

NEW ISSUE**Book-Entry Only****RATING: Fitch: "BBB+"****See "RATING" herein**

In the opinion of Nixon Peabody LLP, New York, New York, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Issuer and the Corporation described herein, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision of the State of New York, including The City of New York, assuming compliance with tax covenants and the accuracy of the representations and certifications described herein. See "TAX MATTERS" herein regarding certain other tax considerations.

\$38,040,000

**TOWN OF BROOKHAVEN
LOCAL DEVELOPMENT CORPORATION
REVENUE REFUNDING BONDS, SERIES 2016
(ACTIVE RETIREMENT COMMUNITY, INC. D/B/A
JEFFERSON'S FERRY PROJECT)**

Dated: Date of Delivery**Due:** November 1, as shown herein

The Town of Brookhaven Local Development Corporation Revenue Refunding Bonds, Series 2016 (Active Retirement Community, Inc. d/b/a Jefferson's Ferry Project) (the "Series 2016 Bonds") are issuable only as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in the denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016 Bonds. Interest on the Series 2016 Bonds will be based on a 360 day year of twelve 30 day months and will be payable on each May 1 and November 1, commencing on May 1, 2017. So long as Cede & Co. is the registered owner of the Series 2016 Bonds, payments of principal or redemption price of and interest on the Series 2016 Bonds are required to be made to Beneficial Owners by DTC through its participants. See "THE SERIES 2016 BONDS - Book-Entry Only System" herein.

The Series 2016 Bonds are issued pursuant to an Indenture of Trust dated as of November 1, 2016 (the "Indenture"), between the Town of Brookhaven Local Development Corporation (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2016 Bonds will be payable from (a) payments made by Active Retirement Community, Inc. (d/b/a Jefferson's Ferry) (the "Corporation") pursuant to a Loan Agreement dated as of November 1, 2016 (the "Loan Agreement") between the Issuer and the Corporation and (b) certain funds and accounts established under the Indenture and investment earnings thereon. The proceeds of the Series 2016 Bonds will be applied, together with other available funds: (i) to refund the Suffolk County Industrial Development Agency's Continuing Care Retirement Community Revenue Refunding Bonds (Jefferson's Ferry Project - 2006) (the "Series 2006 Bonds"); (ii) to provide for the financing or refinancing of construction, renovation, installation, equipping, improvements or upgrades to the Corporation's original facility and/or other facilities located on the Corporation's land; (iii) to fund a Debt Service Reserve Fund for the Series 2016 Bonds; and (iv) to pay certain costs incurred in connection with the issuance of the Series 2016 Bonds. The obligation of the Corporation to make the payments under the Loan Agreement is secured by an obligation issued under the Master Indenture of Trust described herein, wherein the members of the obligated group (as defined herein) are jointly and severally obligated to make payments on the Obligations issued according to the terms thereof. The obligations of the Corporation under the Master Indenture of Trust are secured by a mortgage lien and a security interest in the real and personal property of the Corporation's continuing care retirement community located in South Setauket, Town of Brookhaven, New York. The sources of payment of, and security for, the Series 2016 Bonds are more fully described in this Official Statement.

AN INVESTMENT IN THE SERIES 2016 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE SERIES 2016 BONDHOLDER IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS ENTITLED "SECURITY FOR THE SERIES 2016 BONDS" AND "CERTAIN BONDHOLDERS' RISKS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016 BONDS.

THE SERIES 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF THE TOWN OF BROOKHAVEN OR THE STATE OF NEW YORK AND NONE OF THE TOWN OF BROOKHAVEN OR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

The Series 2016 Bonds are subject to redemption prior to maturity, including redemption at par under certain circumstances, as described herein under "THE SERIES 2016 BONDS."

The Series 2016 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approving opinion of Nixon Peabody LLP, New York, New York, as Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Annette Eaderesto, Esq., Brookhaven, New York; for the Corporation by its counsel, Garfunkel Wild, P.C., Great Neck, New York; and for the Underwriter by its counsel, Butler Snow LLP, Boston, Massachusetts. It is expected that the Series 2016 Bonds will be available for delivery in definitive form to DTC in New York, New York on or about December 14, 2016.



