

FILED
Commonwealth of Virginia
State Corporation Commission
Bureau of Insurance
December 31, 2020
Commissioner of Insurance
BY: *Daryl Hepler*

DISCLOSURE STATEMENT

For

CCRC, Inc.

December 2020

This is a disclosure statement intended to comply with the provisions of Section 38.2-4900 through 38.2-4904 of the Code of Virginia of 1950, as amended. The filing of this disclosure statement with the State Corporation Commission of Virginia does not constitute approval, recommendation or endorsement of the community by the State Corporation Commission.

CCRC, Inc.

DISCLOSURE STATEMENT

December 2020

For

THE SUMMIT

CONTENTS

- I. Continuing Care Provider
- II. Officers, Directors, Trustees, Managing and General Partners, and Certain Persons Who Hold Equity or Beneficial Interests
- III. Business Experience of: Acquisition of Goods and Services from; and Criminal, Civil and Regulatory proceedings against the Provider; its Officers, Directors, Trustees, Managing and General Partners; Certain Persons Who Hold Equity or Beneficial Interests; and the Management
- IV. Ownership of Real Property
- V. Location and Description of Real Property
- VI. Affiliates with Religious, Charitable or Other Non-profit Organizations; Tax Status of Provider
- VII. Services Provided Under Continuing Care Contracts
- VIII. Fees Required of Residents
- IX. Reserve Funding
- X. Pro Forma Income Statement
- XI. Admission of New Resident
- XII. Access to the Facility by Non-Residents
- XIII. Anticipated Source and Application of Purchase or Construction Funds
- XIV. Procedure for Resident to File a Complaint or Disclose Concern

- XV. Independent Living Residency Agreement Attached

I. Continuing Care Provider

Give the name and business address of the provider and a statement of whether the provider is a partnership, foundation, association, corporation or other type of business or legal entity. Such statement shall also set forth the jurisdiction in which the provider is organized if applicable.

If the provider is composed of multiple legal entities, give the required information for all such entities and provide a specific description of their relationship to each other.

The continuing care provider is CCRC, Inc., d/b/a The Summit. CCRC, Inc. is a Virginia corporation exempt from taxation under §501(c)(3) of the Internal Revenue Code with its business address at 1400 Enterprise Drive, Lynchburg, VA 24502. CCRC, Inc. is a Virginia stock corporation 91% and 9% of the stock of which is owned, respectively, by Centra and The Retirement Center of the Christian Church (Disciples of Christ) in Virginia, Inc. ("Disciples").

CCRC, Inc. began initial occupancy of The Summit on August 4, 2003.

Centra is a Virginia nonstock corporation exempt from taxation under §501(c)(3) of the Internal Revenue Code with its business address at 1920 Atherholt Road, Lynchburg, Virginia 24501. Centra was formed in December 1986 through the merger of Lynchburg General-Marshall Lodge Hospitals, Inc. ("LGH") and Virginia Baptist Hospital ("VBH"), the two acute care hospitals in Lynchburg. Together with its affiliates, Centra operates a vertically integrated health care delivery system providing a wide range of ambulatory, acute and long-term care services at sites throughout its service area. Headquartered in Lynchburg, Centra's primary service area covers the cities of Lynchburg, Farmville and Bedford, the counties of Amherst, Campbell, Appomattox, and parts of the counties of Bedford, Nelson, Pittsylvania, Charlotte, Halifax and Prince Edward.

The Christian Church (Disciples of Christ) in Virginia conceptualized the retirement center project in the late 1980's and early 1990's. At the time, the Virginia Region included 180 congregations with a combined membership exceeding 25,000 members. Disciples is a Virginia nonstock corporation exempt from taxation under §501(c)(3) of the Internal Revenue Code with its business address at c/o Wm. Tracey Shaw, Esq., 800 Main Street, Suite 400, Lynchburg, VA 24504.

II. Officers, Directors, Trustees, Managing and General Partners, and Certain Persons Who Hold Equity or Beneficial Interests

Give the names and business addresses of the officers, directors, trustees, managing or general partners, and any person having a ten percent or greater equity or beneficial interest in the provider, and a description of each person's interest in or occupation with the provider. In the case of a nonstock corporation also provide the information for members of the nonstock corporation.

The names and business addresses of the officers and directors of CCRC, Inc. are:

Mrs. Tracey Jennings, (President and Chairman)
Managing Director of Senior Care Services
Centra Health
3300 Rivermont Avenue
Lynchburg, VA 24503

Rev. Stephanie McLemore
(Vice Chairman)
Chaplain, University of Lynchburg
1501 Lakeside Drive
Lynchburg, VA 24501

Julie Sledd (Secretary)
Vice President Operational Finance
Centra Health
1920 Atherholt Road
Lynchburg, VA 24501

Bill Bass
Vice President & CEO Centra
Bedford Memorial Hospital
1613 Oakwood Street
Bedford, VA 24523

Steve Coates
Montana Plains Bakery
102 Tradewynd Dr
Lynchburg, VA 24502

Larry J. Hurt
1627 Valhalla Court
Salem, VA 24153

R. Sackett Wood
Moore and Giles, Inc.
1081 Tannery Row
Forest, VA 24551

Mr. Joseph Archambeault
Vice President of Facility and Support Services
Centra Health
1901 Tate Springs Road
Lynchburg, VA 24501

Rev. Bill Spangler-Dunning
Disciples of Christ
3600 Enterprise Drive
Lynchburg, VA 24502

Bob Johnson
Resident Representative (non-voting)
1400 Enterprise Dr S238
Lynchburg, VA 24502

The names and business addresses of the directors of Centra Health, Inc. are:

Amy G. Ray, **(Chairman)**
1125 Lemontvue Drive
Lynchburg, VA 24503

Hank Hubbard
5456 Cottontown Road
Forest, VA 24551

Michael V Bradford (Treasurer)
1105 Running Cedar Way
Lynchburg, VA 24503

Todd Irby
1100 Main Street
Lynchburg, VA 24504

Julie P. Doyle
The Education & Research Foundation
2095 Langhorne Road
Lynchburg, VA 24501

Andy Mueller, M.D.
President & CEO of Centra Health
1920 Atherholt Road
Lynchburg, VA 24501

Peter Caprise, MD
Orthopedic Center of Central VA
2405 Atherholt Road
Lynchburg, VA 24501

Thomas Nygaard, M.D.
1827 Royal Oak Drive
Lynchburg, VA 24503

Matthew R. Foster, M.D.
Pathology Consultants of Central
Virginia
1914 Thomson Drive
Lynchburg, VA 24501

Verna R. Sellers, MD
PACE
407 Federal Street
Lynchburg, VA 24504

Harold M. Harris, Jr.
Colonial Farm Credit
1700 South Main Street
Farmville, VA 23901

Amanda Stanley
DePaul Community Resources
5650 Hollins Road
Roanoke, VA 24019

Sharon L. Harrup
STEPS, Inc.
225 Industrial Park Road
Farmville, VA 23901

R. Sackett Wood
Moore and Giles, Inc.
1081 Tannery Row
Forest, VA 24551

George R. Zippel (Vice Chairman)
1301 Wakefield Road
Lynchburg, VA 24503

The names and business addresses of the officers of Centra Health, Inc. are:

Amy Ray **(Chairman of the Board of
the Corporation)**
1125 Lemontvue Drive
Lynchburg, VA 24503

Mr. George R. Zippel (Vice Chairman of
the Board of the Corporation)
1301 Wakefield Road

Lynchburg, VA 24503

Andrew T. Mueller, M.D.
President & CEO
Centra Health
1920 Atherholt Road
Lynchburg, VA 24501

Michael V. Bradford, Treasurer
1105 running Cedar Way

The names and business addresses of the directors of the Retirement Center of the Christian Church (Disciples of Christ) in Virginia, Inc. are:

Rev. Dr. Ed Parrish (Secretary)
4404 Hilltop Drive
Lynchburg, VA 24502

Rev. Trudy Betts
110 S. Snead St.
Ashland, VA 23005

Rev. Elaine Austin
6633 Sugar Ridge Dr.
Roanoke VA 24018

Mr. Scott Baker
135 Ashmont Dr.
Madison Heights VA 24572

Rev. Dr. Marilyn Taylor
1400 Enterprise Dr. N126
Lynchburg, VA 24502

Rev. Cyd Cowgill
922 Main Street #206
Lynchburg VA 24504

Mrs. Joy Flowers
246 Eastview Dr.
Madison Heights, VA 24572

Rev. Jamie Lynn Haskins
906 N. 27th St.
Richmond VA 23223

Rev. David Walton
1928 Moneta Rd
Bedford VA 24523

Lynchburg, VA 24503

Holly B. Trent, Secretary
Centra Health
2301 Langhorne Rd
Lynchburg, VA 24501

Mr. Larry Hurt (Treasurer)
1627 Vallhalla Ct.
Salem, VA 24153

Rev. Stephanie McLemore (Moderator)
Chaplain, Lynchburg College
1501 Lakeside Drive
Lynchburg, VA 24501

Rev. Colleen Swingle-Titus
1200 Park St.
Charlottesville, VA 22901

Dr. Kenneth R. Garren (Ex-Officio
Member)
President, Lynchburg College
1501 Lakeside Drive
Lynchburg, VA 24501

Rev. Bill Spangler-Dunning
Disciples of Christ
3600 Enterprise Drive
Lynchburg, VA 24502

Mrs. Marilyn Whittaker (Ex-Officio
Member)
Moderator, Christian Church (Disciples
of Christ) in Virginia
225 Tanks Prestige Avenue
Martinsville VA 24112

The name and business address of the officers for the Retirement Center of the Christian Church (Disciples of Christ) in Virginia, Inc. is:

Rev. Kenneth E. Burger (President)
1338 Hunting Creek Road
Big Island, VA 24526

Stephanie McLemore (Corp. Treasurer)
Chaplain, Lynchburg College
1501 Lakeside Drive
Lynchburg, VA 24501

1. *All forms of direct or indirect ownership of a provider, including ownership through another legal entity.*

The names and business addresses of 10% or greater equity interests in the provider are: Centra Health, Inc., 1920 Atherholt Road, Lynchburg, Virginia 24501 and The Retirement Center of the Christian Church (Disciples of Christ) in Virginia, Inc., c/o Wm. Tracey Shaw, Esq., 800 Main Street, Suite 400, Lynchburg, VA 24504.

Centra and Disciples are, respectively, the holders of 91% and 9% of the common stock of CCRC, Inc. Neither CCRC, Inc., Centra nor Disciples have any “members.”

2. *Ownership or control of any voting class of securities issued by the provider*

CCRC, Inc. has not issued any voting class securities.

3. *Any contract, including a lease or management contract, with a provider where the amount of consideration under the contract is tied to the financial performance of the provider.*

CCRC, Inc. does not have any of the above contracts.

III. Business Experience of: Acquisition of Goods and Services from; and Criminal, Civil and Regulatory proceedings against the Provider; its Officers, Directors, Trustees, Managing and General partners; Certain Persons who Hold Equity or Beneficial Interests; and the management.

For (i) the provider, (ii) any person named in the previous section or (iii) the proposed management, if the facility will be managed on a day-to-day basis by a person other than an individual directly employed by the provider:

- a. *Give a description of any specific business experience in the operation or management of similar facilities.*

Prior to August 2003, CCRC, Inc. the provider has not had any previous experience in the management or operation of retirement communities. However, three members of the Board of Directors have also served for three or more years as members of the Board of Directors for one of the partners of CCRC, Inc. – The Retirement Center of the Christian Church (Disciples of Christ) in Virginia, Inc. – and during that time has gained considerable experience with the issues attendant to developing a retirement community. All the other members of the Board of Directors have served for three or more years in various capacities with Centra as management staff and/or membership on the Centra Board of Directors. Centra owns and operates Lynchburg General Hospital, Virginia Baptist Hospital,

Guggenheimer Nursing Home and other affiliated health care corporations. Centra also owns and operates Fairmont Crossings, a nursing home located in Amherst, Virginia, opened in April 2002. Centra opened The Summit Health and Rehabilitation Center in August 2004, a nursing home on property adjoining the land owned by CCRC, Inc. Centra opened The Summit Assisted Living in June 2007, an assisted living facility on property adjoining the land owned by CCRC, Inc. With this experience, the Board and staff of Centra have gained considerable experience in the development and operation of health and long-term care facilities and services, some of which are directly related to the operation of a retirement community.

CCRC, Inc. has executed a management agreement with Centra through which substantially all the staff will be employed by Centra. Centra will also provide management and financial services for CCRC, Inc.

b. Give the name and address of any professional service, firm, association, foundation, trust, partnership or corporation or any other business or legal entity in which such person has, or which has in such person, a ten percent or greater direct or indirect interest and which it is presently intended will or may provide goods, leases or services to the provider of a value of \$500 or more, within any year, including:

- (1) A description of the goods, leases or services and the probable or anticipated cost to the provider;*
- (2) The process by which the contract was awarded;*
- (3) Any additional offers that were received; and,*
- (4) Any additional information requested by the Commission detailing how and why a contract was awarded.*

As part of the agreement between Centra and Disciples to form CCRC, Inc., Centra agreed to provide certain services to CCRC, Inc. such as fiscal services, interim management, and marketing. In 2006 CCRC, Inc. paid \$98,600 for these services. In 2007, CCRC, Inc. paid \$100,000. In 2008, CCRC, Inc. paid \$104,000. In 2009, CCRC, Inc. paid \$108,160. In 2010, CCRC, Inc. paid \$110,000. In 2011, CCRC, Inc. paid \$100,000. In 2012, CCRC, Inc. paid \$100,000. In 2013, CCRC, Inc. paid \$102,000. In 2014, CCRC, Inc. paid \$100,000. In 2015, CCRC, Inc. paid \$100,000. In 2016 CCRC, Inc. paid \$100,000. In 2017 CCRC, Inc. paid \$102,000. In 2018 CCRC, Inc. paid \$104,000. In 2019 CCRC, Inc. paid \$106,121. This contract is terminable with or without cause by either party upon 60 days notice.

By utilizing the resources of Centra, CCRC, Inc. is expected to achieve substantial savings and efficiency and have access to expertise. Due to the expected benefits of a contract with Centra, CCRC, Inc. did not solicit offers for services from any other entities. The contract with Centra, which is a contract between two nonprofit organizations with shared charitable purpose, does not lead to "inurement" within the meaning of the Internal Revenue Code. CCRC, Inc., has engaged the services of Meriwether-Godsey, Inc. to manage the dining services for The Summit including food service as described in the Residency Agreement (Section 3.E.1.) as well as catering and other special requests. The excellent reputation enjoyed by Meriwether-Godsey, Inc., in the Lynchburg community and by other senior service providers is expected to provide added benefits to residents and guests. Because of

this, CCRC did not solicit offers for these services from other providers. This contract may be terminated by either party upon 60 days' notice.

No goods or services which cost \$500 or more annually are furnished for the provider by the provider, any of the provider's board members, Centra, Disciples, or any of their board members other than the services to be provided by Centra currently discussed in Section III of this Disclosure Statement.

No goods or services which cost \$500 or more annually are expected to be furnished for the provider by any officer of the provider or Centra. No goods or services which cost \$500 or more are anticipated to be provided by any other officer of the Disciples.

c. Give a description of any matter in which such person:

- (1) 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*
- (2) Is subject to an injunctive or restrictive order of a court of record, or within the past five years had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, arising out of or relating to business activity or health care, including without limitation actions affecting a license to operate a foster care facility, nursing home, retirement home, home for the aged or facility registered under this chapter or similar laws in another state; or*
- (3) Is currently the subject of any state or federal prosecution, or administrative investigation involving allegations of fraud, embezzlement, fraudulent conversion, or misappropriation of property.*

Neither the provider, Centra, Disciples, their respective board members or principals have been involved in any of these situations.

IV. Ownership of Real Property

Give full and detailed information regarding direct and indirect ownership of the property on which the facility is or will be operated and of the buildings in which it is or will be operated.

The real property on which the facility is located was acquired on January 27, 1999 by CCRC, Inc. Improvements to the property are owned by CCRC, Inc.

The land, improvements and equipment are subject to mortgages and security interest required to secure the tax-exempt bonds issued to finance construction of the facility.

In January of 1999 CCRC, Inc. purchased approximately 143 acres in Lynchburg, Virginia. This property is expected to be fully utilized, in its entirety, when the project reaches maturity. However, the current phase of the project requires only approximately 32 acres. The additional 111 acres created a burden on the cash needs of CCRC, Inc. To minimize this burden, Centra purchased in 2000 the excess acres from CCRC, Inc. As was agreed unanimously by the Board of Directors, the selling price was tied to the original purchase

price. In order to address future needs of residents, CCRC, Inc. retains the right to purchase any or all the acreage sold to Centra at a price tied to the sales price.

Centra opened in August 2004, a new nursing home occupying approximately 7 acres of the 111 acres purchased by Centra that are adjacent to the land owned by CCRC, Inc. This project, known as The Summit Health and Rehabilitation Center ("Center") is developed with the support of CCRC, Inc. and will provide skilled nursing care.

Centra opened in June 2007 a new assisted living facility occupying approximately 3 acres of the land adjacent to the land owned by CCRC, Inc. This project, known as The Summit Assisted Living is developed with the support of CCRC, Inc. and will provide assisted living care.

The original partnership agreement between Centra and the Disciples included a provision in which the Christian Church (Disciples of Christ) in Virginia (the Region) retained the option of purchasing a parcel of land for the purpose of constructing a new Regional Office at the original purchase price. The Region has exercised this option and purchased .64 acres at a cost of \$6,139.37. This office was opened in 2006.

CCRC, Inc. also retains the right of first refusal prior to the consummation of a sale or conveyance of any portion to a third party.

V. Location and Description of Real Property

Give the location and description of the real property of the facility, existing or proposed, and to the extent proposed, the estimated completion date or dates of improvements, whether construction has begun and the contingencies under which construction may be deferred.

The Summit is operating on property located at 1400 Enterprise Drive, Lynchburg, Virginia 24502 on approximately 32 acres including 85 Independent Living Apartments, 16 Independent Living Garden Homes and approximately 16,000 square feet of Commons areas. The property also includes an 8 ½ acre lake with walking trail, parking and other improvements.

The Commons includes offices, social areas, beauty/barber shop, kitchen, dining room, clinic, chapel, storage areas, and multi-purpose rooms. The buildings are planned so that every building and every residential unit is fully handicapped adaptable.

Construction began in March 2002 and was completed in July 2003.

VI. Affiliates with Religious, Charitable or Other Nonprofit Organizations; Tax Status of Provider

Give a statement as to:

- a. Whether the provider is or ever has been affiliated with a religious, charitable or other nonprofit organization, the nature of any such affiliation, and the extent to which the affiliate organization is or will be responsible for the financial and contractual obligation of the provider.*

CCRC, Inc. is a Virginia stock corporation 91% of the stock of which is owned by Centra and 9% of the stock of which is owned by The Retirement Center of the Christian Church (Disciples of Christ) in Virginia, Inc. Both Centra and Disciples are organizations exempt from tax under §501(c)(3) of the Internal Revenue Code. Neither Centra nor Disciples is responsible for the financial or contractual obligations of CCRC, Inc.

Admission will not be restricted to members of the Christian Church (Disciples of Christ). Centra established a subordinated loan of \$1,000,000 for the benefit of CCRC, Inc. Such indebtedness constituted subordinated indebtedness pursuant to the credit agreement between Centra and CCRC, Inc. This loan was paid in full in December 2007.

- b. Any provision of the federal Internal Revenue Code under which the provider is exempt from the payment of income tax.*

CCRC, Inc. is exempt from tax under §501(c)(3) of the Internal Revenue Code.

VII. Services Provided Under Continuing Care Contracts

Describe the services provided or proposed to be provided under continuing care contracts, including the extent to which medical care is furnished. The disclosure statement shall clearly state which services are included in basic continuing care contracts and which services are made available by the provider at extra charge.

Services are listed in the Residency Agreement in the following Sections:

Independent Living – Residency Agreement, Section 3.

Certain services are available at an additional charge, as listed in the Residency Agreement, Section 3G.

VIII. Fees Required of Residents

Give a description of all fees required of residents, including any entrance fee and periodic charges. The description shall include (i) a description of all proposed uses of any funds or property required to be transferred to the provider or any other person prior to resident's occupancy of the facility and of any entrance fee, (ii) a description of provisions for the escrowing and return of any such funds, assets or entrance fee, the manner and conditions of return and to whom earnings on escrowed funds are payable as discussed in Code Section 38.2-4904.1 and (iii) a description of the manner by which the provider may adjust periodic charges or other recurring fees and any limitations on such adjustments. If the facility is already in operation, or if the provider operates one or more similar facilities within this Commonwealth, there shall be included tables showing the frequency and average dollar amount of each increase in periodic rates at each facility for the previous five years or such shorter period that the facility has been operated by the provider.

The Summit will charge for services as follows:

- Entrance fees for the lakeside garden homes and independent living apartments.
- Monthly fees for the lakeside garden homes and independent living apartments.

- i. Prospective residents for independent living may be required to pay a deposit equal to 10% of the entrance fee. Upon occupancy, the entire entrance fee (less any deposits) and one month's service fee is due to The Summit.
- ii. Promissory Note Option: In certain circumstances, upon occupancy The Summit may accept one-month service fee and partial payment of the Entrance Fee equal to at least 50% of the Entrance Fee (less any deposits), plus a duly executed Promissory Note indicating full payment is payable within 12 months. See "Promissory Note" and "Residency Agreement Promissory Note" attached.
- iii. New Build Option: In certain circumstances, The Summit may agree to build a new Lakeside Garden Home at the request of a resident. In such a circumstance, The Summit may require partial payment of the Entrance Fee equal to no less than ten percent (10%) of the Entrance Fee, due and payable at the time of signing the Residency Agreement. See "Residency Agreement New Build" attached.
- iv. The Summit has established an account with SunTrust Bank. Interest on the deposits will accrue to The Summit. Funds will be deposited, managed, and released in accordance with Virginia Code Section 38.2-4904.1
- v. Entrance and monthly fees for The Summit are subject to periodic adjustment as necessary with an expected rate of 3%-4% annually.
- vi. It is the intention of the Corporation to increase the Monthly Service Fee, if necessary, not more often than once per year. However, the Corporation may increase the Monthly Service Fee, upon 30 days written notice to Resident if the Corporation, in its sole discretion, deems it necessary to meet the financial needs for the Corporation or to provide services to the Residents.
- vii. Residents will be required to enroll in and maintain Medicare (Part A and Part B) or an equivalent program. See Section 4 of the Independent Living Residency Agreement.
- viii. Residents' fees will also change in certain situations, such as a transfer to a different living unit, marriage or other change in occupancy. See Section 6 of the Independent Living Residency Agreement.

Declining Refund – The Entrance Fees and Monthly Service Fees for The Summit are:

Garden Homes Unit Description	Sq.Ft/ Unit	Single Monthly Fee	Couples Monthly Fee	DECLINING REFUND Entrance Fee
Chesapeake – one car garage	1362	\$3,014	\$3,864	\$223,490
Cumberland – one car garage	1325	\$3,014	\$3,864	\$207,626
Blue Ridge - two car garage	1543	\$3,085	\$3,935	\$249,027
Shenandoah – two car garage	1634	\$3,229	\$4,079	\$271,567
Appalachian – two car garage	1802	\$3,456	\$4,306	\$308,364
Piedmont – two car garage	2,185	\$3,563	\$4,413	\$333,547
Buena Vista – two car garage	2,259	\$3,727	\$4,577	\$376,741
Independent Living Apartments Unit Description	Sq.Ft./ Unit	Single Monthly Fee	Couples Monthly Fee	DECLINING REFUND Entrance Fee
Poplar - One Bedroom	732	\$2,446	\$3,296	\$110,679

James - One Bedroom, den	925	\$2,576	\$3,426	\$162,874
Birch - One Bedroom, den	933	\$2,692	\$3,542	\$161,365
Peaks of Otter - Two Bedrooms	1081	\$2,755	\$3,605	\$211,585
Magnolia - Two Bedrooms	1124	\$2,954	\$3,804	\$220,031
Chestnut - Two Bedrooms, den	1273	\$2,996	\$3,846	\$233,754
Skyline - Two Bedrooms, den	1418	\$3,081	\$3,931	\$257,733

Second Person Entrance Fee (non-refundable) \$7,500

90% Refundable – The Entrance Fees and Monthly Service Fees for The Summit are:

Garden Homes Unit Description	Sq.Ft/ Unit	Single Monthly Fee	Couples Monthly Fee	90% REFUNDABLE Entrance Fee
Chesapeake – one car garage	1362	\$3,014	\$3,864	\$413,457
Cumberland – one car garage	1325	\$3,014	\$3,864	\$384,110
Blue Ridge – two car garage	1543	\$3,085	\$3,935	\$460,700
Shenandoah - two car garage	1634	\$3,229	\$4,079	\$502,399
Appalachian – two car garage	1802	\$3,456	\$4,306	\$570,475
Piedmont – two car garage	2185	\$3,563	\$4,413	\$617,062
Buena Vista – two car garage	2259	\$3,727	\$4,577	\$696,972
Independent Living Apartments Unit Description	Sq.Ft/ Unit	Single Monthly Fee	Couples Monthly Fee	90% REFUNDABLE Entrance Fee
Poplar – One Bedroom	732	\$2,446	\$3,296	\$204,755
James - One Bedroom, den	925	\$2,576	\$3,426	\$301,316
Birch - One Bedroom, den	933	\$2,692	\$3,542	\$298,526
Peaks of Otter – Two Bedrooms	1,081	\$2,755	\$3,605	\$391,432
Magnolia - Two Bedrooms	1,124	\$2,954	\$3,804	\$407,057
Chestnut – Two Bedrooms, den	1,273	\$2,996	\$3,846	\$432,447
Skyline – Two Bedrooms, den	1,418	\$3,081	\$3,931	\$476,806

All Entrance Fee deposits in excess of \$1,000 are to be held in escrow. No such funds will be used by the project prior to occupancy. As described in the Residency Agreement, Section 17B, all deposits are fully refundable prior to occupancy less a \$500 administrative fee. The administrative fee will, however, be refunded if a resident terminates the residency agreement within seven days after making an initial deposit or executing the agreement. Refunds will be paid when another resident has entered into a Residency Agreement for that unit and has paid an entrance fee. All entrance fees must be paid in funds; no property will be accepted in lieu of funds. Accrued interest on the escrowed deposits will become the property of The Summit.

The Summit Assisted Living Units – The following is provided for information only. The following fee structure is in effect December 2020:

Unit Description	Sq.Ft./Unit	Daily Fee
ALU Studio	325	\$140

ALU One Bedroom	495	\$165
ALU One Bedroom Grand	573	\$185
2nd Person Fee		\$112
Respite Room		\$170

The Summit Nursing Units – The following is provided for information only.
The following fee structure is in effect January 1, 2019:

Room Description		Daily Fee
Semi-Private Room		\$253
Private Room		\$260

The Fee Schedule for services not included in the continuing care contract is as follows:

Schedule of Charges

Dining Services

Lunch Meals (Monday – Friday)	\$ 8.50	per meal
Dinner Meals (Monday – Saturday)	\$ 9.50	per meal
Dinner Meals (Sundays & Holidays)	\$12.50	per meal
Tray Service (delivering meals to your residence)	\$ 3.00	per meal

Guest Room Services

Guest Room – for Resident’s guest	\$60.00	per night
For Non-Resident guest	\$70.00	per night
Roll-a-way & Linens	\$10.00	per night

Housekeeping Services

\$25.00 per hour

Laundry Services

\$20.00 per hour

Maintenance/Grounds Services (personal)

\$25.00 per hour

SummitCare Attendant Services

\$19.95 per hour

Additional Storage Unit

\$25.00 per month

Salon Services

Women’s Services:

Haircut	\$25.00
Shampoo & Set	\$25.00
Shampoo & Blow Dry	\$25.00
Shampoo/Cut/Style	\$40.00
Color	\$50.00

Color & Cut	\$70.00	
Perm	\$65.00	
Manicures	\$18.00	
Toenail Trims	\$15.00	
Toenail/Fingernail Trim	\$20.00	
Pedicures	\$30.00	
Men's Services:		
Haircut	\$15.00	
Toenail Trims	\$15.00	
Beard Trim	\$ 5.00	
Television – Basic Satellite Service	\$45.00	per month
DVR installation	\$265.00	
Transportation (personal)		
Individual trips within 2 miles	\$5.00	round trip
Individual trips 6-10 miles radius	\$9.00	round trip
Individual trips over 10 miles	\$.90	per mile
Before 8:00 a.m. or after 5:00 p.m. week-days or any time on weekends for non-medical reasons	\$40.00	each occasion
Valet Parking*	\$2.00	

****There will be no charge during inclement weather (snow & ice)***

The Summit Fee Changes:

There were no increases in the Entrance Fees or Monthly Service Fees prior to January 1, 2004. Effective January 1, 2004 and January 1, 2005, Entrance Fees and Monthly Fees increased 3% each occurrence. Effective January 1, 2006, Monthly Fees increased 4% and Entrance Fees increased at varying rates. Effective January 1, 2007, Entrance Fees and Monthly Fees increased 3.5%. Effective January 1, 2008, Entrance Fees and Monthly Fees increased 3.5%. Effective January 1, 2009, Entrance Fees and Monthly Fees increased 4%. Effective January 1, 2010, Entrance Fees and Monthly Fees increased 3.5%. Effective January 1, 2010, Entrance Fees and Monthly Fee increased 3.5%. Effective January 1, 2011, Entrance Fees and Monthly Fee increased 4.0%, and a non-refundable Second Person Entrance Fee of \$5,000 will be charged. Effective January 1, 2012, Entrance Fees and Monthly Fees increased 4.0%. Effective January 1, 2013, Entrance Fees and Monthly Fees increased 3%. Effective January 1, 2014 Entrance Fees and Monthly Fees increased 3%. Effective January 1, 2015, Entrance Fees for some units did not increase; for other units, Entrance Fees increased 3%. All Monthly Fees increased 3%. Effective January 1, 2016, Entrance Fees for some units did not increase; for other units, Entrance Fees increased 2.75%. All Monthly Fee increased 2.75%, and a non-refundable Second Person Entrance Fee of \$7,500 will be charged. Effective January 1, 2017, Entrance Fees and all Monthly Fees increased 3%. Effective January 1, 2018, Entrance Fees increased 3% for Apartment homes and increased 20% for Lakeside Garden Homes; and all Monthly Fees increased 3%. Effective January 1, 2019, Entrance Fees and all Monthly Fees increased 3%. The 90% Refundable Entrance Fees for all units were adjusted to reflect an 85% increase over the Declining Refund. Effective January 1, 2020, Entrance Fees increased 0% for Apartment homes and 0% for Garden Homes; and all Monthly Fees increased 0%.

