

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2023

H.B. 170  
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH50003-NE-28A

Short Title: Continuing Care Retirement Communities Act.-AB (Public)

Sponsors: Representatives Setzer and Humphrey (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO ENACT THE CONTINUING CARE RETIREMENT COMMUNITIES ACT, AS  
3 RECOMMENDED BY THE DEPARTMENT OF INSURANCE.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Article 64 of Chapter 58 of the General Statutes is repealed.

6 SECTION 2. Chapter 58 of the General Statutes is amended by adding a new Article

7 to read:

8 "Article 64A.

9 "Continuing Care Retirement Communities.

10 "Part 1. General Provisions.

11 "**§ 58-64A-1. Title.**

12 This Article shall be known and may be cited as the "Continuing Care Retirement  
13 Communities Act."

14 "**§ 58-64A-2. Legislative intent.**

15 The General Assembly recognizes that continuing care retirement community residents often  
16 expend a significant portion of their savings when contracting with a provider for continuing care  
17 and devastating consequences can result if a provider becomes insolvent or unable to provide  
18 continuing care. It is the intent of the General Assembly to promote the dignity and protect the  
19 health, safety, and welfare of older citizens of North Carolina by (i) encouraging the development  
20 of continuing care retirement communities and (ii) requiring providers offering or providing  
21 continuing care in this State to obtain a license and to be monitored and regulated by the North  
22 Carolina Department of Insurance under this Article. This Article applies to both for-profit and  
23 nonprofit providers.

24 "**§ 58-64A-5. Definitions.**

25 As used in this Article, unless the context requires otherwise, the following definitions shall  
26 apply to the defined words and phrases and their cognates:

- 27 (1) Accepted actuarial standards of practice. – Standards of practice that conform  
28 with Actuarial Standards of Practice No. 3 for Continuing Care Retirement  
29 Communities, Revised Edition, effective June 1, 2022, including subsequent  
30 amendments and editions.  
31 (2) Actuarial opinion. – An opinion issued by an actuary in accordance with  
32 accepted actuarial standards of practice.  
33 (3) Actuarial study. – An analysis that includes an actuary's opinion of whether  
34 the provider or applicant is in satisfactory actuarial balance in accordance with  
35 accepted actuarial standards of practice.



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- 1           (4)    Actuary. – An individual qualified to sign an actuarial opinion in accordance  
2           with the American Academy of Actuaries' qualification standards and who is  
3           a member in good standing of the American Academy of Actuaries.
- 4           (5)    Advertisement. – Any written, visual, or electronic information provided to  
5           potential residents, or their representatives, to induce those persons to  
6           subscribe to or enter into a non-binding reservation agreement, binding  
7           reservation agreement, continuing care contract, or continuing care without  
8           lodging contract.
- 9           (6)    Affiliate. – A person that, directly or indirectly, through one or more other  
10          persons, controls, is controlled by, or is under common control with a provider  
11          or applicant.
- 12          (7)    Affiliation. – Close connection to or association with another person other  
13          than an affiliate or related party.
- 14          (8)    Annual debt service. – The current year's interest expense plus scheduled  
15          principal payments, excluding any balloon principal payment amounts and  
16          any portion of the annual debt service that has been or will be funded by debt  
17          for the payment of debt service.
- 18          (9)    Applicant. – Any person with a pending application or other request for  
19          approval under this Article.
- 20          (10)   Assisted living care. – Care provided in an assisted living residence as defined  
21          in G.S. 131D-2.1.
- 22          (11)   Audited financial statement. – Financial statements prepared in accordance  
23          with Generally Accepted Accounting Principles.
- 24          (12)   Average daily cash operating expenses. – The total expenses of a provider  
25          incurred in the conduct of the provider's business, over the 12-month period  
26          ending on the reporting date, divided by 365. For purposes of this definition,  
27          "total expenses" includes interest expense but excludes depreciation,  
28          amortization, realized or unrealized nonoperating losses, bad debt expenses,  
29          and other noncash expenses.
- 30          (13)   Binding reservation agreement. – A binding contractual agreement between a  
31          provider and a depositor that requires the payment of a deposit to reserve the  
32          right to purchase continuing care, including the right to live in an independent  
33          living unit at a continuing care retirement community. A purchase and sale  
34          agreement for an independent living unit shall not be considered a binding  
35          reservation agreement for the purposes of this Article.
- 36          (14)   Cancel. – To terminate the force and effect of an agreement or contract.
- 37          (15)   Continuing care. – The rendering to an individual other than an individual  
38          related by blood, marriage, or adoption to the person rendering the care, of  
39          housing in an independent living unit, together with related services, including  
40          access, when needed, to progressive levels of health care, including either  
41          assisted living care or nursing care, or both, regardless of whether the health  
42          care is provided at the continuing care retirement community where the  
43          individual resides or another location or through a contractual relationship  
44          with a third party, pursuant to a contract effective for the life of the individual  
45          or for a period longer than one year.
- 46          (16)   Continuing care retirement community. – A retirement community consisting  
47          of one or more structures where a provider renders or will render some or all  
48          services promised in a continuing care or continuing care without lodging  
49          contract, whether or not the structures and land that make up the community  
50          are constructed, owned, leased, rented, managed, or otherwise contracted for  
51          by the provider. A continuing care retirement community may include one or

1 more structures on a primary or contiguous site or an immediately accessible  
2 site. Continuing care retirement community does not include a person's  
3 personal residence if the residence is not a living unit provided by the  
4 provider. A distinct phase of development approved by the Commissioner  
5 may be considered to be the continuing care retirement community when a  
6 project is being developed in successive distinct phases over a period of time.  
7 The terms "continuing care retirement community" and "life plan community"  
8 are synonymous.

9 (17) Continuing care without lodging. – A program offered by a provider holding  
10 a permanent license under this Article that provides continuing care to an  
11 individual who is not yet receiving housing, including programs that offer an  
12 individual an opportunity to move to an independent living unit at a future  
13 date, if desired, according to the provider's established priority and admissions  
14 policies at the continuing care retirement community sponsoring the  
15 continuing care without lodging program.

16 (18) Control. – The direct or indirect ability to direct or cause the direction of the  
17 management and policies of a person.

18 (19) Days cash on hand ratio. – The quotient obtained by dividing unrestricted cash  
19 and investments by average daily cash operating expenses.

20 (20) Debt service coverage ratio. – The quotient obtained by dividing the sum of  
21 total excess of revenues over or under expenses plus interest expense,  
22 depreciation and amortization expenses, other noncash operating losses, and  
23 net cash proceeds from entrance fees, minus entrance fee amortization and  
24 other noncash operating gains divided by annual debt service. Entrance fees  
25 received from the initial residents of independent living units at a continuing  
26 care retirement community that have been financed in whole or in part with  
27 the proceeds of indebtedness shall be excluded from the net proceeds from  
28 entrance fees up to an amount equal to the aggregate of the principal amount  
29 of the indebtedness.

30 (21) Deposit. – Any transfer of consideration made by a depositor to a provider to  
31 reserve an independent living unit at a continuing care retirement community  
32 or proposed continuing care retirement community.

33 (22) Depositor. – Any person who pays a deposit.

34 (23) Entrance fee. – The sum of any initial, amortized, or deferred transfer of  
35 consideration made or promised to be made by, or on behalf of, an individual  
36 entering into a continuing care or continuing care without lodging contract.

37 (24) Escrow agent. – Any person, including a bank, approved by the Commissioner  
38 to hold entrance fees and deposits required to be placed in escrow under this  
39 Article.

40 (25) Escrow agreement. – An agreement between a provider and an escrow agent  
41 by which entrance fees and deposits are held by the escrow agent until release  
42 is permitted in accordance with this Article.

43 (26) Expansion. – Increasing the number of living units at an existing continuing  
44 care retirement community.

45 (27) Generally Accepted Accounting Principles. – The accounting principles or  
46 standards generally accepted in the United States, including the accounting  
47 standards codification and interpretations of those standards published by the  
48 Financial Accounting Standards Board.

49 (28) Hazardous condition. – A present, or reasonably anticipated future condition,  
50 whereby (i) a provider is unlikely to be able to meet its continuing care  
51 obligations or to pay other obligations in the normal course of business or (ii)

- 1           the continued operation of a provider or continuing care retirement  
2           community in its current condition is potentially harmful to depositors,  
3           residents, creditors, or the general public.  
4           (29)   Home care services. – As defined in G.S. 131E-136.  
5           (30)   Housing. – A living unit set forth in a continuing care contract. The terms  
6           "housing" and "lodging" are synonymous.  
7           (31)   Immediately accessible site. – A parcel of land separated by no more than a  
8           reasonable distance, as determined by the Commissioner, from the primary  
9           location of the continuing care retirement community as measured along  
10           public thoroughfares.  
11           (32)   Impairment. – A weakened financial state or condition that may affect a  
12           provider's ability to pay its obligations as they come due in the normal course  
13           of business.  
14           (33)   Independent living unit. – A living unit in a continuing care retirement  
15           community for residents who are routinely able to carry out activities of daily  
16           living, as defined in G.S. 160D-915, with minimal or no assistance; the  
17           accommodations may be in the form of apartments, flats, houses, cottages,  
18           condominium units, or rooms. Receiving home care or similar services,  
19           regardless of whether the services are provided by the provider or another  
20           person, does not preclude a living unit from being considered an independent  
21           living unit.  
22           (34)   Insolvent. – A condition whereby the provider is unable to pay its obligations  
23           as they come due in the normal course of business.  
24           (35)   Life plan community. – The terms "continuing care retirement community"  
25           and "life plan community" are synonymous.  
26           (36)   Living unit. – An independent living unit, adult care home bed, nursing bed,  
27           or other area within a continuing care retirement community set aside for the  
28           exclusive use or control of one or more identified residents.  
29           (37)   Living unit days available. – The maximum number of living unit days that  
30           would have been provided if all available living units were filled during the  
31           given time period. The total shall equal the sum of all living units, minus any  
32           living units that are unavailable for occupancy, on each day for the given time  
33           period.  
34           (38)   Lodging. – The terms "housing" and "lodging" are synonymous.  
35           (39)   Long-term care facility. – As defined in G.S. 131E-231.  
36           (40)   Manager. – A person who administers the day-to-day business operations of  
37           a continuing care retirement community for a provider, subject to the policies,  
38           directives, and oversight of the provider.  
39           (41)   Net operating margin ratio. – The quotient obtained by dividing total operating  
40           revenues, excluding interest and dividend income, entrance fee amortization,  
41           and contributions by total operating expenses, excluding interest expense,  
42           depreciation and amortization expenses, and income taxes.  
43           (42)   Non-binding reservation agreement. – An agreement between a provider and  
44           a depositor, which may be canceled by either party upon written notice at any  
45           time, confirming a person's desire to reserve an independent living unit at a  
46           continuing care retirement community on a non-binding basis.  
47           (43)   Nursing care. – As defined in G.S. 131E-176.  
48           (44)   Obligated group. – One or more persons that jointly agree to be bound by a  
49           financing structure containing security provisions and covenants applicable to  
50           the group.

- 1           (45) Occupancy rate. – A ratio used to show the actual occupancy or utilization of  
2 living units, calculated by living unit type, at a continuing care retirement  
3 community for a given time period expressed as a percent. The occupancy rate  
4 shall be a rolling average that is equal to 100 times the quotient obtained by  
5 dividing occupied living unit days by living unit days available.
- 6           (46) Occupied living unit days. – The sum of each daily living unit census at the  
7 continuing care retirement community for a given time period, excluding any  
8 second person occupants. The total shall equal the sum of each daily census  
9 for the given time period.
- 10          (47) Operating ratio. – The quotient obtained by dividing total operating expenses,  
11 excluding depreciation and amortization expenses by total operating revenues,  
12 excluding amortization of entrance fees and other deferred revenue.
- 13          (48) Periodic fee. – The fee charged to a resident on a monthly or other periodic  
14 basis for housing, services, or both.
- 15          (49) Person. – An individual, partnership, firm, association, corporation,  
16 joint-stock company, trust, any similar entity, or any combination of the  
17 foregoing acting in concert.
- 18          (50) Presale. – Entering into an agreement or contract with a depositor for an  
19 independent living unit that is not yet constructed or available for occupancy.
- 20          (51) Primary market area. – The area from which a continuing care retirement  
21 community will likely draw the majority of its residents.
- 22          (52) Processing fee. – A payment made to a provider to cover administrative costs  
23 of processing the application of a depositor or a prospective resident.
- 24          (53) Prospective financial statements. – Financial forecasts or financial  
25 projections, including the summaries of significant assumptions and  
26 accounting policies prepared by an independent certified public accountant.
- 27          (54) Provider. – A person that offers or undertakes to provide continuing care under  
28 a continuing care or continuing care without lodging contract, or that  
29 represents himself, herself, or itself as providing continuing care.
- 30          (55) Related party. – A person or persons that have common interests with a  
31 provider as a result of ownership, control, or by contract, including affiliates,  
32 principal owners, management, or their affiliates and their management and  
33 members of the immediate family of the principal owners, management, or  
34 their affiliates and their management.
- 35          (56) Renovation. – A material capital improvement to, or replacement of, all or  
36 part of an existing continuing care retirement community.
- 37          (57) Resale fee. – A contractual assessment by the provider against the proceeds  
38 from the sale of an independent living unit.
- 39          (58) Resident. – An individual who enters into a continuing care or continuing care  
40 without lodging contract with a provider, or who is designated in a continuing  
41 care or continuing care without lodging contract to be the individual being  
42 provided or to be provided continuing care.
- 43          (59) Residents' council. – A group duly elected by residents at a continuing care  
44 retirement community to advocate for residents' rights and to serve as a liaison  
45 between residents and the provider with respect to resident welfare and  
46 interests.
- 47          (60) Restriction. – A limitation, specific action, or other requirement imposed by  
48 the Commissioner for the initial or continuing validity of a permit to accept  
49 deposits, a start-up certificate, a preliminary certificate, or a permanent  
50 license. A restriction may limit the circumstances under which the provider  
51 may enter into any new non-binding reservation agreement, binding

1 reservation agreement, continuing care contract, or continuing care without  
2 lodging contract, or may be imposed as a restriction precedent to the issuance  
3 of a permit to accept deposits, a start-up certificate, a preliminary certificate,  
4 or a permanent license.

5 (61) Satisfactory actuarial balance. – Meeting all of the required conditions, as of  
6 a specified valuation date, as set forth in accordance with accepted actuarial  
7 standard of practice.

8 (62) Unrestricted cash and investments. – The sum of the provider's unrestricted  
9 cash, cash equivalents and investments, any provider restricted funds that are  
10 available to pay debt or to pay operating expenses, any unrestricted cash, cash  
11 equivalents, and investments of foundations set up solely for the benefit of the  
12 provider, and the operating reserve required by G.S. 58-64A-255 as of the  
13 reporting date.

14 (63) Unrestricted cash and investments to long-term debt ratio. – The quotient  
15 obtained by dividing unrestricted cash and investments by total long-term  
16 debt, less current portion.

17 **§ 58-64A-10. Rulemaking authority.**

18 The Commissioner may adopt rules to implement the provisions of this Article.

19 **§ 58-64A-15. Dividends and distributions.**

20 No dividend or other distribution of equity or net assets shall be paid by any provider after  
21 the Commissioner has determined that the provider is in a hazardous condition or has been  
22 determined to not be in satisfactory actuarial balance in an actuarial study filed with the  
23 Commissioner pursuant to G.S. 58-64A-230, or when the payment would have the effect of  
24 creating a hazardous condition in the provider or cause the provider to not be in satisfactory  
25 actuarial balance.

26 **§ 58-64A-20. Commissioner approval requirement.**

27 No person shall engage in the business of offering or providing continuing care in this State  
28 without a certification, license, permit, or other approval from the Commissioner as provided in  
29 this Article. Engaging in the business of offering or providing continuing care in this State  
30 includes all of the following:

31 (1) Accepting any deposit or any other payment that is related to continuing care.

32 (2) Entering into any non-binding reservation agreement, binding reservation  
33 agreement, continuing care contract, or continuing care without lodging  
34 contract.

35 (3) Commencing construction of a prospective continuing care retirement  
36 community.

37 (4) Converting an existing building or buildings to a continuing care retirement  
38 community.

39 (5) Executing new non-binding reservation agreements, binding reservation  
40 agreements, continuing care contracts, or continuing care without lodging  
41 contracts after a permit, certificate, or license issued pursuant to this Article  
42 has been inactivated, surrendered, or forfeited.

43 (6) Assuming responsibility for continuing care and continuing care without  
44 lodging contracts.

45 (7) Expanding the number of independent living units at a continuing care  
46 retirement community in an amount equal to or in excess of twenty percent  
47 (20%) of existing independent living units.

48 (8) Advertising or marketing to the general public any product similar to  
49 continuing care through the use of terms as "life care," "life plan," "continuing  
50 care," or "guaranteed care for life," or similar terms, words, or phrases.

51 **§ 58-64A-25. Leasing real property for a continuing care retirement community.**

1       (a) A provider who intends to collect or does collect entrance fees shall not lease any land  
2 or other real property from another person if the land or other real property is to be used as a  
3 material part of a continuing care retirement community operated by the provider without first  
4 obtaining Commissioner approval.

5       (b) When considering whether to allow an applicant or provider to lease any of the real  
6 property of a continuing care retirement community under this section, the Commissioner shall  
7 consider all relevant factors, including all of the following:

8           (1) The terms of the proposed lease, including the proposed length of the lease  
9 and any proposed purchase options.

10          (2) The owner of the real property and the owners' relationship to the provider.

11          (3) The distance from any existing real property owned by the provider.

12 **"§ 58-64A-30. Required electronic filings and submissions.**

13 Except when required by the Commissioner to submit a hard copy, all applicants and  
14 providers shall submit all filings required by this Article electronically in a form and manner  
15 acceptable to the Commissioner and in compliance with the Uniform Electronic Transactions  
16 Act.

17 **"§ 58-64A-35. Waiver or modification.**

18       (a) The Commissioner may waive or modify any provision of this Article if the  
19 Commissioner determines waiver or modification is justified based on any of the following  
20 reasons:

21           (1) A state of emergency or disaster being proclaimed in this State or for an area  
22 within this State under G.S. 166A-19.20 or G.S. 166A-19.21 or whenever the  
23 President of the United States has issued a major disaster declaration for the  
24 State or for an area within the State under the Stafford Act, 42 U.S.C. § 5121,  
25 et seq.

26           (2) An incident beyond a provider's reasonable control, including an act of God,  
27 insurrection, strike, fire, pandemic, epidemic, power outage, or systemic  
28 technological failure that substantially affects the daily business operations of  
29 a provider or a continuing care retirement community.

30           (3) Sound actuarial, accounting, business principles, or other reasonable reason  
31 that does not diminish the protections provided for under this Article.

32       (b) No waiver or modification made by the Commissioner pursuant to this section shall  
33 result in a greater regulatory burden than imposed by this Article prior to the exercise of the  
34 waiver or modification, unless agreed to in writing by the applicant or provider.

35 **"§ 58-64A-40. Confidential treatment.**

36       (a) All of the following shall be confidential and privileged, shall not be considered a  
37 public record under either G.S. 58-2-100 or Chapter 132 of the General Statutes, shall not be  
38 subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private  
39 civil action:

40           (1) Any third-party management contract or proposed management contract  
41 provided to the Commissioner pursuant to G.S. 58-64A-55(a)(3) or  
42 G.S. 58-64A-240(a), and any statement filed with the Commissioner pursuant  
43 to G.S. 58-64A-240(a) regarding any significant disagreements with a former  
44 manager.

45           (2) Any lease agreement or proposed lease agreement provided to the  
46 Commissioner pursuant to G.S. 58-64A-25 or G.S. 58-64A-55(a)(4).

47           (3) The written notice provided to the Commissioner pursuant to  
48 G.S. 58-64A-215(d).

49           (4) The request for approval provided to the Commissioner pursuant to  
50 G.S. 58-64A-220(a).

1           (5)    The actuarial study, other than the statement of actuarial opinion, provided to  
2           the Commissioner pursuant to G.S. 58-64A-60(a)(3), 58-64A-80(b)(3),  
3           58-64A-195(a)(4), or 58-64A-230.