MATURITY SCHEDULE
(CUSIP[®] 6-digit issuer number: 113168)

\$38,040,000
TOWN OF BROOKHAVEN
LOCAL DEVELOPMENT CORPORATION
REVENUE REFUNDING BONDS, SERIES 2016
(ACTIVE RETIREMENT COMMUNITY, INC. D/B/A
JEFFERSON'S FERRY PROJECT)

<u>Maturing (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[®] Issue Number</u>	<u>Maturing (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP[®] Issue Number</u>
2017	\$ 970,000	2.000%	100.391%	AH1	2025	\$1,560,000	5.250%	113.091%	AR9
2018	1,120,000	4.000	103.916	AJ7	2026	1,640,000	5.250	112.991	AS7
2019	1,165,000	5.000	107.597	AK4	2027	1,730,000	5.250	111.847 ⁽¹⁾	AT5
2020	1,220,000	5.000	109.265	AL2	2028	1,820,000	5.250	111.150 ⁽¹⁾	AU2
2021	1,285,000	5.000	110.351	AM0	2029	1,915,000	5.250	110.459 ⁽¹⁾	AV0
2022	1,350,000	5.000	111.104	AN8	2030	2,015,000	5.250	109.943 ⁽¹⁾	AW8
2023	1,415,000	5.000	111.360	AP3	2031	2,120,000	5.250	109.346 ⁽¹⁾	AX6
2024	1,485,000	5.000	111.195	AQ1					

\$15,230,000 5.250% Term Bond Due November 1, 2036 Price 107.577⁽¹⁾% CUSIP[®] 113168 AY4

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⁽¹⁾ Priced to par call on November 1, 2026.

Site Location



Jefferson's Ferry – Community Center Entrance



Jefferson's Ferry – Exterior of Cottage



Jefferson's Ferry – Interior of Main Dining Room



Jefferson's Ferry – Exterior of Main Dining Room



Jefferson's Ferry – Interior of Apartment



Jefferson's Ferry – Interior of Cottage



This Official Statement contains a general description of the Series 2016 Bonds, the Issuer, the Corporation, and the plan of financing, and sets forth certain provisions of the Indenture, the Master Indenture and the Loan Agreement. The description and summaries herein do not purport to be complete. Persons interested in purchasing the Series 2016 Bonds should review carefully the Appendices attached hereto as well as copies of such documents, which are held by the Trustee at its principal office.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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SHORT SUMMARY

The information set forth in this short summary is subject in all respects to more complete information set forth elsewhere in this Official Statement, which should be read in its entirety.

This Official Statement was prepared in connection with the initial offering of the Series 2016 Bonds described below. The offering of the Series 2016 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Short Summary from this Official Statement or otherwise to use it without this entire Official Statement. For the definitions of certain words and terms used in this Short Summary, see Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS” herein.

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION (the “Issuer”), a not for-profit local development corporation, existing under the laws of the State of New York, proposes to issue \$38,040,000 aggregate principal amount of its Revenue Refunding Bonds, Series 2016 (Active Retirement Community, Inc. d/b/a Jefferson’s Ferry Project) (the “Series 2016 Bonds”). The Series 2016 Bonds are being issued to refund the outstanding principal amount of the Suffolk County Industrial Development Agency’s Continuing Care Retirement Community Revenue Refunding Bonds (Jefferson’s Ferry Project – Series 2006) (the “Series 2006 Bonds”), which advance refunded the bonds issued to finance a portion of the construction of the original Facility, described below and a portion of the proceeds of the Series 2016 Bonds will be used to make certain improvements to the Facility. The Series 2016 Bonds are being issued by the Issuer pursuant to an Indenture of Trust dated as of November 1, 2016 (the “Indenture”), between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”).

ACTIVE RETIREMENT COMMUNITY, INC. (D/B/A JEFFERSON’S FERRY) (the “Corporation”), is a New York not-for-profit corporation which owns and operates a continuing care retirement community called “Jefferson’s Ferry,” which opened in May 2001 (the “Facility”), consisting of 248 independent living units including 220 apartments and 28 cottages (the “Residential Units”), 60 enriched housing units and 60 nursing beds (collectively, the “Health Care Center”) and common areas located on a 50-acre site in South Setauket, Town of Brookhaven, Suffolk County, New York. The Corporation has no assets or activities other than the Facility.

