest which might possibly constitute conflict of interest. Note "none" if applicable.

Signed: _____

Date: _____

APPENDIX H

The following information contains the Board Membership Updates
for Carol Woods. (Amended every January)

APPENDIX I

The following presents Changes in Major Fees for Carol Woods
(Amended every January)