The following chart shows the average dollar amount of each increase in Monthly Fees for years 2016, 2017, 2018, 2019 and 2020:

	UNITS	1/1/16 RATE	1/1/16 2.75%	1/1/17 Rate	1/1/17 3%	1/1/18 RATE	1/1/18 3%	1/1/19 RATE	1/1/19 3%	1/1/20 RATE	1/1/20 3%
1BR	Poplar	\$2,174	\$58	\$2,239	\$65	\$2,306	\$67	\$2,375	\$69	\$2,446	\$71
1BR-den	James	\$2,288	\$61	\$2,357	\$69	\$2,428	\$71	\$2,501	\$73	\$2,576	\$75
1BR-den	Birch	\$2,392	\$64	\$2,464	\$72	\$2,538	\$74	\$2,614	\$76	\$2,690	\$76
2BR	Peaks Otter	\$2,448	\$65	\$2,521	\$73	\$2,597	\$76	\$2,675	\$78	\$2,755	\$80
2BR	Magnolia	\$2,624	\$70	\$2,703	\$79	\$2,784	\$81	\$2,868	\$84	\$2,954	\$86
2BR-den	Chestnut	\$2,662	\$71	\$2,742	\$80	\$2,824	\$82	\$2,909	\$85	\$2,996	\$87
2BR-den	Skyline	\$2,737	\$73	\$2,819	\$82	\$2,904	\$85	\$2,991	\$87	\$3,081	\$90
G Home	Cumberland	\$2,678	\$72	\$2,758	\$80	\$2,841	\$83	\$2,926	\$85	\$3,014	\$88
G Home	Chesapeake	\$2,678	\$72	\$2,758	\$80	\$2,841	\$83	\$2,926	\$85	\$3,014	\$88
G Home	Shenandoah	\$2,869	\$77	\$2,955	\$86	\$3,044	\$89	\$3,135	\$91	\$3,229	\$94
G-Home	Blue Ridge					\$2,908		\$2,995	\$87	\$3,085	\$90
G-Home	Appalachian					\$3,257		\$3,355	\$98	\$3,456	\$101
G-Home	Piedmont					\$3,358		\$3,459	\$101	\$3,563	\$104
G-Home	Buena Vista					\$3,513		\$3,618	\$105	\$3,727	\$109
	2nd Person	\$755	\$20	\$788	\$23	\$801	\$24	\$825	\$24	\$850	\$25

IX. Reserve Funding

Describe any provisions that have been made or will be made to provide reserve funding or security to enable the provider to fully perform its obligations under continuing care contracts, including the establishment of escrow accounts, trusts or reserve funds, together with the manner in which such funds will be invested and the names and experience of persons who will make the investment decisions.

This description shall include a specific explanation of how the value of any such reserve funding was established and, if available, it shall include the opinion of a qualified actuary.

The Summit has no current plans to provide contracts that guarantee nursing services. The Summit is a fee-for-service community only charging for services provided.

X. Certified Financial Statements

Give certified financial statements of the provider, including (i) a balance sheet as of the end of the two most recent fiscal years and (ii) income statements of the provider for the two most recent fiscal years or such shorter period that the provider has been in existence. Such statements shall conform to generally accepted accounting principles and shall be certified by an independent, certified public accountant. The opinion of the independent, certified public accountant shall be included in this section.

Certified financial statements for the years ended December 31, 2019 and 2018 are under review as of April 30, 2019, the deadline for filing the Disclosures. A copy of the certified financial statements will be forwarded when completed.

XI. Pro Forma Income Statement

Give a pro forma income statement for the current fiscal year. This statement shall conform to generally accepted accounting principles and shall include a specific description of the major assumptions used in developing the pro forma statement.

A pro forma income statement for the year 2020 is shown below. Major assumptions and a narrative describing material variances are described in the attached pages, "Assumptions and Material Differences."

CCRC, Inc. d/b/a The Summit
Projected Statement of Operations
For the Twelve Months Ending December 31, 2020

		BUDGET - FY 2020
Operating Revenue:		
Resident Revenue	\$	3,363,877
Ancillary Revenue		129,143
Entrance Fee Amortization		691,010
Gain/(Loss) on Unit Turnover		381,823
Net Operating Revenue	\$	4,565,852
Operating Expenses:		
Salaries		795,972
Benefits		203,716
Non-Patient Supplies		79,517
Food		246,125
Repairs and Maintenance		292,528
Contractual Service		1,023,350
Utilities		223,073
Insurance		61,173
Real Estate Taxes		233,197
Other		64,532
Total Operating Expenses	\$	3,223,183
Capital Expenses		
Depreciation		933,976
Interest		121,877
Total Capital Expenses	\$	1,055,853
Total Expenses	\$	4,279,035
Non-Operating Revenue		0
Net Income (Loss)	\$	286,817

XII. Admission of New Residents

Give a description of the provider's criteria for admission of new residents.

To be eligible for admission to independent living residences at The Summit, prospective residents must be capable of living safely in a residential setting and must be able to demonstrate the availability of financial assets and income sufficient to support their residency at The Summit.

A resident shall have the right to rescind a continuing care contract, without penalty or forfeiture, within seven days after making an initial deposit to executing the contract. A resident shall not be required to move into the facility designated in the contract before the expiration of the seven-day period.

Each prospective resident will submit a two-part health assessment form which includes a health history and a physician assessment of the prospective resident's ability to live safely in a residential setting. Each prospective resident will also participate in an interview with The Summit's Wellness Clinic representative.

Each prospective resident submits a financial statement which quantifies the resident's assets and income. The Summit's staff assesses the resident's resources and compares them with the projected expenses of occupancy. During the admission process, The Summit staff will review the adequacy of resources with the prospective resident.

XIII. Access to the Facility by Non-Residents

Give a description of the provider's policies regarding access to the facility and its services for nonresidents.

The Summit is designed primarily for the use of residents who enter into a Residency Agreement with the provider. Because the residents of retirement communities have generally been actively involved in community life, it is common for community areas to be available on a scheduled basis for use by community groups. Individuals who need care that can be provided in an Assisted Living Residence will be eligible for admission on a per diem or monthly basis under contracts that do not constitute continuing care contracts.

The Summit has established a Residents' Council which will have regular opportunities to influence many of the policies that govern life in the retirement community, in cooperation with staff and Board of Directors of The Summit. Use of the community by outside groups is one of those areas.

XIV. Anticipated Source and Application of Purchase or Construction Funds

On July 25, 2017, Centra issued Hospital Revenue and Refunding Bonds. Four series of 2017 Bonds were issued: Series 2017A, Series 2017 B, Series 2017C and Series 2017D. Proceeds from the Series 2017C Bonds were used, in part, to refund in full the Company's Residential Care Facility Revenue Bonds (Series 2012). Interest on the Series 2017C Bonds is variable and payable monthly.

XV. Procedure for Resident to File a Complaint or Disclose Concern

Give a description of the procedure by which a resident may file a complaint or disclose any concern.

Residents and staff, working together in good spirit, generally will be able to resolve issues successfully and easily. Should there be an instance in which a problem is not resolved satisfactorily, residents are invited to ask assistance from the appropriate supervisor, or department head, in that order. Residents may invite the participation of the Area Agency on Aging ombudsman, the name and address of which are on file in the office of the Executive Director. The Residents Council can also serve as an avenue for the discussion and resolution of issues. Should satisfactory resolution still not be achieved, the matter may be referred to the Executive Director of The Summit. In deciding the issue, the Executive Director will review the existing policies and procedures with the resident and any representative the resident chooses to include. Residents may present any information concerning the issue. The Executive Director will consult with appropriate staff or seek other input as necessary and after considering all the information presented shall decide.

Residents may request the Board of Directors to review the matter after the Executive Director's decision. The Board, or its designees, will review all relevant information, including any presented by the resident and decide whether to direct the Executive Director to reconsider the issue. The Board's recommendation will be final.

Attached hereto are the forms of standard continuing care residence contracts to be used by CCRC, Inc. CCRC, Inc. will file with the State Corporation Commission any additional or replacement standard continuing care contracts before using them. CCRC, Inc. also expects to use certain contracts that will not be continuing care contracts.



Centra Health, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information

As of and for the Years Ended
December 31, 2019 and 2018

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Centra Health, Inc. and Subsidiaries

Consolidated Financial Statements and Supplementary Information
As of and for the Years Ended December 31, 2019 and 2018

Centra Health, Inc. and Subsidiaries

Contents

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4-5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-42
Supplementary Information	
Independent Auditor's Report on Supplementary Information	43
Consolidating Balance Sheet Information	44-45
Consolidating Statement of Operations Information	46-47



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report

The Board of Directors
Centra Health, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Centra Health, Inc. and Subsidiaries (Centra), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and 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 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.

Auditor's 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 auditors consider 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 Centra Health, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Adoption of New Accounting Pronouncement

As discussed in Note 15 to the consolidated financial statements, effective January 1, 2019, Centra adopted amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

BDO USA, LLP

May 22, 2020

Consolidated Financial Statements

Centra Health, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in thousands unless otherwise stated)

December 31,	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 99,385	\$ 86,877
Patient accounts receivable, net	208,307	225,555
Third-party settlements	12,294	3,547
Inventories	27,472	24,658
Other current assets	56,299	51,156
Total current assets	403,757	391,793
Investments and assets whose use is limited	492,392	442,372
Investments in joint ventures	6,442	5,271
Property and equipment, net	464,132	479,246
Right of use asset - leases	17,073	—
Other assets	15,802	15,589
Total assets	\$ 1,399,598	\$ 1,334,271
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 114,603	\$ 82,353
Employee compensation and benefits	52,830	46,852
Third-party settlements and reserves	18,329	13,373
Current portion of long-term obligations	8,661	6,002
Current portion of future lease obligations	4,369	—
Line-of-credit	—	25,000
Other current liabilities	6,978	6,663
Total current liabilities	205,770	180,243
Long-term obligations, net of current portion	405,092	414,068
Future lease obligations, net of current portion	12,824	—
Interest rate swap agreements	15,846	12,796
Accrued pension obligations	24,587	30,563
Other long-term liabilities	36,684	37,095
Total liabilities	700,803	674,765
Commitments and Contingencies		
Net assets:		
Without donor restrictions	626,323	596,938
With donor restrictions	72,472	62,568
Total net assets	698,795	659,506
Total liabilities and net assets	\$ 1,399,598	\$ 1,334,271

See accompanying notes to the consolidated financial statements.

Centra Health, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

(Amounts in thousands unless otherwise stated)

<i>Years Ended December 31,</i>	2019	2018
Operating revenue and other support:		
Net patient service revenue	\$ 1,005,631	\$ 941,514
Premium revenue	89,342	208,891
Net assets released from restrictions for operations	3,463	2,305
Other operating revenue	94,108	72,716
Total operating revenue	1,192,544	1,225,426
Operating expenses:		
Salaries and wages	516,964	492,107
Benefits	115,649	109,031
Medical supplies and drugs	181,956	172,432
Professional services	66,348	55,942
Medical claims expense	17,381	99,732
Other purchased services	182,896	170,930
Other operating expenses	78,378	72,927
Depreciation and amortization	51,359	50,509
Interest	16,554	14,119
Loss on early extinguishment of debt	—	90
Total operating expenses	1,227,485	1,237,819
Operating loss	(34,941)	(12,393)
Nonoperating gains (losses):		
Investment income (loss), net	60,538	(15,779)
Change in value of interest rate swap agreements	(3,050)	3,159
Net periodic pension costs	(5,877)	(5,205)
Other	(236)	49
Net nonoperating gains (losses)	51,375	(17,776)
Discontinued operations:		
Income (loss) from discontinued operations	6,272	(4,197)
Deficiency of revenue over expenses	\$ 22,706	\$ (34,366)

Centra Health, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

(Amounts in thousands unless otherwise stated)

<i>Years Ended December 31,</i>	2019	2018
Net assets without donor restriction:		
Deficiency of revenue over expenses	\$ 22,706	\$ (34,366)
Change in funded status of defined-benefit plan	5,753	1,434
Net assets released from restrictions for capital acquisitions	926	83
Change in net assets without donor restriction	29,385	(32,849)
Net assets with donor restriction:		
Gifts and bequests	2,411	3,603
Net unrealized gains (losses) on investments	9,685	(5,490)
Net investment income and realized gains on investments	2,198	710
Net assets released from restrictions	(4,390)	(2,388)
Change in net assets with donor restriction	9,904	(3,565)
Change in net assets	39,289	(36,414)
Net assets at beginning of year	659,506	695,920
Net assets at end of year	\$ 698,795	\$ 659,506

See accompanying notes to the consolidated financial statements.

Centra Health, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Amounts in thousands unless otherwise stated)

Years Ended December 31,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 39,289	\$ (36,414)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operations:		
Depreciation and amortization expense	51,359	50,509
Amortization of financing costs included with interest expense	674	314
Amortization of bond discounts and premiums	(346)	(372)
Loss on early extinguishment of debt	—	90
Net (appreciation) depreciation in fair value of investments and assets	(70,443)	20,559
Change in funded status of defined-benefit plan	(5,753)	(1,434)
Net periodic pension costs	5,877	5,205
Change in fair value of interest rate swap agreement	3,050	(3,159)
Gains on equity investments in joint ventures	(4,114)	(4,210)
Losses (gains) on sale of property and equipment	7	(48)
Proceeds from advance fees	3,133	2,123
Contributions received restricted for capital acquisitions	(318)	(422)
Changes in operating assets and liabilities:		
Patient accounts receivable	17,247	(82,673)
Estimated settlements with third-party payors	(3,791)	244
Inventories	(2,813)	(456)
Other current assets	(5,143)	(15,554)
Other assets	(219)	(419)
Accounts payable and other current liabilities	32,162	21,391
Employee compensation and benefits	5,978	5,161
Accrued pension obligations	(6,100)	(3,200)
Other long-term liabilities	(1,461)	(1,103)
Net cash provided by (used in) operating activities	58,275	(43,868)
Cash flows from investing activities:		
Proceeds from sales of investments and assets whose use is limited	290,932	163,391
Purchases of investments and assets whose use is limited	(270,510)	(100,155)
Acquisition of property and equipment	(35,851)	(83,807)
Proceeds on sale of property and equipment	3	48
Distributions from joint ventures	2,943	3,654
Net cash (used in) provided by investing activities	(12,483)	(16,869)
Cash flows from financing activities:		
Proceeds from issuance of long-term obligations	—	100,877
Principal payments on long-term obligations	(6,002)	(5,958)
Financing costs	(643)	(925)
Proceeds from line-of-credit	—	42,000
Principal payments on line-of-credit	(25,000)	(27,000)
Resident refunds	(1,957)	(1,084)
Contributions received restricted for capital acquisitions	318	422
Net cash (used in) provided by financing activities	(33,284)	108,332
Net increase in cash and cash equivalents	12,508	47,595
Cash and cash equivalents at beginning of year	86,877	39,282
Cash and cash equivalents at end of year	\$ 99,385	\$ 86,877
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 14,305	\$ 11,673
Property and equipment purchases included in accounts payable	\$ 404	\$ 841
Schedule of noncash investing and financing activities:		
Adoption of leases standard	\$ 21,234	\$ -

See accompanying notes to the consolidated financial statements.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

1. Organization and Summary of Significant Accounting Policies

Organization

Centra Health, Inc. and subsidiaries' (Centra) operations include four acute care hospitals, a long-term acute care hospital, four nursing homes, a continuing care retirement community, a residential children and adolescent psychiatric facility, 12 specialty education facilities, additional outpatient treatment facilities, a foundation, a medical insurance company and an indemnity insurance company. Centra is a not-for-profit (NFP) corporation with a commitment to promote and develop healthcare services and the general well being of the community. Centra also coordinates the activities and interactions of related entities.

Principles of Consolidation

The consolidated financial statements include the accounts of Centra Health, Inc., its wholly owned taxable subsidiaries, General Business Concerns, Inc. (GBC), PCHP Holding, Inc., and Piedmont Community Health Plan, Inc. (PCHP). The consolidated financial statements also include the tax-exempt organizations of Centra Health Foundation (Foundation), Centra Medical Group, LLC, Central Virginia Hospital for Restorative and Rehabilitative Care, LLC (Centra Specialty Hospital), Southside Community Hospital, Inc. (Southside), Centra Health Indemnity Company, LLC (CHIC), Bedford Memorial Hospital (Bedford), HealthWorks Clinic, LLC (HealthWorks), Central Virginia Quality Care Network, LLC (CVQCN), Centra Outpatient Rehabilitation Services, LLC (Outpatient Rehab), and CCRC, Inc., a majority owned (91%) subsidiary of Centra. All significant intercompany transactions and account balances have been eliminated in consolidation.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform with classifications used in 2019. The reclassifications had no significant effect on total assets, total liabilities, total revenue, or total deficiency of revenue over expenses previously reported.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation allowances for patient accounts receivable, third-party reimbursement settlements, self-insurance liabilities, retirement obligations, carrying amounts of property, equipment, investments, and interest rate swap agreements. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less when purchased. Centra will routinely invest its surplus funds in money market accounts. At various times throughout the year, Centra maintains deposits at financial institutions in excess of amounts covered by Federal Deposit Insurance Corporation limits. Amounts on deposit in excess of federally insured limits at December 31, 2019 and 2018

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

approximated \$94,048 and \$81,479, respectively. As of December 31, 2019 and 2018, cash and cash equivalents did not include any donor-imposed restrictions.

Patient Accounts Receivable

Patient accounts receivable include charges for amounts due from all patients or third-party payors less estimated contractual adjustments provided to third-party payors and discounts and implicit price concessions provided to uninsured patients relating to allowances for the excess of established charges over the payments to be received by or on behalf of patients. Centra determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Centra determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Investments and Assets Whose Use Is Limited

Assets whose use is limited include assets set aside by the board of directors for future capital improvements, assets held by the trustee under the Master Trust Indenture, assets restricted by donors and funds designated for construction projects.

Investments are recorded in the consolidated financial statements at estimated fair value. For investments made directly by Centra whose values are based on quoted market prices in active markets, the market price of the investment is used to report fair value. Centra's interest in alternative investment funds, such as real assets, are generally reported at the net asset value (NAV) reported by the fund manager. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, Centra has concluded, as a practical expedient, that NAV approximates fair value.

Realized gains and losses on sales on investments are included in deficiency of revenue over expenses. Unrealized gains and losses are included in change in net assets without donor restrictions. Should realized or unrealized gains and losses be restricted by donor or law, they are included with change in net assets with donor restriction as appropriate.

Perpetual and Charitable Remainder Trusts

The Foundation has entered into several types of agreements with donors under which the Foundation will receive future benefits. The Foundation has two types of agreements: perpetual trusts held by a third party and charitable remainder trusts. Under the perpetual trusts, a donor establishes and funds a perpetual trust administered by a trustee other than the Foundation. The Foundation has the irrevocable right to receive the income earned on the trust assets in perpetuity but never receives the assets held in trust. Distributions received by the Foundation may be restricted by the donor. Under the charitable remainder trusts, the donor establishes and funds a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the Foundation receives the assets remaining in the trust. The Foundation may ultimately have use of those assets without donor restrictions, or the donor may place restrictions on their use. The Foundation's beneficial interest in trusts is recorded at fair value within assets whose use is limited and other assets.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Interest Rate Swap Agreements

Investments in interest rate swap agreements are carried at fair value, estimated using a discounted cash flow method at a rate commensurate with the risk involved. As these derivative instruments are not designated as hedges, changes in the fair value of the interest rate swap agreements are reported as nonoperating gains (losses) in the consolidated statements of operations and changes in net assets. Net cash settlements are included in interest expense.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method, except for leasehold improvements. Leasehold improvements are depreciated over the life of the related lease or the useful life of the asset, whichever is shorter. Costs associated with the development and installation of internal-use software may be capitalized or expensed. These costs are expensed if they are incurred in the preliminary or post-implementation/operation stages and capitalized if they are incurred in the application development stage and meet certain capitalization requirements.

The following useful lives are used in computing depreciation:

Building and land improvements	20 - 40 years
Equipment	3 - 20 years
Computer software	3 - 10 years

Interest incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets. Gain or losses on disposal of property and equipment are included in other operating revenue. Routine repairs and maintenance costs are expensed as incurred.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as an increase in net assets without donor restrictions, and excluded from deficiency of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted gifts.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles - Goodwill and Other*, Centra does not amortize goodwill, rather the carrying value of goodwill is tested annually for impairment. Total goodwill recorded was approximately \$11,723 as of December 31, 2019 and 2018 and is included in other assets in the accompanying consolidated balance sheets. There was no impairment recognized in 2019 or 2018.

Inventories

Inventories are valued at the lower of cost (first in, first out method) or net realizable value.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Deferred Financing Costs

Costs of obtaining financing are deferred and amortized over the terms of the related indebtedness to which they apply, and are netted against the carrying value of the related indebtedness on the consolidated balance sheets.

Advance Fees and Deposits

Under the CCRC, Inc. Residency Agreement, the reservation fee is refundable in full if, before the occupancy date, (i) the applicant terminates the Residency Agreement within seven days of either signing the Residency Agreement or making the reservation deposit, (ii) the applicant is not admitted or dies, or (iii) CCRC, Inc. terminates the Residency Agreement; otherwise, the reservation fee is refundable to the applicant net of a \$500 administrative fee.

The Residency Agreement provides for partial refunds of the advance fee under the circumstances outlined below. CCRC, Inc. offers residents a choice of one of the following two options:

1. Declining Refund Advance Fee - After the occupancy date, if the Residency Agreement is terminated for any reason, all fees are refundable less an amount equal to 2% of such fees per month of occupancy until the balance is zero.

Advance fees received under declining refund resident contracts are amortized into revenue over the actuarially determined life expectancy of each individual resident or couple, adjusted annually.

2. Guaranteed Refund Advance Fee - After the occupancy date, if the Residency Agreement is terminated for any reason, the fee is refundable less an amount equal to 2% of such fee per month of occupancy until the balance is equal to 90% of the fee.
 - All refunds are contingent upon reoccupancy of the resident's unit.
 - The nonrefundable portion of the advance fee is amortized into revenue over the actuarially determined life expectancy of each individual resident or couple, adjusted annually. The refundable portion of the 90% Guaranteed Refund Advance Fee is not amortized.

The portion of advance fees subject to refund provisions amounted to approximately \$11,439 and \$11,513 at December 31, 2019 and 2018, respectively, and is included in other long-term liabilities on the accompanying consolidated balance sheets.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of Centra and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions - Net assets with donor restrictions are those whose use by Centra has been limited by donors to a specific time period, purpose or in perpetuity. Annual changes in fair value are reported as increases or decreases in net assets with donor restrictions.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless use of the related asset is limited by donor imposed restrictions or law. Expiration of donor restrictions of net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets if used to acquire capital assets; otherwise, they are recorded as operating revenue without donor restrictions. Related income on donor restricted net assets is classified based on donor restriction until the restriction is met and the funds are appropriated for expenditure.

Premium Revenue

Premium receipts are recognized as revenue during the coverage period Centra's medical insurance subsidiary is obligated to provide healthcare services. Premium billings are billed in the month preceding the coverage period and are recorded as contract liabilities until earned. Payments received from Centra's medical insurance subsidiary are eliminated in consolidation.

Certain insurance subsidiaries participate in the risk adjustment programs established by the Affordable Care Act. The overall goal of these programs is to provide certainty and protect against adverse insurance plan selection while stabilizing premiums as exchanges launched in 2014. Premium revenue and a corresponding receivable of \$6,710 was estimated and recorded related to these programs as of and for the year ended December 31, 2019. Premium revenue and a corresponding receivable of approximately \$900 and \$1,252 were estimated and recorded related to these programs as of and for the year ended December 31, 2018. The laws and regulations governing these programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change in the near term.

Medical Claims Expense

Medical claims expense for Centra's insurance subsidiary is recognized as services are provided, including estimated amounts for claims incurred but not yet reported. These expenses are reported net of subscriber copay and deductible amounts and net of reimbursement from coordination of benefits. Reinsurance premiums, net of recoveries, are included in medical claims expense in the accompanying consolidated statements of operations and changes in net assets.

Donor Restricted Gifts

Unconditional promises to give cash and other assets to Centra are reported at net present value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at net present value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Mission Statement and Nonoperating Gains and Losses

Centra's primary mission is to provide excellent care for life. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Other activities that result in gains or losses unrelated to Centra's primary mission are considered to be nonoperating. Nonoperating gains and losses include investment income and expenses, realized gains and losses on sales of investments, change in value of interest rate swap agreements that are not designated as hedges, net periodic pension costs and other nonrecurring items that are considered extraordinary or unusual in nature.

Other changes in net assets without donor restrictions, which are excluded from excess of revenue and other support over expenses include contributions of long term assets, unrealized gains and losses on investments, changes in funding status of the defined benefit plan, and net assets released from restrictions for capital acquisitions.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, where an entity is required to recognize assets and liabilities for the rights and obligations created by leases on the entity's balance sheet for both finance and operating leases. Centra adopted ASU 2016-02 effective January 1, 2019, using a modified retrospective approach. Centra also elected the package of practical expedients permitted under the new standard that allowed Centra to carry forward historical lease classification. Upon adoption, Centra recognized \$21,234 of right-to-use (ROU) asset and lease liabilities for operating leases on the consolidated balance sheet.

Recently Issued Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020. Early adoption may be elected. Centra must apply the amendments in ASU 2016-13 through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Management is evaluating the potential impact of this guidance on its consolidated financial statements.

In August 2017, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. ASU 2018-13 is effective for Centra's consolidated financial statements for fiscal years beginning after December 15, 2019. Management is evaluating the potential impact of this guidance on its consolidated financial statements.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

2. Net Patient Service Revenue and Accounts Receivable for Services to Patients

Effective January 1, 2018, Centra adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), using the full retrospective method of transition. Adoption of ASC 606 did not materially impact these consolidated financial statements and there was no cumulative effect of a change in accounting principle recorded related to the adoption effective January 1, 2018.

Net patient service revenue is reported at the amount that reflects the consideration to which Centra expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Centra bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Centra. Revenue for performance obligations satisfied over time is recognized as the services are provided. Centra believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in Centra facilities receiving inpatient acute care services or patients receiving services in outpatient centers or in their homes (home care). Centra measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services.

Because all of its performance obligations relate to contracts with a duration of less than one year, Centra has elected to apply the practical expedient provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. However, Centra occasionally enters into payment arrangements in excess of one year with patients. For those arrangements, a financing component is not deemed to be significant to the contract. Centra has elected to take advantage of the practical expedient exception in accordance with ASC 606-10-32-18.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Centra also provides services to uninsured patients, and offers those uninsured patients a discount from standard charges. Centra estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Implicit price concessions relate primarily to amounts due directly from patients. Estimated price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been made. There have been no significant changes in the current year to the underlying

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

assumptions used by Centra to estimate the allowance for uncollectible accounts. Significant changes in payor mix, economic conditions or trends in federal and state governmental healthcare coverage could affect the nature, amount, timing and uncertainty of these revenues and cash flows. Adjustments to previous reimbursement estimates are reported in net patient service revenues in the periods that such adjustments become known. For the years ended December 31, 2019 and 2018, the impact of changes to previous transaction price estimates was considered immaterial to the current period.

Centra determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Centra's policy, and implicit price concessions provided to uninsured patients. Centra determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Centra determines its estimate of implicit price concessions based on its historical collection experience with classes of patients using a portfolio approach as a practical expedient to account for patient contracts as a group rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as provision for doubtful accounts in other operating expenses in the accompanying consolidated statements of operations and changes in net assets. The provision for doubtful accounts was not material for the years ended December 31, 2019 and 2018.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Management continually reviews the contractual estimation process to incorporate updates to laws and regulations and frequent changes in managed care contractual terms resulting from contract renegotiations and renewals. A summary of the payment arrangements with major third-party payors follows:

- **Medicare.** Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. Centra is reimbursed for cost reimbursable items at a tentative rate with final settlements determined after submission of annual cost reports by Centra and audits thereof by the Medicare fiscal intermediary. Centra's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2013.
- **Medicaid.** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member. Centra is reimbursed for at a tentative rate with final settlements determined after submission of annual cost reports by Centra and audits thereof by Medicaid. Centra's Medicaid cost reports have been desk settled by Medicaid through December 31, 2018.
- **Commercial Insurance and Other.** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Centra's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon Centra. In addition, the contracts Centra has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2019 or 2018.

Consistent with Centra's mission, services are provided to patients regardless of their ability to pay. Therefore, Centra has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Centra expects to collect based on its collection history with those patients.

Patients who meet Centra's criteria for charity care are provided care without charge or at amounts substantially less than established rates in accordance with Centra's financial assistance policy. Since Centra does not pursue collection of these amounts, they are determined to qualify as charity care and are not reported as revenue. While charity care is excluded from net patient service revenue, Centra maintains records to identify and monitor the level of charity care it provides. This includes the amount of charges foregone and the estimated costs incurred for services and supplies furnished under its charity care policy. Costs incurred are estimated based on the ratio of total operating expense to gross charges. The estimated cost to provide charity care was approximately \$23,821 and \$47,350 for 2019 and 2018, respectively.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Centra has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected various factors. The composition of patient care service revenue by primary payor for the years ended December 31 is as follows:

	2019	2018
Medicare	\$ 448,647	\$ 436,894
Medicaid	173,080	109,106
Anthem	244,258	211,903
Other commercial and managed care	134,957	130,710
Self-pay and other	4,689	52,901
	\$ 1,005,631	\$ 941,514

It is Centra's practice to assign a patient to the primary payor and not reflect other uninsured balances as self-pay. Therefore, revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of patient care service revenue based on Centra's lines of business for the years ended December 31 is as follows:

	2019	2018
Inpatient	\$ 480,589	\$ 529,295
Outpatient	404,861	299,860
Physicians	120,181	112,359
	\$ 1,005,631	\$ 941,514

3. Liquidity and Available Resources

Financial assets available for general expenditure within one year of the consolidated balance sheet date, consist of the following as of December 31:

	2019	2018
Cash and cash equivalents	\$ 99,385	\$ 86,877
Patient accounts receivable, net	208,307	225,555
Investments	410,705	355,193
	\$ 718,397	\$ 667,625

As part of Centra's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Centra has certain internally designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the amounts above. Centra has other assets limited as to use for donor-restricted purposes, which are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary. In addition, Centra maintains a line-of-credit to supplement immediate cash needs (see Note 15).