4           (6)    Any market study provided to the Commissioner pursuant to  
5           G.S. 58-64A-55(a)(9) or G.S. 58-64A-195(a)(5).

6           (7)    Any feasibility study provided to the Commissioner pursuant to  
7           G.S. 58-64A-60(a)(2) or G.S. 58-64A-80(b)(2).

8           (8)    Documents, materials, or other information in the possession or control of the  
9           Commissioner that are obtained by or disclosed to the Commissioner or any  
10          other person in the course of an examination or investigation made pursuant  
11          to G.S. 58-64A-300 or G.S. 58-64A-380.

12          (9)    All working papers, information, documents, and copies of those materials  
13          produced by, obtained by, or disclosed to the Commissioner in connection  
14          with the financial analysis of a provider by the Commissioner.

15          (b)    Notwithstanding subsection (a) of this section, the Commissioner is authorized to use  
16          these documents, materials, or other information in the furtherance of any regulatory or legal  
17          action brought as a part of the Commissioner's official duties. The Commissioner shall not  
18          otherwise make these documents, materials, or other information public without the prior written  
19          consent of the provider to which it pertains unless the Commissioner, after giving the provider  
20          and its affiliates and other related parties who would be affected thereby notice and opportunity  
21          to be heard, determines that the interest of residents or the public will be served by their  
22          publication, in which event the Commissioner may publish all or any part of the information in  
23          a manner deemed appropriate by the Commissioner.

24          (c)    Neither the Commissioner nor any person who received any documents, materials, or  
25          other information while acting under the authority of the Commissioner pursuant to this Article  
26          or with whom any documents, materials, or other information are shared pursuant to this Article  
27          shall be permitted or required to testify in any private civil action concerning any confidential  
28          documents, materials, or information subject to subsection (a) of this section.

29          (d)    Any document, material, or other information that is shared with the Commissioner  
30          that is not covered under subsection (a) of this section that an applicant, provider, or other person  
31          believes is confidential or a trade secret shall be marked as confidential or as a trade secret before  
32          submitting to the Commissioner. Any document, material, or other information that is not marked  
33          as confidential is not eligible for confidential treatment pursuant to G.S. 132-1.2.

34          (e)    To assist in the performance of the duties imposed by this Article, the Commissioner  
35          may do both of the following:

36               (1)    Share documents, materials, or other information, including the confidential  
37               and privileged documents, materials, or information subject to subsection (a)  
38               or (d) of this section, with other state, federal, and international regulatory  
39               agencies, and with state, federal, and international law enforcement  
40               authorities, provided that the recipient agrees in writing to maintain the  
41               confidentiality and privileged status of the document, material, or other  
42               information and has verified in writing the legal authority to maintain  
43               confidentiality.

44               (2)    Receive documents, materials, or information, including otherwise  
45               confidential and privileged documents, materials, or information from  
46               regulatory and law enforcement officials of other foreign or domestic  
47               jurisdictions, and shall maintain as confidential or privileged any document,  
48               material, or information received with notice or the understanding that it is  
49               confidential or privileged under the laws of the jurisdiction that is the source  
50               of the document, material, or information.



1        (f) The sharing of information by the Commissioner pursuant to this section shall not  
2 constitute a delegation of regulatory authority or rulemaking, and the Commissioner is solely  
3 responsible for the administration, execution, and enforcement of the provisions of this Article.  
4 No waiver of any applicable privilege or claim of confidentiality in the documents, materials, or  
5 information shall occur as a result of disclosure to the Commissioner under this section or as a  
6 result of sharing as authorized in subsection (e) of this section.

7 **"§ 58-64A-45. Advertisement in conflict with disclosures and contracts.**

8        A provider may not engage in any type of advertisement for a continuing care retirement  
9 community if the advertisement contains a statement or representation which materially conflicts  
10 with the disclosures required under this Article or materially conflicts with any continuing care  
11 or continuing care without lodging contract offered by the provider.

12                "Part 2. Approval, Certification, Licensure, and Permitting Process.

13 **"§ 58-64A-50. Permit to accept deposits.**

14        (a) No person shall market a proposed continuing care retirement community to measure  
15 its viability without a permit from the Commissioner. A person may apply for a permit by filing  
16 an application on a form prescribed by the Commissioner. The application form shall include all  
17 of the following:

- 18                (1) The name, business address, and telephone number of the applicant.
- 19                (2) A proposed non-binding reservation agreement.
- 20                (3) A proposed escrow agreement that meets the requirements of  
21 G.S. 58-64A-120.
- 22                (4) A description of the proposed continuing care retirement community. The  
23 description shall include all of the following:
  - 24                a. The location of the proposed continuing care retirement community.
  - 25                b. The types of living units to be offered.
  - 26                c. The types of continuing care contracts to be offered.
  - 27                d. A description of the services that will be provided to residents,  
28 including an indication if any services will be provided by any  
29 affiliates, other related parties, or third parties.
  - 30                e. A description of the applicant's corporate structure and experience in  
31 developing or operating continuing care retirement communities,  
32 including the experience of any affiliate of the applicant.

33        (b) The Commissioner shall comply with the following deadlines in response to an  
34 application for a permit to accept deposits:

- 35                (1) Within five business days after receipt of an application or of materials  
36 intended to supplement an incomplete application, the Commissioner shall  
37 acknowledge receipt in writing.
- 38                (2) Within 10 business days after receipt of an application or of materials intended  
39 to supplement an incomplete application, the Commissioner shall determine  
40 if the application is complete and inform the applicant in writing of the  
41 determination. If the Commissioner determines that the application is  
42 incomplete, the notice to the applicant shall specifically set forth and request  
43 any additional information the Commissioner determines is necessary to  
44 complete the application.
- 45                (3) Within five business days after an application is deemed complete, the  
46 Commissioner shall approve or deny the application.

47        (c) The Commissioner shall approve an application for a permit to accept deposits unless  
48 the Commissioner determines that any of the following requirements are not met:

- 49                (1) The application meets all requirements of this section.
- 50                (2) None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
51 applicant.

- 1           (3)    The proposed escrow agreement meets the requirements of G.S. 58-64A-120.  
2           (4)    The proposed escrow agent and depository are acceptable in accordance with  
3                G.S. 58-64A-115.

4       (d)    After the issuance of a permit to accept deposits, the applicant may do all of the  
5 following:

- 6           (1)    Disseminate materials describing the intent to develop a continuing care  
7                retirement community.  
8           (2)    Enter into non-binding reservation agreements.  
9           (3)    Collect deposits in an amount not to exceed five thousand dollars (\$5,000).  
10               All deposits collected shall be placed in escrow and shall only be released in  
11                accordance with Part 4 of this Article.

12       (e)    After the issuance of a permit to accept deposits, the Commissioner shall require the  
13 provider to file periodic status reports in a form prescribed by the Commissioner.

14 **"§ 58-64A-55. Start-up certificates.**

15       (a)    A person may apply for a start-up certificate by paying an application fee of two  
16 thousand dollars (\$2,000) and submitting all of the following to the Commissioner for review:

- 17           (1)    A statement signed by the applicant under penalty of perjury certifying that to  
18                the best of the applicant's knowledge and belief, the items submitted in the  
19                application are correct. If the applicant is a corporation, the chief executive  
20                officer or other authorized individual shall sign the statement. If there are  
21                multiple applicants, these requirements shall apply to each applicant. When a  
22                person signs on behalf of an applicant, proof of the person's authority to sign  
23                on behalf of the applicant will be required if that person does not possess  
24                apparent authority to sign on behalf of the applicant. Proof may take the form  
25                of a copy of a resolution or consent of the board of directors, a provision of  
26                the bylaws, or a copy of a paper properly delegating authority to that person  
27                to sign the application on behalf of the applicant.  
28           (2)    A statement disclosing any revocation or other disciplinary action taken, or in  
29                the process of being taken, against a license, permit, or certificate held or  
30                previously held by the applicant, any current or former affiliate, or any person  
31                included or to be included in a current or proposed obligated group.  
32           (3)    If the applicant intends to employ a third-party management company to  
33                manage the continuing care retirement community, a copy of the management  
34                contract or proposed management contract, if available, along with a narrative  
35                describing the proposed third-party management company's experience  
36                managing continuing care retirement communities.  
37           (4)    If the applicant intends to lease any land or other real property to be used as  
38                part or all of the proposed continuing care retirement community, the name of  
39                the person from whom the land or other real property will be leased along with  
40                a copy of the lease agreement, or proposed lease agreement, if available, or a  
41                statement describing the applicant's intentions, including the intended length  
42                of the lease, if a lease agreement or proposed lease agreement is not available.  
43                If the applicant intends to lease any of the real property of the continuing care  
44                retirement community and to collect entrance fees, Commissioner approval  
45                must be received pursuant to G.S. 58-64A-25.  
46           (5)    If the applicant is not the owner of the proposed site, a statement identifying  
47                the current owner and any plans the applicant has for acquiring the proposed  
48                site, including details of any purchase option and requirements for a purchase  
49                option deposit. If a purchase option requires a purchase option deposit, the  
50                purchase option deposit shall be placed in escrow or secured in a manner  
51                acceptable to the Commissioner.

- 1           (6)   A list of all continuing care retirement communities currently or previously  
2           owned, operated, managed, or developed by the applicant, or any affiliate of  
3           the applicant, including any person controlling or controlled by the applicant.  
4           The list shall do all of the following:  
5           a.       Furnish the name, address, city, and state of each continuing care  
6           retirement community listed, and explain the existing or past  
7           relationship to the applicant.  
8           b.       Specify the current status of each continuing care retirement  
9           community listed and include any administrative actions or financial  
10           problems that currently exist, or have existed, within three years after  
11           any relationship was terminated.  
12           (7)   A disclosure statement that meets the requirements of G.S. 58-64A-160.  
13           (8)   A copy of a binding reservation agreement.  
14           (9)   A market study prepared by a person experienced in the preparation of  
15           continuing care retirement community market studies and acceptable to the  
16           Commissioner.  
17           (10) Any other data, financial statements, and pertinent information as the  
18           Commissioner may reasonably require with respect to the applicant or the  
19           proposed continuing care retirement community to assist in determining the  
20           market and financial viability of the proposed continuing care retirement  
21           community and the management capabilities of its managers and owners.  
22       (b)   The Commissioner shall comply with the following deadlines in response to an  
23       application for a start-up certificate:  
24           (1)   Within five business days after receipt of an application or of materials  
25           intended to supplement an incomplete application, the Commissioner shall  
26           acknowledge receipt in writing.  
27           (2)   Within 30 days after receipt of an application or of materials intended to  
28           supplement an incomplete application, the Commissioner shall determine if  
29           the application is complete and inform the applicant in writing of the  
30           determination. If the Commissioner determines that the application is  
31           incomplete, the notice to the applicant shall specifically set forth and request  
32           any additional information the Commissioner determines is necessary to  
33           complete the application.  
34           (3)   Within 30 days after an application is deemed complete, the Commissioner  
35           shall approve or deny the application.  
36       (c)   The Commissioner shall approve an application for a start-up certificate unless the  
37       Commissioner determines that any of the following requirements are not met:  
38           (1)   The application meets all requirements of this section.  
39           (2)   None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
40           applicant.  
41           (3)   The disclosure statement meets the requirements of G.S. 58-64A-160.  
42           (4)   A market for the proposed continuing care retirement community appears to  
43           exist and the continuing care retirement community appears to be financially  
44           viable.  
45           (5)   The competence, experience, and integrity of the applicant, its governing  
46           body, officers, management, and owners are sufficient.  
47       (d)   After issuing a start-up certificate, the Commissioner shall do all of the following:  
48           (1)   Require the provider to submit periodic sales, development, and financial  
49           reports in a form prescribed by the Commissioner.  
50           (2)   Post the disclosure statement of the continuing care retirement community on  
51           the Department's website.

1       (e) After receiving a start-up certificate from the Commissioner, the applicant may do all  
2 of the following:

3           (1) Enter into binding reservation agreements and continuing care contracts.

4           (2) Accept entrance fees and deposits greater than five thousand dollars (\$5,000).

5                   All or any part of an entrance fee or deposit collected shall be placed in escrow  
6 and shall only be released in accordance with Part 4 of this Article.

7           (3) Begin site preparation work.

8           (4) Construct model independent living units for marketing.

9 **"§ 58-64A-60. Preliminary certificate.**

10       (a) A person may apply for a preliminary certificate by submitting all of the following to  
11 the Commissioner for review:

12           (1) A statement signed by the applicant that meets the requirements of  
13 G.S. 58-64A-55(a)(1).

14           (2) A feasibility study, prepared by an independent person experienced in  
15 preparing feasibility studies for continuing care retirement communities and  
16 acceptable to the Commissioner, with appropriate financial, marketing, and  
17 actuarial assumptions that reasonably projects the market and financial  
18 viability of the proposed continuing care retirement community. The study  
19 shall include all of the following items:

20           a. A description of the proposed continuing care retirement community,  
21 its service package, the number and type of living units, fee structure,  
22 and anticipated opening date, including a detailed schedule of  
23 projected periodic fees and a description of how the projected periodic  
24 fees were computed.

25           b. A description of any proposed construction plans, construction  
26 financing, and permanent financing for the proposed continuing care  
27 retirement community, including a description of the anticipated  
28 source, cost, terms, and uses of all funds to be used in the real property  
29 acquisition, construction, marketing, and operation of the proposed  
30 continuing care retirement community, including all of the following:

31                   1. A description of all debt to be incurred by the applicant,  
32 including the source, anticipated terms, and costs of financing.

33                   2. A description of the source and amount of equity to be  
34 contributed by the applicant.

35                   3. A description of the source and amount of all other funds,  
36 including entrance fees, that will be necessary to complete and  
37 operate the proposed continuing care retirement community.

38                   4. A statement itemizing all estimated project costs, including the  
39 real property costs, the cost of acquiring or designing and  
40 constructing the proposed continuing care retirement  
41 community, and all similar costs that the applicant expects to  
42 incur prior to the commencement of operation. This  
43 itemization shall identify all costs related to the proposed  
44 continuing care retirement community, including financing  
45 expenses, resident acquisition costs, marketing costs, and  
46 furniture and equipment.

47                   5. An estimate of any reserves required by financing and the  
48 operating reserve required pursuant to Part 9 of this Article.

49                   6. An estimate of the amount of funds, if any, that will be  
50 necessary to fund start-up losses and to otherwise provide  
51 additional financial resources in an amount sufficient to ensure

- 1 full performance by the applicant of its continuing care  
2 contract obligations.
- 3 c. An analysis of the potential market for the applicant's proposed  
4 continuing care retirement community, addressing all of the following:
- 5 1. The population, household growth, age distribution, household  
6 income, household tenure, and resale housing values within the  
7 primary market area.
- 8 2. A demand analysis of the range of likely target consumers  
9 within the primary market area as well as estimated penetration  
10 rates.
- 11 3. An economic analysis of current market conditions and trends  
12 that can impact the feasibility of the proposed continuing care  
13 retirement community, positively or negatively, including real  
14 estate, income, employment, and the general economic outlook  
15 for the primary market area and surrounding areas.
- 16 4. An analysis of the project location and immediate area in  
17 relationship to key variables, including, but not limited to,  
18 accessibility, employment, and proximity to health care, retail,  
19 and other services.
- 20 5. The types of services and amenities desired and the forms of  
21 ownership or interest in real property preferred.
- 22 6. Existing and planned competition in the primary market area.
- 23 d. A description of the sales and marketing plan, including all of the  
24 following:
- 25 1. Marketing projections, anticipated sales, and cancellation  
26 rates.
- 27 2. Month-by-month projections of independent living unit sales  
28 through stabilized occupancy.
- 29 3. A description of the marketing methods, staffing, and  
30 advertising media to be used by the applicant.
- 31 4. An estimate of the total entrance fees to be received prior to  
32 opening the proposed continuing care retirement community.
- 33 e. Projected move-in rates and resident profiles, including couple mix by  
34 living unit type, age distribution, adult care home bed and nursing bed  
35 utilization, and living unit turnover or resale rates.
- 36 f. A description or analysis of costs and revenues throughout the  
37 development and resident fill-up period of the proposed continuing  
38 care retirement community.
- 39 g. Prospective financial statements for the period commencing on the  
40 first day of the applicant's current fiscal year through at least the fifth  
41 year of operation which shall be prepared in accordance with standards  
42 adopted by the American Institute of Certified Public Accountants.
- 43 h. Any other factors that, in the opinion of the preparer, will affect the  
44 feasibility of the proposed continuing care retirement community.
- 45 i. The name of the person who prepared the feasibility study and the  
46 experience of the person in preparing similar studies or otherwise  
47 consulting in the field of continuing care.
- 48 j. An evaluation and opinion by the person who prepared the feasibility  
49 study of the underlying assumptions used as a basis for the study,  
50 including a statement on whether the assumptions are reasonable and  
51 proper.

- 1           (3)    An actuarial study prepared in accordance with accepted actuarial standards  
2           of practice which estimates the earliest year that the proposed continuing care  
3           retirement community is projected to be in satisfactory actuarial balance.  
4           Applicants who do not or will not collect entrance fees or some other  
5           prepayment of costs are exempt from this requirement and shall only be  
6           required to submit an actuarial projection of future population flows and adult  
7           care home bed and nursing bed needs. An actuarial projection of future  
8           population flows and adult home care bed and nursing bed needs shall use (i)  
9           appropriate mortality, morbidity, withdrawal, occupancy, and other  
10           demographic assumptions and (ii) a projection period that extends to a point  
11           at which, in the actuary's professional judgment, the use of a longer period  
12           would not materially affect the results and conclusions.
- 13           (4)    An updated disclosure statement that meets the requirements of  
14           G.S. 58-64A-160.
- 15           (5)    One of the following:
- 16           a.     Confirmation of signed binding reservation agreements or continuing  
17           care contracts for at least fifty percent (50%) of the new independent  
18           living units, reserved by a deposit equal to at least ten percent (10%)  
19           of the entrance fee.
- 20           b.     Confirmation of signed binding reservation agreements or continuing  
21           care contracts for at least fifty percent (50%) of the new independent  
22           living units, reserved by a nonrefundable deposit equal to the periodic  
23           fee for at least two months for proposed continuing care retirement  
24           communities that have no entrance fee.
- 25           c.     Confirmation of one hundred thousand dollars (\$100,000) placed on  
26           deposit with the Commissioner, if the applicant (i) does not collect  
27           presale entrance fees or deposits in an amount equal to at least ten  
28           percent (10%) of the entrance fee, or (ii) does not collect presale  
29           entrance fees or deposits and does not collect nonrefundable deposits  
30           equal to the periodic fee of at least two months. This deposit is subject  
31           to the following requirements:
- 32                   1.     The deposit shall only be returned to the applicant upon the  
33                   issuance of a permanent license.
- 34                   2.     The deposit shall be made in accordance with G.S. 58-5-20.
- 35                   3.     The deposit shall automatically be forfeited if the applicant  
36                   does not obtain a permanent license within five years after the  
37                   issuance of a preliminary certificate. Forfeited deposits shall  
38                   be remitted to the Civil Penalty and Forfeiture Fund in  
39                   accordance with G.S. 115C-457.2.
- 40           (6)    If applicable, confirmation that commitments have been secured for  
41           construction financing and long-term financing or that a documented plan  
42           acceptable to the Commissioner has been adopted by the applicant for  
43           long-term financing.
- 44           (b)    The Commissioner shall comply with the following deadlines in response to an  
45           application for a preliminary certificate:
- 46                   (1)    Within five business days after receipt of an application or of materials  
47                   intended to supplement an incomplete application, the Commissioner shall  
48                   acknowledge receipt in writing.
- 49                   (2)    Within 30 days after receipt of an application or of materials intended to  
50                   supplement an incomplete application, the Commissioner shall determine if  
51                   the application is complete and inform the applicant in writing of the

- 1 determination. If the Commissioner determines that the application is  
2 incomplete, the notice to the applicant shall specifically set forth and request  
3 any additional information the Commissioner determines is necessary to  
4 complete the application.
- 5 (3) Within 45 days after an application is deemed complete, the Commissioner  
6 shall approve or deny the application.
- 7 (c) The Commissioner shall approve an application for a preliminary certificate unless  
8 the Commissioner determines that any of the following requirements are not met:
- 9 (1) The application meets all requirements of this section.
- 10 (2) None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
11 applicant.
- 12 (3) The feasibility study meets all of the following requirements:
- 13 a. Includes in the prospective financial statements all obligations and  
14 liabilities to be undertaken by the applicant pursuant to the terms of  
15 the proposed continuing care contracts.
- 16 b. Demonstrates that the anticipated sources of funds to finance and  
17 operate the proposed continuing care retirement community are equal  
18 to or greater than the anticipated uses of funds to (i) construct or  
19 acquire the proposed continuing care retirement community and (ii)  
20 fund start-up losses and provide sufficient resources to ensure full  
21 performance of the applicant's continuing care contract obligations.
- 22 c. Demonstrates that the continuing care retirement community is  
23 financially feasible.
- 24 (4) A market for the continuing care retirement community appears to exist, based  
25 on data that meets all of the following requirements:
- 26 a. Is specific to the proposed continuing care retirement community.
- 27 b. Considers existing and proposed competition in the primary market  
28 area.
- 29 c. Demonstrates the existence of a market for the age, marital status,  
30 number, population trends, net worth, home values, and income of the  
31 potential residents.
- 32 d. Demonstrates that the rate of penetration in the proposed market area  
33 is within acceptable industry ranges.
- 34 (5) The actuarial study, if applicable, projects that the proposed continuing care  
35 retirement community will be in satisfactory actuarial balance within a  
36 reasonable period of time after achieving stabilized occupancy, or if no  
37 actuarial study is required, the actuarial projection of future population flows  
38 demonstrates a sufficient number of adult care home beds and nursing beds to  
39 meet the future needs of residents and the future contractual obligations of the  
40 applicant.
- 41 (6) The applicant has met one of the requirements in subdivision (5) of subsection  
42 (a) of this section.
- 43 (7) If applicable, the applicant has secured commitments for construction  
44 financing and long-term financing or that a documented plan acceptable to the  
45 Commissioner has been adopted by the applicant for long-term financing.
- 46 (8) The applicant demonstrates an ability to comply with this Article and to  
47 provide continuing care as proposed and meet all financial obligations related  
48 to its operations.
- 49 (d) After issuing a preliminary certificate, the Commissioner shall do both of the  
50 following:

- 1           (1) Require the provider to submit periodic sales, development, and financial  
2           reports in a form prescribed by the Commissioner.  
3           (2) Post the disclosure statement of the continuing care retirement community on  
4           the Department's website.  
5       (e) After receiving a preliminary certificate from the Commissioner, the applicant may  
6 do both of the following:  
7           (1) Construct a continuing care retirement community.  
8           (2) Convert an existing structure or structures into a continuing care retirement  
9           community.