The sole member of the Corporation is Mather Health System, Inc. (“Mather”). Mather, a New York not-for-profit corporation, was established in 1932, and currently operates John T. Mather Memorial Hospital located in Port Jefferson, New York, a 248 bed, non-profit hospital facility. Mather provides a wide range of inpatient and outpatient services. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations and licensed by the New York State Department of Health. **Mather has not guaranteed the Series 2016 Bonds, and is not otherwise responsible for the performance by the Corporation of its obligations under the Loan Agreement (as defined herein) or the payment of any amounts due thereunder.**

The Internal Revenue Service has determined that the Corporation is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

See “ACTIVE RETIREMENT COMMUNITY, INC.” herein.

SECURITY. Pursuant to the Loan Agreement, dated as of December 1, 2016 (the “Loan Agreement”) between the Issuer and the Corporation, the Issuer will lend the proceeds of the Series 2016 Bonds to the Corporation.

The Series 2016 Bonds will be secured by Obligation No. 1 (“Obligation No. 1”) issued under the Master Trust Indenture dated as of December 1, 2016 (the “Master Indenture”) between the Corporation and U.S. Bank National Association as master trustee (the “Master Trustee”), as amended and supplemented from time to time, including as amended and supplemented by the Supplemental Indenture for Obligation No. 1 between the Corporation and the Master Trustee dated as of December 1, 2016 (the “Supplemental Indenture”).

Under the Master Indenture, each Obligated Group Member will grant to the Master Trustee a first security interest in its Gross Revenues, including all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third-party payments), any condemnation awards, Entrance Fees and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) any amounts received by an Obligated Group Member as a billing agent for another entity, except for fees received for serving as billing agent, (ii) gifts, grants, bequests, donations and contributions to an Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture, (iii) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other residential and commercial areas of the Facilities to be occupied or leased to such residents or tenants, (iv) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of such payment or deposit have been satisfied, and (v) all deposits and/or advance payments made in connection with any residency of the Independent Living Units or other residential and commercial areas of the Facilities to be occupied by residents or tenants and received prior to receipt of such certificate and licenses for occupancy of such units. At the time of the issuance of the Series 2016 Bonds, the Corporation is the only Obligated Group Member under the Master Indenture. Capitalized terms not defined herein have the meanings assigned to them in Appendix B hereto.

In addition, pursuant to a Mortgage and Security Agreement (the “Mortgage”), which will be assigned to the Master Trustee by the Issuer pursuant to an Assignment of Mortgage and Security Agreement, the Corporation will grant to the Master Trustee (a) a first mortgage lien on the real and personal property comprising the Facility (as more particularly described in the Mortgage, the “Mortgaged Property”); and (b) to the extent the Mortgaged Property is or may be treated as collateral under the Uniform Commercial Code, a first security interest in the Mortgaged Property and in the proceeds thereof, except as provided in the Mortgage, including without limitation all proceeds of insurance, eminent domain or sale. The Corporation will deliver a title insurance policy insuring the Issuer and the Master Trustee in an amount equal to the principal amount of the Series 2016 Bonds. The mortgage lien and security interest created by the Mortgage will be subject to certain permitted liens as

described therein. See Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Mortgage.”

The Series 2016 Bonds are additionally secured by certain funds and accounts created under the Indenture, including the Debt Service Reserve Fund and the Bond Fund. For a more detailed description of the security available for the Series 2016 Bonds see “SECURITY FOR THE SERIES 2016 BONDS.”