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

4. Investments and Assets Whose Use Is Limited

Investments and assets whose use is limited at December 31 are invested for the following purposes:

	2019	2018
Internally designated by the board of directors for operations and capital acquisition	\$ 378,061	\$ 333,223
Internally designated for self-insurance	9,222	10,065
Restricted by Trustee - construction and costs of issuance funds	73	14,411
With donor restrictions	71,473	61,783
Without donor restrictions - designated as endowment	920	920
Without donor restrictions	32,437	21,788
Other	206	182
	\$ 492,392	\$ 442,372

Investment income in 2019 and 2018 consists of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 5,305	\$ 1,105	\$ 6,410
Net realized gains	21,366	1,568	22,934
Net unrealized gains	35,661	9,685	45,346
Investment fees	(1,794)	(475)	(2,269)
	\$ 60,538	\$ 11,883	\$ 72,421

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 6,215	\$ 787	\$ 7,002
Net realized gains	123	413	536
Net unrealized losses	(20,256)	(5,490)	(25,746)
Investment fees	(1,861)	(490)	(2,351)
	\$ (15,779)	\$ (4,780)	\$ (20,559)

All securities are classified as available-for-sale. In accordance with accounting standards, Centra periodically evaluates whether any declines in the fair value of investments that are not classified as trading securities are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to: the length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

potential; the near term prospects for recovery of the fair value of a security; and the intent and ability of Centra to hold the security until the fair value recovers. Declines in fair value below cost that are deemed to be other-than-temporary are included in the accompanying consolidated statements of operations and changes in net assets as nonoperating losses.

The following tables show the gross unrealized losses and fair value of Centra's investments with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2019 and 2018:

2019 Description of securities	Less than 12 months		More than 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Private pooled investments	\$ 24	\$ -	\$ 39	\$ (6)	\$ 63	\$ (6)

2018 Description of securities	Less than 12 months		More than 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Private pooled investments	\$ 120,147	\$ (7,512)	\$ 65	\$ (9)	\$ 120,212	\$ (7,521)

Unrealized losses on Centra's private pooled investments are related to economic conditions experienced in prior years. Investment returns continue to improve in relation to improved market and economic activity as indicated with the investments' gains over the past year. As of December 31, 2019 and 2018, Centra has the ability to hold such investments until recovery of their fair value and intends to do so, and does not consider the investments to be other than temporarily impaired.

5. Fair Values of Assets and Liabilities

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820, *Fair Value Measurements*, establishes a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The classification of an investment within the hierarchy is based upon the pricing transparency or ability to redeem the investment and does not necessarily correspond to the perceived risk of that investment. Inputs are used in applying various valuation techniques that are assumptions, which market participants use to make valuation decisions, including assumptions about risk. Inputs may include pricing information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples discount rates, and other factors.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Assets and liabilities measured and reported at fair value are classified within their fair value hierarchy as follows:

Level 1: Valuations based on quoted market prices in active markets.

Level 2: Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

Level 3: Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all.

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

Assets and Liabilities at Fair Value on a Recurring Basis

Level 1 investments include common stocks, mutual funds, corporate bonds, and U.S. Treasury obligations, which are valued based on prices readily available in the active markets in which those securities are traded and money market funds, which are based on their transacted values. Level 2 investments include private pooled investments, government debt obligations, municipal bonds, hedge funds, charitable remainder trust receivables, and interest rate swap agreements, which are valued on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Level 3 investments include beneficial interest in perpetual trusts. Private pooled investments in real estate are based on the NAV reported by the fund manager. There were no transfers into or out of Level 3 during 2019 or 2018.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis:

	December 31, 2019				
	Total	Level 1	Level 2	Level 3	NAV*
Assets:					
Investments and assets whose use is limited:					
Cash and cash equivalents	\$ 1,792	\$ 1,792	\$ -	\$ -	-
Money markets	647	647	-	-	-
Common stocks	4,227	4,227	-	-	-
Mutual funds	5,052	5,052	-	-	-
Private pooled investments	456,346	-	436,968	-	19,378
Debt securities	148	148	-	-	-
Beneficial interest in trusts	24,181	-	-	24,181	-
Other assets					
Trust receivables	-	-	-	-	-
Total assets	\$ 492,393	\$ 11,866	\$ 436,968	\$ 24,181	\$ 19,378

Liabilities:					
Interest rate swap agreements	\$ 15,846	\$ -	\$ 15,846	\$ -	-

	December 31, 2018				
	Total	Level 1	Level 2	Level 3	NAV*
Assets:					
Investments and assets whose use is limited:					
Cash and cash equivalents	\$ 16,897	\$ 16,897	\$ -	\$ -	-
Money markets	792	792	-	-	-
Common stocks	3,763	3,763	-	-	-
Mutual funds	3,895	3,895	-	-	-
Private pooled investments	395,581	-	371,663	-	23,918
Debt securities	138	138	-	-	-
Beneficial interest in trusts	21,306	-	-	21,306	-
Other assets					
Trust receivables	789	-	789	-	-
Total assets	\$ 443,161	\$ 25,485	\$ 372,452	\$ 21,306	\$ 23,918

Liabilities:					
Interest rate swap agreements	\$ 12,796	\$ -	\$ 12,796	\$ -	-

* Investments reported at NAV as a practical expedient estimate of fair value at December 31, 2019 and 2018.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, Centra expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable, as of December 31, 2019 and 2018.

Centra's investments in the private pooled investments in real estate based reported at NAV, have no unfunded commitments as of December 31, 2019 and 2018. These investments can be redeemed daily.

Changes Level 3

The changes in Level 3 instruments measured on a recurring basis for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Beginning balance	\$ 21,306	\$ 23,983
Total gains (losses) (realized/unrealized) included in change in net assets	2,875	(2,677)
Ending balance	\$ 24,181	\$ 21,306

6. Property and Equipment

Property and equipment at December 31 consist of the following:

	2019	2018
Land	\$ 31,511	\$ 31,410
Land improvements	18,966	18,964
Buildings and leasehold improvements	606,520	593,980
Equipment	573,257	566,942
	1,230,254	1,211,296
Less: accumulated depreciation and amortization	795,855	764,340
	434,399	446,956
Construction in progress	29,733	32,290
	\$ 464,132	\$ 479,246

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 is approximately \$51,359 and \$50,509, respectively.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Construction in progress primarily consists of various in-house construction projects including the renovation and relocation of the Centra Pharmacy and the Women’s Center. The estimated cost to complete these projects as of December 31, 2019 is approximately \$2,636.

7. Long-Term Obligations

Long-term obligations at December 31 consist of the following:

Issuing Body	2019	2018
Economic Development Authority of the City of Lynchburg, Virginia (Series 2017 A/B/C/D)	\$ 217,555	\$ 222,900
Economic Development Authority of the City of Lynchburg, Virginia (Series 2014 A/B)	65,607	65,732
Centra Health, Inc. Taxable Bonds (Series 2018)	101,455	101,455
Total bonds	384,617	390,087
Other long-term obligations:		
Taxable promissory note (2014)	20,025	20,057
Notes payable to Carilion Clinic	3,761	4,262
Total other long-term obligations	23,786	24,319
Plus: unamortized bond premiums	8,687	9,074
Less: unamortized bond discounts	(1,102)	(1,144)
Less: unamortized debt issuance costs	(2,235)	(2,266)
Less: current portion	(8,661)	(6,002)
Total long-term obligations, net of current portion	\$ 405,092	\$ 414,068

The Obligated Group is comprised of Centra Health, Inc., Southside, Bedford, Centra Medical Group, LLC and CCRC, Inc. In July 2018, Centra issued \$101,455 in taxable bonds (Series 2018). Interest is payable semi-annually and principal is due in full in 2048. The proceeds of the bonds provided working capital for members of the Obligated Group, will finance other corporate needs and strategic initiatives of the Obligated Group and paid certain expenses incurred in connection with issuing the bonds.

Series 2018 was issued with the par amount of \$101,455 and an underwriter’s discount totaling \$578. The Series 2018 bond bears interest at a fixed rate of 4.70% per annum. Issuance costs related to the Series 2018 bonds were \$632.

In July 2017, Centra issued Hospital Revenue and Refunding Bonds (Centra Health Obligated Group), Series 2017A, Series 2017B, Series 2017C and Series 2017D (collectively, the Series 2017 bonds) in the aggregate par amount of \$228,285. Proceeds from the Series 2017 bonds were used to refund in full the Series 2004, Series 2007, Series 2010, Series 2011 and Series 2012 bonds, pay certain issuance costs for the Series 2017 bonds, and to finance various capital additions and improvements within the Obligated Group. The Series 2017A bonds were issued at a premium of \$9,353. The Series 2017A, Series 2017B and Series 2017C bonds were issued with an underwriter’s discount totaling \$601. The

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Series 2017 bonds issuance resulted in a loss on extinguishment of debt of approximately \$2,570 representing the write-off of unamortized bond issuance costs on outstanding bonds refunded through this transaction. Unused funds to finance capital additions and improvements are held with the Trustee until requisitioned for reimbursement after expenditures are made. Funds held by Trustee restricted for capital expenditures were \$73 and \$14,411 at December 31, 2019 and 2018, respectively.

Each Series 2017A bond bears interest at fixed rates between approximately 3.13% and 5.00% per annum (5.00% at December 31, 2019) and is payable semi-annually. Interest rates on the Series 2017B, 2017C and 2017D bonds are variable and payable monthly. Interest rates on the Series 2017B, 2017C and 2017D bonds were approximately 1.63%, 1.46% and 1.95% per annum at December 31, 2019, respectively.

The Series 2017B and 2017C bonds require issuance of an irrevocable direct-pay letter of credit (credit facility), which was issued by a bank for each series. Each credit facility is scheduled to expire on July 25, 2022.

In September 2014, the Series 2014A and B Hospital Revenue Bonds were issued in the aggregate amount of \$79,895. The Series 2014A bonds bear interest at a fixed rate of 3.85% per annum and Series 2014B bonds bear interest at a variable rate both payable quarterly (1.92% at December 31, 2019). Proceeds of the sale of the bonds were used for acquisition, construction, and equipment for various capital projects including new medical centers, a 24-hour outpatient emergency room, and a new pulmonary unit.

In September 2014, Centra Health issued a taxable promissory note in the amount of \$20,105, variable interest rate payable quarterly (2.76% at December 31, 2019). Proceeds of the sale of the bonds were used for the acquisition, construction, equipment, and supplementing costs of various ambulatory surgery centers.

On June 30, 2014, Bedford and Centra Health, Inc. entered into a Debt Service Agreement with Carilion Clinic (Carilion) to provide for the payment of debt service for Carilion's Bedford portion of its Series 2005C Hospital Revenue Bonds and the Series 2012 Hospital Revenue Bonds. Bedford makes debt service payments to Carilion based on the terms set forth in the Debt Service Agreement. Interest rates range from 4.00% to 5.00% with final payment in 2022. Bedford was formerly a joint venture with Carilion until Centra acquired Carilion's membership interest in 2014.

Centra is obligated to make payments of principal and interest that correspond its debt obligation agreements. The aggregate annual maturities of indebtedness for each of the five years subsequent to December 31, 2019 and thereafter are as follows:

<i>Years Ending December 31,</i>	
2020	\$ 8,661
2021	6,531
2022	7,534
2023	7,108
2024	7,413
Thereafter	371,156
	<hr/>
	\$ 408,403

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Centra must remain compliance with certain covenants and restrictions required by the master trust indenture underlying its revenue bonds. The covenants include maintaining a required debt service coverage ratio, debt to capitalization ratio, a specific liquidity target, as well as other nonfinancial restrictions. As of December 31, 2019 and 2018, Centra is in compliance with these covenants. Through the Master Trust Indenture, long-term obligations are collateralized through a security interest in certain real estate, other property and equipment, and other interests of Centra.

8. Interest Rate Swap Agreements

Centra entered into various interest rate swap agreements with certain investment companies to reduce the exposure of volatility in interest rates on variable rate debt. As such, Centra pays a fixed rate of interest, as noted in the following table, while the investment company pays based on a monthly floating LIBOR rate plus a spread. The difference between the fixed and floating rates is accrued and recorded in interest expense in the accompanying consolidated statements of operations and changes in net assets beginning on the effective date.

The following summarizes the general terms for each of Centra's interest rate swap agreements:

<i>Description</i>	Notional Amount ⁽¹⁾	Effective Date	Termination Date	Centra Pays	Centra Receives
Fixed payor	\$ 33,650	12/26/2012	1/1/2028	3.349%	61% of one-month LIBOR + 0.24%
Fixed payor	\$ 39,200	5/19/2016	1/1/2035	3.475%	61% of one-month LIBOR + 0.24%
Fixed payor	\$ 26,325	5/20/2016	1/1/2035	3.371%	61% of one-month LIBOR + 0.24%
Fixed payor	\$ 2,528	6/30/2011	12/15/2022	2.890%	68% of one-month LIBOR + 0.81%

(1) As of December 31, 2019

The fair value of each interest rate swap is the estimated amount Centra would receive or pay to terminate the agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the interest rate swap counterparties. The fair value of these derivative instruments is included as a noncurrent liability in the accompanying consolidated balance sheets. The change in fair value is included with net nonoperating gains on the consolidated statements of operations and changes in net assets as changes in fair value of interest rate swap agreements.

The related financial information on each of these interest rate swap agreements at December 31 is as follows:

<i>Description</i>	Termination date	Fair value 12/31/17	Gain (loss) recognized	Fair value 12/31/18	Gain (loss) recognized	Fair value 12/31/19 ⁽¹⁾
Fixed payor	1/1/2028	\$ (3,452)	\$ 863	\$ (2,589)	\$ (295)	\$ (2,884)
Fixed payor	1/1/2035	(8,364)	1,417	(6,947)	(1,956)	(8,903)
Fixed payor	1/1/2035	(4,065)	832	(3,233)	(786)	(4,019)
Fixed payor	12/15/2022	(74)	47	(27)	(13)	(40)
		\$ (15,955)	\$ 3,159	\$ (12,796)	\$ (3,050)	\$ (15,846)

(1) Balances are classified as noncurrent interest rate swap agreement liabilities as of December 31, 2019 and 2018.

Centra is exposed to financial loss in the event of underperformance by a counterparty to any of the interest rate swap agreements described above. General market conditions could impact the

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

credit standing of the counterparties and, therefore, potentially impact the value of the instruments on Centra's consolidated balance sheets. Centra controls this counterparty risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

9. Retirement Plans

Centra and its NFP subsidiaries (except Bedford, Southside, and PCHP) have a frozen defined-benefit pension plan (the Plan). The benefits are based on years of service and the average compensation during the highest five consecutive calendar years of service. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Centra elected to freeze the Plan as of December 31, 2009 to new participants and no future accruals will be earned.

In accordance with generally accepted accounting principles, Centra is required to: (a) recognize in its consolidated balance sheets an asset for the Plan's overfunded status or a liability for the Plan's underfunded status; (b) measure the Plan's assets and its obligations that determine its funded status as of the end of Centra's fiscal year (with limited exceptions); and (c) recognize changes in the funded status the Plan in the year in which the changes occur. Those changes are reported with changes in unrestricted net assets in the consolidated statements of operations and changes in net assets.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

A summary of the projected benefit obligation, change in Plan assets, and net periodic pension cost is as follows:

<i>December 31,</i>	2019	2018
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 246,734	\$ 267,379
Interest cost	9,885	9,577
Actuarial loss (gain)	29,017	(19,848)
Benefits paid	(27,772)	(10,374)
Projected benefit obligation, end of year	257,864	246,734
Change in plan assets:		
Fair value of plan assets, beginning of year	216,171	237,387
Actual return on plan assets	38,778	(14,042)
Employer contributions	6,100	3,200
Benefits paid	(27,772)	(10,374)
Fair value of plan assets, end of year	233,277	216,171
Funded status of the Plan (unfunded)	\$ (24,587)	\$ (30,563)
Reconciliation of accrued pension costs:		
Prepaid pension costs	\$ 10,373	\$ 12,378
Employer contributions	6,100	3,200
Net periodic pension costs	(3,294)	(5,205)
Settlement/curtailment expense	(2,583)	-
Prepaid pension costs, end of year	10,596	10,373
Accumulated amounts recognized as other change in net assets	(35,183)	(40,936)
Funded status of the Plan (underfunded)	\$ (24,587)	\$ (30,563)
Components of net periodic benefit cost:		
Interest cost	\$ 9,885	\$ 9,577
Expected return on plan assets	(12,306)	(12,191)
Amortization of net actuarial loss	5,715	7,819
Net periodic pension cost	3,294	5,205
Settlement/curtailment expense	2,583	-
Total ASC 715 Expense	\$ 5,877	\$ 5,205

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

	2019	2018
Other changes in plan assets and benefit obligations recognized in other changes in net assets:		
Net actuarial loss	\$ (2,544)	\$ (6,385)
Amortization of net actuarial loss & settlement/curtailment expense	8,297	7,819
Total recognized in other changes in net assets	\$ 5,753	\$ 1,434

Weighted average assumptions used to determine benefit obligations:

	2019	2018
Discount rate	3.20%	4.25%
Expected long-term return on assets	4.50	5.50
Compensation rate increase	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost:

	2019	2018
Discount rate	4.25%	3.65%
Expected long-term return on assets	5.50	5.50
Compensation rate increase	N/A	N/A

The expected long-term rate of return for the Plan's total assets is based on an analysis of anticipated returns for equity and fixed-income investments for the portfolio allocation.

Plan Assets

The asset allocation for Centra's funded retirement plan at December 31, 2019 and 2018, and the target allocation for 2020 by asset category are as follows:

	Target allocation 2020	Percentage of plan assets at year-end	
		2019	2018
Equity securities	35.0%	35.5%	35.7%
Fixed-income securities	65.0	64.5	64.3
	100.0%	100.0%	100.0%

The policy, as established by Centra's Investment Committee, is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The assets will be reallocated quarterly to meet the above target allocations. The investment policy is reviewed on a quarterly basis, under the advisement of a certified investment adviser to determine if the policy should be changed.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

As disclosed in note 5, generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Prices for certain common collective trusts are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

The following tables set forth by level the fair value hierarchy the Plan's financial assets accounted for at fair value as of December 31, 2019 and 2018, respectively. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Centra's assessment of the significance of a particular input to the fair value measurement for plan assets requires judgment, and may affect the valuation of fair value of plan investments and their placement within the fair value hierarchy levels.

December 31, 2019					
	Total	Level 1	Level 2	Level 3	NAV*
Common collective trusts:					
Equity securities	\$ 82,873	\$ -	\$ 82,873	\$ -	-
Fixed income	150,404	-	150,404	-	-
	\$ 233,277	\$ -	\$ 233,277	\$ -	-

December 31, 2018					
	Total	Level 1	Level 2	Level 3	NAV*
Common collective trusts:					
Equity securities	\$ 77,632	\$ -	\$ 77,632	\$ -	-
Fixed income	138,539	-	138,539	-	-
	\$ 216,171	\$ -	\$ 216,171	\$ -	-

Cash Flows

Centra expects to make contributions of \$5,100 to the Plan during 2020.

Estimated future benefit payments - the following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<i>Years Ending December 31,</i>	
2020	\$ 11,167
2021	11,676
2022	12,256
2023	12,705
2024-2029	82,590

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Section 403(b) Plan

Centra and its NFP subsidiaries have a tax sheltered annuity program qualified under Section 403(b) of the Internal Revenue Code covering all employees meeting age and service requirements. Centra matches up to 3% on eligible employee contributions. The program also allows Centra to make discretionary contributions, subject to certain limitations. For 2019, Centra provided an additional discretionary contribution of 2% of base pay into each eligible employee's personal retirement savings account of \$7,643. Centra elected not to make a discretionary contribution in 2018.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31:

	2019	2018
Indigent care	\$ 2,150	\$ 2,015
Capital acquisitions	3,872	3,945
Program services	61,175	51,332
General purpose	5,275	5,276
	\$ 72,472	\$ 62,568

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of indigent care, capital acquisitions, and program expenses, which totaled approximately \$4,389 and \$2,388, respectively.

11. Endowment Funds

The Foundation's endowment consists of approximately 45 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Foundation's board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Foundation's board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) of Virginia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Donor restricted	\$ -	\$ 45,625	\$ 45,625
Board designated	920	-	920
	\$ 920	\$ 45,625	\$ 46,545

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 920	\$ 39,718	\$ 40,638
Investment returns:			
Investment income	-	634	634
Net appreciation	-	5,907	5,907
Appropriation of endowment assets for expenditure	-	(634)	(634)
Endowment net assets, end of year	\$ 920	\$ 45,625	\$ 46,545

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds:			
Donor restricted	\$ -	\$ 39,718	\$ 39,718
Board designated	920	-	920
	\$ 920	\$ 39,718	\$ 40,638

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 920	\$ 43,904	\$ 44,824
Investment returns:			
Investment income	-	683	683
Net depreciation	-	(4,371)	(4,371)
Appropriation of endowment assets for expenditure	-	(498)	(498)
Endowment net assets, end of year	\$ 920	\$ 39,718	\$ 40,638

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Foundation's board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, overtime, to provide an average rate of return on equity investments of 6% and a fixed-income yield of 2% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of requesting for distribution each year either net income of the asset or a percentage of the assets average fair value, which results in an average net cash distribution of 2.4% of total assets. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4.3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019 and 2018 there were no funds in a deficient position where the original gift values that exceed the fair values

12. Tax Status

Centra Health, Inc., CCRC, Inc., Foundation, Southside, and Bedford are exempt from income tax under Section 501 (a) of the Internal Revenue Code. Accordingly, no income taxes have been provided for these entities in the accompanying consolidated financial statements except for taxes related to certain unrelated business income engaged in by Centra.

Centra Medical Group, LLC, CHIC, Centra Specialty Hospital, Healthworks, CVQCN, and Outpatient Rehab are disregarded for federal income tax purposes and, therefore, are included under Centra's tax return.

Centra has adopted relevant accounting standards related to taxes for its subsidiaries, GBC, PCHP Holding, Inc. and PCHP. Under the asset-and-liability method for these standards, deferred tax assets and liabilities are recognized for the temporary differences between the financial statement carrying amounts and the tax basis of the subsidiary's assets and liabilities at income tax rates expected to be in effect when such amounts are realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

CHIC is wholly owned by Centra Health, Inc. Any liability for taxes is passed through to Centra Health, Inc. A provision will be made when operations of this subsidiary indicates a liability for taxes.

Centra has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2019. Centra believes they are no longer subject to income tax examinations for years prior to December 31, 2016.

13. Functional Expenses

Centra provides a broad range of healthcare services to residents within its primary and secondary service areas. The consolidated financial statements report expenses that are attributable to both healthcare services and supporting functions. Expenses can be identified either as healthcare services or general and administrative and are charged directly according to their natural expense

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

classifications. Expenses that are allocated include certain benefits, which are allocated on the basis of time and effort. Expenses related to providing these services for 2019 and 2018 are as follows:

	2019		
	Healthcare Services	General and Administrative	Total Expenses
Salaries and wages	\$ 476,856	\$ 40,108	\$ 516,964
Benefits	105,421	10,228	115,649
Medical supplies and drugs	181,929	27	181,956
Professional services	65,860	488	66,348
Medical claims expenses	17,381	-	17,381
Other purchased services	126,596	56,300	182,896
Other operating expenses	52,934	25,444	78,378
Depreciation and amortization	32,721	18,638	51,359
Interest	16,511	43	16,554
Loss on early extinguishment of debt	-	-	-
Total operating expenses	\$ 1,076,209	\$ 151,276	\$ 1,227,485

	2018		
	Healthcare Services	General and Administrative	Total Expenses
Salaries and wages	\$ 456,392	\$ 35,715	\$ 492,107
Benefits	99,513	9,518	109,031
Medical supplies and drugs	172,423	9	172,432
Professional services	55,487	455	55,942
Medical claims expenses	99,732	-	99,732
Other purchased services	122,540	48,390	170,930
Other operating expenses	50,072	22,855	72,927
Depreciation and amortization	34,423	16,086	50,509
Interest	14,057	62	14,119
Loss on early extinguishment of debt	-	90	90
Total operating expenses	\$ 1,104,639	\$ 133,180	\$ 1,237,819

14. Investments in Joint Ventures

Central Virginia Imaging LLC

Central Virginia Imaging LLC (CVI) is a Virginia limited liability company established June 8, 1998. The company has two members, Centra Health, Inc. (50%), and Radiology Consultants of Lynchburg, Inc. (50%). The company was established to provide computed tomography scanning and magnetic resonance imaging services. Centra Health, Inc.'s investment in CVI is accounted for under the

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

equity method. At December 31, 2019 and 2018, CVI had total net assets of approximately \$429 and \$319, respectively.

The Surgery Center of Lynchburg, LLC

The Surgery Center of Lynchburg, LLC (Surgery Center) is a Virginia limited liability company organized on January 29, 1999 to provide outpatient surgical services in the central Virginia area. Centra Health, Inc. owns 50% of the Surgery Center and the remaining 50% is owned by individual physicians. Centra Health, Inc.'s investment in the Surgery Center is accounted for under the equity method. At December 31, 2019 and 2018, the Surgery Center had total net assets of approximately \$7,339 and \$5,648, respectively.

The Halifax Centra Venture

Effective June 16, 2003, Centra Health, Inc. and Halifax Regional Hospital (Halifax) located in South Boston, Virginia, entered into a joint venture to construct and operate a cardiac catheterization laboratory at Halifax. Centra Health, Inc. and Halifax each have a 50% interest in the venture. Centra Health, Inc.'s investment in The Halifax Centra Venture is accounted for under the equity method. The cardiac catheterization laboratory is a department of Halifax. Net income for The Halifax Centra Venture in 2019 and 2018 was \$227 and \$794, respectively.

15. Commitments and Contingencies

Leases

Total lease expense in 2019 and 2018 for all operating leases was \$5,707 and \$5,206, respectively.

Centra leases facilities and equipment under long-term operating leases that are non-cancelable and expire on various dates. At the lease commencement date, lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term, which includes all fixed obligations arising from the lease contract. If an interest rate is not implicit in a lease, Centra utilizes its incremental borrowing rate for a period that closely matches the lease term.

The following summarizes net future minimum lease payments due under noncancelable operation leases at December 31, 2019:

<i>Years Ending December 31,</i>	
2020	\$ 5,009
2021	3,616
2022	2,825
2023	2,120
2024	1,694
Thereafter	4,103
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	\$ 19,367

Centra Health, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
(Amounts in thousands unless otherwise stated)

Average operating lease terms and discount rates at December 31, 2019 were as follows:

Weighted-average remaining lease term (years):	
Operating leases	6.3
Weighted-average discount rate:	
Operating leases	4.2%

Compliance

Centra self-reported to the United States Department of Justice (DOJ) certain conduct relating to potential violations of the Stark Law and/or the False Claims Act (Disclosure). While negotiating a resolution to the Disclosure with the DOJ and other governmental entities, Centra and the DOJ became aware of additional acts or omissions by Centra that potentially violated the Stark Law, the Anti-Kickback Statute and/or the False Claims Act. Centra adequately reserved for the matter in the accompanying consolidated financial statements and an agreement for settlement was finalized subsequent to year-end.

Litigation

Centra is subject to various legal proceedings and claims that are inherent to the provision of healthcare services. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on Centra's consolidated financial statements. Management believe that Centra is adequately insured for any current legal proceedings and claims.

Line-of-Credit

In March 2018, Centra entered into an agreement with a commercial bank for a line-of-credit providing advances of up to \$25,000. The loan is secured by the same collateral provided to holders of other parity obligations under the master trust indenture. The interest rate is variable and computed based on one-month LIBOR plus 50 basis points (2.24% as of December 31, 2019). Interest is payable monthly, and all principal and interest is due in full three years from the closing date. As of December 31, 2019, and 2018, there was \$0 and \$25,000 outstanding, respectively.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

16. Concentration of Credit Risk

Centra grants credit without collateral to its patients, most of whom are area residents insured under third-party payor agreements. The mix of net receivables from patients and third-party payors is as follows as of December 31:

	2019	2018
Medicare	33%	41%
Medicaid	13	19
Anthem	21	12
Other commercial and managed care	20	18
Self-pay and other	13	10
	100%	100%

17. Insurance Activity

CHIC

CHIC provides claims-made healthcare facilities commercial general liability, professional liability, employee benefits liability, and excess liability coverages to Centra and its affiliates. CHIC provides commercial general liability up to \$52,000 per event and \$56,750 annually in the aggregate (\$56,500 in 2018). CHIC provides professional liability up to a limit of \$32,400 per person or batch event (\$32,400 in 2018) and \$36,750 annually in the aggregate (\$36,500 in 2018). CHIC provides employee benefit liability up to a limit of \$51,000 per event and \$53,000 annually in the aggregate. Other limits apply for other coverages. CHIC provided various limits prior to January 1, 2018.

Pursuant to reinsurance agreements with unaffiliated reinsurers, CHIC retains \$2,000 per event for general liability coverage and \$2,400 per person or batch event (\$2,350 in 2018) for professional liability and \$6,750 annually in the aggregate combined for both coverages (\$6,500 in 2018). For employee benefits liability, CHIC retains \$1,000 per event and \$3,000 annually in the aggregate. The first \$10,000 in excess of the primary layer of coverage also includes an additional self-insured retention of \$50 each event after CHIC's aggregate limit has been reached. Other limits apply for other coverages. Reinsured limits varied prior to January 1, 2018.