10 **"§ 58-64A-65. Permanent license.**

- 11       (a) A person may apply for a permanent license by submitting all of the following to the  
12 Commissioner for review:  
13           (1) A statement signed by the applicant that meets the requirements of  
14 G.S. 58-64A-55(a)(1).  
15           (2) An updated disclosure statement that meets the requirements of  
16 G.S. 58-64A-160.  
17           (3) Confirmation that the applicant has established a plan to have health care  
18 available to residents promised in continuing care contracts upon opening,  
19 either by the applicant directly, or through contractual agreements.  
20           (4) Confirmation that the applicant has signed binding reservation agreements or  
21 continuing care contracts of at least seventy percent (70%) of the new  
22 independent living units, reserved by a deposit equal to at least ten percent  
23 (10%) of the entrance fee or by a nonrefundable deposit equal to the periodic  
24 fee of at least two months for proposed continuing care retirement  
25 communities that have no entrance fee, unless a lesser amount is permitted by  
26 the Commissioner.  
27           (5) Confirmation that the applicant has long-term financing in place, and if the  
28 applicant is leasing the land or other real property of the continuing care  
29 retirement community, confirmation that the lease is in place and, if  
30 applicable, that the lease has been approved by the Commissioner pursuant to  
31 G.S. 58-64A-25.  
32           (6) Confirmation that the applicant is in compliance with all other state, federal,  
33 municipal, and county laws and regulations. If the applicant is not in  
34 compliance, the applicant shall include a statement that describes the nature  
35 of the deficiency.  
36           (7) A statement concerning any litigation, orders, judgments, or decrees which  
37 might affect the applicant or proposed continuing care retirement community.  
38           (8) Evidence that the applicant has in place the operating reserve required by Part  
39 9 of this Article.  
40       (b) The Commissioner shall comply with the following deadlines in response to an  
41 application for a permanent license:  
42           (1) Within five business days after receipt of an application or of materials  
43 intended to supplement an incomplete application, the Commissioner shall  
44 acknowledge receipt in writing.  
45           (2) Within 10 days after receipt of an application or of materials intended to  
46 supplement an incomplete application, the Commissioner shall determine if  
47 the application is complete and inform the applicant in writing of the  
48 determination. If the Commissioner determines that the application is  
49 incomplete, the notice to the applicant shall specifically set forth and request  
50 any additional information the Commissioner determines is necessary to  
51 complete the application.



- 1           (3)   Within 30 days after an application is deemed complete, the Commissioner  
2           shall approve or deny the application.
- 3       (c)   The Commissioner shall approve an application for a permanent license if the  
4       Commissioner determines that all of the following requirements are met:
- 5           (1)   The application meets all requirements of this section.  
6           (2)   None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
7           applicant.
- 8       (d)   If the Commissioner determines that the requirements of subsection (c) of this section  
9       are not met, the Commissioner may do either of the following:
- 10          (1)   Deny the application.  
11          (2)   Issue a restricted permanent license. The issuance of a restricted permanent  
12          license shall be accompanied by an explanation of (i) the restrictions  
13          established by the Commissioner under subsection (g) of this section and (ii)  
14          the conditions the provider must satisfy to qualify for a permanent license.
- 15       (e)   After issuing a permanent license or restricted permanent license, the Commissioner  
16       shall do both of the following:
- 17          (1)   Require the provider to submit periodic occupancy and financial statements  
18          in a form prescribed by the Commissioner.  
19          (2)   Post the disclosure statement of the continuing care retirement community on  
20          the Department's website.
- 21       (f)   After receiving a permanent license from the Commissioner, the applicant may do  
22       both of the following:
- 23          (1)   Open the continuing care retirement community.  
24          (2)   Provide continuing care.
- 25       (g)   After receiving a restricted permanent license from the Commissioner, the applicant  
26       may operate a continuing care retirement community under restrictions established by the  
27       Commissioner until the Commissioner issues a permanent license. When the Commissioner  
28       issues a restricted permanent license, the provider shall inform all depositors and residents within  
29       10 business days of (i) all restrictions imposed by the restricted permanent license and (ii) all  
30       conditions that the provider must satisfy to qualify for a permanent license.
- 31       (h)   A permanent license or restricted permanent license shall be valid for as long as the  
32       Commissioner determines that the provider continues to meet the requirements of this Article.
- 33       **§ 58-64A-70. Expiration of a permit to accept deposits and start-up certificate.**
- 34       (a)   A permit to accept deposits and a start-up certificate issued pursuant to this Article  
35       expires 36 months after issuance.
- 36       (b)   A person issued a permit to accept deposits or a start-up certificate may request an  
37       extension of the permit or certificate. The request for extension shall be made in writing and  
38       include both of the following:
- 39          (1)   The reasons why the person has not applied for a start-up certificate or  
40          preliminary certificate, as applicable.  
41          (2)   The estimated date the person expects to file the start-up certificate application  
42          or the preliminary certificate application, as applicable.
- 43       (c)   In response to a request for an extension, the Commissioner may do one of the  
44       following:
- 45          (1)   If the Commissioner determines there is satisfactory cause for the delay, the  
46          Commissioner may extend the permit to accept deposits or a start-up  
47          certificate for up to one year and may, in the Commissioner's discretion,  
48          require the provider to update information previously filed pursuant to  
49          G.S. 58-64A-50 or G.S. 58-64A-55 before approving any extension. There is  
50          no limit to the number of extensions that may be granted by the  
51          Commissioner.

1           (2) If the Commissioner determines that there is no satisfactory cause for the  
2 delay, the Commissioner shall instruct the escrow agent to refund to  
3 depositors all deposits held in escrow, plus any interest that may be due under  
4 the terms of the non-binding reservation agreement, binding reservation  
5 agreement, or continuing care contract paid by the depositors.

6           (d) Within 10 business days of the Commissioner's denial of an extension, the provider  
7 shall notify each depositor of the Commissioner's denial of the extension, of the expiration of the  
8 permit to accept deposits or a start-up certificate, and of any right to a refund of their deposits.

9 **"§ 58-64A-72. Material changes or deviations in information.**

10           (a) An applicant or provider shall notify the Commissioner of material changes or  
11 deviations in any information submitted to the Commissioner pursuant to this Article within 10  
12 business days after the applicant or provider becomes aware of the change or deviation.

13           (b) Within 30 days after receiving notice of a material change or deviation, the  
14 Commissioner shall advise the applicant or provider in writing whether any additional action  
15 needs to be taken as a result of the material change or deviation.

16           (c) The Commissioner may suspend any approval, certification, license, or permit issued  
17 pursuant to this Article if the applicant or provider fails to give the written notice of material  
18 changes or deviations required by this section. The suspension shall remain in effect until the  
19 Commissioner has both assessed the potential impact of the material changes or deviations on  
20 the interests of residents and depositors and taken any action necessary under this Article to  
21 protect the interests of residents and depositors.

22 **"§ 58-64A-74. Denial of an application, notification, or other request for approval.**

23           (a) If the Commissioner denies an application, notification, or any other request for  
24 approval pursuant to this Article, the Commissioner shall notify the applicant in writing of the  
25 denial. The notification shall state the grounds for the denial. To obtain a review to determine the  
26 reasonableness of the Commissioner's denial, the applicant shall make written demand upon the  
27 Commissioner within 30 days after service of notification upon the applicant. The review shall  
28 be completed without undue delay, and the applicant shall be notified promptly in writing as to  
29 the outcome of the review. If the applicant disagrees with the outcome of the review and seeks a  
30 hearing under Article 3A of Chapter 150B of the General Statutes, the applicant shall make a  
31 written demand upon the Commissioner for the hearing within 30 days after service upon the  
32 applicant of the notification of the outcome.

33           (b) If the Commissioner denies an application, notification, or other request for approval  
34 pursuant to this Article, no portion of the fee associated with the application, notification, or  
35 request for approval shall be refunded.

36 "Part 3. Expansion.

37 **"§ 58-64A-75. Expansion notification.**

38           (a) Prior to marketing and collecting deposits for a proposed expansion of a continuing  
39 care retirement community that is twenty percent (20%) or more of existing independent living  
40 units, a provider shall do both of the following:

41               (1) Notify and obtain written approval from the Commissioner.

42               (2) Notify all residents in writing of the provider's intent to expand the number of  
43 independent living units at the continuing care retirement community. This  
44 notification shall include the description required by subdivision (1) of  
45 subsection (b) of this section.

46           (b) The expansion notification to the Commissioner required by this section shall include  
47 all of the following:

48               (1) A description of the proposed expansion project, including the number of  
49 independent living units to be added.

50               (2) A proposed non-binding reservation agreement.

51               (3) A proposed binding reservation agreement.

- 1           (4) A proposed escrow agreement that meets the requirements of  
2           G.S. 58-64A-120.
- 3           (5) An updated disclosure statement that meets the requirements of  
4           G.S. 58-64A-160.
- 5       (c) The Commissioner shall comply with the following deadlines in response to an  
6 expansion notification:
- 7           (1) Within five business days after receipt of an expansion notification or of  
8           materials intended to supplement an incomplete expansion notification, the  
9           Commissioner shall acknowledge receipt in writing.
- 10          (2) Within 10 days after receipt of an expansion notification or of materials  
11          intended to supplement an incomplete expansion notification, the  
12          Commissioner shall determine if the expansion notification is complete and  
13          inform the provider in writing of the determination. If the Commissioner  
14          determines that the expansion notification is incomplete, the notice to the  
15          provider shall specifically set forth and request any additional information the  
16          Commissioner determines is necessary to complete the expansion notification.
- 17          (3) Within five days after an expansion notification is deemed complete, the  
18          Commissioner shall approve or deny the application.
- 19       (d) The Commissioner shall approve the expansion notification unless the Commissioner  
20 determines that any of the following requirements are not met:
- 21           (1) The expansion notification meets all requirements of this section.
- 22           (2) None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
23           provider.
- 24           (3) The proposed escrow agreement meets the requirements of G.S. 58-64A-120.
- 25           (4) The proposed escrow agent and depository are acceptable in accordance with  
26           G.S. 58-64A-115.
- 27       (e) After the Commissioner approves the expansion notification, the Commissioner shall  
28 require the provider to submit periodic sales and development reports in a form prescribed by the  
29 Commissioner.
- 30       (f) After the Commissioner approves the expansion notification, the provider may do all  
31 of the following:
- 32           (1) Disseminate materials, including advertisements, describing the intent to  
33           expand the number of independent living units at the continuing care  
34           retirement community.
- 35           (2) Enter into non-binding reservation agreements, binding reservation  
36           agreements, and continuing care contracts for the proposed independent living  
37           units.
- 38           (3) Collect entrance fees and deposits for the proposed independent living units.  
39           All deposits collected shall be placed in escrow and shall only be released in  
40           accordance with Part 4 of this Article, unless otherwise exempted by the  
41           Commissioner.
- 42       **"§ 58-64A-80. Expansion application.**
- 43           (a) Prior to commencing construction of an expansion of a continuing care retirement  
44 community that is twenty percent (20%) or more of existing independent living units, a provider  
45 shall do both of the following:
- 46           (1) Receive Commissioner approval of an expansion notification pursuant to  
47           G.S. 58-64A-75.
- 48           (2) Apply to the Commissioner for approval to commence construction.
- 49       (b) The application required by this section shall include all of the following:
- 50           (1) An application fee of one thousand dollars (\$1,000).

- 1           (2)   A feasibility study, prepared by an independent person experienced in  
2           preparing feasibility studies for continuing care retirement communities and  
3           acceptable to the Commissioner, with appropriate financial, marketing, and  
4           actuarial assumptions that reasonably projects the market and financial  
5           viability of the proposed expansion. The study shall include all of the  
6           following items:
- 7           a.     A description of the provider's proposed expansion project, including  
8           the number of independent living units being added, fee structure, a  
9           description of how the projected fees were computed, and the  
10           anticipated project time line.
- 11           b.     A description of the construction plans, construction financing, and  
12           permanent financing for the proposed expansion project, including all  
13           of the following:
- 14                 1.     A description of all debt to be incurred by the provider,  
15                 including the source, anticipated terms, and costs of financing.  
16                 2.     A description of the source and amount of any equity to be  
17                 contributed by the provider.  
18                 3.     A description of the source and amount of all other funds,  
19                 including entrance fees, that will be necessary to complete and  
20                 operate the proposed expansion.  
21                 4.     A statement itemizing all estimated project costs, including the  
22                 real property costs, the cost of designing and constructing the  
23                 proposed expansion, and all similar costs that the provider  
24                 expects to incur prior to the opening of the expansion. This  
25                 itemization shall identify all costs related to the proposed  
26                 expansion, including financing expenses, resident acquisition  
27                 costs, marketing costs, and furniture, fixtures, and equipment.  
28                 5.     An estimate of any reserves required by financing and the  
29                 operating reserve required pursuant to Part 9 of this Article.
- 30           c.     An analysis of the potential market for the proposed expansion,  
31           addressing all of the following:
- 32                 1.     The population, household growth, age distribution, household  
33                 income, household tenure, and resale housing values within the  
34                 primary market area.  
35                 2.     A demand analysis of the range of likely target consumers  
36                 within the primary market area as well as estimated penetration  
37                 rates.  
38                 3.     An economic analysis of current market conditions and trends  
39                 that can impact the feasibility of the proposed expansion,  
40                 positively or negatively, including real estate, income,  
41                 employment, and the general economic outlook for the primary  
42                 market area and surrounding areas.  
43                 4.     Existing and planned competition in the primary market area.
- 44           d.     A description of the sales and marketing plan, including all of the  
45           following:
- 46                 1.     Marketing projections, anticipated sales, and cancellation  
47                 rates.  
48                 2.     Month-by-month projections of independent living unit sales  
49                 through stabilized occupancy.  
50                 3.     A description of the marketing methods, staffing, and  
51                 advertising media to be used by the provider.

- 1                                   4.     An estimate of the total entrance fees to be received.  
2                                   e.     Projected move-in rates and resident profiles, adult care home bed and  
3                                   nursing bed utilization, and living unit turnover or resale rates.  
4                                   f.     A description or analysis of costs and revenues throughout the  
5                                   development and resident fill-up period of the proposed expansion.  
6                                   g.     Five-year prospective financial statements of the provider which shall  
7                                   be prepared in accordance with standards adopted by the American  
8                                   Institute of Certified Public Accountants.  
9                                   h.     Any other factors that, in the opinion of the preparer, will affect the  
10                                  feasibility of the expansion.  
11                                  i.     The name of the person who prepared the feasibility study and their  
12                                  experience in preparing similar studies or otherwise consulting in the  
13                                  field of continuing care.  
14                                  j.     An evaluation and opinion by the person who prepared the feasibility  
15                                  study of the underlying assumptions used as a basis for the study,  
16                                  including a statement on whether the assumptions are reasonable and  
17                                  proper.  
18                                  (3)   An actuarial study prepared in accordance with accepted actuarial standards  
19                                  of practice which estimates when the continuing care retirement community  
20                                  is projected to be in satisfactory actuarial balance once stabilized occupancy  
21                                  of the expansion is achieved. Providers who do not collect entrance fees or  
22                                  some other prepayment of costs are exempt from this requirement and shall  
23                                  only be required to submit an actuarial projection of future population flows  
24                                  and adult care home bed and nursing bed needs. An actuarial projection of  
25                                  future population flows and adult home care bed and nursing bed needs shall  
26                                  use (i) appropriate mortality, morbidity, withdrawal, occupancy, and other  
27                                  demographic assumptions and (ii) a projection period that extends to a point  
28                                  at which, in the actuary's professional judgment, the use of a longer period  
29                                  would not materially affect the results and conclusions.  
30                                  (4)   An updated disclosure statement that meets the requirements of  
31                                  G.S. 58-64A-160.  
32                                  (5)   If applicable, confirmation that the provider has secured commitments for  
33                                  construction financing and long-term financing or that a documented plan  
34                                  acceptable to the Commissioner has been adopted by the provider for  
35                                  long-term financing.  
36                                  (6)   If the expansion includes any land or other real property that is to be leased,  
37                                  confirmation, if applicable, that the lease has been approved by the  
38                                  Commissioner pursuant to G.S. 58-64A-25.  
39                                  (7)   Any other data and pertinent information as the Commissioner may  
40                                  reasonably require with respect to the provider or the continuing care  
41                                  retirement community to determine the feasibility of the expansion.  
42                                  (c)   The Commissioner shall comply with the following deadlines in response to an  
43                                  expansion application:  
44    (1)   Within five business days after receipt of an expansion application or of  
45    materials intended to supplement an incomplete expansion application, the  
46    Commissioner shall acknowledge receipt in writing.  
47    (2)   Within 30 days after receipt of an expansion application or of materials  
48    intended to supplement an incomplete expansion application, the  
49    Commissioner shall determine if the expansion application is complete and  
50    inform the applicant in writing of the determination. If the Commissioner  
51    determines that the expansion application is incomplete, the notice to the

- 1                   provider shall specifically set forth and request any additional information the  
2                   Commissioner determines is necessary to complete the expansion application.  
3           (3)       Within 30 days after an application is deemed complete, the Commissioner  
4                   shall approve or deny the application.  
5       (d)       The Commissioner shall approve the expansion application unless the Commissioner  
6       determines that any of the following requirements are not met:  
7           (1)       The expansion application meets all requirements of this section.  
8           (2)       None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
9                   applicant.  
10          (3)       The feasibility study meets all of the following requirements:  
11               a.       Includes in the prospective financial statements all current obligations  
12                   and liabilities of the provider as well as those to be undertaken by the  
13                   provider.  
14               b.       Demonstrates that the expansion is financially viable and will not have  
15                   an unreasonably adverse effect on the financial ability of the provider  
16                   to furnish continuing care.  
17               c.       Demonstrates the existence of a market for the proposed expansion  
18                   based on reliable data, which meets all of the following requirements:  
19                       1.       Is specific to the continuing care retirement community.  
20                       2.       Considers existing and proposed competition in the primary  
21                               market area.  
22                       3.       Demonstrates that the rate of penetration in the proposed  
23                               market area is within acceptable industry ranges.  
24          (4)       The provider demonstrates the ability to provide continuing care and meet all  
25                   financial and contractual obligations related to its operations, including the  
26                   financial requirements of this Article.  
27          (5)       The provider, if applicable, has secured commitments for construction  
28                   financing and long-term financing or that a documented plan acceptable to the  
29                   Commissioner has been adopted by the applicant for long-term financing.  
30          (6)       The actuarial study, if applicable, projects that the continuing care retirement  
31                   community will be in satisfactory actuarial balance within a reasonable period  
32                   of time once stabilized occupancy of the expansion is achieved, or if no  
33                   actuarial study is required, the actuarial projection of future population flows  
34                   demonstrates a sufficient number of adult care home beds and nursing beds to  
35                   meet the needs of residents and the contractual obligations of the provider.  
36       (e)       After the Commissioner approves the expansion application, the Commissioner shall  
37       require the provider to submit periodic sales and development reports in a form prescribed by the  
38       Commissioner to monitor the expansion project.  
39       (f)       After the Commissioner approves the expansion application, the provider may  
40       commence construction of the new independent living units at the continuing care retirement  
41       community as proposed and, upon completion of construction and the satisfaction of all other  
42       legal requirements, open the expansion and provide continuing care to the residents of the new  
43       independent living units.