DEBT SERVICE RESERVE FUND. A Debt Service Reserve Fund has been established under the Indenture for the benefit of the Bondholders, into which a deposit will be made upon issuance of the Series 2016 Bonds equal to the Debt Service Reserve Fund Requirement on the Series 2016 Bonds. The Debt Service Reserve Fund is available for payment of the principal of and interest on the Series 2016 Bonds, if payments by the Corporation are insufficient therefor. The Debt Service Reserve Fund shall also secure any Additional Bonds, and upon the issuance of any Additional Bonds a deposit will be made to the Debt Service Reserve Fund in an amount (A) equal to the least of (i) the maximum annual debt service on the applicable Series of Bonds, (ii) one-hundred twenty five percent (125%) of the Corporation’s average annual debt service on the applicable Series of Bonds, or (iii) ten percent (10%) of the par amount of the applicable Series of Bonds, or (B) such lesser amount as may be required in a Supplemental Indenture authorizing a Series of Additional Bonds. See “SECURITY FOR THE SERIES 2016 BONDS” herein.

HISTORICAL DEBT SERVICE COVERAGE RATIO COVENANT. The Master Indenture requires the Corporation to maintain annually, and to calculate quarterly, a Historical Debt Service Coverage Ratio of at least 1.20:1. The Historical Debt Service Coverage Ratio is defined generally as the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for such period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and to the extent an Interest Rate Agreement has been entered into in connection with any particular indebtedness, the actual debt service paid after the effect of payments made to or received from the provider of the Interest Rate Agreement shall be used in such calculation. See “SECURITY FOR THE SERIES 2016 BONDS – Security Under the Master Indenture – Historical Debt Service Coverage Ratio” for a further description of the Historical Debt Service Coverage Ratio covenant, including a description of the actions required to be taken if such covenant is not met. See also Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Historical Debt Service Coverage Ratio” and “– Historical Debt Service Coverage Ratio.”

LIQUIDITY COVENANT. The Master Indenture requires the Corporation to maintain unrestricted cash and investments (excluding amounts on deposit in the funds and accounts created under the Indenture) at least equal to 150 day’s cash operating expenses of the Corporation (including interest), other than depreciation, amortization, bad debts or other non-cash expenses. See “SECURITY FOR THE SERIES 2016 BONDS – Security Under the Master Indenture - Days Cash on Hand” herein for a further description, including a description of the actions required to be taken if such covenant is not met. See also Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF THE MASTER INDENTURE - Days Cash on Hand.”

CERTAIN BONDHOLDERS’ RISKS. AN INVESTMENT IN THE SERIES 2016 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE SERIES 2016 BONDHOLDER IS ADVISED

TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTIONS “SECURITY FOR THE SERIES 2016 BONDS” AND “CERTAIN BONDHOLDERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016 BONDS. Careful consideration should be given to these risks and other risks described elsewhere in this Official Statement. Among other things, because the Series 2016 Bonds are payable solely from the revenues of the Corporation and other moneys pledged to such payment, careful evaluation should be given to certain factors (including, but not limited to, the ability of the Corporation to attract residents and enter into Residency Agreements and manage the Facility in a manner which maintains high occupancy levels), that may adversely affect the ability of the Corporation to generate sufficient revenues to pay its expenses of operation, including the principal or redemption price of and interest on the Series 2016 Bonds.

No dealer, broker, salesman or other person has been authorized by the Issuer, the Corporation, DTC, or the Underwriter to give any information or to make any representations with respect to this offering, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Corporation since the date hereof.

The Issuer makes no representation with respect to the information in this Official Statement, other than under the headings “INTRODUCTORY STATEMENT – The Issuer,” “TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION” and “LITIGATION – The Issuer.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2016 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

**OFFICIAL STATEMENT
OF
TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION**

Relating to Offering of

**\$38,040,000
REVENUE REFUNDING BONDS, SERIES 2016
(ACTIVE RETIREMENT COMMUNITY, INC. D/B/A
JEFFERSON'S FERRY PROJECT)**

INTRODUCTORY STATEMENT

Purpose of this Official Statement

This Official Statement, including the front cover page, inside cover page and appendices, provides certain information with respect to: (i) the issuance and sale by the Town of Brookhaven Local Development Corporation (the "Issuer") of \$38,040,000 aggregate principal amount of its Revenue Refunding Bonds, Series 2016 (Active Retirement Community, Inc. d/b/a Jefferson's Ferry Project) (the "Series 2016 Bonds"). The Series 2016 Bonds are to be issued by the Issuer under an Indenture of Trust dated as of December 1, 2016 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Certain capitalized terms used herein are defined in Appendix B – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS."