A reconciliation of direct net premiums, on both a written and an earned basis is as follows:

	2019	2018
Direct	\$ 6,105	\$ 4,674
Ceded	(1,193)	(473)
Net premiums earned	\$ 4,912	\$ 4,201

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

The components of the gross liability for losses and loss adjustment expenses and related reinsurance recoverable as of December 31 are as follows:

	2019		2018	
	Gross Liability	Reinsurance Recoverable	Gross Liability	Reinsurance Recoverable
Case basis reserves	\$ 5,657	\$ -	\$ 6,268	\$ -
IBNR reserves	6,612	565	5,119	573
Discounting	(674)	-	(610)	-
Total	\$ 11,595	\$ 565	\$ 10,777	\$ 573

Discounted losses and loss adjustment expense activity, net of reinsurance, is as follows:

	2019	2018
Net liability at the beginning of the year, discounted	\$ 10,204	\$ 9,997
Incurred related to:		
Current year - professional and general liability	5,350	4,456
Current year - excess medical stop loss	187	-
Development of prior years - professional and general liability	(1,851)	(556)
Change in discounting	(64)	195
Total incurred during the year	3,622	4,095
Paid related to:		
Current year - professional and general liability	287	154
Current year - excess medical stop loss	183	-
Prior years - professional and general liability	2,326	3,734
Total paid during the year	2,796	3,888
Net liability at the end of the year, discounted	\$ 11,030	\$ 10,204

Prior year favorable development recorded in 2019 related primarily to the 2015, 2017 and 2018 policy years.

Prior year favorable development recorded in 2018 related primarily to the 2013 and 2015 to 2017 policy years.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

The reconciliation of the net incurred and paid losses development tables to the liability for losses and loss adjustment expenses on the consolidated balance sheet as of December 31, 2019 is as follows:

Net outstanding liabilities:	
Professional and general liability	\$ 11,701
Reinsurance recoverable:	
Professional and general liability	565
Other	3
Discounting	(674)
<hr/>	
Total gross liability for unpaid losses and loss adjustment expenses, discounted	\$ 11,595

The following is information about incurred and cumulative paid losses and loss adjustment expenses, net of reinsurance, and total IBNR liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2019 for the years presented:

Professional and general liability:

Accident Year	Incurred	Cumulative Paid	Total IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2010	\$ 4,567	4,567	\$ -	8
2011	2,225	2,225	-	18
2012	1,376	1,376	-	14
2013	1,424	1,256	7	13
2014	4,612	4,496	38	12
2015	3,336	3,336	-	12
2016	3,978	2,324	207	11
2017	3,959	2,289	522	23
2018	3,335	305	1,959	20
2019	5,350	287	3,311	14
	<hr/>			
	\$ 34,162	\$ 22,461	\$ 6,044	

CHIC determines the number of reported claims by tracking the number of claims at the claimant level. Each claim has a claim number and claimant. Claims are not included in the analysis until they have been asserted or reported by a claimant.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

Discounted liability, discount rate, discounts and change in discounting as of and for the years ended December 31, 2019 and 2018, are as follows for professional and general liability:

Discounted Liabilities for Unpaid Losses and Loss Adjustment Expenses		Discount Rate		Amount of Discount		Change in Discounting	
2019	2018	2019	2018	2019	2018	2019	2018
\$ 11,030	\$ 10,204	3.00%	3.00%	\$ 674	\$ 610	\$ 64	\$ (194)

CHIC received written approval from the Department to discount its professional and general liabilities. Commercial umbrella liabilities and the related reinsurance recoverable have not been discounted. The change in discounting is included in losses and loss adjustment expenses, net.

PCHP

PCHP, through its two subsidiaries Piedmont Community HealthCare and Piedmont Community Healthcare HMO (collectively, PCHC), offers fully insured network product options to local employers, Medicare Advantage beneficiaries and individuals on the Federally Facilitated Market Place.

Certain benefits are ceded to an unaffiliated insurance company under a stop loss insurance policy. The ceded reinsurance agreement provides PCHC with increased capacity to maintain its exposure to loss within its capital resources. This contract provides for payments to PCHC when certain medical and pharmacy claims exceed \$600 per member for 2019 and \$450 per member for 2018, subject to certain limitations. For 2019 there is an unlimited limit per agreement period per member and a limit of \$5,000 per agreement periods and an unlimited lifetime limit per member for 2018.

A reconciliation of direct net premiums, on both a written and an earned basis is as follows:

	2019	2018
Direct	\$ 129,106	\$ 264,016
Ceded	(2,462)	(5,233)
Net premiums earned	\$ 126,644	\$ 258,783

Claims unpaid represent management's best estimate of ultimate net cost of all reported and unreported claims incurred through December 31. The liability for unpaid claims is computed in accordance with generally accepted actuarial practices and is based upon authorized health care services and past claims payment experience, together with current factors which, in management's judgement, require recognition in the calculation. These accruals are continually monitored and reviewed. Changes in assumptions for medical benefits, as well as changes in actual experience, could cause these estimates to change in the near term. Such changes are reflected in current operations when known and could be material.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

The following table provides a reconciliation of the beginning and ending balances of claims payable and related accounts for the years ended December 31:

	2019	2018
Balance at January 1	\$ 16,684	\$ 3,898
Add provision for claims occurring in:		
Current year	109,507	224,886
Prior year	(1,651)	688
Total incurred losses	107,856	225,574
Deduct payments for claims related to:		
Current year	103,609	206,636
Prior year	14,568	8,232
Total claims payments	118,177	214,868
Change in healthcare receivables for nonadmitted pharmacy rebates	(3,441)	2,081
Balance at December 31	\$ 2,922	\$ 16,684

The ending balances reflected above are included in the consolidated balance sheets:

	2019	2018
Claims unpaid	\$ 7,962	\$ 24,464
Amounts recoverable from reinsurers	(2,169)	(93)
Pharmacy rebates receivable	(2,871)	(7,687)
	\$ 2,922	\$ 16,684

Self-Insurance

Centra is self-insured for employee health benefits. The liabilities associated with these claims were approximately \$10,475 and \$8,617 at December 31, 2019 and 2018, respectively. Centra is also self-insured for workers' compensation insurance. The liability associated with these claims was approximately \$659 and \$884 at December 31, 2019 and 2018, respectively.

18. Discontinued Operations

Effective October 1, 2019, with approval from the Centers of Medicare and Medicaid Services (CMS), PCHP's Medicare Advantage insurance plan segment was sold to another insurance plan provider. Under the sales agreement, the purchaser will provide all continuing coverage for health benefits to the enrollees of the Medicare Advantage insurance plan and assumes all premiums, reinsurance payments, risk adjustments and other subsidies from CMS. The results of operations of PCHP's Medicare Advantage insurance plan segment are presented in the accompanying consolidated statement of operations and changes in net assets as discontinued operations.

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

A summary of the operating components of the gain (loss) from discontinued operations for PCHP for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Operating revenue		
Premium and capitation and revenue	\$ 42,743	\$ 54,847
Operating expenses		
Medical claims	41,867	53,794
Salaries	484	284
Benefits	122	72
Professional fees	1,674	1,120
Other purchased services	2,616	3,097
Other operating (income) expenses	(292)	677
Total operating expenses	46,471	59,044
	(3,728)	(4,197)
Proceeds from sale	10,000	-
Income (loss) from discontinued operations	\$ 6,272	\$ (4,197)

Carrying amounts of major classes of assets and liabilities included as part of discontinued operations were as follows as of December 31, 2019 and 2018:

	2019	2018
Assets		
Other current assets	\$ 5,439	\$ 5,724
Liabilities		
Accounts payable	2,379	8,271
Net assets	\$ 3,060	\$ (2,547)

19. Subsequent Events

Management has evaluated subsequent events through May 22, 2020, the date at which the consolidated financial statements were issued. There were no material subsequent events, other than as described below, that required recognition or additional disclosure in the consolidated financial statements.

On March 11, 2020 the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material

Centra Health, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements (Amounts in thousands unless otherwise stated)

uncertainty and risk with respect to Centra, its performance, and its financial results. Nationally, COVID-19 has unfavorably impacted patient revenues as non-emergent services have been delayed ensuring appropriate care for COVID-19 patients, which are fewer than expected locally and have a less favorable reimbursement.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. To date, Centra has received \$24,225 of payments from the U.S. Department of Health and Human Services (HHS), \$140,471 of advances from the Medicare Advanced Payment Program and will have the ability to defer approximately \$19,200 of payroll taxes from 2020. The funds received from HHS are subject to specific terms, conditions and audit by HHS. Noncompliance with any of the terms or conditions is grounds for HHS to recoup some or all of the payments received by Centra. Management believes it has complied with the terms and conditions.

Supplementary Information



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

Independent Auditor's Report on Supplementary Information

The Board of Directors
Centra Health, Inc. and Subsidiaries:

Our audit of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is 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.

BDO USA, LLP

May 22, 2020

Centra Health, Inc. and Subsidiaries
Consolidating Balance Sheet Information - Obligated Group
December 31, 2019

(Amounts in thousands unless otherwise stated)

	Centra Health	Southside Community Hospital	Bedford Memorial Hospital	CCRC	Centra Medical Group	Eliminations	Subtotal Obligated Group
Assets							
Current assets:							
Cash and cash equivalents	\$ 23,265	\$ 5,506	\$ 3,055	\$ 1,086	\$ 7,049	\$ -	\$ 39,961
Patient accounts receivable, net	157,395	18,360	12,261	-	19,000	(494)	206,521
Third-party settlements	9,758	2,009	527	-	-	-	12,294
Inventories	23,455	2,922	972	-	78	-	27,427
Other current assets	34,425	111	36	204	1,920	-	36,697
Total current assets	248,298	28,908	16,851	1,290	28,047	(494)	322,900
Investments and assets whose use is limited							
Investments in joint ventures	378,134	2,814	-	15,393	-	-	396,340
Property and equipment, net	6,442	-	-	-	-	-	6,442
Right of use asset - leases	377,772	26,216	26,192	7,538	22,488	-	460,206
Invested capital, controlled entities	12,571	1,228	20	-	2,691	-	16,510
Due from related parties	279,549	-	9	-	19,206	(135,212)	144,336
Other assets	(4,176)	15	-	-	-	(396)	14,658
	6,277	-	3,137	-	-	-	9,414
Total assets	\$ 1,304,867	\$ 59,181	\$ 46,209	\$ 24,221	\$ 72,432	(136,102)	\$ 1,370,807
Liabilities and Net Assets (Deficit)							
Current liabilities:							
Accounts payable	\$ 93,680	\$ 1,921	\$ 707	\$ 1,683	\$ 5,444	\$ (495)	\$ 102,939
Employee compensation and benefits	29,215	2,278	1,527	68	18,442	-	51,530
Third-party settlements and reserves	17,116	565	648	-	-	-	18,329
Current portion of long-term obligations	5,952	-	2,709	-	-	-	8,661
Current portion of future lease obligations	2,832	193	20	-	1,100	-	4,146
Due to related parties	(687)	(25,585)	26,529	99	(9)	(397)	(50)
Other current liabilities	6,502	266	-	-	-	-	6,768
Total current liabilities	154,610	(20,362)	32,141	1,849	24,978	(892)	192,323
Long-term obligations, net of current portion	395,782	-	1,129	8,181	-	-	405,092
Future lease obligations, net of current portion	9,841	1,033	-	-	1,602	-	12,476
Interest rate swap agreements	15,807	39	-	-	-	-	15,846
Accrued pension obligations	24,587	-	-	-	-	-	24,587
Other long-term liabilities	5,195	815	405	15,020	-	2	21,437
Total liabilities	605,822	(18,474)	33,674	25,051	26,579	(890)	671,761
Net assets (deficit):							
Without donor restrictions	626,572	77,655	12,535	(830)	45,853	(135,213)	626,573
With donor restrictions	72,473	-	-	-	-	-	72,473
Total net assets (deficit)	699,045	77,655	12,535	(830)	45,853	(135,213)	699,046
Total liabilities and net assets (deficit)	\$ 1,304,867	\$ 59,181	\$ 46,209	\$ 24,221	\$ 72,432	(136,102)	\$ 1,370,807

Centra Health, Inc. and Subsidiaries
Consolidating Balance Sheet Information
December 31, 2019
(Amounts in thousands unless otherwise stated)

	Subtotal Obligated Group	PCHIP Consolidated	General Business Concerns	Centra Health Foundation	Centra Specialty Hospital	Centra Health Indemnity Company	Healthworks Clinic	Central VA Quality Care Network	Centra Outpatient Rehab	PCHIP Holding	Eliminations	Consolidated
Assets												
Current assets:												
Cash and cash equivalents	\$ 39,961	\$ 51,074	\$ 577	\$ 350	\$ 703	\$ 5,355	\$ 603	\$ 58	\$ 617	\$ 87	\$ -	\$ 99,385
Patient accounts receivable, net	206,521	-	-	-	2,637	-	561	-	297	-	(1,709)	208,307
Third-party settlements	12,294	-	-	-	-	-	-	-	-	-	-	12,294
Inventories	27,427	-	-	-	37	-	7	-	-	-	-	27,472
Other current assets	36,697	18,914	17	-	28	567	9	-	-	3	65	56,299
Total current assets	322,900	69,988	594	350	3,405	5,922	1,180	58	914	90	(1,644)	403,757
Investments and assets whose use is limited	396,340	-	-	73,428	-	22,624	-	-	-	-	-	492,392
Investments in joint ventures	6,442	-	-	-	-	-	-	-	-	-	-	6,442
Property and equipment, net	460,206	2,117	1,117	-	344	-	288	-	60	-	-	464,132
Right of use asset - leases	16,510	563	-	-	-	-	-	-	-	-	-	17,073
Invested capital, controlled entities	144,336	-	-	-	-	-	-	-	-	7,277	(151,613)	-
Due from related parties	14,658	12	-	-	(9)	-	(11)	-	-	-	(14,650)	-
Other assets	9,414	7,304	-	1,904	-	-	2,135	-	-	-	(4,955)	15,802
Total assets	\$ 1,370,807	\$ 79,984	\$ 1,711	\$ 75,682	\$ 3,740	\$ 28,546	\$ 3,592	\$ 58	\$ 974	\$ 7,367	\$ (172,863)	\$ 1,399,598
Liabilities and Net Assets (Deficit)												
Current liabilities:												
Accounts payable	\$ 102,939	\$ 13,024	\$ 18	\$ 21	\$ 179	\$ 68	\$ 53	\$ -	\$ 10	\$ -	\$ (1,709)	\$ 114,603
Employee compensation and benefits	51,530	543	-	28	428	-	42	25	234	-	-	52,830
Third-party settlements and reserves	18,329	-	-	-	-	-	-	-	-	-	-	18,329
Current portion of long-term obligations	8,661	-	-	-	401	-	-	-	-	-	(401)	8,661
Current portion of future lease obligations	4,146	223	-	-	-	-	-	-	-	-	-	4,369
Due to related parties	(49,752)	149	54	300	2,072	-	1,548	5,257	4,621	12	(13,963)	-
Other current liabilities	6,768	-	-	-	-	-	145	-	-	-	65	6,978
Total current liabilities	192,323	13,940	73	349	3,080	68	1,789	5,282	4,865	12	(16,008)	205,770
Long-term obligations, net of current portion	405,092	-	-	-	3,701	-	-	-	-	-	(3,701)	405,092
Future lease obligations, net of current portion	12,476	348	-	-	-	-	-	-	-	-	-	12,824
Interest rate swap agreements	15,846	-	-	-	-	-	-	-	-	-	-	15,846
Accrued pension obligations	24,587	-	-	-	-	-	-	-	-	-	-	24,587
Other long-term liabilities	21,437	1,215	-	45	-	12,319	-	-	-	2,356	(688)	36,684
Total liabilities	671,761	15,502	72	394	6,781	12,387	1,788	5,282	4,865	2,368	(20,398)	700,803
Net assets (deficit):												
Without donor restrictions	626,573	64,482	1,639	2,815	(3,041)	16,159	1,804	(5,224)	(3,891)	4,999	(79,993)	626,322
With donor restrictions	72,473	-	-	72,473	-	-	-	-	-	-	(72,473)	-
Total net assets (deficit)	699,046	64,482	1,639	75,288	(3,041)	16,159	1,804	(5,224)	(3,891)	4,999	(152,466)	698,795
Total liabilities and net assets (deficit)	\$ 1,370,807	\$ 79,984	\$ 1,711	\$ 75,682	\$ 3,740	\$ 28,546	\$ 3,592	\$ 58	\$ 974	\$ 7,367	\$ (172,863)	\$ 1,399,598

Centra Health, Inc. and Subsidiaries
Consolidating Statement of Operations Information - Obligated Group
Year Ended December 31, 2019
(Amounts in thousands unless otherwise stated)

	Centra Health	Southside Community Hospital	Bedford Memorial Hospital	CCRC	Centra Medical Group	Eliminations	Subtotal Obligated Group
Unrestricted revenue and other support:							
Net patient service revenue	\$ 779,689	\$ 94,699	\$ 44,594	\$ -	\$ 120,181	\$ (865)	\$ 1,038,298
Net assets released from restrictions for operations	-	-	-	-	-	-	-
Other operating revenue	107,187	1,630	651	4,780	74,778	(87,998)	101,026
Total unrestricted revenue	886,875	96,329	45,245	4,780	194,959	(88,863)	1,139,324
Expenses:							
Salaries and wages	303,363	27,398	18,320	759	150,332	-	500,171
Benefits	76,381	7,150	4,742	194	27,368	-	115,835
Medical supplies and drugs	158,914	14,227	3,645	-	5,232	(516)	181,502
Professional services	12,682	1,296	592	-	55,737	(3,971)	66,336
Medical claims expense	-	-	-	-	-	-	-
Other purchased services	175,560	22,756	10,619	1,347	42,071	(84,347)	168,006
Other operating expenses	65,526	4,237	2,657	873	2,429	(29)	75,692
Depreciation and amortization	41,008	3,809	2,746	934	2,382	-	50,879
Interest	16,310	15	111	118	-	-	16,554
Total expenses	849,744	80,888	43,432	4,225	285,551	(88,863)	1,174,975
Operating income (loss)	37,131	15,441	1,813	555	(90,592)	-	(35,651)
Nonoperating gains (losses):							
Investment income (loss), net	54,277	389	26	2,299	-	-	56,990
Income from controlled entities	(60,127)	-	-	-	-	70,057	9,930
Change in value of interest rate swap agreements	(3,039)	(11)	-	-	-	-	(3,050)
Net periodic pension costs	(5,877)	-	-	-	-	-	(5,877)
Other	(258)	23	-	-	-	-	(236)
Total net nonoperating gains (losses)	(15,024)	401	26	2,299	-	70,057	57,757
Excess (deficiency) of unrestricted revenue over expenses	\$ 22,107	\$ 15,842	\$ 1,839	\$ 2,854	\$ (90,592)	\$ 70,057	\$ 22,106

Centra Health, Inc. and Subsidiaries
Consolidating Statement of Operations Information
Year Ended December 31, 2019
(Amounts in thousands unless otherwise stated)

	Subtotal Obligated Group	PCHP Consolidated	General Business Concerns	Centra Health Foundation	Centra Specialty Hospital	Centra Health Indemnity Company	Healthworks Clinic	Central VA Quality Care Network	Centra Outpatient Rehab	PCHP Holding	Eliminations	Consolidated
Unrestricted revenue and other support:												
Net patient service revenue	\$ 1,038,298	\$ -	\$ -	\$ -	\$ 9,727	\$ -	\$ 1,469	\$ -	\$ 5,418	\$ -	\$ (49,281)	\$ 1,005,631
Premium revenue	-	89,342	-	-	-	-	-	-	-	-	-	89,342
Net assets released from restrictions for operations	-	-	-	3,463	-	-	-	-	-	-	-	3,463
Other operating revenue	101,026	-	524	1,345	13	4,912	1,302	47	19	-	(15,080)	94,108
Total unrestricted revenue	1,139,324	89,342	524	4,808	9,740	4,912	2,771	47	5,437	-	(64,361)	1,192,544
Expenses:												
Salaries and wages	500,171	6,201	-	584	5,076	-	1,197	725	3,010	-	-	516,964
Benefits	115,835	1,613	-	149	1,308	-	307	188	769	-	(4,320)	115,649
Medical supplies and drugs	181,502	-	-	-	651	-	75	-	28	-	(300)	181,956
Professional services	66,336	-	-	-	-	-	367	143	-	-	(498)	66,348
Medical claims expense	-	66,062	-	-	-	-	-	-	-	-	(48,681)	17,381
Other purchased services	168,006	14,771	197	267	2,241	3,950	753	132	973	1	(8,395)	182,896
Other operating expenses	75,692	280	153	3,814	302	-	53	3	50	-	(1,968)	78,378
Depreciation and amortization	50,879	188	100	-	97	-	65	-	30	-	-	51,359
Interest	16,554	-	-	-	255	-	-	-	-	-	(255)	16,554
Total expenses	1,174,975	89,115	450	4,814	9,930	3,950	2,817	1,191	4,860	1	(64,617)	1,227,485
Operating income (loss)	(35,651)	228	74	(6)	(190)	962	(46)	(1,144)	577	(1)	256	(34,941)
Nonoperating gains (losses):												
Investment income (loss), net	56,990	680	-	(11)	9	3,125	-	-	-	-	(255)	60,538
Income from controlled entities	9,930	-	-	-	-	-	-	-	-	-	(9,930)	-
Change in value of interest rate swap agreements	(3,050)	-	-	-	-	-	-	-	-	-	-	(3,050)
Net periodic pension costs	(5,877)	-	-	-	-	-	-	-	-	-	-	(5,877)
Other	(236)	-	-	-	-	-	-	-	-	-	-	(236)
Total net nonoperating gains (losses)	57,757	680	-	-	9	3,125	-	-	-	-	(10,184)	51,375
Income (loss) from discontinued operations	-	6,272	-	-	-	-	-	-	-	-	-	6,272
Excess (deficiency) of unrestricted revenue over expenses	\$ 22,106	\$ 7,179	\$ 74	\$ (6)	\$ (181)	\$ 4,087	\$ (46)	\$ (1,144)	\$ 577	\$ (1)	\$ (9,928)	\$ 22,706

ASSUMPTIONS AND MATERIAL DIFFERENCES

“THE SUMMIT”

FINANCIAL MODEL

ASSUMPTIONS – “THE SUMMIT” FINANCIAL MODEL

Project Description and Assumed Timing:

The Summit currently is comprised of 85 independent living apartments and 16 Lakeside Garden homes.

Fill of Units:

Management assumes an average occupancy in 2020 of 95% including both apartment homes and Lakeside Garden homes, and 25% second persons.

Financing:

The project was financed with a tax-exempt bond issue of \$18,760,000 with an interest rate of 6.2 percent. The bond financing was final on April 3, 2002. Management assumed that the financing costs will be amortized over the life of the bonds. In addition, management assumed that there would be no principal payments due in 2002, 2003, or 2004. The entrance fee pool was used to make a \$7,500,000 bullet payment on the bonds on January 1, 2005. Principal payments on the bonds began on January 1, 2006 for the remaining 29 years.

The interest rate on the \$5,000,000 adjustable rate series 2002B Bonds had an initial reset date of January 1, 2007. At this time, the interest rate was adjusted from 5.6% to 4.75%.

On January 3, 2012, the Company issued \$9,455,000 in Residential Care Facility Revenue Refunding Bonds (Series 2012). The proceeds of the sale of the 2012 Bonds were used to refund the outstanding principal balance of the Series 2002 A Bonds and the 2002 B Series Bonds. Furthermore, \$720,000 from the Debt Service Reserve Fund was used to pay down the principal of the 2002 Series Bonds. The interest rate for these Bonds will be set on the first day of each month and ending on the last day of the month as follows: interest rate shall be established at a rate equal to the sum of 75% of the one-month LIBOR rate plus 77.5 basis points. Scheduled principal repayments of the Series 2012 bonds subsequent to the scheduled \$205,000 payment on the 2002 Series Bonds and the \$720,000 additional principal payment described in the previous paragraph is as follows for the years ending December 31:

2014	\$230,000	2018	\$285,000
2015	\$240,000	2019	\$305,000
2016	\$255,000	Thereafter	\$7,590,710
2017	\$270,000		

On July 25, 2017, Centra issued Hospital Revenue and Refunding Bonds. Four series of 2017 Bonds were issued: Series 2017A, Series 2017 B, Series 2017C and Series 2017D. Proceeds from the Series 2017C Bonds were used, in part, to refund in full the Company's Residential Care Facility Revenue Bonds (Series 2012). Interest on the Series 2017C Bonds is variable and payable monthly. The interest rate at December 31, 2019 was 1.43%. Principal payments begin in 2038 and mature in 2047. The outstanding balance of the Company's portion of the Series 2017C bonds at December 31, 2019 was \$8,180,710.

Staffing:

Management plans for the following staffing patterns in 2020:

INDEPENDENT LIVING:	
Administration	3.40
Marketing	1.0
Dietary	9.75
Housekeeping	4.0
Plant Operations	5.75
Resident Life	2.10
Personal Care	.50
Total	26.5

In addition, management has assumed fringe benefits equal to 26% of the total salary expense.

Investment Return:

Management assumes an investment return of 0 percent due to the unpredictability of market performance in the current COVID-19 environment.

Deferred Costs:

Management has assumed that the financing cost will be amortized over the life of the debt (32 years). Centra took on this debt and currently there are no deferred costs.

Fixed Assets Assumptions:

Management has assumed that the fixed assets will be depreciated on a straight-line basis, as follows:

- Building Componentized 20 years (average)
- Furniture, Fixtures, and Equipment 2 - 10 years

Management assumes routine capital additions will be \$350,000 for 2020.

Turnover:

The independent living apartment and garden home net turnover for the prior three years is as follows:

(2017)	11 units
(2018)	9 units
(2019)	13 units

Inflation:

Management assumes that revenues and expenses will inflate 3 percent in 2020.

CCRC, Inc. dba The Summit
Income Statement
FY 2019

	Actual	Budget		
	<u>FY 2019</u>	<u>FY 2019</u>	<u>Variance</u>	<u>% Var</u>
Revenue				
Monthly Service Fee	\$ 3,330,571	\$ 3,391,154	\$ (60,583)	-1.8%
Ancillary Revenue	129,143	135,798	\$ (6,655)	-4.9%
Adjustments	<u>(5,337)</u>	<u>-</u>	<u>\$ (5,337)</u>	0.0%
Net Resident Fees	\$ 3,454,377	\$ 3,526,952	\$ (72,575)	-2.1%
Entrance Fee Amortization	\$ 717,360	\$ 663,179	\$ 54,181	8.2%
Gain on Unit Turnover	<u>608,366</u>	<u>389,695</u>	<u>\$ 218,671</u>	56.1%
Total Revenue	<u>\$ 4,780,103</u>	<u>\$ 4,579,826</u>	<u>\$ 200,277</u>	4.4%
Expense				
Operating Expenses	\$ 3,172,496	\$ 3,262,997	\$ (90,501)	-2.8%
Depreciation & Amortization	933,976	1,142,683	\$ (208,707)	-18.3%
Interest Expense	<u>118,327</u>	<u>120,028</u>	<u>\$ (1,701)</u>	-1.4%
Total Expenses	<u>\$ 4,224,799</u>	<u>\$ 4,525,708</u>	<u>\$ (300,909)</u>	-6.6%
Excess of Revenue Over Expense	<u>\$ 555,304</u>	<u>\$ 54,118</u>	<u>\$ 501,186</u>	926.1%
Non-operating Revenue	<u>3,072</u>	<u>658,791</u>	<u>\$ (655,719)</u>	-99.5%
Net Income (Loss)	<u>\$ 558,376</u>	<u>\$ 712,909</u>	<u>\$ (154,533)</u>	-21.7%
Resident Days				
First Person	34,255	35,049	\$ (794)	-2.3%
Second Person	<u>9,241</u>	<u>9,262</u>	<u>\$ (21)</u>	-0.2%
Total Resident Days	<u>43,496</u>	<u>44,311</u>	<u>\$ (815)</u>	-1.9%

Material Differences:

Material differences in the 2019 actual vs. pro forma budget income statement are summarized below:

Revenues

Net revenue was over budget by \$200,000 or 4% primarily due to a higher-than-average number of unit turnovers.

Expenses

Expenses were under budget by \$301,000 or 7% primarily due to decreased depreciation from expired assets, decreased staffing and decreased occupancy.

Non-operating Revenue

Non-operating revenue was under budget by \$656,000 due to investment gains not being realized during the year. Non-operating Revenue does not reflect \$2,296,000 of unrealized gains on investments.

Summary of Financial Information
CCRC, Inc. dba The Summit
December 31, 2019

	Current Year	Prior Year
Total Assets	\$ 24,220,576	\$ 21,611,869
Total Liabilities	\$ 25,050,633	\$ 25,296,006
Total Net Assets	\$ (830,057)	\$ (3,684,137)
Total Revenues	\$ 4,780,103	\$ 4,639,003
Total Expenses	\$ 4,224,799	\$ 4,430,074
Operating Income (Loss)	\$ 555,304	\$ 208,929
Net Income (Loss)	\$ 558,376	\$ 193,305

Narrative on financial condition:

Assets increased 12.1%, primarily due to investment performance. Liabilities decreased 1%, primarily due to lower deferred revenue and refund liabilities. Revenue increased 3% primarily due to higher than normal gains on unit turnovers. Expenses decreased 4.6%, primarily due to lower depreciation from expired assets. Net Income of \$558,376 does not include unrealized gains on investments of \$2,295,704. Including unrealized losses, Net Income totaled \$2,854,080 for 2019 versus a net loss of \$447,346 for 2018. Occupancy averaged 92.9% for 2019, compared to 95.1% for 2018.