44       **"§ 58-64A-85. Expansion entrance fees and deposits.**

45       All entrance fees and deposits collected for independent living units in an expansion requiring  
46       Commissioner approval under this Part shall be placed in an escrow account in accordance with  
47       Part 4 of this Article unless otherwise exempted by the Commissioner.

48                               "Part 4. Escrow Account.

49       **"§ 58-64A-115. Escrow account required.**

50       All entrance fees and deposits, when required by this Article, shall be deposited by the  
51       provider in an escrow account and shall be maintained in a segregated account without any

1 commingling with other funds, including any funds or accounts owned by the provider. The  
2 escrow agent and all terms governing an escrow account shall be approved in advance by the  
3 Commissioner.

4 **"§ 58-64A-120. Escrow agreement requirements.**

5 The escrow agreement between the provider and the escrow agent shall be in writing and  
6 include, in addition to any other provisions required by law, all of the following:

- 7 (1) A provision requiring that all funds received shall be placed into the escrow  
8 account in accordance with G.S. 58-64A-130.
- 9 (2) A provision for investment of escrow account funds in a manner consistent  
10 with G.S. 58-64A-135.
- 11 (3) A provision regarding the payment of interest earned on the funds held in the  
12 escrow account in the manner specified in G.S. 58-64A-140.
- 13 (4) A provision for refunds to depositors in the manner specified by  
14 G.S. 58-64A-150.
- 15 (5) A provision that any refund or release of escrow account funds be performed  
16 in the manner specified in G.S. 58-64A-150 and G.S. 58-64A-155, including  
17 a statement as to whom payment of interest earned on the funds will be made.
- 18 (6) A statement that the purpose of the escrow agreement is to protect residents  
19 and prospective residents.
- 20 (7) The amount of the escrow agent fee.
- 21 (8) A provision that funds deposited may not be subject to any liens or charges by  
22 the escrow agent.
- 23 (9) A provision requiring the escrow agent to furnish the provider with a monthly  
24 statement indicating the amount of any disbursements from or deposits to the  
25 escrow account and the condition of the account during the monthly period  
26 covered by the statement.
- 27 (10) A provision requiring the escrow agent to furnish to the Commissioner, upon  
28 the request of the Commissioner, periodic reports, including the monthly  
29 statement required pursuant to subdivision (9) of this section, certifying the  
30 amount of funds held on deposit.
- 31 (11) A provision requiring the escrow agent to furnish to a depositor, upon the  
32 request of a depositor, a statement indicating the depositor's portion of the  
33 escrow account.
- 34 (12) Representations by the escrow agent that it is not and shall not be during the  
35 term of the escrow agreement an affiliate or other related party of the provider,  
36 a lender to the provider, or a fiduciary for any lender or bondholder for the  
37 provider, unless approved by the Commissioner.

38 **"§ 58-64A-125. Change to escrow agreement.**

39 All changes to an escrow agreement shall be submitted to, and approved by, the  
40 Commissioner before use by the provider.

41 **"§ 58-64A-130. Entrance fee and deposit delivery to the escrow agent.**

42 (a) The provider shall deliver to the escrow agent any entrance fees or deposits required  
43 to be maintained in an escrow account pursuant to this Article within 10 business days after  
44 receipt by the provider.

45 (b) Any deposit delivery to an escrow agent pursuant to this Article shall be accompanied  
46 with a copy of the executed non-binding reservation agreement, binding reservation agreement,  
47 or continuing care contract, a copy of the receipt given to the depositor, a summary of all deposits  
48 made on that date, and any other materials required by the escrow agent.

49 **"§ 58-64A-135. Investment of funds in escrow.**

50 (a) All entrance fees and deposits subject to an escrow agreement under this Article shall  
51 be maintained by the escrow agent in one of the following manners:

1           (1) Investment in an interest-bearing account.

2           (2) Investment in instruments guaranteed by the federal government or an agency  
3 of the federal government.

4           (3) Investment in investment funds secured by federally guaranteed instruments.

5       (b) Any investment may not diminish the funds held in escrow below the amounts  
6 required by this Article.

7 **"§ 58-64A-140. Earnings from funds in escrow.**

8       (a) Interest, income, and other gains derived from funds held in an escrow account may  
9 not be released or distributed from the escrow account except upon written approval of the  
10 Commissioner.

11       (b) Approval by the Commissioner for the release of earnings generated from funds held  
12 in escrow shall be based upon an assessment that funds remaining in the escrow account meet  
13 the requirements of this Article and, if applicable, will be sufficient to pay refunds and any  
14 interest promised to all depositors.

15       (c) When release of earnings is approved by the Commissioner, interest earned by the  
16 funds in the escrow account shall be distributed to the provider or depositors in accordance with  
17 the terms of the continuing care contract, binding reservation agreement, or non-binding  
18 reservation agreement.

19 **"§ 58-64A-145. Escrowed funds not to be used as collateral.**

20       No funds held in an escrow account shall be encumbered or used as collateral for any  
21 obligation of the provider, or any other person, unless the provider obtains prior written approval  
22 from the Commissioner for the encumbrance or use as collateral. The Commissioner shall not  
23 approve any encumbrance or use as collateral under this section unless the encumbrance or use  
24 as collateral is expressly subordinated to the rights of depositors under this Article to refunds of  
25 their entrance fees or deposits.

26 **"§ 58-64A-150. Refunds of escrowed entrance fees and deposits.**

27       (a) An escrow agent shall refund to a depositor, or their legal representative, all amounts  
28 required by the depositor's non-binding reservation agreement, binding reservation agreement,  
29 or continuing care contract upon receiving written notice from the provider of the death of a  
30 depositor, nonacceptance by the provider, voluntary cancellation, the denial of an application  
31 pursuant to this Article, or upon written notice from the Commissioner. Refunds required by this  
32 subsection shall be paid within 10 business days after the escrow agent receives the written notice  
33 required by this subsection.

34       (b) If voluntary cancellation of a continuing care contract or a binding reservation  
35 agreement occurs after construction of the continuing care retirement community or expansion  
36 of a continuing care retirement community has begun, but prior to the independent living unit's  
37 initial occupancy, the refund may be delayed until another depositor has reserved a similar  
38 independent living unit and paid the necessary entrance fee or deposit. This delay shall not exceed  
39 one year, unless the time period is extended by the Commissioner upon a showing of good cause  
40 by the escrow agent.

41 **"§ 58-64A-155. Release of escrowed entrance fees and deposits.**

42       (a) To request a release of the first twenty-five percent (25%) of each escrowed entrance  
43 fee and deposit, a provider shall petition in writing to the Commissioner and certify all of the  
44 following:

45           (1) The provider has presold at least fifty percent (50%) of the proposed  
46 independent living units, having received a minimum ten percent (10%)  
47 deposit of the total of each applicable entrance fee and placed in escrow. Any  
48 independent living unit for which a refund is pending may not be counted  
49 toward the fifty percent (50%) requirement.

50           (2) The provider has received a commitment for any permanent mortgage loan or  
51 other long-term financing of the proposed continuing care retirement



1 community or expansion, and any conditions of the commitment prior to  
2 disbursement of funds thereunder have been substantially satisfied.

3 (3) For a proposed continuing care retirement community, the aggregate entrance  
4 fees received or receivable by the provider pursuant to binding reservation  
5 agreements and continuing care contracts, plus the anticipated proceeds of any  
6 first mortgage loan or other long-term financing commitment, plus any equity  
7 being contributed by the provider, are equal to not less than ninety percent  
8 (90%) of the following amount: (i) the aggregate cost of constructing or  
9 purchasing, equipping, and furnishing the proposed continuing care retirement  
10 community, plus (ii) not less than ninety percent (90%) of the funds estimated  
11 to be necessary to fund start-up losses and to reasonably assure full  
12 performance of the provider's future continuing care obligations, as reported  
13 in the statement of cash flows required by G.S. 58-64A-160.

14 (b) To request a release of the remaining seventy-five percent (75%) of escrowed  
15 entrance fees and deposits, a provider shall petition in writing to the Commissioner and certify  
16 all of the following:

17 (1) The provider has presold at least seventy percent (70%) of the proposed  
18 independent living units, having received a minimum ten percent (10%)  
19 deposit of each applicable entrance fee and maintains at least seventy-five  
20 percent (75%) of each entrance fee or deposit received in escrow, or has  
21 maintained an independent living unit occupancy minimum of seventy percent  
22 (70%) for at least 60 days. Any independent living unit for which a refund is  
23 pending may not be counted toward the seventy percent (70%) requirement.

24 (2) Construction or purchase of the independent living units has been completed  
25 and an occupancy permit, if applicable, has been issued by the local  
26 government having authority to issue those permits.

27 (3) The independent living units are available for occupancy by the new residents.

28 (c) The Commissioner shall instruct the escrow agent in writing to release to the provider  
29 entrance fees and deposits in the escrow account only after the Commissioner has confirmed the  
30 information provided by the provider pursuant to subsection (a) or subsection (b) of this section.

31 (d) The escrow agent shall release the entrance fees and deposits held in the escrow  
32 account to the provider only after the Commissioner has instructed it to do so in writing.

33 (e) When an application describes different phases of construction that will be completed  
34 and commence operating at different times, the Commissioner may apply the requirements in  
35 subsections (a) and (b) of this section to any one or group of phases requested by the provider,  
36 provided the phase or group of phases is shown in the provider's prospective financial statements  
37 to be, in the Commissioner's opinion, economically viable.

38 (f) For the purposes of this section a refund is pending if a depositor has canceled a  
39 continuing care contract or a binding reservation agreement but has not yet received a refund,  
40 either because of timing or because another depositor has not reserved a similar independent  
41 living unit and paid the necessary entrance fee or deposit in order to trigger a refund to the  
42 cancelling depositor.

43 "Part 5. Disclosure Statement.

44 "§ 58-64A-160. Disclosure statements.

45 (a) A provider shall prepare a disclosure statement for each continuing care retirement  
46 community operated or to be operated in this State that includes all of the following information:

47 (1) The name, business address, and telephone number of the provider and a  
48 statement of whether the provider is a partnership, corporation, or other type  
49 of legal entity.

- 1           (2)    A statement disclosing whether the provider is for-profit or nonprofit and, if  
2           nonprofit, the provision of the Federal Internal Revenue Code under which  
3           the provider is exempt from the payment of income tax.
- 4           (3)    A statement disclosing whether the provider is privately owned or publicly  
5           owned.
- 6           (4)    If the provider is leasing or intends to lease from another person any part of  
7           the real property of the continuing care retirement community, a statement  
8           disclosing the parties to the lease and the length and amount of time remaining  
9           on the lease.
- 10          (5)    The names and business addresses of the officers, directors, trustees,  
11          managers, managing or general partners, any person having a ten percent  
12          (10%) or greater equity or beneficial interest in the provider, and any person  
13          who will be managing the continuing care retirement community on a  
14          day-to-day basis, and a description of these persons' interests in or occupations  
15          with the provider. If any person required to be named pursuant to this  
16          subdivision does not have a business address or uses their home address as  
17          their business address, the provider shall list the address of the provider as the  
18          person's business address. A provider shall not disclose the personal address  
19          of any person required to be named pursuant to this subdivision, unless  
20          required to do so by another provision of law or a court order.
- 21          (6)    The following information on all persons named in response to subdivisions  
22          (1) and (5) of this subsection:
- 23           a.     A description of the business experience of these persons, if any, in  
24           the operation or management of a continuing care retirement  
25           community.
- 26           b.     The name and address of any professional service firm, association,  
27           trust, partnership, or corporation in which this person has, or which  
28           has in this person, a ten percent (10%) or greater interest and which it  
29           is presently intended shall currently or in the future provide goods,  
30           leases, or services to the provider of an aggregate value of five  
31           thousand dollars (\$5,000) or more within any fiscal year, including a  
32           description of the goods, leases, or services and the actual or probable  
33           cost to the provider, or a statement that this cost cannot presently be  
34           estimated and the reason why it cannot be presently estimated.
- 35           c.     A description of any matter in which the person (i) has been convicted  
36           of any felony or pleaded nolo contendere to a felony charge; (ii) has  
37           been held liable or enjoined in a civil action by final judgment  
38           involving fraud, embezzlement, fraudulent conversion, or  
39           misappropriation of property; or (iii) is subject to a currently effective  
40           injunctive or restrictive court order, or within the past five years, had  
41           any state or federal license or permit suspended or revoked as a result  
42           of an action brought by a governmental agency or department.
- 43           d.     The extent to which any person will be responsible for the financial  
44           and contractual obligations of the provider.
- 45          (7)    A statement disclosing whether any affiliate or other related party provides,  
46          or will provide in the case of a continuing care retirement community under  
47          development, goods, leases, or services to the provider of an aggregate value  
48          of five thousand dollars (\$5,000) or more within any fiscal year, not already  
49          disclosed pursuant to subdivision (4) or (6) of this subsection, and a  
50          description of the goods, leases, or services and the actual or probable cost to

- 1                   the provider, or a statement that this cost cannot presently be estimated and  
2                   the reason why it cannot be presently estimated.
- 3                   (8)   A statement indicating whether the provider has an affiliation with any  
4                   religious, charitable, or other person, and the extent and description of the  
5                   affiliation.
- 6                   (9)   The name of any other person who will be responsible for the financial and  
7                   contractual obligations of the provider not already disclosed and the extent of  
8                   their responsibility.
- 9                   (10) A statement as to whether the provider is, or will be, a part of an obligated  
10                  group and, if so, the names of the other persons in, or to be in, the obligated  
11                  group.
- 12                  (11) A statement as to whether the provider or continuing care retirement  
13                  community has endowment funds, or has endowment funds available through  
14                  an affiliate, that are available to provide financial aid to residents, including a  
15                  description of the funds and any restrictions on their use.
- 16                  (12) The name, address, and description of the physical property or properties of  
17                  the continuing care retirement community, existing or proposed, and to the  
18                  extent proposed, the estimated completion date or dates, whether construction  
19                  has begun, and the contingencies subject to which construction may be  
20                  deferred.
- 21                  (13) The number of existing living units, or the number of living units to be  
22                  constructed, at the continuing care retirement community.
- 23                  (14) If the provider is licensed to provide continuing care without lodging, a  
24                  description of the continuing care without lodging program, including the  
25                  primary market area served.
- 26                  (15) The number or estimated number of residents of the continuing care retirement  
27                  community to be provided services by the provider pursuant to a continuing  
28                  care or continuing care without lodging contract.
- 29                  (16) The 12-month daily average occupancy rate at the continuing care retirement  
30                  community, by living unit type, as of the provider's fiscal year-end for the past  
31                  five years or for each year of the continuing care retirement community's  
32                  operation if it has been operated for less than five years.
- 33                  (17) A description of any property rights of residents in the continuing care  
34                  retirement community.
- 35                  (18) The services provided or proposed to be provided pursuant to continuing care  
36                  and continuing care without lodging contracts, including the extent to which  
37                  health care is furnished, and a clear statement of which services are included  
38                  for specified periodic fees and which services are or will be made available  
39                  for an extra charge. The description shall include a statement describing what  
40                  health care services are or will be provided by the provider directly and what  
41                  health care services are or will be provided through a contract with a third  
42                  party.
- 43                  (19) A description of all nonancillary fees required of residents, including entrance  
44                  fees, periodic fees, transfer fees, and resale fees, if any. The description shall  
45                  include all of the following:
- 46                    a.   A statement of the fees that will be charged if a resident marries or  
47                    otherwise increases the number of persons residing in the resident's  
48                    living unit while a resident of the continuing care retirement  
49                    community and a statement of the terms concerning the entry of a  
50                    spouse or other person to the continuing care retirement community

- 1                   and the consequences if the spouse or other person does not meet the  
2                   requirements for entry.
- 3           b.       The manner by which the provider may adjust periodic fees and the  
4                   limitations on the adjustments, if any; and, if the continuing care  
5                   retirement community is already in operation, a table showing the  
6                   frequency and average percent increase and average dollar amount of  
7                   each increase in periodic fees for the previous five years, or for each  
8                   year of the continuing care retirement community's operation if it has  
9                   been operated for less than five years. If the continuing care retirement  
10                  community is not yet in operation, the provider shall include a table  
11                  showing the expected frequency and average percent increase and  
12                  average dollar amount of each increase in periodic fees utilized in the  
13                  five-year prospective financial statements required pursuant to  
14                  subdivision (29) of this subsection.
- 15       (20)      The circumstances under which a resident will be permitted to remain a  
16                  resident at the continuing care retirement community in the event of possible  
17                  financial difficulties of the resident.
- 18       (21)      The terms and conditions under which a continuing care and continuing care  
19                  without lodging contract may be canceled by the provider, or by the resident,  
20                  and the conditions, if any, under which all or any portion of the entrance fee  
21                  or any other fee will be refunded in the event of cancellation of the continuing  
22                  care or continuing care without lodging contract by the provider, or by the  
23                  resident, or in the event of the death of the resident, prior to, or following,  
24                  occupancy of a living unit or the start of services.
- 25       (22)      The conditions under which a living unit occupied by a resident may be made  
26                  available by the provider to a different or new resident other than on the death  
27                  of the prior resident.
- 28       (23)      The conditions or circumstances under which a provider may require a  
29                  resident to move from their living unit to another living unit for the safety of  
30                  the resident or for the good of the provider.
- 31       (24)      The health and financial condition required for an individual to be accepted as  
32                  a resident and to continue as a resident once accepted, including the effect of  
33                  any change in the health or financial condition of a person between the date  
34                  of entering into a continuing care or continuing care without lodging contract  
35                  and the date of initial occupancy of a living unit or the start of services.
- 36       (25)      Any age and insurance requirements for admission.
- 37       (26)      The provisions that have been made or will be made, including, but not limited  
38                  to, the requirements of G.S. 58-64A-115 and G.S. 58-64A-255, to provide  
39                  reserve funding or security to enable the provider to perform its obligations  
40                  under continuing care and continuing care without lodging contracts,  
41                  including the establishment of escrow accounts, trusts, or reserve funds,  
42                  together with the manner in which these funds will be invested, and the names  
43                  and experience of any person or persons who will make the investment  
44                  decisions. The information provided shall also include a schedule detailing  
45                  how the operating reserve for the continuing care retirement community has  
46                  been calculated which shall agree with the amount calculated and reported to  
47                  the Commissioner pursuant to G.S. 58-64A-260.
- 48       (27)      A description of any expansion, renovation, or planned expansion or  
49                  renovation of the continuing care retirement community.
- 50       (28)      Audited financial statements meeting the requirements of  
51                  G.S. 58-64A-205(a)(1).