The Issuer

The Issuer is a local development corporation existing under the laws of the State of New York, which is authorized under Section 1411 of the New York State Not-For-Profit Law (the "Act") to issue the Series 2016 Bonds for the purposes described herein. See "TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION" herein.

The Corporation and the Facility

Active Retirement Community, Inc. (d/b/a Jefferson's Ferry) (the "Corporation") is a New York not-for-profit corporation which owns and operates a continuing care retirement community ("CCRC") called "Jefferson's Ferry" (the "Facility") consisting of 248 independent living units (220 apartments and 28 cottages) (the "Residential Units"), 60 enriched housing units and 60 nursing beds (collectively, the "Health Care Center") and common areas located on a 50-acre site in South Setauket, Town of Brookhaven, Suffolk County, New York. The Corporation has no assets or activities other than the Facility.

For a description of the Corporation and the Facility, see "ACTIVE RETIREMENT COMMUNITY, INC." and "THE FACILITY" herein.

Security for the Series 2016 Bonds

Pursuant to the Loan Agreement, dated as of December 1, 2016 (the "Loan Agreement") between the Issuer and the Corporation, the Issuer will lend the proceeds of the Series 2016 Bonds to the Corporation. Pursuant to the Loan Agreement, repayment of the loan is a general obligation of the Corporation to which its full faith and credit are pledged.

The Series 2016 Bonds will be secured by Obligation No. 1 (“Obligation No. 1”) issued under the Master Trust Indenture dated as of December 1, 2016 (the “Master Indenture”) between the Corporation and U.S. Bank National Association, as master trustee (the “Master Trustee”), as amended and supplemented from time to time, including as amended and supplemented by the Supplemental Indenture for Obligation No. 1 dated as of December 1, 2016 (the “Supplemental Indenture”) between the Corporation and the Master Trustee.

Under the Master Indenture, each Obligated Group Member will grant to the Master Trustee a first security interest in its Gross Revenues, subject to Permitted Encumbrances, including all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third-party payments), any condemnation awards, Entrance Fees and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) any amounts received by an Obligated Group Member as a billing agent for another entity, except for fees received for serving as billing agent, (ii) gifts, grants, bequests, donations and contributions to an Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture, (iii) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other residential and commercial areas of the Facilities to be occupied or leased to such residents or tenants, (iv) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of such payment or deposit have been satisfied, and (v) all deposits and/or advance payments made in connection with any residency of the Independent Living Units or other residential and commercial areas of the Facilities to be occupied by residents or tenants and received prior to receipt of such certificate and licenses for occupancy of such units. At the time of issuance of the Series 2016 Bonds, the Corporation is the only Obligated Group Member under the Master Indenture.

In addition, pursuant to a Mortgage and Security Agreement (the “Mortgage”), which will be assigned to the Master Trustee by the Issuer pursuant to an Assignment of Mortgage and Security Agreement, the Corporation will grant to the Master Trustee (a) a first mortgage lien on the real and personal property comprising the Facility (as more particularly described in the Mortgage, the “Mortgaged Property”); and (b) to the extent the Mortgaged Property is or may be treated as collateral under the Uniform Commercial Code, a first security interest in the Mortgaged Property and in the proceeds thereof, except as provided in the Mortgage including without limitation all proceeds of insurance, eminent domain or sale. The Corporation will deliver a title insurance policy insuring the Issuer and the Master Trustee in an amount equal to the principal amount of the Series 2016 Bonds. The mortgage lien and security interest created by the Mortgage will be subject to certain permitted liens as described therein. See Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – Summary of Certain Provisions of the Mortgage.”

The Series 2016 Bonds are additionally secured by certain funds and accounts created under the Indenture, including the Debt Service Reserve Fund and the Bond Fund. For a more detailed description of the security available for the Series 2016 Bonds see “SECURITY FOR THE SERIES 2016 BONDS.”