Occupancy Information:	Capacity of Units	Average Occupancy	Percentage Occupancy
Independent Living	101	94	92.9%

CCRC, Inc. dba The Summit
Consolidating Statement of Operations
December 31, 2019

Revenues

Monthly Resident Fees - IL	\$3,454,377
Amortization of Deferred Revenue	\$1,325,726
Investment Income	\$3,072
Other Revenues	\$0
Total Revenues	\$4,783,175

Expenses

Advertising and Marketing	\$197,369
Depreciation and Amortization	\$933,976
Dining Services	\$770,514
General and Administrative	\$106,215
Insurance	\$58,260
Interest	\$118,327
Management Fees	\$106,121
Medical Supplies	\$0
Nursing Services	\$0
Other	\$0
Resident Programs	\$500,656
Resident Services	\$0
Salaries	\$952,084
Taxes and License Fees	\$268,827
Utilities	\$212,450
Total Expenses	\$4,224,799

Operating Income (Loss) \$ 558,376

**CCRC, Inc. dba The Summit
Consolidating Balance Sheet
December 31, 2019**

Assets

Current Assets

Cash and Cash Equivalents	\$1,086,145
Current Portion of Assets Limited as to Use	\$0
Accounts Receivable	\$196,045
Prepaid Expenses	\$7,819
Supplies Inventory	\$0
Other Current Assets	\$0
Total Current Assets	\$1,290,009

Assets Limited as to Use

Externally Restricted	\$206,510
Internally Restricted	\$0

Investments

\$15,186,082

Property Plant and Equipment

\$7,537,975

Total Assets

\$24,220,576

Liabilities and Net Assets

Current Liabilities

Current Portion of Long-Term Debt	\$0
Accounts Payable and Accrued Expenses	\$266,237
Accrued Salaries and Wages	\$68,076
Other Accrued Expenses	\$0
Current Portion of Refundable Advance Fees	\$2,757,310
Interest Payable	\$0
Total Current Liabilities	\$3,091,622

Advance Fees and Deposits

\$0

Deferred Revenue from Advance Fees

\$13,472,160

Obligation To Provide Future Services

\$0

Other Liabilities

\$8,387,220

Total Liabilities

\$24,951,002

Net Assets

Unrestricted

(\$830,057)

Temporarily Restricted

\$0

Permanently Restricted

\$0

Total Net Assets (Deficit)

(\$830,057)

Following This Page
Are Two Versions of
The Residency Agreement
And Addendums to the Agreements

For

CCRC, INC.

**INDEPENDENT LIVING
APARTMENT HOMES
LAKESIDE GARDEN HOMES**

Version 1 includes the
Payment in Full
Of the Entrance Fee
At Time of Occupancy

Version 2 includes the
New Build Option

The SUMMIT

RESIDENCY AGREEMENT

For

CCRC, Inc.

INDEPENDENT LIVING
APARTMENT HOMES
LAKESIDE GARDEN HOMES

NOTICE OF CANCELLATION

Date Residency Agreement executed, and deposit tendered to The Summit:

_____.

You may cancel this contract, without any penalty or obligation, within seven business days from the date above. You will not be required to move in before the expiration of the seven-day period. After this date you may cancel this contract without further obligation; however, a \$500 administrative fee will be assessed if your cancellation is voluntary. The \$500 administrative fee will be waived if your cancellation is involuntary due to physical illness or injury which would require a higher level of care, mental incapacity or death, or due to non-acceptance for admission to The Summit. After occupancy you may terminate with sixty (60) days notice and any paid Entrance Fee will be refunded as provided in the Residency Agreement.

If you cancel this contract, and have already moved into The Summit, you must vacate the property within ten days after receipt by The Summit of your cancellation notice.

To cancel this contract, mail by certified mail or hand deliver, a signed and dated copy of this cancellation notice or any other written notice clearly indicating your intent to cancel the contract to The Summit, 1400 Enterprise Drive, Lynchburg, VA 24502. Your cancellation is effective upon mailing, by certified mail, or when actual notice is given pursuant to the agreement to The Summit, whichever is earlier.

I hereby cancel this contract.

Date

Prospective Resident's or Resident's Signature

The SUMMIT

RESIDENCY AGREEMENT

RECITALS:

- A. CCRC, Inc. ("CCRC" or "The Summit") seeks to provide to Residents of The Summit quality housing, personal services and use of all amenities at a low reasonable cost, so that Residents may enjoy a lifestyle of comfort, peace and contentment. The term "Corporation" is used throughout this Agreement to denote CCRC, Inc. The terms "The Summit" or the "Community" will refer to the facility. The term "we" or "our" is also used in lieu of "The Summit".
- B. _____ ("Resident," whether one or more) wishes to live at The Summit and, consistent with the rights, welfare and contentment of the other residents, to enjoy the facilities, services and amenities provided in this agreement.
- C. The Corporation requires that Resident be capable of independent living, be free of communicable disease which would represent a serious health hazard to residents or staff of the Community, and have assets and income which are sufficient (under foreseeable circumstances and after provision for payment of Resident's obligations under this Agreement) to meet ordinary and customary living expenses after assuming occupancy.

SECTION 1. THE SUMMIT OBLIGATION

Subject to the conditions stated herein, we agree to make available to you, an unfurnished living unit in The Summit described as follows:

(The "Apartment Home" or "Lakeside Garden Home") and to provide the services, utilities and amenities described in this Agreement.

SECTION 2. RIGHT OF THE SUMMIT TO ACCEPT OR REJECT AGREEMENT

By signing this Agreement, you are offering to enter into this Agreement with The Summit and hereby acknowledge and agree that this Agreement shall not be binding upon us until we have reviewed this and other application forms and accepted you for residency by signing this Agreement and delivering a copy to you. Your acceptance will be evidenced by the signature of an authorized representative of the Corporation at the end of this Agreement.

SECTION 3. DESCRIPTION OF SERVICES AND FACILITIES

- A. **Basic Agreement.** In consideration of payment of an Entrance Fee in the amount stated in Section 6 and payment of the appropriate Monthly Service Fee, initially in the amount stated in Section 6, you will be entitled to occupy the Apartment Home or Lakeside Garden Home indicated above and to receive the services and use of the facilities described in and according to the provisions of this Agreement.

Your right to occupy the Apartment Home, Lakeside Garden Home or such other care facility to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The entitlement to occupy the Apartment Home or Lakeside Garden Home and receive services under this Agreement shall apply exclusively to the named Resident(s) hereunder, and to no other individual(s). No person other than the Resident entering into this Agreement shall be permitted to permanently occupy the Apartment Home or Lakeside Garden Home without the express written permission of The Summit as hereinafter provided.

Resident's guests are welcome to visit The Summit. The Corporation may require that overnight guests be registered, and that guest stays longer than one week be approved in advance by the Executive Director. Resident will be responsible for the conduct of the Resident's guests. No guest shall be entitled to any rights or privileges under this Agreement by reason of his or her status as Resident's guest.

- B. **Apartment Features.** Your Apartment Home will be equipped with carpeting, mini blinds, refrigerator with freezer, range and oven, microwave, dishwasher, washer/dryer, emergency call system and fire sprinkler system.
- C. **Lakeside Garden Home Features.** Your Lakeside Garden Home will be equipped with carpeting, mini blinds, refrigerator with freezer, range and oven, microwave, dishwasher, washer/dryer, and emergency call system.
- D. **Community Areas.** You will have use of The Summit community areas in accordance with The Summit's rules and policies. Community areas include space for the following:
- | | |
|--------------------------------|---------------------------|
| 1. Main Dining Room | 7. Card and Game Rooms |
| 2. Multi-Purpose Activity Room | 8. Arts/Crafts Room |
| 3. Private Dining Room | 9. Beauty and Barber Shop |
| 4. Living Room | 10. Fitness Room |
| 5. Lounge | 11. Chapel |
| 6. Library/Business Center | |
- E. **Smoke Free Environment.** Due to the acknowledged hazards from exposure to environmental tobacco smoke, the personal health hazard potential, and hygiene issues from the use of other tobacco products, it shall be the policy of The Summit to provide a tobacco free environment for all residents, staff and visitors. This policy covers the smoking of any tobacco product and the use of smokeless or 'spit' tobacco and applies to residents, staff members and all visitors to The Summit. This also applies to electronic cigarettes. With the exception of residents who took occupancy prior to April 1, 2006 who are permitted to smoke and use tobacco products within their own residence,

smoking and the use of other tobacco products is not permitted in any location on The Summit's property, whether indoors or outdoors.

F. **Included General Services.** So long as you are in compliance with your obligations hereunder, we will provide you with the following services covered by the Monthly Service Fee and Entrance Fee, provided that the Corporation shall not be responsible for any interruption of services caused by labor disputes, governmental orders and requirements, acts of God, civil riot, temporary termination of utility services, and any other cause not reasonably within its control, and which, by the exercise of ordinary care, the Corporation is unable, wholly or in part, to prevent or overcome:

1. **Food Service.** We will offer table service in our main dining room. Residents are entitled to one meal per person for each day. With a 24-hour notice, a meal credit will be issued for each meal missed; this credit may be used within 30 days for guest dining (subject to reasonable prior notice and availability). Any unused meal credits not used within the 30-day period will be forfeited and may not be applied as a credit against meal charges for any other period. If you are absent from The Summit for five (5) or more consecutive days, you will receive a meal credit allowance in conformance with our meal credit policy, provided you give us written notice of your intended absence at least ten (10) days in advance. For health-related absences, no prior notice is required.

2. **Housekeeping.** We will provide twice monthly scheduled housekeeping of your Apartment Home or your Lakeside Garden Home, including vacuuming, dusting, cleaning bathrooms and kitchen.

3. **Utilities. Apartment Home:** We will provide sewer, water, waste disposal, electricity and individually controlled heat and air-conditioning for your Apartment Home. Your Apartment Home will be centrally wired for television, telephone and computer modem hook-up. Resident shall provide his or her own television, telephone and computer and shall be responsible for paying all monthly television, telephone, computer and other related charges.

Lakeside Garden Home: We will provide sewer, water, electricity and waste disposal for your Lakeside Garden Home. Your Lakeside Garden Home will be centrally wired for television, telephone and computer modem hook-up, and will be equipped with central heat and air-conditioning. Resident shall provide his or her own television, telephone and computer and shall be responsible for paying all monthly television, computer telephone and other related charges.

4. **Security and Emergency Alert System.** Each Apartment Home and Lakeside Garden Home will be equipped with smoke detectors and emergency alert system. We will monitor the emergency alert systems on a 24-hour basis and coordinate emergency responses as appropriate. Each Apartment Home will also be equipped with a fire sprinkler system.

5. **Laundry.** Apartment Homes and Lakeside Garden Homes: We will provide scheduled twice monthly laundry service for your bed linens and towels.

6. **Maintenance.** We will maintain all buildings, grounds and community areas and will be responsible for providing on a timely basis repair, maintenance and replacement of furnishings we provide in your Apartment Home or Lakeside

Garden Home, provided such repairs are not required as a result of your negligence, in which case the Resident will be charged the cost of repairs. Resident is responsible for the repair, maintenance and replacement of all personal property of Resident.

7. **Transportation.** We will provide scheduled local transportation to designated shopping, and social and cultural events as well as designated medical facilities.
8. **Social and Recreational Programs.** We will coordinate a variety of social, recreational, educational, spiritual and cultural programs for those Residents wishing to participate.
9. **Property Taxes and Insurance.** The Corporation will pay for real property taxes or payments in lieu of taxes except for those assessed on your personal property. The Corporation will also obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. We recommend you purchase appropriate comprehensive insurance.
10. **Parking.** Surface parking areas will be provided for you and a limited amount of parking will be available for guests of The Summit. Boats, trailers and RV's may not be parked in surface areas.
11. **Storage Area.** An individual storage area for Apartment Homes will be assigned and available for each Apartment Home.
12. **Wellness Programming.** We will coordinate educational and screening programs promoting wellness and preventive health maintenance. Participation in these activities is voluntary.
13. **Priority Admission to Assisted Living.** The Summit shall establish a transfer agreement with Centra Health, Inc. for Residents in need of Assisted Living. If transfer to the Assisted Living Center is appropriate as determined in Section 5 and you meet the admission requirements to Assisted Living then in effect, you will be given priority admission to the extent allowed by licensure, law, availability of space, and the claims of similarly-situated residents. In the event space is not available at The Summit Assisted Living facility, efforts will be made by the Corporation to place the Resident in another appropriate facility. If the Resident is placed in another facility, resident may be transferred to The Summit Assisted Living Facility when space is available.
14. **Priority Admission to (Nursing) Long-Term Care.** The Summit shall establish a transfer agreement with Centra Health, Inc. for Residents in need of (nursing) long-term care. If transfer to (nursing) long-term care is appropriate as determined in Section 5 and you meet the admission requirements to The Summit Health and Rehabilitation Center then in effect, you will be given priority admission to the extent allowed by licensure, law, availability of space, and the claims of similarly-situated residents. In the event space is not available at The Summit Rehabilitation and Health Care facility efforts will be made by the Corporation to place the Resident at another licensed (nursing) long-term facility. If the Resident is placed in another licensed (nursing) long-term facility, resident may be transferred to The Summit Rehabilitation and Health Care facility when space is available.

15. **Long Term Care Benefit Program.** The Summit will provide a limited benefit program for each independent living resident to assist in reducing your cost for increased levels of care should such ever be required. This benefit consists of a direct monthly payment on behalf of the Resident upon transfer to assisted living or (nursing) long-term care, subject to the conditions described below.
- (i) **Eligibility.** You will be eligible to receive benefits from the Long-Term Care Benefit Program beginning upon transfer to Assisted Living at The Summit or to (nursing) long-term care at The Summit or a Centra Health facility. You will also be eligible to receive benefits if it is necessary to transfer to another assisted living or (nursing) long-term facility because space is not available at a Centra Health facility. In the event transfer to another licensed (nursing) long-term facility is required, every effort will be exercised to return the Resident to a Centra Health facility as soon as possible. In order to maintain your eligibility to receive benefits, you are required to return to a Centra Health facility within seven (7) days of receiving notice that space is available.
 - (ii) **Payment of Benefits.** Upon transfer, The Summit will pay on your behalf, a monthly benefit to help offset the cost of care you require in the amount of \$550 monthly until the maximum cumulative benefit has been received. The maximum cumulative value of the benefit is \$6,600. There is no credit if you do not become eligible to use the benefit or do not use it to completion. The amount of the benefit may be periodically adjusted at the discretion of The Summit but will not in any case be less than monthly amount outlined above. The benefits are not assignable and cannot be pooled or shared between spouses or other residents.
 - (iii) **Apartment Home or Lakeside Garden Home Release.** If you vacate your Apartment Home or Lakeside Garden Home on a temporary basis for any reason including obtaining higher levels of care, you will still be responsible for paying the fees and costs of your Apartment Home or your Lakeside Garden Home. In the event that you choose not to release your Apartment Home or your Lakeside Garden Home (in the case of single occupancy), you will continue to pay the Monthly Service Fee for your Apartment Home or your Lakeside Garden Home in addition to any fees required in assisted living or nursing care at a Centra Health facility, or occupancy at another facility.
 - (iv) **Dual Occupancy.** In the case where an Apartment Home or a Lakeside Garden Home is occupied by two persons, upon transfer of one resident to the Summit Health and Rehabilitation Center, the Summit Assisted Living facility or another health care facility as described above, the Monthly Service Fee for the Apartment Home or the Lakeside Garden Home will be reduced by the then current second person fee. In the case of temporary transfer by one resident, the Monthly Service Fee will be reduced by the then current second person fee on a pro-rata basis.

G. Services Available for an Additional Charge.

The following services may be available on a fee-for-service basis to Residents in independent living, Apartment Homes and Lakeside Garden Homes.

1. Additional housekeeping beyond basic service.
2. Laundry Service beyond basic service or for Personal Items.
3. Additional Resident and Guest Meals.
4. Additional Storage as Available.
5. Catering for Special Occasions.
6. Tray Service – delivering meals to your residence
7. Barber and Beauty Services.
8. Personalized Transportation and Valet Service.
9. In some circumstances, transportation charges may apply to cultural or social events.
10. Television Service

Charges for these additional services and others that may be offered will be made in accordance with the Additional Services Fee Schedule then in effect.

The Corporation may increase or modify these additional charges upon 30 days prior written notice to Residents.

All the above services are planned to be provided directly by The Corporation, although some services may be provided through affiliates or third parties.

H. Alteration to Apartment Home or Lakeside Garden Home. Resident may make alterations to the Apartment Home or to the Lakeside Garden Home at Resident's cost but only after receiving our prior written approval by the Executive Director of The Summit. Any approved alteration shall be performed by our maintenance staff or by a contractor we approve. The Summit will replace any defective locking device. Upon termination of this Agreement the Resident may, at the sole discretion of The Summit, be required to return the Apartment Home or the Lakeside Garden Home to the original design at the Resident's cost.

I. Right of Entry. The Resident recognizes and accepts the Corporation's right to enter Resident's living unit under certain circumstances. Such right of entry includes, but is not limited to, entry for the following purposes: (i) performance of scheduled housekeeping duties, (ii) response to the automatic fire alarm or emergency response system, (iii) entry in the event that the Resident is reported as missing or as not having responded to a call, and (iv) performance of maintenance procedures. The Corporation recognizes the Resident's right to privacy and its responsibility to limit entry of the Resident's living accommodation to perceived medical or other emergencies, scheduled housekeeping, and with prior notice to the Resident, routine maintenance services. For Resident's safety, Resident agrees not to replace or add any locks to the Apartment Home or Lakeside Garden Home.

J. Advance Notice for Changes in Scope of Services. Except for changes required by State or Federal assistance programs, the Corporation will provide at least thirty (30) days' advance notice before any change in the scope of care or services becomes effective. This notice requirement includes notification of any increase in charges for Additional Services. Corporation agrees not to unreasonably reduce the scope of care or

services without reasonable cause, which may include without limitation, reductions in governmental or third-party payments, changes in law, and material changes in cost.

SECTION 4. HEALTH INSURANCE BY RESIDENT.

- A. **Medicare.** As a condition of this Agreement, you shall enroll in and maintain, at your own expense, Medicare (Parts A and B) or an equivalent program that is acceptable to the Corporation. The Corporation will assist you in obtaining such coverage, if you wish. Medicare or the equivalent will cover certain health care expenses that you incur. Upon request, the Resident shall provide to the Corporation appropriate evidence of its current enrollment.
- B. **Medicare Supplemental Insurance.** The Corporation also requires that you obtain and maintain at your own expense, Medicare supplemental ("Medigap") insurance. We will assist you in identifying such insurance if you wish. Medicare supplemental insurance is designed to cover certain health care expenses that are not covered by Medicare. Each Resident must seek independent advice as to coverages available. Upon request, the Resident shall provide to the Corporation appropriate evidence of its current enrollment.
- C. **Maintenance of Health Insurance.** The resident hereby authorizes the corporation on the resident's behalf to make application for and pay premiums on the required insurance coverage set forth above if the resident does not acquire it. The resident shall reimburse the corporation for the costs of any such premiums paid by the corporation.

The Resident acknowledges that the Corporation expects a portion of the health care services to be provided to the Resident under this Agreement to be covered by Benefits payable under the required insurance coverage. If the resident is or becomes ineligible for, or otherwise cannot maintain, any part of the required insurance coverage, the corporation may require the resident to pay that portion of the cost of the services provided under this agreement that would be covered by benefits under the required insurance coverage if the required insurance coverage were in effect.

- D. **Long Term Care Insurance.** The Corporation suggests that you consult your insurance provider regarding long term care insurance.
- E. **Payment for Health Care Services Not Provided by the Corporation.** The Resident is responsible for payment of the cost of all health care services not expressly covered by the Agreement. Among the physical and mental health care services not covered under this Agreement are: private duty nursing care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications; diagnostic imaging; cancer therapy; medication supplies; and appliance, equipment, or other aids to modify the effects of handicapping conditions.

SECTION 5. TRANSFERS TO ASSISTED LIVING AND (NURSING) LONG-TERM CARE.

All decisions regarding transfers of a Resident from an Apartment Home or from a Lakeside Garden Home to assisted living or (nursing) long-term care will be made by the Corporation, in consultation with, and to the extent feasible, Resident, Resident's family, Resident's attending physician, and the Medical Advisor.

Resident will be transferred on a temporary or permanent basis to assisted living or (nursing) long-term care at a Centra Health facility or another facility offering a higher level of care not part of the Centra Health System only for the protection of the health, safety or general welfare of Resident or other persons in the Community or if the Corporation reasonably determines that the Resident cannot reasonably be cared for in the Apartment Home or Lakeside Garden Home. Residents desiring admission to assisted living or (nursing) long-term care at a Centra Health facility will be granted admission as described in Section 3. F.13 and 14. In the event that space is not available in assisted living at a Centra Health facility, the Corporation will assist Resident in obtaining Home Health Care in Resident's Apartment Home or in Resident's Lakeside Garden Home as permitted by licensure and law until space is available and/or will assist in locating placement in another facility offering the required services. In all cases, Resident is responsible for the entire cost of Home Health Care and/or services in a Centra Health facility or another facility.

In the event Resident moves into a higher level of care for a period which the Medical Advisor or Resident's Attending Physician expects to exceed 180 consecutive days, the Corporation may reassign Resident's Apartment Home OR Lakeside Garden Home for occupancy by another person, unless there are two Residents under this Agreement, one of whom is still occupying Resident's Apartment Home or Lakeside Garden Home. In the event that the Resident has transferred to a higher level of care and the Monthly Service Fee for the Apartment Home or the Lakeside Garden Home is more than two months in arrears, the Apartment Home or Lakeside Garden Home may be reassigned at that time. If it is later determined by the Resident's attending physician or the Medical Advisor that Resident is able to return to an Apartment Home or a Lakeside Garden Home, the Corporation will offer Resident an opportunity to move into an Apartment Home or a Lakeside Garden Home of the same type as the Apartment Home or Lakeside Garden Home previously accepted as soon as one is available, and, so long as this Agreement has not been terminated, no new Entrance Fee will be charged. Notwithstanding any of the foregoing, if there are two Residents, one of whom is still occupying the Apartment Home or the Lakeside Garden Home, that person may continue to occupy the Apartment Home or Lakeside Garden Home under the terms of this Agreement.

Hospitalization. If, in the judgment of Resident's physician, Resident requires hospitalization, Resident's physician shall have the authority to arrange for such hospitalization. When Resident's physician determines that hospitalization is no longer required, Resident's physician shall arrange for Resident's return to The Summit at the appropriate level of care. Payment by Resident of the Monthly Service Fee shall continue during any period of hospitalization.

Transfers to Outside Facilities Under Special Circumstances. A resident may be transferred by the Corporation to an outside facility (other than a hospital as provided above) if: (i) Resident requires care which the Community is capable of delivering but the Medical Advisor determines that, based on Resident's illness or condition or the impact of such illness or condition on the other residents of the Community, the continuation of care in the Community is inappropriate (for example, Resident has a contagious disease) or (ii) Resident requires care which the Community is not capable of delivering (for example, Resident requires treatment for alcohol or drug dependency).

If such transfer is being made under the circumstances described in clause (i) above, the Corporation shall select the outside facility to which Resident shall be transferred.

If such transfer is being made under the circumstances described in clause (ii) above, Resident (or Resident's personal representative or legal guardian) shall select the outside facility to which Resident shall be transferred.

SECTION 6. COSTS TO RESIDENT

Upon payment of the fees required under the terms and conditions and obligations of this Agreement, Resident has the right to reside at The Summit and to receive the services above.

A. **Entrance Fee:** For the right to reside at The Summit and to receive the services described above, Resident agrees to pay an Entrance Fee as shown below in either Section 1 or 2. Select one option by initialing the appropriate space. In the event of failure to initial either Section 1 or 2, this Agreement shall be treated in all respects as though Resident selected Section 1, the Declining Refund Entrance Fee. The Entrance Fee shall be payable according to Section C below.

 1. A Declining Refund Entrance Fee in the amount of \$_____.

Part of the Entrance Fee will be refunded to Resident if Resident moves from The Summit and terminates this Agreement within forty-nine (49) months after the "Occupancy Date" as defined in Section 6. G. below. The amount of the refund will be reduced for each month or partial month of residency at the rate of two percent (2%) of the Entrance Fee per month until the balance is zero. Any unpaid charges will be deducted from the refund.

 2. A 90% Guaranteed Refund Entrance Fee in the amount of \$_____.

Part of the Entrance Fee will be refunded to Resident or Resident's estate upon termination of residency. The amount of the refund will be reduced for each month or partial month of residency at the rate of two percent (2%) of the Entrance Fee per month until the balance is equal to 90% of the Entrance Fee paid. Any unpaid charges will be deducted from the refund.

B. **Second Person Entrance Fee** If there are two persons entering this agreement, an additional Entrance Fee in the amount of \$ _____ will be paid on or before the date Resident moves into The Summit. This Second Person Entrance Fee is non-refundable after occupancy.

C. **Payment of Entrance Fee.** The Entrance Fee will be paid in two installments. The first installment of \$1,000, is due at the time Resident executes this Agreement. The remaining balance of the Entrance Fee, being \$ _____, is due on or before the date Resident moves into The Summit, (or within sixty (60) days after the unit becomes available, whichever occurs first,) unless otherwise previously agreed in writing.

D. **Refund of Entrance Fee.** Upon termination of this Agreement, the Resident may be entitled to receive a refund for a portion of the Entrance Fee as specified in Section 17.

E. **Payment of Monthly Service Fee.** The Monthly Service Fee payable by the Resident under this agreement is initially \$ _____ per month for one person and an additional \$ _____ per month for the second person. The Monthly Service

Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. The Monthly Service Fee shall be billed in advance to the Resident on or before the fifth day of each month and shall be paid on or before the fifteenth day of each month. The Monthly Service Fee for the Apartment Home or for the Lakeside Garden Home will terminate as provided in Section 17.

- F. **Payment for Additional Services.** Fees for additional services will be charged in accordance with the Additional Services Fee Schedule we establish and maintain on file in the management office. Charges for additional services shall be billed on or before the fifth day of each month and shall be paid on or before the fifteenth day of each month.
- G. **Occupancy Date.** Corporation will provide written notice at least thirty (30) days prior to the date Corporation anticipates Resident's Apartment Home or Lakeside Garden Home will be available for occupancy. The "Occupancy Date" will be the 60th day following the giving of such receipt notice (or the date the Apartment Home or Lakeside Garden Home will be available if later). If the date Resident takes occupancy is different from the Occupancy Date, it must be previously approved in writing by the Corporation. In the event that the Corporation fails to deliver possession, Resident shall have the right to rescind this Agreement by giving the Corporation written notice. In such event, Resident shall receive a refund of the Entrance Fee pursuant to the terms of Section 17.
- H. **Increases in Monthly Service Fee.** The sum of all charges paid by Resident is intended to provide for the services outlined in this Agreement and to provide for all other financial requirements of operating the Corporation, including, without limitation, debt service, property taxes or payments in lieu thereof, if any, and any other costs. It is the intention of the Corporation to increase the Monthly Service Fee, if necessary, not more often than once per year. However, the Corporation may increase the Monthly Service Fee, upon 30 days written notice to Resident if the Corporation, in its sole discretion, deems it necessary to meet the financial needs for the Corporation or to provide services to the Residents.
- I. **Late Fee.** In the event the Monthly Service Fee or Additional Service Fees are not paid in full on or before the 15th day after such fees are due and payable, a late payment assessment will be made on Resident's account, equal to interest computed at the rate of 1½ % per month on the delinquent amount.
- J. **Changes in Occupancy.** If your Apartment Home or your Lakeside Garden Home is occupied by two persons and one surrenders possession of the Apartment Home or the Lakeside Garden Home to the other, other than by death or by a transfer to assisted living or nursing care covered by Section 5, the obligations of the person remaining in the Apartment Home or in the Lakeside Garden Home under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Apartment Home or the Lakeside Garden Home. The person not remaining in the Apartment Home or the Lakeside Garden Home will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the person remaining in the Apartment Home or in the Lakeside Garden Home. No refund of the Resident Fee will be made until the remaining person leaves and all conditions of Section 17 are met.

1. In the event the joint occupants of an Apartment Home or a Lakeside Garden Home desire separate living accommodations at The Summit, and one Resident remains in the Apartment Home or in the Lakeside Garden Home designated hereunder, no refund of the Entrance Fee is made until the conditions of Section 17.B. 3 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Apartment Home or the Lakeside Garden Home. In order for the second Resident to not be jointly and severally liable for the original Apartment Home, or Lakeside Garden Home, a new Residency Agreement must be executed and submitted for approval by the Corporation for the new Apartment Home or Lakeside Garden Home.
2. In the event of the marriage of the Resident to another Resident, they may: (a) continue to maintain two Apartments and/or Lakeside Garden Homes and pay the applicable Monthly Service Fee for single occupancy then in effect for each; or (b) release either Apartment and/or Lakeside Garden Home and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the Apartment Home or Lakeside Garden Home jointly occupied by them. If the Residents choose to maintain two Apartments and/or Lakeside Garden Homes, there shall be no refund of the Entrance Fee to either Resident, and all benefits provided in each Residency Agreement shall remain and continue in effect. If the Residents choose to occupy one Apartment Home or one Lakeside Garden Home, both persons will be required to execute a new Residency Agreement and the Resident Fee for the Apartment Home or Lakeside Garden Home vacated will be refunded as set forth in Section 17.B.2 of the Residency Agreement.
3. If you and a non-resident (including a new spouse) desire to share the Apartment Home or the Lakeside Garden Home, the non-resident may become a Resident and live in the Apartment Home or in the Lakeside Garden Home only if he/she meets the qualifications for entrance set forth in Section 9 and both persons execute a new Residency Agreement.

In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-resident may be required to pay an Entrance Fee in accordance with the then current policies established by the Corporation.

4. In the event you marry an individual while at The Summit who does not meet the residency requirements for The Summit, the Corporation, at its sole discretion, may allow such person to reside at The Summit and pay the second person Monthly Service Fee. However, this person would not have any rights, privileges or protection under this Agreement, including any right to continued residence.

In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person.

5. In the event you desire to change from one Apartment Home or Lakeside Garden Home to another Apartment Home or Lakeside Garden Home at The Summit within the first 12 calendar months of occupancy the difference in Entrance Fees shall be computed as follows:

- A. The Entrance Fee originally paid by you, reduced by any potential refund as described in Section 17.B.2. "Refund of Entrance Fee After Occupancy," will determine the value of your original residence.
- B. If the Entrance Fee of the unit to which you desire to move is lower than the above value, you will be entitled to a refund equal to that amount.
- C. If the Entrance Fee of the unit to which you desire to move is greater than the above value, and you are changing to a unit that is smaller than the one in which you are currently residing, The Summit will not charge you the difference.
- D. The original date of occupancy will remain unchanged.