- 1           (29) Five-year prospective financial statements meeting the requirements of  
2 G.S. 58-64A-205(a)(2). For continuing care retirement communities that are  
3 under development, the prospective financial statements required by this  
4 subdivision shall include narrative disclosure detailing all significant  
5 assumptions used in the preparation of the prospective financial statements,  
6 including all of the following:
- 7           a. Details of any long-term financing for the purchase or construction of  
8 the continuing care retirement community, including interest rate,  
9 repayment terms, loan covenants, and assets pledged.
- 10          b. Details of any leasing agreements where the provider is leasing from  
11 another person any part of the real property of the continuing care  
12 retirement community, including the length of the lease and the  
13 remaining term.
- 14          c. Details of any other funding sources that the provider anticipates using  
15 to fund any start-up losses or to provide reserve funds to assure full  
16 performance of the obligations of the provider under continuing care  
17 contracts.
- 18          d. The total entrance fees to be received from or on behalf of residents at,  
19 or prior to, commencement of operations along with anticipated  
20 accounting methods used in the recognition of revenues from and  
21 expected refunds of entrance fees.
- 22          e. A description of any equity capital to be received by the provider.
- 23          f. The cost of the acquisition of the continuing care retirement  
24 community or, if the continuing care retirement community is to be  
25 constructed, the estimated construction cost and cost to acquire the  
26 land.
- 27          g. Related costs, including financing and development costs, that the  
28 provider expects to incur or become obligated for prior to the  
29 commencement of operations.
- 30          h. The marketing and resident acquisition costs to be incurred prior to  
31 commencement of operations.
- 32          i. A description of the assumptions used for calculating the estimated  
33 occupancy rate of the continuing care retirement community and the  
34 effect on the income of the provider of government subsidies for health  
35 care services.
- 36       (30) A narrative describing the reasons for any material differences between (i) the  
37 five-year prospective financial statements included as a part of the disclosure  
38 statement recorded most immediately subsequent to the start of the provider's  
39 most recently completed fiscal year and (ii) the actual results of operations of  
40 the provider's most recently completed fiscal year.
- 41       (31) After the opening of a continuing care retirement community, a table detailing  
42 the following key financial metrics for the past three fiscal years, including  
43 the most recent fiscal year, or for each year of the continuing care retirement  
44 community's operation if it has been operated for less than three years, plus  
45 the next three fiscal years, based on the provider's current and prior annual  
46 audited financial statements and current five-year prospective financial  
47 statements filed with the Commissioner pursuant to G.S. 58-64A-205. If there  
48 is a material year over year change in any of the key financial metrics, the  
49 provider shall include a narrative describing the reasons for the material  
50 change. The table shall include all of the following:
- 51           a. Unrestricted cash and investments.

- 1            b. Average daily cash operating expenses.  
2            c. Days cash on hand ratio.  
3            d. Total long-term debt.  
4            e. Unrestricted cash and investments to long-term debt ratio.  
5            f. Annual building and land lease payments.  
6            g. Annual debt service, including both principal and interest.  
7            h. Debt service coverage ratio.  
8            i. Operating ratio.  
9            j. Net operating margin ratio.  
10          (32) If the provider has had an actuarial study prepared within the prior three years,  
11          a statement of actuarial opinion which includes a description of the key  
12          assumptions used to prepare the actuarial study and an opinion on satisfactory  
13          actuarial balance.  
14          (33) A summary of the last examination report issued by the Commissioner, if any,  
15          with references to the page numbers of the examination report noting any  
16          deficiencies found by the Commissioner, and the actions taken by the provider  
17          to rectify those deficiencies, indicating in the summary where the full  
18          examination report may be inspected at the continuing care retirement  
19          community. The summary required by this subdivision shall not be required  
20          if the last examination report is more than three years old.  
21          (34) Any other material information concerning the continuing care retirement  
22          community or the provider which, if omitted, would lead a reasonable person  
23          not to enter a continuing care or continuing care without lodging contract with  
24          the provider.  
25          (b) A copy of the most common continuing care and continuing care without lodging  
26          contract used by the provider shall be attached to each disclosure statement. To the extent  
27          multiple continuing care or continuing care without lodging contracts are utilized by the provider  
28          for the continuing care retirement community, a narrative shall be included within the disclosure  
29          statement listing each contract type offered and the material differences of each.  
30          (c) The cover page of the disclosure statement shall state, in a prominent location and in  
31          boldface type, all of the following:  
32                  (1) The date of the disclosure statement.  
33                  (2) The last date through which the disclosure statement may be delivered.  
34                  (3) That the delivery of the disclosure statement to a contracting party before the  
35                  execution of a binding reservation agreement, continuing care contract, or  
36                  continuing care without lodging contract is required by this Article.  
37                  (4) That the disclosure statement has not been reviewed or approved by any  
38                  government agency or representative to ensure accuracy of the information set  
39                  out.  
40                  (5) That the disclosure statement has been filed with, and recorded by, the North  
41                  Carolina Department of Insurance in accordance with this Article.  
42                  (6) That the disclosure statement contains all of the information required by this  
43                  Article, that it is correct, in all material respects, and that knowingly delivering  
44                  a disclosure statement that contains an untrue statement or omits a material  
45                  fact may subject the provider to penalties as set forth in this Article.  
46          (d) The date on the cover page of the disclosure statement shall coincide with the last day  
47          of the provider's fiscal year covered by the information contained within the disclosure statement.  
48          (e) The disclosure statement shall be in plain English and in language understandable by  
49          a layperson and combine conciseness, simplicity, and accuracy to fully advise residents and  
50          potential residents of the items required by this section.

1        (f) The Commissioner shall review the disclosure statement for completeness but is not  
2 required to review the disclosure statement for accuracy.

3        (g) The Commissioner may require a provider to alter or amend a disclosure statement to  
4 provide full and fair disclosure to residents and prospective residents, and the Commissioner may  
5 require the revision of a disclosure statement which the Commissioner finds to be incomplete,  
6 unnecessarily complex, voluminous, confusing, or illegible.

7        (h) The Commissioner may prescribe a standardized format for the disclosure statement  
8 required by this section.

9        (i) The Commissioner shall post the current disclosure statement for each continuing care  
10 retirement community on the Department's website in accordance with this Article.

11 **"§ 58-64A-165. Required delivery of disclosure statement.**

12        (a) A provider shall deliver a current disclosure statement meeting the requirements of  
13 G.S. 58-64A-160 to the person or the person's legal representative with whom a binding  
14 reservation agreement, continuing care contract, or continuing care without lodging contract is  
15 to be entered into. The disclosure statement shall be delivered no later than the earliest of the  
16 following occurrences: (i) the execution of a binding reservation agreement, continuing care  
17 contract, or continuing care without lodging contract, or (ii) the transfer of any money or other  
18 consideration, other than a non-binding reservation deposit, to a provider by or on behalf of a  
19 prospective resident. For purposes of this subsection, a disclosure statement is current if (i) it is  
20 dated within one year plus 160 days prior to the date of delivery and (ii) it is the most recently  
21 recorded disclosure statement on file with the Commissioner.

22        (b) The delivery required by this section may be by electronic means if the provider  
23 obtains the written consent of the person with whom the binding reservation agreement,  
24 continuing care contract, or continuing care without lodging contract is to be entered into. For  
25 the purposes of this subsection, delivery by electronic means shall mean delivery by either of the  
26 following methods:

27            (1) Delivery to an electronic mail address at which the person has consented to  
28 receive the disclosure statement.

29            (2) Both of the following:

30                a. Posting the disclosure statement on an electronic network or site  
31 accessible by the internet through use of a mobile application,  
32 computer, mobile device, tablet, or any other electronic device.

33                b. Sending separate notice of the posting described in sub-subdivision a.  
34 of this subdivision to the electronic mail address at which the person  
35 consented to receive notice of the disclosure statement posting.

36        (c) After receiving delivery of a disclosure statement pursuant to this section, a  
37 prospective resident shall sign an acknowledgement of receipt. The acknowledgement shall  
38 include (i) the date, (ii) the name of the person signing, and (iii) the date of the disclosure  
39 statement received, including date revised, if any. The provider shall provide a copy of the  
40 acknowledgement of receipt to the person signing and shall maintain the original. The  
41 acknowledgement of receipt required by this subsection may be received, given, and maintained  
42 in either electronic or paper form.

43        (d) A copy of all disclosure statements, including all amendments, filed with and  
44 recorded by the Commissioner shall be maintained by the provider, in either electronic or paper  
45 form, for at least five years.

46 **"§ 58-64A-170. Annual revised disclosure statements.**

47        (a) Within 150 days following the end of each fiscal year, a provider shall file with the  
48 Commissioner a revised disclosure statement setting forth current information required pursuant  
49 to G.S. 58-64A-160. The annual disclosure statement revision shall be accompanied by an annual  
50 filing fee of two thousand dollars (\$2,000).

1       (b) Within five business days of receipt of an annual revised disclosure statement and the  
2 annual filing fee, the Commissioner shall notify the provider in writing that (i) the revised  
3 disclosure statement has been received and recorded, (ii) the provider has met the filing  
4 requirements of this section, and (iii) the annual revised disclosure statement is now considered  
5 to be the current disclosure statement for purposes of this Article. After sending the notice, the  
6 Commissioner shall post the annual revised disclosure statement on the Department's website  
7 within five business days. After receiving the Commissioner's notice, the provider shall make the  
8 annual revised disclosure statement available to all residents and depositors either in electronic  
9 or paper form.

10       (c) The Commissioner may, upon a showing of good cause by the provider, extend the  
11 due date of the annual disclosure statement revision for a reasonable period of time not to exceed  
12 30 days.

13       (d) If the annual disclosure statement revision is not received by the due date and no  
14 extension has been granted, a one thousand dollar (\$1,000) late fee shall accompany submission  
15 of the annual disclosure statement revision. If the annual disclosure statement revision is more  
16 than 30 days past due, an additional fee of thirty dollars (\$30.00) for each day over the first 30  
17 days shall accompany submission of the annual disclosure statement revision. The Commissioner  
18 may waive the late fee upon a showing of good cause by the provider.

19 **"§ 58-64A-175. Other revisions to disclosure statement.**

20       (a) A provider may revise its disclosure statement at any time if, in the opinion of the  
21 provider, revision is necessary to prevent an otherwise current disclosure statement from  
22 containing a material misstatement of fact or omitting a material fact required to be stated therein.  
23 A provider that revises its disclosure statement for this purpose shall submit the revised disclosure  
24 statement to the Commissioner before delivery of the disclosure statement to any resident or  
25 prospective resident.

26       (b) If a disclosure statement is revised in accordance with this section or  
27 G.S. 58-64A-160(g), the cover page shall additionally be revised to reflect the revision date.

28       (c) Within five business days of receipt of a revised disclosure statement pursuant to this  
29 section, the Commissioner shall notify the provider in writing that the revised disclosure  
30 statement has been received and recorded and is considered to be the current disclosure statement  
31 for purposes of this Article. After sending this notification, the Commissioner shall post the  
32 revised disclosure statement on the Department's website within five business days. After  
33 receiving the Commissioner's notification, a provider revising its disclosure statement pursuant  
34 to this section shall make the revised disclosure statement available to all residents either in  
35 electronic or paper form.

36 "Part 6. Binding Reservation Agreement and Continuing Care Contract.

37 **"§ 58-64A-185. Binding reservation agreement.**

38 A binding reservation agreement shall include all of the following:

39       (1) A provision that the person entering into the agreement may rescind the  
40 agreement within 30 days following the later of the following occurrences: (i)  
41 the execution of the agreement or (ii) the receipt of a disclosure statement that  
42 meets the requirements of G.S. 58-64A-160.

43       (2) A provision that the agreement shall be automatically canceled if either of the  
44 following occurs: (i) a depositor dies before signing a continuing care contract  
45 or (ii) a depositor would be precluded from signing a continuing care contract  
46 and occupying a living unit in the continuing care retirement community under  
47 the terms of a continuing care contract due to illness, injury, or incapacity.

48       (3) A provision that, if an agreement is rescinded, automatically canceled, or  
49 otherwise canceled by the depositor, the depositor shall receive a refund of all  
50 money or other consideration transferred to the provider. All of the following  
51 shall be deducted from the depositor's refund:



- 1           a.     Nonstandard costs specifically incurred by the provider at the request  
2               of the depositor and described in the agreement.  
3           b.     Any nonrefundable fees specifically set forth in the agreement.  
4           c.     Any service charge specifically set forth in the agreement that shall  
5               not exceed (i) three thousand dollars (\$3,000), (ii) two percent (2%) of  
6               the entrance fee, or (iii) the amount of consideration transferred to the  
7               provider by the depositor. An agreement shall not include a provision  
8               that imposes a service charge based on (i) a cancellation caused by the  
9               failure of a provider to meet its obligations under the agreement, or (ii)  
10              the failure of the provider to obtain a permanent license in accordance  
11              with this Article.

- 12           (4)   A provision that any refund due to a depositor for a cancellation or termination  
13              for reasons not provided for in this section shall be computed in accordance  
14              with the terms of the agreement.

15   **"§ 58-64A-190. Continuing care contract.**

- 16       (a)   A continuing care contract shall include all of the following provisions:

- 17           (1)   A provision that the person contracting with the provider may rescind the  
18              contract within 30 days following the later of the execution of the contract or  
19              the receipt of a disclosure statement that meets the requirements of  
20              G.S. 58-64A-160, and a resident to whom the contract pertains is not required  
21              to move into the continuing care retirement community before the expiration  
22              of the 30-day period.

- 23           (2)   A provision that, if a resident dies before occupying a living unit in the  
24              continuing care retirement community, or if, on account of illness, injury, or  
25              incapacity, a resident would be precluded from occupying a living unit in the  
26              continuing care retirement community under the terms of the contract, the  
27              contract is automatically canceled.

- 28           (3)   A provision that, for rescinded or canceled contracts under this subsection and  
29              contracts canceled before a living unit is initially available for occupancy by  
30              the first resident of a living unit, the resident or the resident's legal  
31              representative shall receive a refund of all money or other consideration  
32              transferred to the provider, less (i) periodic fees specified in the contract and  
33              applicable only to the period a living unit was actually occupied by the  
34              resident; (ii) those nonstandard costs specifically incurred by the provider at  
35              the request of the resident and described in the contract or any contract  
36              amendment signed by the resident; (iii) nonrefundable fees, if set out in the  
37              contract; and (iv) a reasonable service charge, if set out in the contract, not to  
38              exceed the greater of three thousand dollars (\$3,000) or two percent (2%) of  
39              the entrance fee. In no event shall the service charge exceed the amount of  
40              consideration transferred to the provider by the resident, or a service charge  
41              be assessed due to the termination of the contract because of the failure of the  
42              provider to meet its obligations under the contract, or upon the failure of the  
43              provider to obtain a permanent license in accordance with this Article.

- 44           (4)   A provision that any refund due to a resident for a cancellation or termination  
45              for reasons not provided for in this section shall be computed in accordance  
46              with the terms of the contract.

- 47       (b)   A continuing care contract shall specify all of the following:

- 48           (1)   All fees required of residents, including any entrance fee and any ongoing  
49              periodic fees.

- 50           (2)   The services to be provided.



- 1           (6) Prospective financial statements prepared by a certified public accountant that  
2 show the financial impact of providing continuing care without lodging on the  
3 provider and the continuing care retirement community. The prospective  
4 financial statements shall include a statement of activities reporting the  
5 revenue and expense details for providing continuing care without lodging, as  
6 well as the impact the program will have on the operations of the provider and  
7 the continuing care retirement community, including the operating reserve.
- 8           (7) Evidence of the license required under Part 3 of Article 6 of Chapter 131E of  
9 the General Statutes to provide home care services, or a contract with a  
10 licensed home care agency for the provision of home care services to be  
11 provided to residents under the continuing care without lodging program.
- 12       (b) The Commissioner shall comply with the following deadlines in response to an  
13 application for a continuing care without lodging license:
- 14           (1) Within five business days after receipt of an application or of materials  
15 intended to supplement an incomplete application, the Commissioner shall  
16 acknowledge receipt in writing.
- 17           (2) Within 30 days after receipt of an application or of materials intended to  
18 supplement an incomplete application, the Commissioner shall determine if  
19 the application is complete and inform the applicant in writing of the  
20 determination. If the Commissioner determines that the application is  
21 incomplete, the notice to the applicant shall specifically set forth and request  
22 any additional information the Commissioner determines is necessary to  
23 complete the application.
- 24           (3) Within 30 days after an application is deemed complete, the Commissioner  
25 shall approve or deny the application.
- 26       (c) The Commissioner shall approve an application for a continuing care without lodging  
27 license unless the Commissioner determines that any of the following requirements are not met:
- 28           (1) The application meets all requirements of this section.
- 29           (2) None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
30 applicant.
- 31           (3) The applicant is able to provide continuing care without lodging as proposed.
- 32           (4) There is sufficient consumer interest in the continuing care without lodging  
33 program proposed by the applicant.
- 34           (5) The program proposed by the applicant will not have a detrimental impact on  
35 the overall operations of the applicant and continuing care retirement  
36 community.
- 37       (d) After the issuance of a continuing care without lodging license, the applicant (i) may  
38 arrange or provide continuing care without lodging and (ii) shall file an amended disclosure  
39 statement with the Commissioner which contains the information regarding continuing care  
40 without lodging required by this section and G.S. 58-64A-160.
- 41       (e) After the issuance of a continuing care without lodging license, the Commissioner  
42 may require a provider to submit periodic reports in a form prescribed by the Commissioner to  
43 monitor the status of the continuing care without lodging program.
- 44 **§ 58-64A-200. Continuing care without lodging contract.**
- 45       (a) A continuing care without lodging contract shall include all of the following  
46 provisions:
- 47           (1) A provision that the individual contracting with the provider may rescind the  
48 contract within 30 days following the later of the execution of the contract or  
49 the receipt of a disclosure statement that meets the requirements of  
50 G.S. 58-64A-160.



1 without lodging contract and are strongly encouraged to seek financial and legal advice before  
2 doing so."

3 "Part 8. Reporting, Financial, and Operating Requirements.

4 "§ 58-64A-205. Annual report.

5 (a) A provider that has obtained a permanent license or restricted permanent license  
6 under this Article shall submit an annual report to the Commissioner. The annual report shall be  
7 in a form that the Commissioner prescribes and shall include the following information:

8 (1) Audited financial statements as of the end of the provider's most recent fiscal  
9 year that shall be prepared in accordance with one of the following:

10 a. If a provider is required by Generally Accepted Accounting Principles  
11 to have their financial statements consolidated with other persons, the  
12 consolidated financial statements shall include a consolidating balance  
13 sheet, a consolidating statement of operations and changes in net assets  
14 or equity, and a consolidating statement of cash flows as supplemental  
15 information to the audited consolidated financial statements. This  
16 supplemental information shall include a balance sheet, a statement of  
17 operations and changes in net assets or equity, and a statement of cash  
18 flows for each continuing care retirement community operated under  
19 this Article.

20 b. If the provider includes one or more persons acting in concert to offer  
21 and provide continuing care, the audited financial statements shall be  
22 combined and shall include a combining balance sheet, a combining  
23 statement of operations and changes in net assets or equity, and a  
24 combining statement of cash flows as supplemental information to the  
25 audited combined financial statements. This supplemental information  
26 shall include a balance sheet, a statement of operations and changes in  
27 net assets or equity, and a statement of cash flows for each continuing  
28 care retirement community operated under this Article.

29 c. If a provider is part of an obligated group, the audited financial  
30 statements shall be either consolidated or combined with the other  
31 members of the obligated group and shall include a combining or  
32 consolidating balance sheet, a combining or consolidating statement  
33 of operations and changes in net assets or equity, and a combining or  
34 consolidating statement of cash flows as supplemental information to  
35 the audited combined or consolidated financial statements. This  
36 supplemental information shall include a balance sheet, a statement of  
37 operations and changes in net assets or equity, and a statement of cash  
38 flows for each continuing care retirement community operated under  
39 this Article.