You may not change from one type of refund plan to another in making these calculations. You will be responsible for repairs in the vacated residence necessary to restore it to market conditions. Any alterations desired in the new residence are subject to prior approval from The Summit's Executive Director and will be at your expense.

- 6. In the event you desire to change from one Apartment Home or Lakeside Garden Home to another Apartment Home or Lakeside Garden Home at The Summit after the first 12 calendar months of residency:

- A. The Entrance Fee originally paid by you, calculated to reflect any potential refund as described in Section 17.B.2. "Refund of Entrance Fee After Occupancy", will determine the value of your original residence.
- B. If the Entrance Fee of the unit to which you desire to move is lower than the above value, you will be entitled to a refund equal to that amount. However, if no refund is applicable from the original residency agreement, no refund will be issued.
- C. If you are moving to a unit that is the same size or larger than the unit you currently occupy, you will be responsible for paying any difference between then Entrance Fee of the residence to which you desire to move and the Entrance Fee of the residence you currently occupy, calculated on the rates in effect when you sign a new residency agreement. You will also be responsible for the costs involved in bringing the residence to which you are moving to market conditions, which normally will include painting and new carpet.
- D. The original date of occupancy will remain unchanged

You may not change from one type of refund plan to another in making these calculations. You will be responsible for repairs in the vacated residence necessary to restore it to market conditions. Any alterations desired in the new residence are subject to prior approval from The Summit's Executive Director and will be at your expense.

- K. **Transfer at Option of the Corporation.** If the corporation reasonably determines that the Resident's living accommodations needs to be vacated to permit repairs or renovations thereto or the transfer of such space to either a different use or a different configuration, the Corporation may transfer the Resident to a new unit of the same size

provided that the Corporation (i) consults with Resident prior to undertaking any such transfer, (ii) gives Resident reasonable notice of and time to prepare for such transfer, (iii) incurs all the costs of such move, and (iv) arranges for the prompt and convenient moving of the Resident's personal furnishings.

- L. **Liability for Charges.** In an Apartment Home or a Lakeside Garden Home with double occupancy, each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Additional Services Fees and all other amounts required to be paid to the Corporation, pursuant to the provisions of this Agreement. In the event it is necessary for Corporation to institute legal action or other proceedings to recover amounts payable to the Corporation under this Agreement, or otherwise to enforce any of the provisions of this Agreement, Corporation also will be entitled to recover reasonable legal fees and all costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.
- M. **Use of Entrance Fee.** Funds received as Entrance Fee constitute property of the Corporation and will be used to generate investment income to contribute to the operating income of the Community and to help pay for operating and capital costs. After Resident is given occupancy of the Apartment Home or a Lakeside Garden Home, all interest income generated from the investment of the Entrance Fee shall be paid to the Corporation. In the Corporation's sole discretion, the Entrance Fee may also be used to pay for The Summit project development costs, start-up deficits and working capital, debt service, early retirement of debt, costs of future expansions and other purposes deemed appropriate by the Corporation. No reserve funding will be established pertaining to the Entrance Fee. In order to obtain and secure financing for the Community, the Corporation will grant a pledge and security interest of Corporation's assets constituting the Community and gross receipts attributable to the Community, including, without limitation, the Entrance Fee, and will also grant a mortgage on the real estate constituting a portion of the Community. Under no circumstances will this Agreement be construed to create any trust arrangement nor will any money paid by resident be held in trust for Resident.

SECTION 7. MEDICAL ADVISOR

An independent qualified physician will be retained to serve as Medical Advisor to the Corporation. The role of the Medical Advisor is to oversee and monitor the appropriateness and quality of all medical services and medically related activities provided at The Summit. The Medical Advisor's responsibilities do not include providing medical services to the residents.

SECTION 8. INSURANCE

Resident understands and agrees that the Corporation will not provide any individual insurance covering Resident's personal property including any property stored in the storage facilities at The Summit, Resident's life or Resident's health. It is Resident's responsibility to obtain and maintain such insurance.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF RESIDENT

Resident represents and warrants to The Summit that Resident is capable of independent living, free of communicable disease which would represent a serious health hazard to

residents and staff of the Community and has assets and income which are sufficient under foreseeable circumstances and after provision for payment of Resident's obligations under this Agreement to meet ordinary and customary living expenses. Resident further warrants that all facts stated by Resident in this Agreement and in any application for residency constitute full disclosure of Resident's health, asset and income circumstances and that Resident has not failed to disclose any information that is material to assessing Resident's health, assets and income circumstances. Resident warrants that at least one occupant will be at least 65 years of age when Resident occupies the residence unless specifically noted in the application. Resident further represents that he or she has received and read a copy of the Disclosure Statement provided by The Summit and that Resident is entering into this Residency Agreement with full knowledge of the contents of that Disclosure Statement.

SECTION 10. PAYMENT DEFERRAL POLICY

In certain circumstances, The Summit may choose to defer payment of Monthly Service Fees owed by any resident if, after occupancy, a resident becomes unable to continue paying the Monthly Service Fee or any portion of that fee, provided that the resident has not caused any event which diminished resident's ability to pay the Monthly Service Fee and so long as the overall financial viability of the Community is not adversely affected. In accordance with this policy, Corporation in its sole discretion may defer payment of any Monthly Service Fee or part thereof owed by Resident, if Resident demonstrates to Corporation's satisfaction that Resident cannot pay the Monthly Service Fee then due. Prior to deferring payment of any Monthly Service Fee owed by Resident pursuant to this Section 10, Corporation will apply a portion of the refund, if applicable, of the Entrance Fee to pay Resident's Monthly Service Fee then due. Corporation may also apply a portion of the Entrance Fee monthly to reimburse itself for any lost interest income as a result of applying a portion of the Entrance Fee to pay the Monthly Service Fee.

The Corporation will establish such procedures for application for financial assistance as it deems appropriate and may, in its sole discretion, decide which residents qualify for financial assistance and in what amounts. The Corporation may review the financial status of financial assistance to recipients periodically to ascertain the appropriate level of continuing assistance and the Corporation's ability to provide such assistance. The Corporation reserves the right to adjust or eliminate financial assistance to any resident for any reason, including, without limitation, changes in the financial condition of the Corporation or the Resident, rules relating to the tax-exempt status of the Corporation or the need for financial assistance by other residents. The Corporation's current financial assistance policy requires any resident seeking assistance to agree to apply for and diligently seek the benefit of applicable public assistance programs and to report promptly any material change in the resident's financial condition and to refrain from transferring material assets for less than fair value.

It is expected that financial assistance will be in the form of a loan to the Resident with the interest rate to be determined when the loan is made and with such loan payable (a) upon reasonable determination by the Corporation that the Resident's financial condition allows for such repayment in whole or in part; (b) upon the death of the Resident, but only to the extent that assets of the Resident's estate are subject to claims of creditors and (c) upon termination of the Resident contract then in effect. Residents may be required to execute notes, assignments, security agreements and deeds of trust to secure the repayment of any financial assistance. Resident agrees that, in consideration for the grant or continuance of a whole or partial subsidy from the Corporation, the Resident shall at the request of the Corporation, transfer to a smaller living accommodation.

SECTION 11. COVENANTS OF RESIDENT

Resident covenants and agrees:

- A. To comply with all reasonable procedures, policies and rules of The Summit including specifically those contained from time to time in any Resident Handbook or otherwise made available, in each case as such procedures, policies and rules are now in effect or are hereafter amended or adopted;
- B. To pay the fees and charges required under this Agreement in a timely fashion;
- C. Not to impair Resident's ability to meet financial obligations under this Agreement by transferring assets other than to meet ordinary and customary living expenses, without the consent of the Corporation;
- D. To provide financial statements to the Corporation upon request, if Resident is requesting deferment of the Monthly Service Fee payment as outlined in Section 10;
- E. To abide by all other terms of this Agreement; and
- F. In the event Resident requires a level of care which the Community is not licensed or unable to provide, Resident agrees to leave the Community to receive such care. In such event, refund of the Entrance Fee will be made pursuant to Section 17.

SECTION 12. NO ASSIGNMENT BY RESIDENT; ASSIGNMENT BY THE CORPORATION

Resident may not assign this Agreement or rights under it. No rights or benefits under this Agreement shall inure to the benefit of Resident's heirs, devisees or legal representatives, except the right to receive payment of money owed by the Corporation to the Resident. The Corporation may assign this Agreement and delegate its duties hereunder in whole or in part.

SECTION 13. SUBORDINATION TO LENDERS' RIGHTS

This Agreement is a contract to provide services, including providing an agreed upon type of residential unit, and as provided in Section 22 does not constitute a sale or lease of real estate or create any lien on or claim to any real property.

Your rights under this Agreement will be subject and subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of the Corporation's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of the Corporation's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.

SECTION 14. NO LIABILITY OF OFFICERS, BOARD MEMBERS, OR AFFILIATES OF THE COMMUNITY

Resident hereby acknowledges and agrees that the obligations of the Corporation under this Agreement are an obligation of the Corporation only and that such obligations have not been guaranteed by any officer, Board member, employee, agent or affiliate of the Corporation or any affiliate thereof or any other organization besides the Corporation and that no other person or organization besides the Corporation is responsible to the Resident for the provision of any service or the payment of any money hereunder.

SECTION 15. TERMINATION OF AGREEMENT OR RELEASE OF RESIDENCE BY RESIDENT

- A. Upon transferring from an Apartment Home or Lakeside Garden Home into an assisted living or (nursing) long-term facility, a Resident may release such Resident's Apartment Home or Lakeside Garden Home for occupancy by another resident by delivering written notice or mailing written notice by first-class mail, postage prepaid, addressed to the Corporation, such release to be effective on the later of (i) 30 days after the date such notice is received or (ii) the date upon which all personal property of such Resident has been removed from the Apartment Home or Lakeside Garden Home occupied by Resident. Upon the effective date of the release of the Apartment Home or Lakeside Garden Home for occupancy by another resident, Resident's obligation to pay Monthly Service Fees shall cease but this Agreement shall otherwise remain in effect until terminated as provided in this Section 15 or in Section 16 of this Agreement.
- B. Resident may terminate this Agreement as provided in this Section 15. Resident agrees and understands that certain rights to which Resident may become entitled upon termination of this Agreement depend upon Resident's complying with the terms of this section relating to termination of the Agreement.
- C. Resident may terminate this Agreement at any time for any reason by delivering written notice or mailing written notice by first-class mail, postage prepaid, addressed to the Corporation, such termination to be effective on the later of sixty (60) days from the date such notice is received, or another date specified in the notice. Except for the requirement concerning continued payment of Monthly Service Fees as provided in this subsection 15.C., this Agreement shall terminate upon the death of Resident (if there is one Resident hereunder) and upon the death of the surviving Resident (if there are two Residents hereunder). The deceased Resident's estate shall remain liable for and continue to pay Monthly Service Fees until the later of (i) 30 days after the death of Resident or surviving Resident or (ii) the date upon which all personal property of such Resident has been removed from the Apartment Home or Lakeside Garden Home occupied by Resident at the time of death.

SECTION 16. TERMINATION BY THE CORPORATION

- A. The Corporation may terminate this Agreement as provided in this Section 16. The Corporation shall not dismiss or discharge Resident from the facility prior to the expiration of a resident contract without good cause and sixty days' written notice of termination, signed by the Executive Director of the Corporation or an Officer of the Board of the Corporation, during which period Resident will have an opportunity to cure the matters on which the notice by the Corporation to terminate was based. In the absence of a cure by Resident, not later than the termination date specified in the notice

of termination, Resident shall move from The Summit. In an emergency as determined in the sole discretion of the Corporation, only such notice as is reasonable is required.

Good cause shall be defined as: (i) proof that the resident is a danger to himself or others; (ii) nonpayment by the resident of a monthly or periodic fee; (iii) repeated conduct by the resident that interferes with other residents' quiet enjoyment of the facility; (iv) persistent refusal to comply with reasonable written rules and regulations of the facility; (v) a material misrepresentation made intentionally or recklessly by the resident in his application for residency, or related materials, regarding information which, if accurately provided, would have resulted in either a failure of the resident to qualify for residency or a material increase in the cost of providing to the resident the care and services provided under the contract; or (vi) material breach by the resident of the terms and conditions of the continuing care contract.

- B. The Corporation may terminate this Agreement at any time before Resident occupies the Apartment Home or the Lakeside Garden Home by giving Resident written notice of termination, which will be effective sixty (60) days from the later of the date The Summit gives such notice, or another date specified in such notice.
- C. Notwithstanding the right of Resident to cure a Default, The Summit retains the right to require Resident to transfer to an appropriate hospital or other facility as provided in Section 5.
- D. Prior to occupancy, the Corporation may terminate this Agreement and refund any Entrance Fee that it holds if, in the Corporation's reasonable opinion, the Resident is permanently unable to enter The Summit as a result of death, illness, injury or incapacity.
- E. If Resident has transferred to assisted living and/or (nursing) long-term care as described in Section 5 of this Agreement and such resident has released his or her Apartment Home or Lakeside Garden Home as described in Section 15. A. of this Agreement, the Corporation may, in its discretion, terminate this Residency Agreement after the Corporation has paid the maximum cumulative benefit of the Long-Term Care Benefit Program as described in paragraph 15 of Section 3 of this Agreement.

SECTION 17. EFFECT OF TERMINATION

A. General.

From and after the effective date of termination of this Agreement, Resident will have no further right to occupy the Apartment Home, Lakeside Garden Home or to receive any service or benefit pursuant to this Agreement, except the right to receive the appropriate payment described below, and Resident shall promptly vacate The Summit.

Resident shall be obligated to pay the Monthly Service Fee until the later of 60 days after written notice by Resident of termination of this Agreement, the effective date specified in the written notice of termination of this Agreement or the date Resident vacates The Summit.

B. Refund of Entrance Fee.

1. Prior to Occupancy.

If Resident terminates the Agreement prior to occupying the Apartment Home or the Lakeside Garden Home, the Corporation will refund to Resident all amounts paid to the Corporation, without interest, less a \$500 administrative fee. The \$500 administrative fee will also be refunded if:

- (i) The Resident terminates this Agreement within 7 days from the date on which Resident signed the Resident Agreement or tendered the first installment of the reservation deposit, (a resident shall not be required to move into the facility before the expiration of the seven-day period);
- (ii) Resident either dies or becomes incapable (because of illness, injury or other physical or mental incapacity) of occupying the Apartment Home or the Lakeside Garden Home consistent with the representations made by Resident in Section 9, above; or
- (iii) The Corporation terminates this Agreement pursuant to Paragraph B of Section 16; in which cases (i) through (iii) a full refund of all amounts paid to The Summit will be made to Resident without interest, and without assessment of the \$500 administrative fee. In any case, upon refund of the moneys described herein, the Corporation shall be forever relieved of any further liability hereunder, including without limitation liability for payment of refunds.
- (iv) If a resident dies before occupying the facility, or is precluded through illness, injury or incapacity from becoming a resident, this contract is automatically rescinded and the resident or his legal representative shall receive a full refund of all money paid to the provider, except those costs specifically incurred by the provider at the request of the resident and set forth in writing in a separate addendum, signed by both parties to the contract.

2. After Occupancy.

Unless Paragraph (1) applies, Resident may be entitled to a refund of the Entrance Fee in accordance with the type of Entrance Fee established in Section 6 of this Agreement:

- a. **Declining Refund Entrance Fee.** All or part of the Entrance Fee will be refunded to Resident if Resident moves from The Summit and terminates this agreement. The amount of the refund will be reduced for each month or partial month of occupancy at the rate of two percent (2%) of the Entrance Fee per month until the balance is zero. Any unpaid charges will be deducted from the refund.
- b. **90% Guaranteed Refund Entrance Fee.** All or part of the Entrance Fee will be refunded to Resident if Resident moves from The Summit and terminates this agreement. The amount of the refund will be reduced for each month or partial month of residency at the rate of two percent (2%) of the Entrance Fee per month until the balance is equal to 90% of the Entrance Fee paid. Any unpaid charges will be deducted from the refund.

3. The Corporation shall pay such amount only when all the following conditions are met:
 - (i) The Resident's Residency Agreement has been terminated; and
 - (ii) a new Resident has paid an Entrance Fee for the Apartment Home or Lakeside Garden Home vacated by Resident and the new Resident has been accepted for occupancy by the Corporation. The Corporation in its sole authority shall decide to accept the new Resident for occupancy.
4. It is the intent of The Summit and the Corporation to promote the Resident's individual health and financial security as well as the health and financial security of the entire The Summit community. In the event that a Resident incurs a documentable financial or medical hardship as a result of circumstances out of their control, and the Resident requires a refund of their Entrance Fee prior to the re-occupancy of their Apartment Home or Lakeside Garden Home, Resident may apply to the Board of Directors for an early refund. It will be the intent of the Board of Directors to grant such a request if in the sole opinion of the Board of Directors the financial integrity of The Summit, and specifically the community being served, will not be materially impaired. The Board of Directors may facilitate such a decision through its Executive Committee.
5. From the amount to be reimbursed pursuant to Paragraphs 2(a) and 2(b), The Summit may deduct and retain a sum equal to:
 - (i) the amount of any Monthly Service Fees deferred, if any, by The Summit on behalf of Resident under Section 10, and
 - (ii) any other money owed by Resident to The Summit for any reason whatsoever.
6. Following termination of this Agreement, all the Resident's personal property shall be removed from The Summit by Resident or Resident's estate. If any items are not so removed within 30 days after the termination of this Agreement, the Corporation may charge a storage fee [as set forth in the Resident Handbook] until all such items have been removed or store the property in storage facilities outside the Community at the cost of the Resident. If any items are not so removed or claimed within [60] days after the termination of this Agreement, the Corporation may sell or otherwise dispose of such property. Proceeds, if any, from such disposal will be credited Resident's account less the Corporation's costs in connection with any such storage, sale or disposal. To the extent such costs will be deducted from any refund due to the Resident. Resident agrees that the Corporation will not be held liable for any damage to the Resident's property.

SECTION 18. RESIDENTS JOINTLY AND SEVERALLY LIABLE

When Residency consists of more than one person, the rights and obligations of each are joint and several.

SECTION 19. SURVIVING JOINT REMAINING TENANT

When an Apartment Home or Lakeside Garden Home is occupied by more than one person, both of whom have signed this Agreement, should one Resident be permanently transferred to assisted living or to a licensed and approved (nursing) long-term care Health Center or die, the remaining Resident/survivor shall have the option of:

- A. Retaining the same Apartment Home or Lakeside Garden Home but with the Monthly Service Fee reduced to the then current rate for single occupancy of the Apartment Home or Garden Home; or
- B. Moving to a smaller Apartment Home or Lakeside Garden Home (when available) and paying the then current Monthly Service Fee for single occupancy of the new Apartment Home or Lakeside Garden Home.

If the remaining Resident chooses to move to an Apartment Home or Lakeside Garden Home, with an Entrance Fee that is lower than the one currently occupied, the Resident will receive a refund. That refund will be equal to the difference between the Entrance Fee for the replacement Apartment Home or Lakeside Garden Home and the Entrance Fee Refund that the Resident would have been entitled to for their original Apartment Home or Lakeside Garden Home had they terminated this Agreement instead of relocating to a smaller residence, provided that Entrance Fee Refund is greater than the Entrance Fee for the replacement residence. The Resident will receive this refund when the original Apartment Home or Lakeside Garden Home is re-occupied in accordance with Section 17 of this Agreement.

SECTION 20. SUBROGATION

In case of injury to the Resident by a third party, the Corporation shall have the right to subrogation for all its costs and expenses incurred by reason of such injuries, and shall have the right, in the name of the Resident or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for said injury.

In furtherance of such rights, resident hereby grants a power of attorney (which power shall not be affected by the disability of resident) to the corporation, at its election, to make any claims or initiate legal action against such third party for damages or expenses caused by such accident or injury. Resident agrees to execute further authorizations as reasonably requested by the corporation.

The Corporation shall be entitled to reimbursement out of any settlement or judgment proceeds for all costs incurred by it in connection with such accident or injury, including reasonable costs of care furnished by the Corporation to Resident because of such accident or injury and, if applicable, the costs associated with bringing such claim or cause of action. The balance of any collection made will be paid to Resident, or in the event of Resident's death, to Resident's estate. The Corporation may limit its election, as provided above, to claims for recovery of the costs incurred by it, and in such event, the Corporation shall not be obligated to assert any claim of Resident arising out of such accident or injury beyond the costs incurred by the Corporation.

SECTION 21. MISCONDUCT OR NEGLIGENCE OF THE RESIDENT

The Resident agrees to pay or reimburse the Corporation for any loss or damage suffered by the Corporation or others as the result of negligence or misconduct on the part of the Resident or any guest of the Resident. The Corporation assumes no responsibility for any injury or illness resulting from such negligence or misconduct.

The Corporation assumes no responsibility for, and any injury to Resident or damage or loss to Resident's property caused by the negligence or misconduct of another resident or any invite of another resident, unless the Corporation has also been gross negligent and such negligence caused such injury, damage or loss.

Residents shall at all times occupy and use the Apartment Home or the Lakeside Garden Home in conformity with all existing rules, regulations and procedures established by the Corporation for the community, and shall at no time conduct, perform or allow to be conducted or performed any illegal or immoral activity on The Summit premises.

Waiver of Liability. The Resident hereby releases the Corporation and its officers and employees from liability for his death, injury to the Resident's person or property caused by any fire, theft, assault or other cause beyond the control of the Corporation and from any liability resulting from the negligence or wrongful acts of other residents and hereby waives any claim that the Resident or the Resident's estate may have against the Corporation therefrom.

SECTION 22. NO PROPERTY INTEREST IN THE SUMMIT

Nature of Resident's Interest. Resident's rights are primarily for services, with a contractual right of occupancy. The rights and privileges granted to resident by this agreement do not include any right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by the corporation. Nothing contained in this agreement shall be construed to create a lease or the relationship of landlord and tenant between the corporation and resident.

SECTION 23. RESTRICTION ON PETS

Residents, in the Apartment Homes or the Lakeside Garden Homes only, may keep pets subject to approval of the Executive Director and subject to any guidelines The Summit has established. Pets are defined as a domesticated small animal and are limited to dogs, cats, birds, and fish. Animals must be leashed at all times they are not inside your Apartment Home or your Lakeside Garden Home and you will be required to pick up and dispose of all pet waste from your pet anywhere on the property of The Summit.

Resident agrees to make other arrangements for the care of any pet if, in the judgment of the Executive Director, (i) such pet is or becomes a nuisance or danger to Resident or others or (ii) Resident can no longer care for the pet without assistance. Resident shall reimburse the Corporation for any damage done to any part of the Community, including furnishings, by any pet of Resident.

SECTION 24. POLICIES AND PROCEDURES FOR HANDLING GRIEVANCES

Grievances between The Summit and Residents will be settled via the policies and procedures specified in the Resident Handbook.

SECTION 25. RESIDENT'S COUNCIL

Residents of The Summit shall have the right to self-organization of a Resident's Council to represent them in dealing with management and to draft bylaws, elect officers and hold such meetings to carry out those purposes for which they are organized. Not less than quarterly, the Residents shall have the opportunity to meet with the representatives of the management of The Summit to facilitate the free discussion of subjects including but not limited to existing and proposed rules, programs, services, fees and exchange of ideas for betterment of the community.

SECTION 26. LEGAL GUARDIAN.

If Resident becomes legally incompetent or is unable properly to care for himself or herself or his or her property, and no legal guardian has been appointed for Resident, then Resident authorizes the Corporation to seek a legal guardian for Resident appointed. If Resident has designated a person or legal entity to serve as his or her guardian, the Corporation shall seek such person so appointed. Under State law, the Corporation and any officer or employee of the Corporation is prohibited from acting as a legal guardian for Resident. Resident agrees to pay to the Corporation any attorney's fees and other expenses incurred in connection with obtaining appointment of a guardian for Resident.

SECTION 27. AMENDMENT

No amendment of this Agreement shall be valid unless in writing executed by the Corporation and Resident.

SECTION 28. SEVERABILITY

The invalidity or unenforceability of any restriction, condition or other provision of this Agreement shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

SECTION 29. GOVERNING LAW

This Agreement shall be interpreted according to the laws of the Commonwealth of Virginia. Venue shall be the City of Lynchburg, Virginia.

SECTION 30. ENTIRE AGREEMENT

This Agreement constitutes the full and complete Agreement between The Summit and Resident and supersedes any and all prior understandings or agreements whether written or oral.

NOTICE TO RESIDENTS: This Agreement contains a statement of all your rights and responsibilities. Do not enter this agreement in reliance on any statement made by any person on behalf of the Corporation which has not been put in writing, signed and attached hereto as an exhibit.

SECTION 31. NOTICES

- A. Any notice, payment or the communication required or permitted by this Agreement to be delivered to any party hereto shall be considered properly given or furnished and sufficient for all purposes if delivered personally or mailed by first class mail postage prepaid addressed to the appropriate party at the address given below or such other address as is provided to the sender by that party:

Unless otherwise noted below, the Resident's address is the address given on the Confidential Data Application which is attached and made part of this agreement as

Appendix "A":

- B. You may cancel this contract any time prior to midnight of the seventh day after the date on which you sign this contract or tender the reservation deposit. If you elect to cancel the contract, you must do so by written notice and you will be entitled to receive a refund of monies deposited, without interest, according to the terms and conditions of Section 17 of this Agreement, above.
- C. This document, if executed, constitutes a legal and binding contract between you and the Corporation. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding.

I/We have been given the following documents and understand that it is my/our responsibility to read each document. I/We have been given the opportunity to discuss any features of these documents that may have been unclear.

1. Disclosure Statement

The parties hereto agree to the foregoing terms and conditions as of the _____ day of _____, 20_____.

Resident

Resident

FOR THE SUMMIT – CCRC, INC.
Lynchburg, Virginia

By: _____

Its: _____

By: _____

Its: _____

The SUMMIT

RESIDENCY AGREEMENT
New Build Option

For

CCRC, Inc.

INDEPENDENT LIVING
APARTMENT HOMES
LAKESIDE GARDEN HOMES

NOTICE OF CANCELLATION

Date Residency Agreement executed, and deposit tendered to The Summit:

_____.

You may cancel this contract, without any penalty or obligation, within seven business days from the date above. You will not be required to move in before the expiration of the seven-day period. After this date you may cancel this contract without further obligation; however, a \$500 administrative fee will be assessed if your cancellation is voluntary. The \$500 administrative fee will be waived if your cancellation is involuntary due to physical illness or injury which would require a higher level of care, mental incapacity or death, or due to non-acceptance for admission to The Summit. After occupancy you may terminate with sixty (60) days notice and any paid Entrance Fee will be refunded as provided in the Residency Agreement.

If you cancel this contract, and have already moved into The Summit, you must vacate the property within ten days after receipt by The Summit of your cancellation notice.

To cancel this contract, mail by certified mail or hand deliver, a signed and dated copy of this cancellation notice or any other written notice clearly indicating your intent to cancel the contract to The Summit, 1400 Enterprise Drive, Lynchburg, VA 24502. Your cancellation is effective upon mailing, by certified mail, or when actual notice is given pursuant to the agreement to The Summit, whichever is earlier.

I hereby cancel this contract.

Date

Prospective Resident's or Resident's Signature

The SUMMIT

RESIDENCY AGREEMENT

RECITALS:

- A. CCRC, Inc. ("CCRC" or "The Summit") seeks to provide to Residents of The Summit quality housing, personal services and use of all amenities at a low reasonable cost, so that Residents may enjoy a lifestyle of comfort, peace and contentment. The term "Corporation" is used throughout this Agreement to denote CCRC, Inc. The terms "The Summit" or the "Community" will refer to the facility. The term "we" or "our" is also used in lieu of "The Summit".
- B. _____ ("Resident," whether one or more) wishes to live at The Summit and, consistent with the rights, welfare and contentment of the other residents, to enjoy the facilities, services and amenities provided in this agreement.
- C. The Corporation requires that Resident be capable of independent living, be free of communicable disease which would represent a serious health hazard to residents or staff of the Community, and have assets and income which are sufficient (under foreseeable circumstances and after provision for payment of Resident's obligations under this Agreement) to meet ordinary and customary living expenses after assuming occupancy.

SECTION 1. THE SUMMIT OBLIGATION

Subject to the conditions stated herein, we agree to make available to you, an unfurnished living unit in The Summit described as follows:

(the "Apartment Home" or "Lakeside Garden Home") and to provide the services, utilities and amenities described in this Agreement.

SECTION 2. RIGHT OF THE SUMMIT TO ACCEPT OR REJECT AGREEMENT

By signing this Agreement, you are offering to enter into this Agreement with The Summit and hereby acknowledge and agree that this Agreement shall not be binding upon us until we have reviewed this and other application forms and accepted you for residency by signing this Agreement and delivering a copy to you. Your acceptance will be evidenced by the signature of an authorized representative of the Corporation at the end of this Agreement.

SECTION 3. DESCRIPTION OF SERVICES AND FACILITIES

- A. **Basic Agreement.** In consideration of payment of an Entrance Fee in the amount stated in Section 6 and payment of the appropriate Monthly Service Fee, initially in the amount stated in Section 6, you will be entitled to occupy the Apartment Home or Lakeside Garden Home indicated above and to receive the services and use of the facilities described in and according to the provisions of this Agreement.

Your right to occupy the Apartment Home, Lakeside Garden Home or such other care facility to which you may be transferred in accordance with this Agreement shall continue for your lifetime unless sooner terminated as provided herein.

The entitlement to occupy the Apartment Home or Lakeside Garden Home and receive services under this Agreement shall apply exclusively to the named Resident(s) hereunder, and to no other individual(s). No person other than the Resident entering into this Agreement shall be permitted to permanently occupy the Apartment Home or Lakeside Garden Home without the express written permission of THE SUMMIT as hereinafter provided.

Resident's guests are welcome to visit The Summit. The Corporation may require that overnight guests be registered, and that guest stays longer than one week be approved in advance by the Executive Director. Resident will be responsible for the conduct of the Resident's guests. No guest shall be entitled to any rights or privileges under this Agreement by reason of his or her status as Resident's guest.

- B. **Apartment Features.** Your Apartment Home will be equipped with carpeting, mini blinds, refrigerator with freezer, range and oven, microwave, dishwasher, washer/dryer, emergency call system and fire sprinkler system.
- C. **Lakeside Garden Home Features.** Your Lakeside Garden Home will be equipped with carpeting, mini blinds, refrigerator with freezer, range and oven, microwave, dishwasher, washer/dryer, and emergency call system.
- D. **Community Areas.** You will have use of The Summit community areas in accordance with The Summit's rules and policies. Community areas include space for the following:
- | | |
|--------------------------------|---------------------------|
| 1. Main Dining Room | 7. Card and Game Rooms |
| 2. Multi-Purpose Activity Room | 8. Arts/Crafts Room |
| 3. Private Dining Room | 9. Beauty and Barber Shop |
| 4. Living Room | 10. Fitness Room |
| 5. Lounge | 11. Chapel |
| 6. Library/Business Center | |
- E. **Smoke Free Environment.** Due to the acknowledged hazards from exposure to environmental tobacco smoke, the personal health hazard potential, and hygiene issues from the use of other tobacco products, it shall be the policy of The Summit to provide a tobacco free environment for all residents, staff and visitors. This policy covers the smoking of any tobacco product and the use of smokeless or 'spit' tobacco and applies to residents, staff members and all visitors to The Summit. This also applies to electronic cigarettes. With the exception of residents who took occupancy prior to April 1, 2006 who are permitted to smoke and use tobacco products within their own residence,

smoking and the use of other tobacco products is not permitted in any location on The Summit's property, whether indoors or outdoors.

F. **Included General Services.** So long as you are in compliance with your obligations hereunder, we will provide you with the following services covered by the Monthly Service Fee and Entrance Fee, provided that the Corporation shall not be responsible for any interruption of services caused by labor disputes, governmental orders and requirements, acts of God, civil riot, temporary termination of utility services, and any other cause not reasonably within its control, and which, by the exercise of ordinary care, the Corporation is unable, wholly or in part, to prevent or overcome:

1. **Food Service.** We will offer table service in our main dining room. Residents are entitled to one meal per person for each day. With a 24-hour notice, a meal credit will be issued for each meal missed; this credit may be used within 30 days for guest dining (subject to reasonable prior notice and availability). Any unused meal credits not used within the 30-day period will be forfeited and may not be applied as a credit against meal charges for any other period. If you are absent from The Summit for five (5) or more consecutive days, you will receive a meal credit allowance in conformance with our meal credit policy, provided you give us written notice of your intended absence at least ten (10) days in advance. For health-related absences, no prior notice is required.

2. **Housekeeping.** We will provide twice monthly scheduled housekeeping of your Apartment Home or your Lakeside Garden Home, including vacuuming, dusting, cleaning bathrooms and kitchen.

3. **Utilities. Apartment Home:** We will provide sewer, water, waste disposal, electricity and individually controlled heat and air-conditioning for your Apartment Home. Your Apartment Home will be centrally wired for television, telephone and computer modem hook-up. Resident shall provide his or her own television, telephone and computer and shall be responsible for paying all monthly television, telephone, computer and other related charges.

Lakeside Garden Home: We will provide sewer, water, electricity and waste disposal for your Lakeside Garden Home. Your Lakeside Garden Home will be centrally wired for television, telephone and computer modem hook-up, and will be equipped with central heat and air-conditioning. Resident shall provide his or her own television, telephone and computer and shall be responsible for paying all monthly television, computer telephone and other related charges.

4. **Security and Emergency Alert System.** Each Apartment Home and Lakeside Garden Home will be equipped with smoke detectors and emergency alert system. We will monitor the emergency alert systems on a 24-hour basis and coordinate emergency responses as appropriate. Each Apartment Home will also be equipped with a fire sprinkler system.

5. **Laundry.** Apartment Homes and Lakeside Garden Homes: We will provide scheduled twice monthly laundry service for your bed linens and towels.

6. **Maintenance.** We will maintain all buildings, grounds and community areas and will be responsible for providing on a timely basis repair, maintenance and replacement of furnishings we provide in your Apartment Home or Lakeside Garden Home, provided such repairs are not required as a result of your negligence, in which case the Resident will be charged the cost of repairs. Resident is responsible for the repair, maintenance and replacement of all personal property of Resident.
7. **Transportation.** We will provide scheduled local transportation to designated shopping, and social and cultural events as well as designated medical facilities.
8. **Social and Recreational Programs.** We will coordinate a variety of social, recreational, educational, spiritual and cultural programs for those Residents wishing to participate.
9. **Property Taxes and Insurance.** The Corporation will pay for real property taxes or payments in lieu of taxes except for those assessed on your personal property. The Corporation will also obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. We recommend you purchase appropriate comprehensive insurance.
10. **Parking.** Surface parking areas will be provided for you and a limited amount of parking will be available for guests of The Summit. Boats, trailers and RV's may not be parked in surface areas.
11. **Storage Area.** An individual storage area for Apartment Homes will be assigned and available for each Apartment Home.
12. **Wellness Programming.** We will coordinate educational and screening programs promoting wellness and preventive health maintenance. Participation in these activities is voluntary.
13. **Priority Admission to Assisted Living.** The Summit shall establish a transfer agreement with Centra Health, Inc. for Residents in need of Assisted Living. If transfer to the Assisted Living Center is appropriate as determined in Section 5 and you meet the admission requirements to Assisted Living then in effect, you will be given priority admission to the extent allowed by licensure, law, availability of space, and the claims of similarly-situated residents. In the event space is not available at The Summit Assisted Living facility, efforts will be made by the Corporation to place the Resident in another appropriate facility. If the Resident is placed in another facility, resident may be transferred to The Summit Assisted Living Facility when space is available.

14. **Priority Admission to (Nursing) Long-Term Care.** The Summit shall establish a transfer agreement with Centra Health, Inc. for Residents in need of (nursing) long-term care. If transfer to (nursing) long-term care is appropriate as determined in Section 5 and you meet the admission requirements to The Summit Health and Rehabilitation Center then in effect, you will be given priority admission to the extent allowed by licensure, law, availability of space, and the claims of similarly-situated residents. In the event space is not available at The Summit Rehabilitation and Health Care facility efforts will be made by the Corporation to place the Resident at another licensed (nursing) long-term facility. If the Resident is placed in another licensed (nursing) long-term facility, resident may be transferred to The Summit Rehabilitation and Health Care facility when space is available.
15. **Long Term Care Benefit Program.** The Summit will provide a limited benefit program for each independent living resident to assist in reducing your cost for increased levels of care should such ever be required. This benefit consists of a direct monthly payment on behalf of the Resident upon transfer to assisted living or (nursing) long-term care, subject to the conditions described below.
- (i) **Eligibility.** You will be eligible to receive benefits from the Long-Term Care Benefit Program beginning upon transfer to Assisted Living at The Summit or to (nursing) long-term care at The Summit or a Centra Health facility. You will also be eligible to receive benefits if it is necessary to transfer to another assisted living or (nursing) long-term facility because space is not available at a Centra Health facility. In the event transfer to another licensed (nursing) long-term facility is required, every effort will be exercised to return the Resident to a Centra Health facility as soon as possible. In order to maintain your eligibility to receive benefits, you are required to return to a Centra Health facility within seven (7) days of receiving notice that space is available.
- (ii) **Payment of Benefits.** Upon transfer, The Summit will pay on your behalf, a monthly benefit to help offset the cost of care you require in the amount of \$550 monthly until the maximum cumulative benefit has been received. The maximum cumulative value of the benefit is \$6,600. There is no credit if you do not become eligible to use the benefit or do not use it to completion. The amount of the benefit may be periodically adjusted at the discretion of The Summit but will not in any case be less than monthly amount outlined above. The benefits are not assignable and cannot be pooled or shared between spouses or other residents.
- (iii) **Apartment Home or Lakeside Garden Home Release.** If you vacate your Apartment Home or Lakeside Garden Home on a temporary basis for any reason including obtaining higher levels of care, you will still be responsible for paying the fees and costs of your Apartment Home or your Lakeside Garden Home. In the event that you choose not to release your Apartment Home or your Lakeside Garden Home (in the case of single occupancy), you will continue to pay the Monthly Service Fee for your Apartment Home or your Lakeside Garden Home in addition to any fees required in assisted living or nursing care at a Centra Health facility, or occupancy at another facility.
- (iv) **Dual Occupancy.** In the case where an Apartment Home or a Lakeside Garden Home is occupied by two persons, upon transfer of one resident to the Summit Health and Rehabilitation Center, the Summit Assisted Living

facility or another health care facility as described above, the Monthly Service Fee for the Apartment Home or the Lakeside Garden Home will be reduced by the then current second person fee. In the case of temporary transfer by one resident, the Monthly Service Fee will be reduced by the then current second person fee on a pro-rata basis.

G. Services Available for an Additional Charge.

The following services may be available on a fee-for-service basis to Residents in independent living, Apartment Homes and Lakeside Garden Homes.

1. Additional housekeeping beyond basic service.
2. Laundry Service beyond basic service or for Personal Items.
3. Additional Resident and Guest Meals.
4. Additional Storage as Available.
5. Catering for Special Occasions.
6. Tray Service – delivering meals to your residence
7. Barber and Beauty Services.
8. Personalized Transportation and Valet Service.
9. In some circumstances, transportation charges may apply to cultural or social events.
10. Television Service

Charges for these additional services and others that may be offered will be made in accordance with the Additional Services Fee Schedule then in effect.

The Corporation may increase or modify these additional charges upon 30 days prior written notice to Residents.

All of the above services are planned to be provided directly by The Corporation, although some services may be provided through affiliates or third parties.

H. Alteration to Apartment Home or Lakeside Garden Home. Resident may make alterations to the Apartment Home or to the Lakeside Garden Home at Resident's cost but only after receiving our prior written approval by the Executive Director of The Summit. Any approved alteration shall be performed by our maintenance staff or by a contractor we approve. The Summit will replace any defective locking device. Upon termination of this Agreement the Resident may, at the sole discretion of The Summit, be required to return the Apartment Home or the Lakeside Garden Home to the original design at the Resident's cost.

I. Right of Entry. The Resident recognizes and accepts the Corporation's right to enter Resident's living unit under certain circumstances. Such right of entry includes, but is not limited to, entry for the following purposes: (i) performance of scheduled housekeeping duties, (ii) response to the automatic fire alarm or emergency response system, (iii) entry in the event that the Resident is reported as missing or as not having responded to a call, and (iv) performance of maintenance procedures. The Corporation recognizes the Resident's right to privacy and its responsibility to limit entry of the Resident's living accommodation to perceived medical or other emergencies, scheduled housekeeping, and with prior notice to the Resident, routine maintenance services. For Resident's safety, Resident agrees not to replace or add any locks to the Apartment Home or Lakeside Garden Home.

- J. **Advance Notice for Changes in Scope of Services.** Except for changes required by State or Federal assistance programs, the Corporation will provide at least thirty (30) days' advance notice before any change in the scope of care or services becomes effective. This notice requirement includes notification of any increase in charges for Additional Services. Corporation agrees not to unreasonably reduce the scope of care or services without reasonable cause, which may include without limitation, reductions in governmental or third-party payments, changes in law, and material changes in cost.

SECTION 4. HEALTH INSURANCE BY RESIDENT.

- A. **Medicare.** As a condition of this Agreement, you shall enroll in and maintain, at your own expense, Medicare (Parts A and B) or an equivalent program that is acceptable to the Corporation. The Corporation will assist you in obtaining such coverage, if you wish. Medicare or the equivalent will cover certain health care expenses that you incur. Upon request, the Resident shall provide to the Corporation appropriate evidence of its current enrollment.
- B. **Medicare Supplemental Insurance.** The Corporation also requires that you obtain and maintain at your own expense, Medicare supplemental ("Medigap") insurance. We will assist you in identifying such insurance if you wish. Medicare supplemental insurance is designed to cover certain health care expenses that are not covered by Medicare. Each Resident must seek independent advice as to coverages available. Upon request, the Resident shall provide to the Corporation appropriate evidence of its current enrollment.
- C. **Maintenance of Health Insurance.** The resident hereby authorizes the corporation on the resident's behalf to make application for and pay premiums on the required insurance coverage set forth above if the resident does not acquire it. The resident shall reimburse the corporation for the costs of any such premiums paid by the corporation.

The Resident acknowledges that the Corporation expects a portion of the health care services to be provided to the Resident under this Agreement to be covered by Benefits payable under the required insurance coverage. If the resident is or becomes ineligible for, or otherwise cannot maintain, any part of the required insurance coverage, the corporation may require the resident to pay that portion of the cost of the services provided under this agreement that would be covered by benefits under the required insurance coverage if the required insurance coverage were in effect.

- D. **Long Term Care Insurance.** The Corporation suggests that you consult your insurance provider regarding long term care insurance.
- E. **Payment for Health Care Services Not Provided by the Corporation.** The Resident is responsible for payment of the cost of all health care services not expressly covered by the Agreement. Among the physical and mental health care services not covered under this Agreement are: private duty nursing care, services rendered by a clinic, physician, or other practitioner of any therapeutic or palliative art or profession; services rendered by a hospital, rehabilitation facility or laboratory; medications; diagnostic imaging; cancer therapy; medication supplies; and appliance, equipment, or other aids to modify the effects of handicapping conditions.

SECTION 5. TRANSFERS TO ASSISTED LIVING AND (NURSING) LONG-TERM CARE.

All decisions regarding transfers of a Resident from an Apartment Home or from a Lakeside Garden Home to assisted living or (nursing) long-term care will be made by the Corporation, in consultation with, and to the extent feasible, Resident, Resident's family, Resident's attending physician, and the Medical Advisor.

Resident will be transferred on a temporary or permanent basis to assisted living or (nursing) long-term care at a Centra Health facility or another facility offering a higher level of care not part of the Centra Health System only for the protection of the health, safety or general welfare of Resident or other persons in the Community or if the Corporation reasonably determines that the Resident cannot reasonably be cared for in the Apartment Home or Lakeside Garden Home. Residents desiring admission to assisted living or (nursing) long-term care at a Centra Health facility will be granted admission as described in Section 3. F.13 and 14. In the event that space is not available in assisted living at a Centra Health facility, the Corporation will assist Resident in obtaining Home Health Care in Resident's Apartment Home or in Resident's Lakeside Garden Home as permitted by licensure and law until space is available and/or will assist in locating placement in another facility offering the required services. In all cases, Resident is responsible for the entire cost of Home Health Care and/or services in a Centra Health facility or another facility.

In the event Resident moves into a higher level of care for a period which the Medical Advisor or Resident's Attending Physician expects to exceed 180 consecutive days, the Corporation may reassign Resident's Apartment Home OR Lakeside Garden Home for occupancy by another person, unless there are two Residents under this Agreement, one of whom is still occupying Resident's Apartment Home or Lakeside Garden Home. In the event that the Resident has transferred to a higher level of care and the Monthly Service Fee for the Apartment Home or the Lakeside Garden Home is more than two months in arrears, the Apartment Home or Lakeside Garden Home may be reassigned at that time. If it is later determined by the Resident's attending physician or the Medical Advisor that Resident is able to return to an Apartment Home or a Lakeside Garden Home, the Corporation will offer Resident an opportunity to move into an Apartment Home or a Lakeside Garden Home of the same type as the Apartment Home or Lakeside Garden Home previously accepted as soon as one is available, and, so long as this Agreement has not been terminated, no new Entrance Fee will be charged. Notwithstanding any of the foregoing, if there are two Residents, one of whom is still occupying the Apartment Home or the Lakeside Garden Home, that person may continue to occupy the Apartment Home or Lakeside Garden Home under the terms of this Agreement.

Hospitalization. If, in the judgment of Resident's physician, Resident requires hospitalization, Resident's physician shall have the authority to arrange for such hospitalization. When Resident's physician determines that hospitalization is no longer required, Resident's physician shall arrange for Resident's return to The Summit at the appropriate level of care. Payment by Resident of the Monthly Service Fee shall continue during any period of hospitalization.

Transfers to Outside Facilities Under Special Circumstances. A resident may be transferred by the Corporation to an outside facility (other than a hospital as provided above) if: (i) Resident requires care which the Community is capable of delivering but the Medical Advisor determines that, based on Resident's illness or condition or the impact of such illness or condition on the other residents of the Community, the continuation of care in the Community is inappropriate (for example, Resident has a contagious disease) or (ii)

Resident requires care which the Community is not capable of delivering (for example, Resident requires treatment for alcohol or drug dependency).

If such transfer is being made under the circumstances described in clause (i) above, the Corporation shall select the outside facility to which Resident shall be transferred.

If such transfer is being made under the circumstances described in clause (ii) above, Resident (or Resident's personal representative or legal guardian) shall select the outside facility to which Resident shall be transferred.

SECTION 6. COSTS TO RESIDENT

Upon payment of the fees required under the terms and conditions and obligations of this Agreement, Resident has the right to reside at The Summit and to receive the services above.

A. **Entrance Fee:** For the right to reside at The Summit and to receive the services described above, Resident agrees to pay an Entrance Fee as shown below in either Section 1 or 2. Select one option by initialing the appropriate space. In the event of failure to initial either Section 1 or 2, this Agreement shall be treated in all respects as though Resident selected Section 1, the Declining Refund Entrance Fee. The Entrance Fee shall be payable according to Section C below.

1. A Declining Refund Entrance Fee in the amount of \$_____.

Part of the Entrance Fee will be refunded to Resident if Resident moves from The Summit and terminates this Agreement within forty-nine (49) months after the "Occupancy Date" as defined in Section 6. G. below. The amount of the refund will be reduced for each month or partial month of residency at the rate of two percent (2%) of the Entrance Fee per month until the balance is zero. Any unpaid charges will be deducted from the refund.

2. A 90% Guaranteed Refund Entrance Fee in the amount of \$_____.

Part of the Entrance Fee will be refunded to Resident or Resident's estate upon termination of residency. The amount of the refund will be reduced for each month or partial month of residency at the rate of two percent (2%) of the Entrance Fee per month until the balance is equal to 90% of the Entrance Fee paid. Any unpaid charges will be deducted from the refund.

B. **Second Person Entrance Fee** If there are two persons entering this agreement, an additional Entrance Fee in the amount of \$_____ will be paid on or before the date Resident moves into The Summit. This Second Person Entrance Fee is non-refundable after occupancy.

C. **Payment of Entrance Fee.** The Entrance Fee will be paid in two installments. The first installment, which is non-refundable, being \$_____, is due at the time Resident executes this Agreement. The remaining balance of the Entrance Fee, being \$_____, is due on or before the date Resident moves into The Summit, (or within sixty (60) days after the unit becomes available, whichever occurs first,) unless otherwise previously agreed in writing.

- D. **Refund of Entrance Fee.** Upon termination of this Agreement, the Resident may be entitled to receive a refund for a portion of the Entrance Fee as specified in Section 17.
- E. **Payment of Monthly Service Fee.** The Monthly Service Fee payable by the Resident under this agreement is initially \$_____ per month for one person and an additional \$_____ per month for the second person. The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first and last months of occupancy. The Monthly Service Fee shall be billed in advance to the Resident on or before the fifth day of each month and shall be paid on or before the fifteenth day of each month. The Monthly Service Fee for the Apartment Home or for the Lakeside Garden Home will terminate as provided in Section 17.
- F. **Payment for Additional Services.** Fees for additional services will be charged in accordance with the Additional Services Fee Schedule we establish and maintain on file in the management office. Charges for additional services shall be billed on or before the fifth day of each month and shall be paid on or before the fifteenth day of each month.
- G. **Occupancy Date.** Corporation will provide written notice at least thirty (30) days prior to the date Corporation anticipates Resident's Apartment Home or Lakeside Garden Home will be available for occupancy. The "Occupancy Date" will be the 60th day following the giving of such receipt notice (or the date the Apartment Home or Lakeside Garden Home will actually be available if later). If the date Resident takes occupancy is different from the Occupancy Date, it must be previously approved in writing by the Corporation. In the event that the Corporation fails to deliver possession, Resident shall have the right to rescind this Agreement by giving the Corporation written notice. In such event, Resident shall receive a refund of the Entrance Fee pursuant to the terms of Section 17.
- H. **Increases in Monthly Service Fee.** The sum of all charges paid by Resident is intended to provide for the services outlined in this Agreement and to provide for all other financial requirements of operating the Corporation, including, without limitation, debt service, property taxes or payments in lieu thereof, if any, and any other costs. It is the intention of the Corporation to increase the Monthly Service Fee, if necessary, not more often than once per year. However, the Corporation may increase the Monthly Service Fee, upon 30 days written notice to Resident if the Corporation, in its sole discretion, deems it necessary to meet the financial needs for the Corporation or to provide services to the Residents.
- I. **Late Fee.** In the event the Monthly Service Fee or Additional Service Fees are not paid in full on or before the 15th day after such fees are due and payable, a late payment assessment will be made on Resident's account, equal to interest computed at the rate of 1½ % per month on the delinquent amount.
- J. **Changes in Occupancy.** If your Apartment Home or your Lakeside Garden Home is occupied by two persons and one surrenders possession of the Apartment Home or the Lakeside Garden Home to the other, other than by death or by a transfer to assisted living or nursing care covered by Section 5, the obligations of the person remaining in the Apartment Home or in the Lakeside Garden Home under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be adjusted to reflect the single occupancy rate then in effect for the Apartment Home or the Lakeside Garden Home. The person not remaining in the Apartment Home or the Lakeside Garden Home will receive no services or benefits under this Agreement but will continue to be jointly

and severally liable for the obligations of the person remaining in the Apartment Home or in the Lakeside Garden Home. No refund of the Resident Fee will be made until the remaining person leaves and all conditions of Section 17 are met.

1. In the event the joint occupants of an Apartment Home or a Lakeside Garden Home desire separate living accommodations at The Summit, and one Resident remains in the Apartment Home or in the Lakeside Garden Home designated hereunder, no refund of the Entrance Fee is made until the conditions of Section 17.B. 3 are met and the Monthly Service Fee shall be adjusted to reflect the single occupancy rate then in effect for the Apartment Home or the Lakeside Garden Home. In order for the second Resident to not be jointly and severally liable for the original Apartment Home, or Lakeside Garden Home, a new Residency Agreement must be executed and submitted for approval by the Corporation for the new Apartment Home or Lakeside Garden Home.
2. In the event of the marriage of the Resident to another Resident, they may: (a) continue to maintain two Apartments and/or Lakeside Garden Homes and pay the applicable Monthly Service Fee for single occupancy then in effect for each; or (b) release either Apartment and/or Lakeside Garden Home and pay the applicable Monthly Service Fee for first and second person occupancy then in effect for the Apartment Home or Lakeside Garden Home jointly occupied by them. If the Residents choose to maintain two Apartments and/or Lakeside Garden Homes, there shall be no refund of the Entrance Fee to either Resident, and all benefits provided in each Residency Agreement shall remain and continue in effect. If the Residents choose to occupy one Apartment Home or one Lakeside Garden Home, both persons will be required to execute a new Residency Agreement and the Resident Fee for the Apartment Home or Lakeside Garden Home vacated will be refunded as set forth in Section 17.B.2 of the Residency Agreement.
3. If you and a non-resident (including a new spouse) desire to share the Apartment Home or the Lakeside Garden Home, the non-resident may become a Resident and live in the Apartment Home or in the Lakeside Garden Home only if he/she meets the qualifications for entrance set forth in Section 9 and both persons execute a new Residency Agreement.

In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person, and the non-resident may be required to pay an Entrance Fee in accordance with the then current policies established by the Corporation.

4. In the event you marry an individual while at The Summit who does not meet the residency requirements for The Summit, the Corporation, at its sole discretion, may allow such person to reside at The Summit and pay the second person Monthly Service Fee. However, this person would not have any rights, privileges or protection under this Agreement, including any right to continued residence.

In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second person.

5. In the event you desire to change from one Apartment Home or Lakeside Garden Home to another Apartment Home or Lakeside Garden Home at The Summit within

the first 12 calendar months of occupancy the difference in Entrance Fees shall be computed as follows:

- A. The Entrance Fee originally paid by you, reduced by any potential refund as described in Section 17.B.2. "Refund of Entrance Fee After Occupancy," will determine the value of your original residence.
- B. If the Entrance Fee of the unit to which you desire to move is lower than the above value, you will be entitled to a refund equal to that amount.
- C. If the Entrance Fee of the unit to which you desire to move is greater than the above value, and you are changing to a unit that is smaller than the one in which you are currently residing, The Summit will not charge you the difference.
- D. The original date of occupancy will remain unchanged.

You may not change from one type of refund plan to another in making these calculations. You will be responsible for repairs in the vacated residence necessary to restore it to market conditions. Any alterations desired in the new residence are subject to prior approval from The Summit's Executive Director and will be at your expense.

- 6. In the event you desire to change from one Apartment Home or Lakeside Garden Home to another Apartment Home or Lakeside Garden Home at The Summit after the first 12 calendar months of residency:
 - A. The Entrance Fee originally paid by you, calculated to reflect any potential refund as described in Section 17.B.2. "Refund of Entrance Fee After Occupancy", will determine the value of your original residence.
 - B. If the Entrance Fee of the unit to which you desire to move is lower than the above value, you will be entitled to a refund equal to that amount. However, if no refund is applicable from the original residency agreement, no refund will be issued.
 - C. If you are moving to a unit that is the same size or larger than the unit you currently occupy, you will be responsible for paying any difference between then Entrance Fee of the residence to which you desire to move and the Entrance Fee of the residence you currently occupy, calculated on the rates in effect when you sign a new residency agreement. You will also be responsible for the costs involved in bringing the residence to which you are moving to market conditions, which normally will include painting and new carpet.
 - D. The original date of occupancy will remain unchanged. You may not change from one type of refund plan to another in making these calculations. You will be responsible for repairs in the vacated residence necessary to restore it to market conditions. Any alterations desired in the new residence are subject to prior approval from The Summit's Executive Director and will be at your expense.

- K. **Transfer at Option of the Corporation.** If the corporation reasonably determines that the Resident's living accommodations needs to be vacated to permit repairs or renovations thereto or the transfer of such space to either a different use or a different

configuration, the Corporation may transfer the Resident to a new unit of the same size provided that the Corporation (i) consults with Resident prior to undertaking any such transfer, (ii) gives Resident reasonable notice of and time to prepare for such transfer, (iii) incurs all the costs of such move, and (iv) arranges for the prompt and convenient moving of the Resident's personal furnishings.

L. **Liability for Charges.** In an Apartment Home or a Lakeside Garden Home with double occupancy, each person who is designated as Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, Additional Services Fees and all other amounts required to be paid to the Corporation, pursuant to the provisions of this Agreement. In the event it is necessary for Corporation to institute legal action or other proceedings to recover amounts payable to the Corporation under this Agreement, or otherwise to enforce any of the provisions of this Agreement, Corporation also will be entitled to recover reasonable legal fees and all costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

M. **Use of Entrance Fee.** Funds received as Entrance Fee constitute property of the Corporation and will be used to generate investment income to contribute to the operating income of the Community and to help pay for operating and capital costs. After Resident is given occupancy of the Apartment Home or a Lakeside Garden Home, all interest income generated from the investment of the Entrance Fee shall be paid to the Corporation. In the Corporation's sole discretion the Entrance Fee may also be used to pay for The Summit project development costs, start-up deficits and working capital, debt service, early retirement of debt, costs of future expansions and other purposes deemed appropriate by the Corporation. No reserve funding will be established pertaining to the Entrance Fee. In order to obtain and secure financing for the Community, the Corporation will grant a pledge and security interest of Corporation's assets constituting the Community and gross receipts attributable to the Community, including, without limitation, the Entrance Fee, and will also grant a mortgage on the real estate constituting a portion of the Community. Under no circumstances will this Agreement be construed to create any trust arrangement nor will any money paid by resident be held in trust for Resident.

SECTION 7. MEDICAL ADVISOR

An independent qualified physician will be retained to serve as Medical Advisor to the Corporation. The role of the Medical Advisor is to oversee and monitor the appropriateness and quality of all medical services and medically related activities provided at The Summit. The Medical Advisor's responsibilities do not include providing medical services to the residents.

SECTION 8. INSURANCE

Resident understands and agrees that the Corporation will not provide any individual insurance covering Resident's personal property including any property stored in the storage facilities at The Summit, Resident's life or Resident's health. It is Resident's responsibility to obtain and maintain such insurance.

SECTION 9. REPRESENTATIONS AND WARRANTIES OF RESIDENT

Resident represents and warrants to The Summit that Resident is capable of independent living, free of communicable disease which would represent a serious health hazard to

residents and staff of the Community and has assets and income which are sufficient under foreseeable circumstances and after provision for payment of Resident's obligations under this Agreement to meet ordinary and customary living expenses. Resident further warrants that all facts stated by Resident in this Agreement and in any application for residency constitute full disclosure of Resident's health, asset and income circumstances and that Resident has not failed to disclose any information that is material to assessing Resident's health, assets and income circumstances. Resident warrants that at least one occupant will be at least 65 years of age when Resident occupies the residence unless specifically noted in the application. Resident further represents that he or she has received and read a copy of the Disclosure Statement provided by The Summit and that Resident is entering into this Residency Agreement with full knowledge of the contents of that Disclosure Statement.

SECTION 10. PAYMENT DEFERRAL POLICY

In certain circumstances, The Summit may choose to defer payment of Monthly Service Fees owed by any resident if, after occupancy, a resident becomes unable to continue paying the Monthly Service Fee or any portion of that fee, provided that the resident has not caused any event which diminished resident's ability to pay the Monthly Service Fee and so long as the overall financial viability of the Community is not adversely affected. In accordance with this policy, Corporation in its sole discretion may defer payment of any Monthly Service Fee or part thereof owed by Resident, if Resident demonstrates to Corporation's satisfaction that Resident cannot pay the Monthly Service Fee then due. Prior to deferring payment of any Monthly Service Fee owed by Resident pursuant to this Section 10, Corporation will apply a portion of the refund, if applicable, of the Entrance Fee to pay Resident's Monthly Service Fee then due. Corporation may also apply a portion of the Entrance Fee monthly to reimburse itself for any lost interest income as a result of applying a portion of the Entrance Fee to pay the Monthly Service Fee.