40 d. If the provider is not required by Generally Accepted Accounting  
41 Principles to have their financial statements consolidated with other  
42 persons, does not include one or more persons acting in concert to offer  
43 and provide continuing care, and is not part of an obligated group, then  
44 the audited financial statements shall be a stand-alone financial audit  
45 of the provider. The audited financial statements must include as  
46 supplemental information, if the provider operates more than one  
47 continuing care retirement community or has operations that are  
48 separate and distinct from the operation of a continuing care retirement  
49 community or communities under this Article, a balance sheet, a  
50 statement of operations and changes in net assets or equity, and a

- 1 statement of cash flows for each continuing care retirement  
2 community operated under this Article.
- 3 (2) Five-year prospective financial statements of the provider that are either  
4 compiled or examined by an independent certified public accountant, that are  
5 prepared on a stand-alone basis, or consolidated or combined with the same  
6 persons as the audited financial statements required pursuant to subdivision  
7 (1) of this subsection, and that meet all of the following requirements:
- 8 a. Include a summary of significant assumptions and a summary of  
9 significant accounting policies.
- 10 b. Include, if financial projections, an identification of the hypothetical  
11 assumptions and a description of the limitations on the usefulness of  
12 the presentation.
- 13 c. Include as supplemental information for each of the five prospective  
14 years all of the following:
- 15 1. A balance sheet.  
16 2. A statement of operations and changes in net assets or equity.  
17 3. A statement of cash flows for each continuing care retirement  
18 community operated under this Article if the five-year  
19 prospective financial statements are prepared on a consolidated  
20 or combined basis, or if the provider operates more than one  
21 continuing care retirement community or has operations that  
22 are separate and distinct from the operation of a continuing  
23 care retirement community operating under this Article.
- 24 d. Contain the same line items and categories as the audited financial  
25 statements filed pursuant to subdivision (1) of this subsection.
- 26 (3) The operating reserve certification required pursuant to G.S. 58-64A-225.
- 27 (4) A statement disclosing all of the following:
- 28 a. Whether the provider, or any obligated group that the provider is a part  
29 of, is not in compliance with any covenant contained in any debt  
30 agreement and, if not in compliance, specifying each failure to comply  
31 and the steps being taken to cure the noncompliance.
- 32 b. Whether the provider is aware of any existing circumstances which  
33 would hinder or cause the provider, or any member of an obligated  
34 group that the provider is a part of, to not be able to perform on any  
35 debt agreement.
- 36 (5) The dates on which the semiannual meetings required pursuant to  
37 G.S. 58-64A-360 were held during the provider's last fiscal year.
- 38 (b) If a provider is also licensed to provide continuing care without lodging, the provider  
39 shall account for the related revenue and expenses generated from the continuing care without  
40 lodging program separate from the provider's and continuing care retirement community's on-site  
41 operations when providing the audited financial statements and five-year prospective financial  
42 statements required by this section.
- 43 (c) A provider shall file the annual report required by this section with the Commissioner  
44 within 150 days after the provider's fiscal year-end. The Commissioner may, upon a showing of  
45 good cause by the provider, extend the filing date of the annual report for a reasonable period of  
46 time not to exceed 30 days. If the complete annual report is not received by the due date, unless  
47 granted an extension, a one thousand dollar (\$1,000) late fee shall accompany submission of the  
48 annual report. If the annual report is more than 30 days past due, an additional fee of thirty dollars  
49 (\$30.00) for each day over the first 30 days shall accompany submission of the annual report.  
50 The Commissioner may waive the late fee upon a showing of good cause by the provider.

1        (d) The annual report shall be accompanied by a signed and certified statement by an  
2 authorized individual of the provider stating that, to the best of his or her knowledge and belief,  
3 the items submitted are correct in all material respects.

4        (e) Inclusion of the audited financial statements and five-year prospective financial  
5 statements within the revised disclosure statement filed with the Commissioner pursuant to  
6 G.S. 58-64A-175 shall satisfy the requirements of subdivisions (1) and (2) of subsection (a) of  
7 this section.

8 **"§ 58-64A-210. Additional reporting.**

9        (a) If the Commissioner determines that additional information is needed to properly  
10 monitor the financial condition or operations of a provider or continuing care retirement  
11 community or is otherwise needed to protect the public interest, the Commissioner may require  
12 a provider licensed under this Article to file any of the following:

13            (1) A monthly or quarterly unaudited financial statement of the provider and  
14 continuing care retirement community in a format acceptable to the  
15 Commissioner that shall be no later than 45 days after the end of the applicable  
16 month or quarter.

17            (2) Any other data, financial statements, and pertinent information as the  
18 Commissioner may reasonably require regarding (i) the provider, (ii) the  
19 continuing care retirement community, or (iii) any affiliate, if the provider  
20 relies on a contractual or financial relationship with the affiliate in order to  
21 meet the financial requirements of this Article.

22        (b) A provider shall promptly notify the Commissioner and all residents in writing  
23 whenever any of the following apply:

24            (1) The provider fails to maintain the operating reserve required pursuant to Part  
25 9 of this Article.

26            (2) The 12-month daily average independent living unit occupancy rate at a  
27 continuing care retirement community operated by the provider in this State,  
28 as computed in accordance with G.S. 58-64A-260, has fallen below  
29 eighty-five percent (85%) and has remained below eighty-five percent (85%)  
30 for a period over 90 days, except in the case where the continuing care  
31 retirement community is undergoing an expansion in accordance with this  
32 Article.

33            (3) The provider, or any obligated group that the provider is a part of, is in  
34 violation of any covenant contained in any debt agreement.

35            (4) The provider seeks modification, waiver, or extension of any of the provider's  
36 material financial covenants or material payment terms under a mortgage loan,  
37 bond indenture, or other long-term financing agreement.

38 **"§ 58-64A-215. Purchase, sale, or transfer of ownership interest of a continuing care**  
39 **retirement community.**

40        (a) No permit, certificate, or license issued pursuant to this Article is transferable, and no  
41 permit, certificate, or license issued pursuant to this Article has value for sale or exchange as  
42 property.

43        (b) A provider or other owning person shall obtain approval from the Commissioner  
44 before consummating any sale or transfer of any real property used in the operations of a  
45 continuing care retirement community, including a sale-leaseback transaction, or any interest in  
46 a continuing care retirement community, other than the sale of an independent living unit to a  
47 resident or other transferee.

48        (c) A provider shall obtain approval from the Commissioner before consummating any  
49 purchase of real property currently leased and used by the provider in the operations of a  
50 continuing care retirement community. Any purchase option to be entered into by the provider

1 that requires a purchase option deposit shall only be entered into if the deposit is placed in an  
2 escrow account or secured in another method acceptable to the Commissioner.

3 (d) A provider shall request approval of any transaction listed in subsection (b) or (c) of  
4 this section by providing written notice to the Commissioner, made under oath or affirmation, at  
5 least 45 days prior to consummating the transaction. The written notice required by this  
6 subsection shall include all of the following:

7 (1) The identity and description of the persons involved in the transaction.

8 (2) A description of the transaction and the terms of the transaction.

9 (3) A description of the financial impact on the provider.

10 (4) If applicable, a plan for ensuring performance of existing continuing care and  
11 continuing care without lodging contract obligations.

12 (5) Any other information reasonably required by the Commissioner.

13 (e) The Commissioner shall comply with the following deadlines in response to a request  
14 for approval pursuant to this section:

15 (1) Within five business days after receipt of a request or of materials intended to  
16 supplement an incomplete request, the Commissioner shall acknowledge  
17 receipt in writing.

18 (2) Within 30 business days after receipt of a request or of materials intended to  
19 supplement an incomplete request, the Commissioner shall determine if the  
20 request is complete and inform the applicant in writing of the determination.  
21 If the Commissioner determines that the request is incomplete, the notice to  
22 the applicant shall specifically set forth and request any additional information  
23 the Commissioner determines is necessary to complete the request. For  
24 purposes of this subdivision, an incomplete request includes a request that  
25 requires the acquiring person to obtain a certificate or license pursuant to this  
26 Article.

27 (3) Within 30 business days after a request is deemed complete, the  
28 Commissioner shall approve or deny the request for approval.

29 (f) The Commissioner shall approve a request for approval unless the Commissioner  
30 determines that any of the following requirements are not met:

31 (1) The request meets all requirements of this section.

32 (2) None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
33 applicant.

34 (3) The transaction does not jeopardize the financial stability of the provider or  
35 prejudice the interest of residents.

36 (g) A provider shall give written notice to all affected residents and depositors of the  
37 proposed transaction within five business days after receiving approval from the Commissioner.

38 (h) The Commissioner may revoke or restrict the certificate or license of a provider or  
39 take other administrative action pursuant to Part 10 of this Article if a provider violates the  
40 provisions of this section.

41 **§ 58-64A-220. Change of control of a provider.**

42 (a) No person shall enter into an agreement to merge with, or to otherwise acquire control  
43 of, a provider holding a certificate or license under this Article unless the transaction is approved  
44 by the Commissioner. To obtain the Commissioner's approval, the acquiring person shall file a  
45 request for approval with the Commissioner.

46 (b) The request for approval required by this section shall be furnished in a form as  
47 prescribed by the Commissioner, made under oath or affirmation, and shall contain the following  
48 information:

49 (1) The name and address of each person by whom or on whose behalf the merger  
50 or other acquisition of control is to be effected and the following additional  
51 information regarding those persons:



- 1           a.     If the person is not an individual, a report of the nature of its business  
2           operations during the past five years or for a lesser period as the person  
3           and any predecessors have been in existence.
- 4           b.     A description of the business intended to be done by the person, the  
5           person's affiliates, and other related parties.
- 6           c.     A list of all individuals who are or who have been selected to become  
7           directors or executive officers of the person, or who perform or will  
8           perform functions appropriate to those positions.
- 9           d.     For each individual listed pursuant to this subdivision, the person's  
10          principal occupation and all offices and positions held during the past  
11          five years and any conviction of crimes other than minor traffic  
12          violations during the past 10 years.
- 13          (2)    The source, nature, and amount of the consideration used or to be used in  
14          effecting the merger or other acquisition of control; a description of any  
15          transaction wherein funds were or are to be obtained for that purpose,  
16          including any pledge of the provider's stock, or the stock of any of its  
17          subsidiaries or controlling affiliates; and the identity of persons furnishing the  
18          consideration. Notwithstanding this subdivision, when the source of the  
19          consideration is a loan made in the lender's ordinary course of business, the  
20          identity of the lender shall remain confidential, if the person filing the written  
21          notice so requests.
- 22          (3)    Fully audited financial information as to the earnings and financial condition  
23          of each acquiring person for the preceding five fiscal years, or for a lesser  
24          period as the acquiring person and any predecessors have been in existence,  
25          and similar unaudited information as of a date not earlier than 90 days prior  
26          to the filing of the written notice.
- 27          (4)    Any plans or proposals that each acquiring person may have to liquidate the  
28          provider, or any continuing care retirement community operated by the  
29          provider in this State, to sell its assets or merge or consolidate it with any  
30          person, or to make any other material change in its business or corporate  
31          structure or management.
- 32          (5)    A description of the effect, if any, that the merger or other acquisition of  
33          control will have on the financial condition of the provider.
- 34          (6)    A description of any change in the persons who currently provide goods and  
35          services to the provider and residents, including health care and management.
- 36          (7)    A description of any agreements made or to be made with residents which will  
37          amend any continuing care or continuing care without lodging contract at the  
38          time of the transfer of control.
- 39          (8)    A description of any service or contractual obligation with residents which  
40          will change as a result of the change in control.
- 41          (9)    Any additional information as the Commissioner may prescribe as necessary  
42          or appropriate for the protection of residents or in the public interest.
- 43          (c)    The Commissioner shall comply with the following deadlines in response to request  
44          for approval pursuant to this section:
- 45               (1)    Within five business days after receipt of a request or of materials intended to  
46               supplement an incomplete request, the Commissioner shall acknowledge  
47               receipt in writing.
- 48               (2)    Within 30 business days after receipt of a request or of materials intended to  
49               supplement an incomplete request, the Commissioner shall determine if the  
50               request is complete and inform the applicant in writing of the determination.  
51               If the Commissioner determines that the request is incomplete, the notice to

- 1                   the applicant shall specifically set forth and request any additional information  
2                   the Commissioner determines is necessary to complete the request.
- 3           (3)   Within 30 business days after a request is deemed complete, the  
4                   Commissioner shall approve or deny the request for approval.
- 5           (d)   The Commissioner shall approve a request for approval pursuant to this section unless  
6           the Commissioner determines that any of the following requirements are not met:
- 7                   (1)   None of the grounds for denial listed in G.S. 58-64A-285 apply to the  
8                   applicant.
- 9                   (2)   After the change of control, the provider will be able to satisfy the certification  
10                   or licensure requirements, as applicable, of this Article.
- 11                   (3)   The financial condition of any acquiring person will not jeopardize the  
12                   financial stability of the provider or prejudice the interest of any residents.
- 13                   (4)   Any plans or proposals that any acquiring person has to liquidate the provider,  
14                   or any continuing care retirement community operated by the provider in this  
15                   State, sell its assets, or consolidate or merge it with any person, or to make  
16                   any other material change in its business or corporate structure or  
17                   management, are fair and reasonable to residents and in the public interest.
- 18                   (5)   The competence, experience, and integrity of those persons who would  
19                   control the operation of the provider are such that the change of control will  
20                   not harm the interests of residents or of the public.
- 21           (e)   A provider shall give written notice to all affected residents and depositors of the  
22           proposed merger or other acquisition of control within five business days after the acquiring  
23           person has received approval from the Commissioner.
- 24           (f)   The Commissioner may revoke or restrict the license or certificate of a provider or  
25           take other administrative action pursuant to Part 10 of this Article if a provider violates the  
26           provisions of this section.
- 27   **§ 58-64A-225. Operating reserve certification.**
- 28           (a)   A provider shall maintain after the opening of a continuing care retirement  
29           community an operating reserve as required by G.S. 58-64A-255.
- 30           (b)   At the time a provider files its annual report, a provider shall file a form acceptable to  
31           the Commissioner computing, reporting, and certifying all of the following:
- 32                   (1)   The 12-month daily average independent living unit occupancy rate at the  
33                   continuing care retirement community, or a shorter period of time that the  
34                   continuing care retirement community has been in operation, as of the date of  
35                   certification.
- 36                   (2)   The amount the provider is required to hold as its operating reserve.
- 37                   (3)   The qualifying assets, and their respective values, as defined and valued in  
38                   accordance with G.S. 58-64A-270, that the provider maintains for its  
39                   operating reserve.
- 40   **§ 58-64A-230. Actuarial study.**
- 41           (a)   A provider shall submit to the Commissioner, at least once every three years, an  
42           actuarial study prepared in accordance with accepted actuarial standards of practice of each  
43           continuing care retirement community operated by the provider in this State, including an  
44           actuarial study of any continuing care without lodging program that the provider is licensed for  
45           pursuant to this Article.
- 46           (b)   If the actuary is unable to form a needed opinion, or if the opinion is adverse or  
47           qualified, the statement of actuarial opinion and the actuarial study shall specifically state the  
48           reason.
- 49           (c)   The Commissioner may request the information required in this section more  
50           frequently to assist in the determination of a possible hazardous condition.

1        (d) A provider required to file an actuarial study under this section that held a license on  
2 the effective date of this section shall file an actuarial study with the Commissioner before the  
3 expiration of three years following the effective date of this section. Thereafter, each provider  
4 shall file its required actuarial study before the expiration of three years following the date it last  
5 filed an actuarial study with the Commissioner.

6        (e) A provider required to file an actuarial study under this section that did not hold a  
7 license on the effective date of this section shall file its first actuarial study within 45 days  
8 following the due date for the provider's annual report for the fiscal year in which the provider  
9 obtained its permanent license. Thereafter, the provider shall file its required actuarial study  
10 before the expiration of three years following the date it last filed an actuarial study with the  
11 Commissioner.

12        (f) A provider that only offers health care on a fee-for-service basis or only provides a  
13 limited discount or limited number of free days in a long-term care facility shall be exempt, unless  
14 otherwise required by the Commissioner, from the actuarial study requirement in this section.  
15 Providers exempt pursuant to this subsection shall submit to the Commissioner, at least once  
16 every five years, an actuarial projection of future population flows and adult care home bed and  
17 nursing bed needs using appropriate mortality, morbidity, withdrawal, occupancy, and other  
18 demographic assumptions and using a projection period that extends to a point at which, in the  
19 actuary's professional judgment, the use of a longer period would not materially affect the results  
20 and conclusions. The Commissioner may require an actuarial projection of future population  
21 flows and adult care home bed and nursing bed needs sooner if there has been an increase or  
22 decrease of twenty percent (20%) or more of one or more types of living units at a continuing  
23 care retirement community during the provider's most recent fiscal year.

24 **"§ 58-64A-235. Notice of proposed name change.**

25        (a) A provider shall notify the Commissioner before making any change to its name or  
26 the name of a continuing care retirement community operated by the provider in this State,  
27 including the adoption of an assumed business name.

28        (b) Within 10 business days of submitting notification to the Commissioner of a proposed  
29 change under subsection (a) of this section, the provider shall notify all residents and depositors  
30 of all affected continuing care retirement communities, as applicable, of the proposed change.

31 **"§ 58-64A-240. Third-party management.**

32        (a) A provider shall notify and receive the approval of the Commissioner before entering  
33 into a contract with a third party for the management of a continuing care retirement community.  
34 The notification required by this section shall include a copy of the proposed contract, the  
35 information required by G.S. 58-64A-160(a)(5) and G.S. 58-64A-160(a)(6) regarding the  
36 proposed third-party manager, a description of the third party's experience in managing  
37 continuing care retirement communities, the reason for the change in management, and, if  
38 applicable, a statement as to whether there were any significant disagreements with the former  
39 manager.

40        (b) The provider shall inform all residents in writing of the notice submitted to the  
41 Commissioner pursuant to this section within five business days after the notice is submitted to  
42 the Commissioner.

43        (c) The Commissioner shall complete the review of the notification required pursuant to  
44 this section and issue written notice of approval or disapproval of the proposed third-party  
45 manager within 30 days after the filing is deemed complete. A filing is deemed complete upon  
46 the Commissioner's receipt of all requested information. If the Commissioner does not issue  
47 written notice of disapproval of the third-party manager within 30 days after the filing is deemed  
48 complete, the new management shall be deemed approved.

49        (d) The Commissioner may disapprove of the proposed third-party manager if the  
50 Commissioner determines either of the following:

(1) The proposed third-party manager is incompetent or untrustworthy or so lacking in managerial experience as to make the operation of the continuing care retirement community potentially hazardous to residents.

(2) The proposed third-party manager is affiliated directly or indirectly through ownership, control, or business relations with any person or persons whose business operations are or have been marked by manipulation of assets or accounts or by bad faith, to the detriment of residents, members, stockholders, investors, creditors, or the public.

(e) The provider shall remove any third-party manager immediately upon discovery of either of the following conditions, if the conditions were not disclosed in the notice to the Commissioner required pursuant to this section or in any disclosure statement filed with the Commissioner:

(1) That a manager has been convicted of any felony or pleaded nolo contendere to a felony charge or has been held liable or enjoined in a civil action by final judgment involving fraud, embezzlement, fraudulent conversion, or misappropriation of property.

(2) That a manager is now, or was in the past, affiliated directly or indirectly through ownership interest of ten percent (10%) or more in, or control of, any business, corporation, or other entity that has been convicted of any felony or pleaded nolo contendere to a felony charge or has been held liable or enjoined in a civil action by final judgment involving fraud, embezzlement, fraudulent conversion, or misappropriation of property.

**§ 58-64A-245. Reduction in the number of living units.**

(a) A provider shall notify the Commissioner before reducing the number of any type of living unit at a continuing care retirement community by twenty percent (20%) or more. The notification required by this section shall include a statement describing the reasons for the reduction and the effect, if any, on residents and the financial condition of the provider. Within 10 business days of notifying the Commissioner, the provider shall provide the same notice to all residents.

(b) For the purposes of this section, the percentage in subsection (a) of this section shall be based on the type of living unit being reduced.

"Part 9. Operating Reserve.

**§ 58-64A-255. Operating reserve requirement.**

(a) A provider shall maintain after the opening of a continuing care retirement community an operating reserve equal to fifty percent (50%) of the total operating costs of the continuing care retirement community forecasted or projected for the 12-month period following the period covered by the most recent disclosure statement filed with the Department.