The Corporation will establish such procedures for application for financial assistance as it deems appropriate and may, in its sole discretion, decide which residents qualify for financial assistance and in what amounts. The Corporation may review the financial status of financial assistance to recipients periodically to ascertain the appropriate level of continuing assistance and the Corporation's ability to provide such assistance. The Corporation reserves the right to adjust or eliminate financial assistance to any resident for any reason, including, without limitation, changes in the financial condition of the Corporation or the Resident, rules relating to the tax-exempt status of the Corporation or the need for financial assistance by other residents. The Corporation's current financial assistance policy requires any resident seeking assistance to agree to apply for and diligently seek the benefit of applicable public assistance programs and to report promptly any material change in the resident's financial condition and to refrain from transferring material assets for less than fair value.

It is expected that financial assistance will be in the form of a loan to the Resident with the interest rate to be determined when the loan is made and with such loan payable (a) upon reasonable determination by the Corporation that the Resident's financial condition allows for such repayment in whole or in part; (b) upon the death of the Resident, but only to the extent that assets of the Resident's estate are subject to claims of creditors and (c) upon termination of the Resident contract then in effect. Residents may be required to execute notes, assignments, security agreements and deeds of trust to secure the repayment of any financial assistance. Resident agrees that, in consideration for the grant or continuance of a whole or partial subsidy from the Corporation, the Resident shall at the request of the Corporation, transfer to a smaller living accommodation.

SECTION 11. COVENANTS OF RESIDENT

Resident covenants and agrees:

- A. To comply with all reasonable procedures, policies and rules of The Summit including specifically those contained from time to time in any Resident Handbook or otherwise made available, in each case as such procedures, policies and rules are now in effect or are hereafter amended or adopted;
- B. To pay the fees and charges required under this Agreement in a timely fashion;
- C. Not to impair Resident's ability to meet financial obligations under this Agreement by transferring assets other than to meet ordinary and customary living expenses, without the consent of the Corporation;
- D. To provide financial statements to the Corporation upon request, if Resident is requesting deferment of the Monthly Service Fee payment as outlined in Section 10;
- E. To abide by all other terms of this Agreement; and
- F. In the event Resident requires a level of care which the Community is not licensed or unable to provide, Resident agrees to leave the Community to receive such care. In such event, refund of the Entrance Fee will be made pursuant to Section 17.

SECTION 12. NO ASSIGNMENT BY RESIDENT; ASSIGNMENT BY THE CORPORATION

Resident may not assign this Agreement or rights under it. No rights or benefits under this Agreement shall inure to the benefit of Resident's heirs, devisees or legal representatives, except the right to receive payment of money owed by the Corporation to the Resident. The Corporation may assign this Agreement and delegate its duties hereunder in whole or in part.

SECTION 13. SUBORDINATION TO LENDERS' RIGHTS

This Agreement is a contract to provide services, including providing an agreed upon type of residential unit, and as provided in Section 22 does not constitute a sale or lease of real estate or create any lien on or claim to any real property.

Your rights under this Agreement will be subject and subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of the Corporation's assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of the Corporation's assets, and you agree to execute, acknowledge and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.

SECTION 14. NO LIABILITY OF OFFICERS, BOARD MEMBERS, OR AFFILIATES OF THE COMMUNITY

Resident hereby acknowledges and agrees that the obligations of the Corporation under this Agreement are an obligation of the Corporation only and that such obligations have not been guaranteed by any officer, Board member, employee, agent or affiliate of the Corporation or any affiliate thereof or any other organization besides the Corporation and

that no other person or organization besides the Corporation is responsible to the Resident for the provision of any service or the payment of any money hereunder.

SECTION 15. TERMINATION OF AGREEMENT OR RELEASE OF RESIDENCE BY RESIDENT

- A. Upon transferring from an Apartment Home or Lakeside Garden Home into an assisted living or (nursing) long-term facility, a Resident may release such Resident's Apartment Home or Lakeside Garden Home for occupancy by another resident by delivering written notice or mailing written notice by first-class mail, postage prepaid, addressed to the Corporation, such release to be effective on the later of (i) 30 days after the date such notice is received or (ii) the date upon which all personal property of such Resident has been removed from the Apartment Home or Lakeside Garden Home occupied by Resident. Upon the effective date of the release of the Apartment Home or Lakeside Garden Home for occupancy by another resident, Resident's obligation to pay Monthly Service Fees shall cease but this Agreement shall otherwise remain in effect until terminated as provided in this Section 15 or in Section 16 of this Agreement.
- B. Resident may terminate this Agreement as provided in this Section 15. Resident agrees and understands that certain rights to which Resident may become entitled upon termination of this Agreement depend upon Resident's complying with the terms of this section relating to termination of the Agreement.
- C. Resident may terminate this Agreement at any time for any reason by delivering written notice or mailing written notice by first-class mail, postage prepaid, addressed to the Corporation, such termination to be effective on the later of sixty (60) days from the date such notice is received or another date specified in the notice. Except for the requirement concerning continued payment of Monthly Service Fees as provided in this subsection 15.C., this Agreement shall terminate upon the death of Resident (if there is one Resident hereunder) and upon the death of the surviving Resident (if there are two Residents hereunder). The deceased Resident's estate shall remain liable for and continue to pay Monthly Service Fees until the later of (i) 30 days after the death of Resident or surviving Resident or (ii) the date upon which all personal property of such Resident has been removed from the Apartment Home or Lakeside Garden Home occupied by Resident at the time of death.

SECTION 16. TERMINATION BY THE CORPORATION

- A. The Corporation may terminate this Agreement as provided in this Section 16. The Corporation shall not dismiss or discharge Resident from the facility prior to the expiration of a resident contract without good cause and sixty days' written notice of termination, signed by the Executive Director of the Corporation or an Officer of the Board of the Corporation, during which period Resident will have an opportunity to cure the matters on which the notice by the Corporation to terminate was based. In the absence of a cure by Resident, not later than the termination date specified in the notice of termination, Resident shall move from The Summit. In an emergency as determined in the sole discretion of the Corporation, only such notice as is reasonable is required.

Good cause shall be defined as: (i) proof that the resident is a danger to himself or others; (ii) nonpayment by the resident of a monthly or periodic fee; (iii) repeated conduct by the resident that interferes with other residents' quiet enjoyment of the facility; (iv) persistent refusal to comply with reasonable written rules and regulations of

the facility; (v) a material misrepresentation made intentionally or recklessly by the resident in his application for residency, or related materials, regarding information which, if accurately provided, would have resulted in either a failure of the resident to qualify for residency or a material increase in the cost of providing to the resident the care and services provided under the contract; or (vi) material breach by the resident of the terms and conditions of the continuing care contract.

- B. The Corporation may terminate this Agreement at any time before Resident occupies the Apartment Home or the Lakeside Garden Home by giving Resident written notice of termination, which will be effective sixty (60) days from the later of the date The Summit gives such notice or another date specified in such notice.
- C. Notwithstanding the right of Resident to cure a Default, The Summit retains the right to require Resident to transfer to an appropriate hospital or other facility as provided in Section 5.
- D. Prior to occupancy, the Corporation may terminate this Agreement and refund any Entrance Fee that it holds if, in the Corporation's reasonable opinion, the Resident is permanently unable to enter The Summit as a result of death, illness, injury or incapacity.
- E. If Resident has transferred to assisted living and/or (nursing) long-term care as described in Section 5 of this Agreement and such resident has released his or her Apartment Home or Lakeside Garden Home as described in Section 15. A. of this Agreement, the Corporation may, in its discretion, terminate this Residency Agreement after the Corporation has paid the maximum cumulative benefit of the Long Term Care Benefit Program as described in paragraph 15 of Section 3 of this Agreement.

SECTION 17. EFFECT OF TERMINATION

A. General.

From and after the effective date of termination of this Agreement, Resident will have no further right to occupy the Apartment Home, Lakeside Garden Home or to receive any service or benefit pursuant to this Agreement, except the right to receive the appropriate payment described below, and Resident shall promptly vacate The Summit.

Resident shall be obligated to pay the Monthly Service Fee until the later of 60 days after written notice by Resident of termination of this Agreement, the effective date specified in the written notice of termination of this Agreement or the date Resident vacates The Summit.

B. Refund of Entrance Fee.

1. Prior to Occupancy.

If Resident terminates the Agreement prior to occupying the Apartment Home or the Lakeside Garden Home, the Corporation will refund to Resident all amounts paid to the Corporation, without interest, less a \$500 administrative fee. The \$500 administrative fee will also be refunded if:

- (i) The Resident terminates this Agreement within 7 days from the date on which Resident signed the Resident Agreement or tendered the first installment of the reservation deposit, (a resident shall not be required to move into the facility before the expiration of the seven-day period);
- (ii) Resident either dies or becomes incapable (because of illness, injury or other physical or mental incapacity) of occupying the Apartment Home or the Lakeside Garden Home consistent with the representations made by Resident in Section 9, above; or
- (iii) The Corporation terminates this Agreement pursuant to Paragraph B of Section 16; in which cases (i) through (iii) a full refund of all amounts paid to The Summit will be made to Resident without interest, and without assessment of the \$500 administrative fee. In any case, upon refund of the moneys described herein, the Corporation shall be forever relieved of any further liability hereunder, including without limitation liability for payment of refunds.
- (iv) If a resident dies before occupying the facility, or is precluded through illness, injury or incapacity from becoming a resident, this contract is automatically rescinded and the resident or his legal representative shall receive a full refund of all money paid to the provider, except those costs specifically incurred by the provider at the request of the resident and set forth in writing in a separate addendum, signed by both parties to the contract.

2. After Occupancy.

Unless Paragraph (1) applies, Resident may be entitled to a refund of the Entrance Fee in accordance with the type of Entrance Fee established in Section 6 of this Agreement:

- a. **Declining Refund Entrance Fee.** All or part of the Entrance Fee will be refunded to Resident if Resident moves from The Summit and terminates this agreement. The amount of the refund will be reduced for each month or partial month of occupancy at the rate of two percent (2%) of the Entrance Fee per month until the balance is zero. Any unpaid charges will be deducted from the refund.
- b. **90% Guaranteed Refund Entrance Fee.** All or part of the Entrance Fee will be refunded to Resident if Resident moves from The Summit and terminates this agreement. The amount of the refund will be reduced for each month or partial month of residency at the rate of two percent (2%) of the Entrance Fee per month until the balance is equal to 90% of the Entrance Fee paid. Any unpaid charges will be deducted from the refund.

3. **The Corporation shall pay such amount only** when all of the following conditions are met:

- (i) The Resident's Residency Agreement has been terminated; and
- (ii) a new Resident has paid an Entrance Fee for the Apartment Home or Lakeside Garden Home vacated by Resident and the new Resident has been accepted for occupancy by the Corporation. The Corporation in its sole authority shall decide to accept the new Resident for occupancy.

4. It is the intent of The Summit and the Corporation to promote the Resident's individual health and financial security as well as the health and financial security of the entire The Summit community. In the event that a Resident incurs a documentable financial or medical hardship as a result of circumstances out of their control, and the Resident requires a refund of their Entrance Fee prior to the re-occupancy of their Apartment Home or Lakeside Garden Home, Resident may apply to the Board of Directors for an early refund. It will be the intent of the Board of Directors to grant such a request as long as in the sole opinion of the Board of Directors the financial integrity of The Summit, and specifically the community being served, will not be materially impaired. The Board of Directors may facilitate such a decision through its Executive Committee.
5. From the amount to be reimbursed pursuant to Paragraphs 2(a) and 2(b), The Summit may deduct and retain a sum equal to:
 - (i) the amount of any Monthly Service Fees deferred, if any, by The Summit on behalf of Resident under Section 10,
 - (ii) and any other money owed by Resident to The Summit for any reason whatsoever.
6. Following termination of this Agreement, all of the Resident's personal property shall be removed from The Summit by Resident or Resident's estate. If any items are not so removed within 30 days after the termination of this Agreement, the Corporation may charge a storage fee [as set forth in the Resident Handbook] until all such items have been removed or store the property in storage facilities outside the Community at the cost of the Resident. If any items are not so removed or claimed within [60] days after the termination of this Agreement, the Corporation may sell or otherwise dispose of such property. Proceeds, if any, from such disposal will be credited Resident's account less the Corporation's costs in connection with any such storage, sale or disposal. To the extent such costs will be deducted from any refund due to the Resident. Resident agrees that the Corporation will not be held liable for any damage to the Resident's property.

SECTION 18. RESIDENTS JOINTLY AND SEVERALLY LIABLE

When Residency consists of more than one person, the rights and obligations of each are joint and several.

SECTION 19. SURVIVING JOINT REMAINING TENANT

When an Apartment Home or Lakeside Garden Home is occupied by more than one person, both of whom have signed this Agreement, should one Resident be permanently transferred to assisted living or to a licensed and approved (nursing) long-term care Health Center or die, the remaining Resident/survivor shall have the option of:

- A. Retaining the same Apartment Home or Lakeside Garden Home but with the Monthly Service Fee reduced to the then current rate for single occupancy of the Apartment Home or Garden Home; or

- B. Moving to a smaller Apartment Home or Lakeside Garden Home (when available) and paying the then current Monthly Service Fee for single occupancy of the new Apartment Home or Lakeside Garden Home.

If the remaining Resident chooses to move to an Apartment Home or Lakeside Garden Home, with an Entrance Fee that is lower than the one currently occupied, the Resident will receive a refund. That refund will be equal to the difference between the Entrance Fee for the replacement Apartment Home or Lakeside Garden Home and the Entrance Fee Refund that the Resident would have been entitled to for their original Apartment Home or Lakeside Garden Home had they terminated this Agreement instead of relocating to a smaller residence, provided that Entrance Fee Refund is greater than the Entrance Fee for the replacement residence. The Resident will receive this refund when the original Apartment Home or Lakeside Garden Home is re-occupied in accordance with Section 17 of this Agreement.

SECTION 20. SUBROGATION

In case of injury to the Resident by a third party, the Corporation shall have the right to subrogation for all its costs and expenses incurred by reason of such injuries, and shall have the right, in the name of the Resident or otherwise, to take all necessary steps and procedures to enforce the payment of the same by the person responsible for said injury.

In furtherance of such rights, resident hereby grants a power of attorney (which power shall not be affected by the disability of resident) to the corporation, at its election, to make any claims or initiate legal action against such third party for damages or expenses caused by such accident or injury. Resident agrees to execute further authorizations as reasonably requested by the corporation.

The Corporation shall be entitled to reimbursement out of any settlement or judgment proceeds for all costs incurred by it in connection with such accident or injury, including reasonable costs of care furnished by the Corporation to Resident because of such accident or injury and, if applicable, the costs associated with bringing such claim or cause of action. The balance of any collection made will be paid to Resident, or in the event of Resident's death, to Resident's estate. The Corporation may limit its election, as provided above, to claims for recovery of the costs incurred by it, and in such event, the Corporation shall not be obligated to assert any claim of Resident arising out of such accident or injury beyond the costs incurred by the Corporation.

SECTION 21. MISCONDUCT OR NEGLIGENCE OF THE RESIDENT

The Resident agrees to pay or reimburse the Corporation for any loss or damage suffered by the Corporation or others as the result of negligence or misconduct on the part of the Resident or any guest of the Resident. The Corporation assumes no responsibility for any injury or illness resulting from such negligence or misconduct.

The Corporation assumes no responsibility for, and any injury to Resident or damage or loss to Resident's property caused by the negligence or misconduct of another resident or any invite of another resident, unless the Corporation has also been gross negligent and such negligence caused such injury, damage or loss.

Residents shall at all times occupy and use the Apartment Home or the Lakeside Garden Home in conformity with all existing rules, regulations and procedures established by the

Corporation for the community, and shall at no time conduct, perform or allow to be conducted or performed any illegal or immoral activity on The Summit premises.

Waiver of Liability. The Resident hereby releases the Corporation and its officers and employees from liability for his death, injury to the Resident's person or property caused by any fire, theft, assault or other cause beyond the control of the Corporation and from any liability resulting from the negligence or wrongful acts of other residents and hereby waives any claim that the Resident or the Resident's estate may have against the Corporation therefrom.

SECTION 22. NO PROPERTY INTEREST IN THE SUMMIT

Nature of Resident's Interest. Resident's rights are primarily for services, with a contractual right of occupancy. The rights and privileges granted to resident by this agreement do not include any right, title or interest in any part of the personal property, land, buildings or improvements owned or administered by the corporation. Nothing contained in this agreement shall be construed to create a lease or the relationship of landlord and tenant between the corporation and resident.

SECTION 23. RESTRICTION ON PETS

Residents, in the Apartment Homes or the Lakeside Garden Homes only, may keep pets subject to approval of the Executive Director and subject to any guidelines The Summit has established. Pets are defined as a domesticated small animal and are limited to dogs, cats, birds, and fish. Animals must be leashed at all times they are not inside your Apartment Home or your Lakeside Garden Home and you will be required to pick up and dispose of all pet waste from your pet anywhere on the property of The Summit.

Resident agrees to make other arrangements for the care of any pet if, in the judgment of the Executive Director, (i) such pet is or becomes a nuisance or danger to Resident or others or (ii) Resident can no longer care for the pet without assistance. Resident shall reimburse the Corporation for any damage done to any part of the Community, including furnishings, by any pet of Resident.

SECTION 24. POLICIES AND PROCEDURES FOR HANDLING GRIEVANCES

Grievances between The Summit and Residents will be settled via the policies and procedures specified in the Resident Handbook.

SECTION 25. RESIDENT'S COUNCIL

Residents of The Summit shall have the right to self-organization of a Resident's Council to represent them in dealing with management and to draft bylaws, elect officers and hold such meetings to carry out those purposes for which they are organized. Not less than quarterly, the Residents shall have the opportunity to meet with the representatives of the management of The Summit to facilitate the free discussion of subjects including but not limited to existing and proposed rules, programs, services, fees and exchange of ideas for betterment of the community.

SECTION 26. LEGAL GUARDIAN.

If Resident becomes legally incompetent or is unable properly to care for himself or herself or his or her property, and no legal guardian has been appointed for Resident, then Resident authorizes the Corporation to seek to have a legal guardian for Resident appointed. If Resident has designated a person or legal entity to serve as his or her guardian, the Corporation shall seek to have such person so appointed. Under State law, the Corporation and any officer or employee of the Corporation is prohibited from acting as a legal guardian for Resident. Resident agrees to pay to the Corporation any attorney's fees and other expenses incurred in connection with obtaining appointment of a guardian for Resident.

SECTION 27. AMENDMENT

No amendment of this Agreement shall be valid unless in writing executed by the Corporation and Resident.

SECTION 28. SEVERABILITY

The invalidity or unenforceability of any restriction, condition or other provision of this Agreement shall not impair or affect in any way the validity or enforceability of the rest of this Agreement.

SECTION 29. GOVERNING LAW

This Agreement shall be interpreted according to the laws of the Commonwealth of Virginia. Venue shall be the City of Lynchburg, Virginia.

SECTION 30. ENTIRE AGREEMENT

This Agreement constitutes the full and complete Agreement between The Summit and Resident and supersedes any and all prior understandings or agreements whether written or oral.

NOTICE TO RESIDENTS: This Agreement contains a statement of all of your rights and responsibilities. Do not enter this agreement in reliance on any statement made by any person on behalf of the Corporation which has not been put in writing, signed and attached hereto as an exhibit.

SECTION 31. NOTICES

- A. Any notice, payment or the communication required or permitted by this Agreement to be delivered to any party hereto shall be considered properly given or furnished and sufficient for all purposes if delivered personally or mailed by first class mail postage prepaid addressed to the appropriate party at the address given below or such other address as is provided to the sender by that party:

Unless otherwise noted below, the Resident's address is the address given on the Confidential Data Application which is attached and made part of this agreement as

Appendix "A":

- B. You may cancel this contract any time prior to midnight of the seventh day after the date on which you sign this contract or tender the reservation deposit. If you elect to cancel the contract, you must do so by written notice and you will be entitled to receive a refund of monies deposited, without interest, according to the terms and conditions of Section 17 of this Agreement, above.
- C. This document, if executed, constitutes a legal and binding contract between you and the Corporation. You may wish to consult a legal or financial advisor before signing, although it is not required that you do so to make this contract binding.

I/We have been given the following document and understand that it is my/our responsibility to read the document. I/We have been given the opportunity to discuss any features of the document that may have been unclear.

1. Disclosure Statement

The parties hereto agree to the foregoing terms and conditions as of the _____ day of _____, 20_____.

Resident

Resident

FOR THE SUMMIT – CCRC, INC.
Lynchburg, Virginia

By: _____

Its: _____

By: _____

Its: _____

Following this page is:

**Amendments
To
Residency Agreement**

The attached amendments to the Residency Agreement are included for the consideration and convenience of residents and may be executed at the discretion of residents.

Assignment of Benefits
Promissory Note
Fee Guarantee
30 Day Promissory Note

The SUMMIT

ASSIGNMENT OF BENEFITS

THIS AMENDMENT TO RESIDENCY AGREEMENT, dated _____, to that certain Residency Agreement dated _____ between CCRC, Inc., a Virginia Corporation, and _____,

WITNESSETH THAT:

WHEREAS, CCRC, Inc., and _____, (the "Resident") have entered into a Residency Agreement, dated _____ (the "Residency Agreement"), which includes provisions with respect to the refund of Entrance Fee paid by Resident, and

WHEREAS, Resident desires to have language added to Section 17 "Effect of Termination" clarifying that at Resident's death any refund would be paid to certain persons specified by the Resident rather than to the estate, and CCRC, Inc., agrees to such addition.

NOW THEREFORE, in consideration of the foregoing, the undersigned hereby agree to amend the Residency Agreement as follows:

1. The following paragraph C shall be added as paragraph C of Section 17 of the Residency Agreement:
 - A. Transfer on Death. In the event of Resident's death, whether prior to occupancy or after occupancy, the refund of the Entrance Fee as determined under this Agreement, if any, shall be paid to the following persons, or to the estates of the following persons if one or more of them have predeceased the Resident, rather than to the Resident's estate:

2. The Resident agrees to inform CCRC, Inc., as to changes in the addresses and telephone numbers of those persons listed in paragraph 1 above.
3. The Resident agrees that in the event CCRC, Inc., is unable, after reasonable inquiry, to locate the persons listed in paragraph 1 above at the time of Resident's death, CCRC, Inc., shall be permitted to pay the refund of the Entrance Fee, if any, to the Estate of the Resident and shall not be liable for such action.

WITNESS, the following signatures the date first above written.

FOR THE SUMMIT – CCRC, INC.

By _____ Its _____

Resident's Signature

The SUMMIT

PROMISSORY NOTE Lynchburg, Virginia

THIS AMENDMENT TO RESIDENCY AGREEMENT, dated _____, to that certain Residency Agreement dated _____ between CCRC, Inc., a Virginia Corporation, and _____,

WITNESSETH THAT:

FOR VALUE RECEIVED, the undersigned, jointly and severally, (whether one or more hereinafter either individually or collectively called the "Maker") unconditionally promise to pay to the order of CCRC, Inc., or its assigns (the "Holder"), without offset, demand, or deduction, at 1400 Enterprise Drive, Lynchburg, Virginia 24502, or at such other place as the Holders may designate, the principal sum of _____ (\$ _____), bearing interest on the unpaid principal balance from the date hereof at the rate of Three and no/one hundredths percent (3.0%) per annum and on the terms hereunder. Monthly payments of interest only shall be made in 12 equal, consecutive monthly installments of interest only in the amount of \$ _____ each, the first installment being payable on the ____ day of _____, _____, and a like installment being payable on the ____ day of each calendar month thereafter, up to and including the date that is one (1) year from the date of this Note, and on _____, _____ the then outstanding principal balance together with any accrued and unpaid interest and any other amounts due and payable hereunder shall be paid in full.

This Promissory Note is considered a partial payment of the Entrance Fee referred to in Section 6 of the Residency Agreement between _____ and CCRC, Inc., dated _____, _____, related to occupancy of residence # _____.

A late charge of five percent (5%) of any payment due and not received within seven (7) days of its due date shall be due and payable to Holder upon demand. Maker shall pay all costs and expenses incurred by Holder in collecting this Note, with or without litigation, including reasonable attorney's fees if Holder retains or uses the services of any attorney in connection therewith. The Parties waive presentment, demand, protest, notice of dishonor, and the benefit of all homestead and other exemptions to the fullest extent permitted by law.

Events of Default: Any one of the following events shall constitute an "Event of Default" under this Note:

1. If any payment on this Note, or if any payment on any other present or future debt or obligation of any Party made or guaranteed to the Holder, is not paid when due.
2. If any Party breaches any covenant or provision of this Note or defaults or breaches any covenant or provision in any other instrument or agreement delivered to the Holder in connection with this or any other transaction with the Holder, or if any Party makes a materially false or misleading statement to the Holder.
3. If a petition or complaint under any bankruptcy, insolvency or other law seeking reorganization, liquidation, dissolution or other relief is filed by or against any Party, or if any Party becomes unable or admits an inability to pay its debts as they become due.
4. If any property of any Party is seized, attached, levied on, or if a receiver or custodian is appointed for any Party.
5. The death of the Maker.

Remedies: Upon the occurrence of an Event of Default, the Holder shall have the right to accelerate and declare this Note due and payable in full without demand or notice. The Holder shall have all of the rights and remedies of a secured party under the Uniform Commercial Code, as well as all of the rights and remedies granted by applicable law or under any documents related to the loan evidenced by this Note. Without limiting the generality of the foregoing, the Holder shall have the right, immediately and without further action or notice, to set off against this Note all money owed by the Holder in any capacity to any Party whether or not due and to set off against all other liabilities of any Party to the Holder all money owed by the Holder in any capacity to any Party whether or not due. All rights and remedies of the Holder under this Note, under any document given to the Holder in connection with this Note and under applicable law shall be cumulative and not exclusive and may be exercised successively or concurrently. The Holder shall not by any act, delay, omission or otherwise be deemed to have waived any of their rights or remedies and no waiver of any kind shall be deemed to have occurred unless in writing and signed by the Holder or the Holder's duly authorized representative. Following the occurrence of an Event of Default, this Note shall continue to bear interest at the rate provided for herein until the Event of Default is cured.

Miscellaneous Provisions: This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia. If any provision of this Note shall be prohibited or held invalid by applicable law, that provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating either the remainder of such provision or the remainder of this Note. Any notice to any Party shall be deemed to have been given if mailed, postage prepaid, to the address of the Party as such address then appears in the Holder's files. This Note shall be binding upon the Parties, their heirs, personal representatives, successors and assigns and shall inure to the benefit of the Holder and its successors and assigns and any further Holders hereof. Each Party agrees not to assert against any future Holders of this Note any claim or defense it may have against the Holder. Maker accepts and agrees to be bound by all the terms and conditions of this Note.

IN WITNESS WHEREOF, the Makers have affixed their signature(s) and seal(s) as of the date first above written.

Makers:

_____ (SEAL)

_____ (SEAL)

COMMONWEALTH OF VIRGINIA:

CITY/COUNTY OF _____, to-wit:

The foregoing was acknowledged before me this _____ day of _____, _____, by
_____ individually.

My commission expires _____. My registration number is:

_____.

Notary Public

The SUMMIT

FEE GUARANTEE

THIS AMENDMENT TO RESIDENCY AGREEMENT, dated _____, to that certain Residency Agreement dated _____ between CCRC, Inc., a Virginia Corporation, and _____,

WITNESSETH THAT:

In consideration of The Summit accepting _____ as a resident, the undersigned Guarantor personally guarantees payment to The Summit of the Monthly Fee and all charges incurred at The Summit by or on behalf of the Resident. If Resident fails to pay his or her account within thirty (30) days of the receipt of a statement thereon, The Summit may, after notice as provided below, proceed against Resident, Guarantor or both for collection of the account. The Summit need not exhaust its remedies against Resident before proceeding against Guarantor for all amounts due from Resident at any time after giving ten (10) day's written notice to Guarantor of the amounts due from Resident. Written notice shall be given by first class mail, return receipt requested, directed to the address of Guarantor, below.

Guarantor understands and agrees that the Guarantor will not be released from this guarantee by reason of any changes made, including, but not limited to, extension of time granted for payment of amounts due from Resident, change in basic rates, transfer of Resident to an apartment or health care room which bears a different rate, or changes in type, amount or cost of additional services furnished Resident from time to time, and all notice of such changes is hereby knowingly and voluntarily waived by Guarantor.

The undersigned accepts these terms and certifies that he/she has read and received copies of this Agreement and the Residency Agreement.

Date

Guarantor

Address

Telephone Number

The Summit Representative

The SUMMIT

30 DAY PROMISSORY NOTE Lynchburg, Virginia

THIS AMENDMENT TO RESIDENCY AGREEMENT, dated _____, to that certain Residency Agreement dated _____ between CCRC, Inc., a Virginia Corporation, dba The Summit and _____,

FOR VALUE RECEIVED, the undersigned promise(s) to pay to CCRC, Inc., a Virginia corporation, or order, ON DEMAND AND AFTER THE DATE HEREOF, WITHOUT GRACE, the entire principal sum of _____ Dollars (\$ _____), without interest for the 30-day period commencing on the date hereof, but together with interest commencing 30 days from date at the rate of seven per cent (7%) per annum on the unpaid balance thereof until paid. Payment shall be applied first to accrued interest, if any, then to principal.

The said principal and interest shall be payable at CCRC, Inc., dba The Summit, 1400 Enterprise Drive, Lynchburg, Virginia 24502, or at such other address as the holder hereof may designate by sending written notice thereof to the undersigned.

The undersigned hereby waive(s) the benefit of all exemptions which may be waived with respect to this obligation.

The undersigned hereby waive(s) presentment, demand, notice of dishonor, protest and notice of protest.

Right is reserved to anticipate the payment at any time and from time to time of all or any part of the indebtedness evidenced hereby without penalty.

The maker(s) promise(s) to pay all costs of collection and enforcement, including without limitation, reasonable attorney's fees, upon default in the payment of any sum due hereunder, including, without limitation, the principal of this Note or interest thereon when due, whether suit be brought or not.

If there is more than one maker, the makers are jointly and severally liable on this obligation.

This Note is to be construed according to the laws of Virginia.

WITNESS the following signature(s):

Seal

Seal

Print Name

Print Name

The Summit Representative