(b) Once a continuing care retirement community achieves a 12-month daily average independent living unit occupancy rate of ninety percent (90%) or higher, a provider shall only be required to maintain an operating reserve in an amount calculated using the table below, unless otherwise instructed by the Commissioner:

<u>12-Month Daily Average Independent Living Unit Occupancy Rate</u>	<u>Operating Reserve Requirement as a Percentage of Total Operating Costs of the Continuing Care Retirement Community</u>
<u>90% or above.....</u>	<u>25.00%</u>
<u>86% to 89.9% .....</u>	<u>31.25%</u>
<u>83% to 85.9% .....</u>	<u>37.50%</u>
<u>80% to 82.9% .....</u>	<u>43.75%</u>
<u>Below 80% .....</u>	<u>50.00%</u>

(c) A provider who has a 12-month daily average independent living unit occupancy rate equal to or in excess of ninety-three percent (93%) and has no long-term debt or a debt service

1 coverage ratio in excess of 2.00 as of the provider's most recent fiscal year-end shall only be  
2 required to maintain an operating reserve equal to twelve and one-half percent (12.5%) of total  
3 operating costs of the continuing care retirement community, unless otherwise instructed by the  
4 Commissioner.

5 (d) The Commissioner may increase the amount a provider is required to maintain as its  
6 operating reserve, not to exceed fifty percent (50%) of total operating costs as calculated in  
7 accordance with G.S. 58-64A-260, for a continuing care retirement community operated by the  
8 provider or require that a provider immediately place the operating reserve on deposit with the  
9 Commissioner if the Commissioner has determined that the provider is in a hazardous condition  
10 pursuant to G.S. 58-64A-290.

11 (e) A provider shall notify all residents in writing within five business days if the  
12 Commissioner, pursuant to subsection (d) of this section, increases the amount a provider is  
13 required to maintain as its operating reserve for a continuing care retirement community operated  
14 by the provider or requires the operating reserve to be placed on deposit with the Commissioner.

15 (f) If the Commissioner requires a provider to place an operating reserve on deposit with  
16 the Commissioner, the provider shall at the same time deliver to the Commissioner a power of  
17 attorney executed by the provider's president and secretary, or other proper person or persons,  
18 authorizing the sale or transfer of said qualifying assets, or any part, for the purpose of paying  
19 any of the liabilities of the provider related to the continuing care retirement community for  
20 which the operating reserve is maintained.

21 **"§ 58-64A-260. Operating reserve calculation.**

22 (a) The five-year prospective financial statements as required by G.S. 58-64A-205(a)(2),  
23 together with the 12-month daily average independent living unit occupancy rate of the  
24 continuing care retirement community, shall serve as the basis for computing the operating  
25 reserve. A provider shall calculate and adjust, if necessary, the required operating reserve on at  
26 least a semiannual basis, including the date the operating reserve is certified in accordance with  
27 G.S. 58-64A-225.

28 (b) In addition to total operating expenses, total operating costs will include debt service  
29 consisting of principal and interest payments, along with taxes and insurance on any mortgage  
30 loan or other long-term financing, but will exclude depreciation, amortized expenses, and  
31 extraordinary items as approved by the Commissioner. If the debt service portion is accounted  
32 for by way of another reserve account, the debt service portion may be excluded upon satisfactory  
33 evidence of the existence and purpose of the other reserve account.

34 (c) A provider shall apply in writing for a determination by the Commissioner in order  
35 to exclude extraordinary items from total operating costs and shall provide documentation to  
36 support the request.

37 (d) For providers that have voluntarily and permanently discontinued entering into  
38 continuing care contracts, or who operate a continuing care retirement community where not all  
39 occupants are under continuing care contracts, the Commissioner may allow a reduced operating  
40 reserve if the Commissioner finds that the reduction is consistent with the financial protections  
41 imposed by this Article. In making this determination, the Commissioner may consider factors  
42 including the financial condition of the provider, the number of outstanding continuing care  
43 contracts, the ratio of persons under continuing care contracts to those persons who do not hold  
44 a continuing care contract, and the 12-month daily average independent living unit occupancy  
45 rate.

46 (e) A provider who has increased the number of independent living units available at a  
47 continuing care retirement community in excess of twenty percent (20%) shall be allowed to  
48 exclude the total number of independent living units in the expansion project for a period of 18  
49 months after the independent living units become available for occupancy when computing the  
50 operating reserve required by this Part.

1        (f) The Commissioner may allow a different calculation for a provider's required  
2 operating reserve for a continuing care retirement community operated by the provider if the  
3 calculation, in the opinion of the Commissioner, does not diminish the residents' protections  
4 provided for by this Part.

5 **"§ 58-64A-270. Qualifying assets.**

6        (a) A provider shall fund its operating reserve with any of the following qualifying assets:

7            (1) Cash.

8            (2) Cash equivalents.

9            (3) Investment grade securities. For the purposes of this subdivision, investment  
10 grade securities are any of the following:

11            a. Securities issued or directly and fully guaranteed or insured by the  
12 government of the United States of America or any of its agencies or  
13 instrumentalities.

14            b. Debt securities or debt instruments with a rating of BBB- or higher by  
15 Standard & Poor's or Baa3 or higher by Moody's, or, if no rating of  
16 Standard & Poor's or Moody's then exists, the equivalent of that rating  
17 by any other nationally recognized statistical rating organization  
18 appearing on the list of nationally recognized statistical rating  
19 organizations maintained by the National Association of Insurance  
20 Commissioners.

21            c. Investments in any fund that invests exclusively in investments of the  
22 type described in sub-subdivision a. or b. of this subdivision, which  
23 fund may also hold immaterial amounts of cash pending investment or  
24 distribution.

25        (4) Corporate stock that is traded on a public securities exchange that can be  
26 readily valued and liquidated for cash, including shares in mutual funds and  
27 exchange-traded funds that hold portfolios consisting predominantly of these  
28 stocks.

29        (5) Other assets considered to be acceptable to the Commissioner on a  
30 case-by-case basis.

31        (b) Except as otherwise provided in this subsection, the assets maintained by the provider  
32 as an operating reserve for a continuing care retirement community operated by the provider  
33 under this Article may not be subject to any liens, charges, judgments, garnishments, or creditors'  
34 claims and may not be hypothecated, pledged as collateral, or otherwise encumbered in any  
35 manner. A provider may encumber assets held as an operating reserve as part of a security pledge  
36 of assets or similar collateralization that is part of the provider's debt financing and is included  
37 in the provider's debt indenture security instruments related thereto or other similar instrument.

38        (c) For the purpose of calculating the amount to be maintained by the provider to satisfy  
39 its operating reserve requirement, all qualifying assets shall be valued at their current fair market  
40 value.

41 **"§ 58-64A-275. Surety bond; letter of credit.**

42        (a) In lieu of funding the operating reserve with qualifying assets as set forth in  
43 G.S. 58-64A-270, a provider may fund all or a portion of the operating reserve required by this  
44 Part by filing with the Commissioner a surety bond or letter of credit as set forth in this section.

45        (b) Surety Bond. – A surety bond shall be in a form acceptable to the Commissioner and  
46 issued by an insurer authorized by the Commissioner to write surety business in this State. All of  
47 the following shall apply to surety bonds issued pursuant to this Article:

48            (1) The surety bond may be exchanged or replaced with another surety bond if (i)  
49 the surety bond applies to obligations and liabilities that arose during the  
50 period of the original surety bond, (ii) the surety bond meets the requirements

1 of this section, and (iii) 90 days' advance written notice is provided to the  
2 Commissioner.

3 (2) Notice of cancellation or nonrenewal of the surety bond required by this  
4 section shall be provided to the provider and the Commissioner in writing at  
5 least 45 days before cancellation or nonrenewal.

6 (3) A surety bond may be canceled by the issuer of the bond with respect to future  
7 obligations or liabilities upon proper notice pursuant to this section and  
8 without regard to approval or acceptance of the Commissioner.

9 (c) Letter of Credit. – A provider may file a clean, irrevocable, unconditional letter of  
10 credit issued or confirmed by a qualified United States financial institution as defined in  
11 G.S. 58-7-26(b) naming the Commissioner as beneficiary. The terms of the letter of credit shall  
12 be approved by the Commissioner before issuance and before its renewal or modification. The  
13 letter of credit shall provide for all of the following:

14 (1) Ninety days' prior written notice to both the provider and the Commissioner  
15 of the financial institution's determination not to renew or extend the term of  
16 the letter of credit.

17 (2) Unless otherwise arranged by the provider to the satisfaction of the  
18 Commissioner, deposit by the financial institution of letter of credit funds in  
19 an account designated by the Commissioner no later than 30 days before the  
20 expiration of the letter of credit.

21 (3) Deposit by the financial institution of letter of credit funds in an account  
22 designated by the Commissioner within five business days following written  
23 instructions from the Commissioner that, in the sole judgment of the  
24 Commissioner, funding of the operating reserve is required.

25 **§ 58-64A-280. Operating reserve release.**

26 (a) An operating reserve shall only be released, in whole or in part, upon the submittal of  
27 a detailed request from the provider and approval of that request by the Commissioner. This  
28 request shall be submitted in writing for the Commissioner to review at least 10 business days  
29 prior to the proposed date of withdrawal.

30 (b) In order to receive the approval of the Commissioner, a provider shall explain why a  
31 release is necessary and, if applicable, submit a repayment schedule to replenish the operating  
32 reserve to the amount required by G.S. 58-64A-255. Within five business days after the date a  
33 request is deemed complete, the Commissioner shall provide the provider with a written notice  
34 of approval or disapproval of the request. The Commissioner may disapprove any request to  
35 withdraw the funds if it is determined that the withdrawal is not in the best interest of residents.

36 (c) A provider shall give written notice to residents of any request made pursuant to  
37 subsection (a) of this section at the same time the written request is submitted to the  
38 Commissioner.

39 "Part 10. Offenses and Penalties.

40 **§ 58-64A-285. Grounds for discretionary refusal, restriction, or revocation of a permit,**  
41 **certificate, or license.**

42 (a) The Commissioner may (i) deny an application or any other request for approval or  
43 (ii) restrict or revoke any permit, certificate, license, or other authorization issued under this  
44 Article if the Commissioner finds that the applicant or provider did any of the following:

45 (1) Willfully violated any provision of this Article or of any rule or order of the  
46 Commissioner.

47 (2) Made a material omission, misstatement, or misrepresentation, or committed  
48 fraud in obtaining a permit, certificate, license, or other authorization.

49 (3) Engaged in any fraudulent or dishonest practices in the conduct of its business.

50 (4) Misappropriated, converted, or improperly withheld any monies.

- 1           (5)    Failed to file an annual disclosure statement, annual report, or any other  
2           materials requested by the Commissioner as required by this Article.
- 3           (6)    Failed to deliver to prospective residents a disclosure statement as required by  
4           this Article.
- 5           (7)    Delivered to prospective residents a disclosure statement that makes a material  
6           misstatement or omits a material fact and the provider, at the time of the  
7           delivery of the disclosure statement, had actual knowledge of the misstatement  
8           or omission.
- 9           (8)    Failed to make a revised disclosure statement available to residents.
- 10          (9)    Made any material misrepresentations to depositors, prospective residents, or  
11          residents of a continuing care retirement community operated or to be  
12          operated in this State.
- 13          (10)   Failed to maintain the escrow account required under this Article, or a portion  
14          of an escrow account required to be maintained under this Article has been  
15          released in violation of this Article.
- 16          (11)   Failed to deposit entrance fees and deposits into an escrow account when  
17          required by this Article.
- 18          (12)   Failed to maintain the operating reserve required under this Article, or a  
19          portion of the operating reserve required to be maintained under this Article  
20          has been released in violation of this Article.
- 21          (13)   Violated a restriction of its permit, certificate, or license.
- 22          (14)   After request by the Commissioner for an investigation or examination,  
23          refused access to records or information; refused to be investigated or  
24          examined or to produce its accounts, records, and files for an investigation or  
25          examination; refused to give information with respect to its affairs; or refused  
26          to perform any other legal obligations related to an investigation or  
27          examination.
- 28          (15)   Failed to fulfill obligations under continuing care and continuing care without  
29          lodging contracts.
- 30          (16)   Violated the provisions of G.S. 58-64A-215 related to the purchase, sale, or  
31          transfer of ownership of any real property used in the operations of a  
32          continuing care retirement community operated in this State, including a  
33          sale-leaseback transaction, or an interest in a continuing care retirement  
34          community other than a sale of a living unit to a resident or other transferee.
- 35          (17)   Violated the provisions of G.S. 58-64A-220 related to the change of control  
36          of an applicant or provider holding a certificate or license under this Article.
- 37          (18)   Violated the provisions of G.S. 58-64A-240 related to third-party  
38          management.
- 39          (19)   Failed to comply with the terms of a cease-and-desist order.
- 40          (20)   Has been determined by the Commissioner to be in a hazardous condition.
- 41          (b)    Findings of fact in support of a denial, restriction, or revocation shall be accompanied  
42          by an explicit statement of the Commissioner's understanding of the underlying facts supporting  
43          the findings.
- 44          (c)    If the Commissioner has good cause to believe that a provider has committed a  
45          violation for which revocation could be ordered, the Commissioner may first issue a  
46          cease-and-desist order. If the cease-and-desist order is not or cannot be effective in remedying  
47          the violation, the Commissioner may, after notice and hearing, order that a permit, certificate, or  
48          license be revoked. That revocation order may be appealed to the Superior Court of Wake County  
49          in the manner provided by G.S. 58-63-35. The provider shall accept no new deposits or entrance  
50          fees while the revocation order is under appeal.



1       (d) If the Commissioner issues a cease-and-desist order or restricts or revokes a provider's  
2 permit, certificate, or license, the provider shall notify all residents and depositors of the  
3 cease-and-desist order, restriction, or revocation within five business days.

4       (e) The Commissioner may, upon finding of changed circumstances, remove a  
5 restriction.

6       (f) The revocation by the Commissioner of a certificate or license shall not release the  
7 provider from obligations assumed through continuing care and continuing care without lodging  
8 contracts.

9       (g) Within 20 business days after receiving a notice of revocation of a license, a provider  
10 shall provide to the Commissioner and all residents a written plan detailing specifically how the  
11 provider intends to continue to meet its continuing care obligations.

12       (h) A provider who has their permanent license revoked shall continue to file its annual  
13 report and annual disclosure statement and pay annual fees to the Commissioner as required  
14 under this Article as if the permanent license had continued in full force, but the provider shall  
15 not issue any new continuing care or continuing care without lodging contracts.

16       (i) A provider who has a permit, certificate, or license revoked shall provide written  
17 notice within five business days to all depositors, shall reimburse all deposits collected, and shall  
18 provide documentation to the Commissioner verifying that all deposits have been returned to  
19 depositors.

20 **"§ 58-64A-290. Hazardous condition.**

21       The Commissioner may consider any of the following standards to determine whether a  
22 provider is in a hazardous condition:

23           (1) Whether the provider is impaired or insolvent.

24           (2) Adverse findings reported in examination reports, audit reports, and actuarial  
25 opinions, reports, or summaries.

26           (3) Whether the provider has failed to establish, maintain, or has substantially  
27 depleted the operating reserve required by this Article.

28           (4) The age and collectability of receivables.

29           (5) Whether an affiliate is insolvent, bankrupt, or threatened with insolvency or  
30 bankruptcy, or delinquent in payment of its monetary or any other obligations  
31 and which in the opinion of the Commissioner may affect the solvency of the  
32 provider.

33           (6) Whether the provider, or any obligated group that the provider is a part of, is  
34 not in compliance with any covenant contained in any debt agreement.

35           (7) Whether the provider is aware of any existing circumstances which would  
36 hinder or cause the provider, or any member of an obligated group that the  
37 applicant or provider is a part of, to not be able to perform on any debt  
38 agreement.

39           (8) Contingent liabilities, pledges, or guaranties that either individually or  
40 collectively involve a total amount that in the Commissioner's opinion may  
41 affect a provider's solvency.

42           (9) Whether the management of a provider, including officers, directors, or any  
43 other person who directly or indirectly controls the operations of an applicant,  
44 provider, or continuing care retirement community, fails to possess and  
45 demonstrate the competence, fitness, or reputation considered by the  
46 Commissioner to be necessary to serve the provider or continuing care  
47 retirement community in that position.

48           (10) Whether the management of a provider has failed to respond to the  
49 Commissioner's inquiries about the condition of the applicant or provider or  
50 has furnished false and misleading information in response to an inquiry by  
51 the Commissioner.

1           (11) Whether the applicant or provider has failed to meet financial, disclosure  
2 statement, or other filing requirements in the absence of a reason satisfactory  
3 to the Commissioner.

4           (12) Whether the management of an applicant or provider has filed any false or  
5 misleading financial statement, has released a false or misleading financial  
6 statement to a lending institution or to the general public, or has made a false  
7 or misleading entry or omitted an entry of material amount in the applicant's  
8 or provider's books.

9           (13) Whether the applicant or provider has experienced or will experience in the  
10 foreseeable future cash flow or liquidity problems.

11           (14) Any other finding determined by the Commissioner to be hazardous to the  
12 applicant's or provider's depositors, residents, creditors, or the general public.

13 **"§ 58-64A-295. Corrective action plan.**

14           (a) If the Commissioner has determined that a provider is in a hazardous condition, the  
15 Commissioner may, in lieu of taking action under G.S. 58-64A-285 or G.S. 58-64A-340, and  
16 after notice and opportunity for hearing, issue an order requiring a provider to (i) submit a  
17 corrective action plan within 45 days and (ii) notify all residents and depositors within five  
18 business days of the Commissioner's order. The corrective action plan shall include both of the  
19 following:

20                   (1) Proposals of corrective actions the provider intends to take which would  
21 reasonably be expected to result in the elimination of the hazardous condition.

22                   (2) A date when the provider anticipates it will rectify the problems and  
23 deficiencies identified by the Commissioner.

24           (b) Within 45 days after the submittal of a corrective action plan, the Commissioner shall  
25 notify the provider whether the corrective action plan shall be implemented or is, in the judgment  
26 of the Commissioner, unsatisfactory. If the Commissioner determines the corrective action plan  
27 is unsatisfactory, the notification to the provider shall set forth the reasons for the determination  
28 and may set forth proposed revisions that will render the corrective action plan satisfactory in the  
29 judgment of the Commissioner. After receiving notification from the Commissioner, the provider  
30 shall prepare a revised corrective action plan which may incorporate by reference any revisions  
31 proposed by the Commissioner and shall submit the revised corrective action plan to the  
32 Commissioner within 45 days after notification from the Commissioner. If the corrective plan is  
33 approved, the provider shall immediately implement the corrective action plan, distribute a copy  
34 of the plan to all residents and depositors, and begin reporting to the Commissioner on the  
35 implementation and progress of the corrective action plan in accordance with a schedule and in  
36 a format established by the Commissioner. Each report shall also be distributed to all residents  
37 and depositors at the time the report is submitted to the Commissioner.

38           (c) If the corrective action plan is disapproved, or if a corrective action plan is not  
39 submitted, the Commissioner may engage consultants to develop a corrective action plan. After  
40 the corrective action plan is developed, the Commissioner shall direct the provider to implement  
41 the corrective action plan and to distribute a copy of the corrective action plan to all residents  
42 and depositors. Expenses incurred by the Commissioner to engage consultants shall be paid by  
43 the provider.

44           (d) This section shall not be construed to delay or prevent the Commissioner from taking  
45 any regulatory measures deemed necessary regarding the provider.

46           (e) The provider shall distribute its approved corrective action plan and its most recent  
47 report to the Commissioner to a prospective resident at the time the provider distributes its current  
48 disclosure statement pursuant to G.S. 58-64A-165. Subsections (b) and (c) of G.S. 58-64A-165  
49 shall apply to the corrective action plan and the most recent report to the Commissioner required  
50 to be distributed pursuant to this subsection.

51 **"§ 58-64A-300. Investigations and subpoenas.**

1       (a)     The Commissioner may make public or private investigations within or outside of this  
2 State as necessary to (i) determine whether any person has violated or is about to violate any  
3 provision of this Article, (ii) aid in the enforcement of this Article, or (iii) verify statements  
4 contained in any disclosure statement or other filing filed or delivered under this Article.

5       (b)     For the purpose of any investigation or proceeding under this Article, the  
6 Commissioner may require or permit any person to file a statement in writing, under oath or  
7 otherwise, as to any of the facts and circumstances concerning the matter to be investigated.

8       (c)     For the purpose of any investigation or proceeding under this Article, the  
9 Commissioner or the Commissioner's designee has all the powers given to him for insurance  
10 companies. He may administer oaths and affirmations, subpoena witnesses, compel their  
11 attendance, take evidence, and require the production of any books, papers, correspondence,  
12 memoranda, agreements, or other documents or records deemed relevant or material to the  
13 inquiry, all of which may be enforced in the Superior Court of Wake County.

14 **"§ 58-64A-305. Civil liability.**

15       (a)     A provider who enters into a binding reservation agreement, continuing care contract,  
16 or continuing care without lodging contract under this Article without having first delivered a  
17 disclosure statement meeting the requirements of Part 5 of this Article to the person with whom  
18 the binding reservation agreement, continuing care contract, or continuing care without lodging  
19 contract was entered into, or enters into a binding reservation agreement, continuing care  
20 contract, or continuing care without lodging contract with a person who has relied on a disclosure  
21 statement that materially misrepresents or omits to state a material fact required to be stated  
22 therein or necessary in order to make the statements made therein, in light of the circumstances  
23 under which they are made, not misleading, shall be liable to that person for actual damages and  
24 repayment of all fees paid to the provider violating this Article, less the costs of care, services,  
25 and housing provided to the resident by or on whose behalf the binding reservation agreement,  
26 continuing care contract, or continuing care without lodging contract was entered into prior to  
27 discovery of the violation, misstatement, or omission or the time the violation, misstatement, or  
28 omission should reasonably have been discovered, together with interest thereon at the legal rate  
29 for judgments, and court costs and reasonable attorney fees.

30       (b)     Liability under this section exists regardless of whether the provider had actual  
31 knowledge of the misstatement or omission.

32       (c)     A person may not file or maintain an action under this section if the person, before  
33 filing the action, received a written offer of a refund of all amounts paid to the provider, together  
34 with interest at the rate established monthly by the Commissioner of Banks pursuant to  
35 G.S. 24-1.1(c), less the cost of care, services, and housing provided prior to receipt of the offer,  
36 and if the offer recited the provisions of this section and the recipient of the offer failed to accept  
37 it within 30 days of actual receipt.

38       (d)     An action may not be maintained to enforce a liability created under this Article unless  
39 brought before the expiration of three years after the alleged violation.

40 **"§ 58-64A-310. Criminal penalties.**

41       (a)     Any person who willfully and knowingly violates any provision of this Article is  
42 guilty of a Class 1 misdemeanor. The Commissioner may refer any available evidence concerning  
43 a violation of this Article, or of any rule adopted or order issued pursuant to this Article, to the  
44 Attorney General or a district attorney. The Attorney General or a district attorney may institute  
45 the appropriate criminal proceedings under this Article, with or without an evidentiary referral  
46 from the Commissioner. Nothing in this Article limits the power of the State to punish any person  
47 for any conduct that constitutes a crime under any other statute.

48       (b)     Any action brought against any person shall not abate by reason of a sale or other  
49 transfer of ownership of the continuing care retirement community except with the express  
50 written consent of the Commissioner.

51 **"§ 58-64A-315. Forfeiture.**

1        (a) A permit, certificate, license, or other approval issued by the Commissioner pursuant  
2 to this Article shall be forfeited, after notice and opportunity for hearing, when any one of the  
3 following occurs:

- 4            (1) The provider terminates marketing a proposed continuing care retirement  
5 community.  
6            (2) The provider surrenders to the Commissioner its permit, certificate, or license.  
7            (3) The provider sells or otherwise transfers all or part of a continuing care  
8 retirement community without the Commissioner's approval in accordance  
9 with G.S. 58-64A-215.  
10          (4) A change occurs in the control of the provider without the Commissioner's  
11 approval in accordance with G.S. 58-64A-220.  
12          (5) The provider merges with another person without the Commissioner's  
13 approval in accordance with G.S. 58-64A-220.  
14          (6) The provider moves the continuing care retirement community from one  
15 location to another without the Commissioner's prior approval.  
16          (7) The provider abandons the continuing care retirement community or its  
17 obligations under continuing care and continuing care without lodging  
18 contracts.  
19          (8) The provider is evicted from the structures that make up the continuing care  
20 retirement community.  
21          (9) The provider closes a continuing care retirement community.

22        (b) The provider shall notify all residents and depositors within five business days after  
23 a forfeiture of a permit, certificate, or license.

24 **"§ 58-64A-320. Remedies available in cases of unlawful contracting.**

25        (a) If the Commissioner determines that a provider is or has been violating the provisions  
26 of this Article, the Commissioner may, after notice and opportunity for hearing, order the  
27 provider to cease entering into binding reservation agreements, continuing care contracts, and  
28 continuing care without lodging contracts and make a rescission offer to any resident or depositor  
29 who entered into a binding reservation agreement, continuing care contract, or continuing care  
30 without lodging contract while the provider was violating the provisions of this Article in  
31 accordance with the provisions of this section.

32        (b) After the Commissioner issues an order pursuant to subsection (a) of this section,  
33 every binding reservation agreement, continuing care contract, or continuing care without  
34 lodging contract entered into in violation of this Article may be rescinded at the election of the  
35 resident or depositor without penalty.

36        (c) No resident or depositor shall have the benefit of this section who, within 30 days of  
37 receipt, has refused or failed to accept an offer made in writing by the provider to rescind the  
38 binding reservation agreement, continuing care contract, or continuing care without lodging  
39 contract in question and to refund the full amount paid by the resident or depositor with interest  
40 at the rate established monthly by the Commissioner of Banks pursuant to G.S. 24-1.1(c) on the  
41 full amount paid for the binding reservation agreement, continuing care contract, or continuing  
42 care without lodging contract for the period from the date of payment by the depositor or resident  
43 to the date of repayment, less the cost of care, services, and housing provided, if applicable, and  
44 the amount of any costs specifically incurred by the provider at the request of the resident or  
45 depositor and set forth in writing, signed by both parties to the binding reservation agreement,  
46 continuing care contract, or continuing care without lodging contract.

47 **"§ 58-64A-325. Administrative fines.**

48        (a) Whenever the Commissioner has reason to believe that any provider has violated any  
49 of the provisions of this Article, and the violation subjects the provider's permit, certificate, or  
50 license to revocation, the Commissioner may, after notice and opportunity for hearing, proceed  
51 under the appropriate subsections of this section.

1        (b) If, under subsection (a) of this section, the Commissioner finds a violation of this  
2 Article, the Commissioner may, in addition to or instead of revoking a permit, certificate, or  
3 license, order the payment of a monetary penalty as provided in subsection (c) of this section or  
4 petition the Superior Court of Wake County for an order directing payment of restitution as  
5 provided in subsection (d) of this section, or both. Each day during which a violation occurs  
6 constitutes a separate violation.

7        (c) If the Commissioner orders the payment of a monetary penalty pursuant to subsection  
8 (b) of this section, the penalty shall not be less than one hundred dollars (\$100.00) nor more than  
9 one thousand dollars (\$1,000) per violation. In determining the amount of the penalty, the  
10 Commissioner shall consider the degree and extent of harm caused by the violation, the amount  
11 of money that inured to the benefit of the provider as a result of the violation, whether the  
12 violation was committed willfully, and the prior record of the provider in complying or failing to  
13 comply with laws, rules, or orders applicable to the provider. The clear proceeds of the penalty  
14 shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.  
15 Payment of the civil penalty under this section shall be in addition to payment of any other  
16 penalty for a violation of the criminal laws of this State.

17        (d) Upon petition of the Commissioner, the Court may order the person who committed  
18 a violation specified in subsection (a) of this section to make restitution in an amount that would  
19 make whole any person harmed by the violation. The petition may be made at any time and also  
20 in any appeal of the Commissioner's order.

21        (e) Restitution to any State agency for extraordinary administrative expenses incurred in  
22 the investigation and hearing of the violation may also be ordered by the Court in an amount that  
23 would reimburse the agency for the expenses.

24        (f) Nothing in this section prevents the Commissioner from negotiating a mutually  
25 acceptable agreement with any provider as to the status of the provider's permit, certificate, or  
26 license or as to any civil penalty or restitution.

27        (g) Unless otherwise specifically provided for, all administrative proceedings under this  
28 Article are governed by Chapter 150B of the General Statutes. Appeals of the Commissioner's  
29 orders under this section shall be governed by G.S. 58-2-75.

30 **"§ 58-64A-330. Nonexclusive remedies.**

31 The civil, criminal, and administrative remedies available to the Commissioner pursuant to  
32 this Article are not exclusive and may be sought and employed by the Commissioner, in any  
33 combination, to enforce this Article.

34 **"§ 58-64A-335. Soliciting or accepting new agreements or contracts by impaired or**  
35 **insolvent providers.**

36 Regardless of whether delinquency proceedings as to a provider have been or are to be  
37 initiated, a provider may not actively solicit, approve the solicitation of, or enter into new binding  
38 reservation agreements, continuing care contracts, or continuing care without lodging contracts  
39 in this State after the provider knew, or reasonably should have known, that the provider was  
40 impaired or insolvent except with the written permission of the Commissioner. The  
41 Commissioner shall approve or disapprove the continued marketing of new binding reservation  
42 agreements, continuing care contracts, and continuing care without lodging contracts within 15  
43 days after receiving a request from a provider. If the provider has declared bankruptcy, the  
44 bankruptcy court or trustee appointed by the court has jurisdiction over those matters.

45 "Part 11. Delinquency Proceedings.

46 **"§ 58-64A-340. Supervision, rehabilitation, and liquidation.**

47 (a) The Commissioner may commence a supervision proceeding pursuant to Article 30  
48 of this Chapter or may apply to the Superior Court of Wake County or to the federal bankruptcy  
49 court that may have previously taken jurisdiction over the provider or continuing care retirement  
50 community for an order directing the Commissioner or authorizing the Commissioner to  
51 rehabilitate or to liquidate a provider or continuing care retirement community in accordance

1 with Article 30 of this Chapter, if the Commissioner determines, after notice and an opportunity  
2 for hearing, that any of the following apply:

3 (1) A portion of an escrow account or operating reserve required to be maintained  
4 under this Article has been or is proposed to be released in violation of this  
5 Article.

6 (2) A provider has been or will be unable to fully perform its obligations pursuant  
7 to continuing care and continuing care without lodging contracts, or to meet  
8 prospective financial data previously filed by the provider.

9 (3) A provider has failed to maintain the escrow account required under this  
10 Article.

11 (4) A provider is in a hazardous condition.

12 (5) A provider is bankrupt or insolvent, or in imminent danger of becoming  
13 bankrupt or insolvent.

14 (b) If the Commissioner commences a supervision proceeding, the provider shall notify  
15 all residents and depositors of the proceeding within five business days.

16 (c) If an order is issued directing or authorizing the Commissioner to rehabilitate or to  
17 liquidate a provider or continuing care retirement community, the Commissioner shall notify all  
18 affected residents and depositors of the rehabilitation or liquidation order within five business  
19 days or as otherwise directed by the Court.

20 (d) If, at any time, the Court finds, upon petition of the Commissioner, a provider, or on  
21 its own motion, that the objectives of an order to rehabilitate a provider have been accomplished  
22 and that the continuing care retirement community or communities owned by, or operated by,  
23 the provider can be returned to the provider's management without further jeopardy to the  
24 residents or depositors of the continuing care retirement community or communities, the Court  
25 may, upon a full report and accounting of the conduct of the provider's affairs during the  
26 rehabilitation and of the provider's current financial condition, terminate the rehabilitation and,  
27 by order, return the continuing care retirement community or communities owned by, or operated  
28 by, the provider, along with the assets and affairs of the provider, to the provider's management.

29 (e) When applying for an order to rehabilitate or liquidate a provider, the Commissioner  
30 shall give due consideration in the application to the manner in which the welfare of persons who  
31 have contracted with the provider for continuing care may be best served.

32 (f) An order for rehabilitation shall be refused or vacated if the provider posts a bond, by  
33 a recognized surety authorized to do business in this State and executed in favor of the  
34 Commissioner on behalf of persons who may be found entitled to a refund of entrance fees and  
35 deposits from the provider or other damages in the event the provider is unable to fulfill its  
36 contracts to provide continuing care, in an amount determined by the Court to be equal to the  
37 reserve funding that would otherwise need to be available to fulfill the provider's obligations.

38 (g) G.S. 58-30-12 shall not apply to providers under this Article.

39 **"§ 58-64A-345. Receiverships; exception for long-term care facility beds.**

40 When the Commissioner has been appointed as a receiver under Article 30 of this Chapter  
41 for a provider or a continuing care retirement community subject to this Article, the Department  
42 of Health and Human Services may, notwithstanding any other provision of law, accept and  
43 approve the addition of adult care home beds or nursing beds for a continuing care retirement  
44 community owned by, or operated by, the provider, if it appears to the Court, upon petition of  
45 the Commissioner or the provider, or on the Court's own motion, that (i) the best interests of the  
46 provider or (ii) the welfare of persons who have previously contracted with the provider or may  
47 contract with the provider, may be best served by the addition of adult care home beds or nursing  
48 beds.

49 **"§ 58-64A-350. Contracts as preferred claims in liquidation.**

1       (a) In the event of liquidation of a provider, all continuing care and continuing care  
2 without lodging contracts executed by the provider shall be deemed preferred claims against all  
3 assets owned by the provider.

4       (b) Notwithstanding subsection (a) of this section, the claims of all continuing care and  
5 continuing care without lodging contracts shall be subordinate to the liquidator's cost of  
6 administration or any secured claim.

7               "Part 12. Residents' Right to Organization and Semiannual Meetings.

8 **"§ 58-64A-355. Right to organization.**

9       A resident living in a continuing care retirement community operated by a provider licensed  
10 under this Article has the right of self-organization, the right to be represented by an individual  
11 of the resident's own choosing, and the right to engage in concerted activities to keep informed  
12 on the operation of the continuing care retirement community in which the resident resides or for  
13 other mutual aid or protection. The right to organize includes the right to establish a residents'  
14 council.

15 **"§ 58-64A-360. Semiannual meetings.**

16       (a) The board of directors or other governing body of a provider or its designated  
17 representative shall hold in-person semiannual meetings with the residents of each continuing  
18 care retirement community operated by the provider in this State for free discussions of subjects,  
19 including, but not limited to, income, expenditures, and financial matters, trends, and problems  
20 as they apply to the continuing care retirement community and discussions of proposed changes  
21 in policies, programs, fees, facilities, and services. Nothing in this subsection shall prevent a  
22 provider from making a semiannual meeting available via electronic means to residents of the  
23 continuing care retirement community who are unable to attend in person.

24       (b) A member of the governing body of the provider, such as a board member, a general  
25 partner, or a principal owner, shall attend the semiannual meetings in person. A provider may  
26 apply to the Commissioner for a waiver from the requirement of this subsection based on unique  
27 circumstances.

28       (c) Residents shall be entitled to at least seven days' advance notice of each meeting under  
29 subsection (a) of this section. The agenda and any materials that are distributed at the meetings  
30 shall remain available upon request to residents for at least 60 days after each semiannual  
31 meeting.

32       (d) Whenever a state of emergency or disaster has been proclaimed in this State or for an  
33 area within this State under G.S. 166A-19.20 or G.S. 166A-19.21, or whenever the President of  
34 the United States has issued a major disaster declaration for the State or for an area within the  
35 State under the Stafford Act, 42 U.S.C. § 5121, et seq., that directly affects the continuing care  
36 retirement community, semiannual meetings required under this section may be held by  
37 electronic means, including any of the following:

38               (1) Telephone.

39               (2) Video conference.

40               (3) Video broadcast.

41       (e) If a semiannual meeting is held under subsection (d) of this section, notice of the  
42 method residents may attend the meeting shall be published with the notice of the meeting. The  
43 meeting shall be recorded in the format in which it is conducted, including without limitation:

44               (1) A sound-only recording.

45               (2) A video recording with sound and picture.

46               (3) A digital or analog broadcast capable of being recorded.

47       (f) Recordings made pursuant to subsection (e) of this section shall remain available to  
48 residents for at least 60 days after being made available to residents.

49       (g) A provider may petition the Commissioner for a waiver pursuant to G.S. 58-64A-35  
50 if, in the opinion of the provider, a semiannual meeting cannot reasonably be held.

1 (h) A provider shall report to the Commissioner in the annual report required under  
2 G.S. 58-64A-205 the dates on which the semiannual meetings were held during the reporting  
3 period.

4 "Part 13. Miscellaneous Provisions.

5 **"§ 58-64A-365. Waiver of statutory protection.**

6 No act, agreement, or statement of any resident, or of an individual purchasing continuing  
7 care for a resident under any continuing care or continuing care without lodging contract, shall  
8 constitute a valid waiver of any provision of this Article intended for the benefit or protection of  
9 the resident or the individual purchasing continuing care for the resident.

10 **"§ 58-64A-370. Continuing Care Advisory Committee.**

11 (a) There shall be a 12-member Continuing Care Advisory Committee appointed by the  
12 Commissioner. The Committee shall be comprised of providers, residents, and professionals  
13 involved in the continuing care retirement community industry. At a minimum, the Committee  
14 shall include at least four representatives of, and nominated by, the North Carolina Continuing  
15 Care Residents Association and four representatives of, and nominated by, LeadingAge North  
16 Carolina.

17 (b) The Committee shall meet all of the following requirements:

- 18 (1) Meet at least twice per year.
- 19 (2) Hold other meetings at times and places as the Commissioner may direct.
- 20 (3) Act in an advisory capacity to the Commissioner on matters pertaining to the  
21 operation and regulation of continuing care retirement communities and  
22 continuing care without lodging programs.
- 23 (4) Report to the Commissioner on developments in the continuing care  
24 retirement community industry, including continuing care without lodging  
25 and similar programs, and problems or concerns of providers and residents.
- 26 (5) Recommend changes in relevant statutes and rules.

27 (c) The term of each Committee member shall be three years, or until the Committee  
28 member's successor has been appointed. Committee members may serve two consecutive terms.

29 (d) Committee members shall serve without pay but shall be reimbursed for travel  
30 expenses by the Department at the rates set out in G.S. 138-6.

31 (e) The Commissioner shall notify the Committee in writing of proposed statute or rule  
32 changes and hearings related to the administration of this Article.

33 **"§ 58-64A-375. Other licensing or regulation.**

34 (a) Nothing in this Article affects the authority of the Department of Health and Human  
35 Services or any successor agency otherwise provided by law to license or regulate any long-term  
36 care facility.

37 (b) Continuing care retirement communities and providers licensed under this Article that  
38 are also subject to the provisions of the North Carolina Condominium Act under Chapter 47C of  
39 the General Statutes shall not be subject to the provisions of Chapter 39A of the General Statutes,  
40 provided that the continuing care retirement community's declaration of condominium does not  
41 require the payment of any fee or charge not otherwise provided for in a resident's continuing  
42 care contract, or other separate contract for the provisions of membership or services.

43 **"§ 58-64A-380. Examination.**

44 (a) The Commissioner or the Commissioner's designee may, in the Commissioner's  
45 discretion, visit a provider offering continuing care in this State to examine its books and records.  
46 Expenses incurred by the Commissioner in conducting examinations under this section shall be  
47 paid by the provider examined.

48 (b) The provisions of G.S. 58-2-131, 58-2-132, 58-2-133, 58-2-134, 58-2-155, 58-2-180,  
49 58-2-185, and 58-6-5 apply to this Article and are hereby incorporated by reference.

50 (c) If a provider relies on a contractual or financial relationship with another person in  
51 order to meet the financial requirements of this Article, the Commissioner or the Commissioner's



1 designee may examine the person that has a contractual or financial relationship with the provider  
2 to the extent necessary to ascertain the financial condition of the provider.

3 (d) A provider shall make a copy of the examination report issued by the Commissioner  
4 available for inspection by all residents within 10 business days after issuance."

5 **SECTION 3.** This act becomes effective October 1, 2023, and applies to contracts  
6 issued, renewed, or amended on or after that date.