Plan of Financing

The proceeds of the Series 2016 Bonds will be applied, together with other available funds: (i) to refund the Suffolk County Industrial Development Agency’s Continuing Care Retirement Community Revenue Refunding Bonds (Jefferson’s Ferry Project – 2006) (the “Series 2006 Bonds”); (ii) to the financing or refinancing of construction, renovation, installation, equipping, improvements or upgrades to the Mortgaged Property; (iii) to fund a Debt Service Reserve Fund for the Series 2016 Bonds; and (iv) to pay certain costs incurred in connection with the issuance of the Series 2016 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

The Issuer is a not-for-profit local development corporation formed under the Act and is authorized and empowered under the Act to issue the Series 2016 Bonds for the proposes described in this Official Statement. The Issuer is comprised of seven members. The following are the members of the Issuer:

<u>Name</u>	<u>Title</u>
Frederick C. Braun III	Chairman
Felix R. Gucci, Jr.	Vice Chair
Martin Callahan	Treasurer
Scott Middleton	Asst. Treasurer
Ann-Marie Scheidt	Secretary
Michael Kelly	Asst. Secretary
Gary Pollakusky	Member

THE SERIES 2016 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF THE TOWN OF BROOKHAVEN OR THE STATE OF NEW YORK AND NEITHER THE TOWN OF BROOKHAVEN NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NOT VERIFIED, REVIEWED OR APPROVED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH HEREIN OTHER THAN INFORMATION SET FORTH UNDER THIS HEADING AND THE INFORMATION CONCERNING THE ISSUER UNDER THE HEADINGS “INTRODUCTORY STATEMENT” AND “LITIGATION.”

ESTIMATED SOURCES AND USES OF FUNDS

The following is an estimate of the sources and uses of funds in connection with the issuance of the Series 2016 Bonds.

Estimated Sources of Funds

Series 2016 Bonds.....	\$ 38,040,000.00
Plus Original Issue Premium.....	3,437,002.75
Funds Held for Series 2006 Bonds.....	<u>4,092,118.92</u>
 Total Sources of Funds	 <u>\$ 45,569,121.67</u>

Estimated Uses of Funds

Refunding of Series 2006 Bonds.....	\$ 38,916,305.56
Improvement Projects	2,572,798.93
Deposit to Debt Service Reserve Fund.....	3,034,187.50
Cost of Issuance ¹	<u>1,045,829.68</u>
 Total Uses of Funds	 <u>\$ 45,569,121.67</u>

¹ Includes Underwriter's discount, Trustee, legal, accounting and other professional fees, Issuer fee, printing and other miscellaneous expenses relating to the issuance and sale of the Series 2016 Bonds.

ACTIVE RETIREMENT COMMUNITY, INC. (D/B/A JEFFERSON'S FERRY)

General

The Corporation was incorporated as a New York not-for-profit corporation in 1997 for the purpose of acquiring, developing, owning and operating a Continuing Care Retirement Community ("CCRC"). The Corporation received a determination from the Internal Revenue Service of its status as an organization exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Corporation owns and operates a CCRC, located in South Setauket, Town of Brookhaven, New York on a 50-acre site (the "Facility"). The Facility is currently comprised of 248 independent living apartments and cottages and a health care center consisting of 60 enriched housing (assisted living) units and 60 skilled nursing beds (collectively, the "Health Care Center"). The nursing beds are certified for participation in the Medicare and Medicaid Programs. In May, 2001, the Corporation completed construction of the Facility.

The Health Care Center consists of 60 skilled nursing care beds on the second floor, and 60 enriched housing (assisted living) units on the first floor for those who do not require skilled nursing care, but who cannot live independently. Both floors of the Health Care Center contain a lounge area, dining room and recreational facilities and the skilled nursing administrative offices are located on the first floor.

Community Features

The Facility was constructed on 50 acres in South Setauket, Town of Brookhaven, New York. All of the units are constructed with the special needs of the older adult in mind. The Facility is equipped with elevators for vertical transportation, lighting that reduces glare, floor coverings that are nonslip and firm underfoot, windows that are easily operated, and door handles rather than knobs. Each apartment or cottage unit is constructed of fire resistant material and contains individually controlled heating and air conditioning, a private patio or balcony adjoining the apartment unit,

washer/dryer, an all-electric kitchen, and a master television hookup. Satellite television is available at an extra cost to the resident. Apartments have safety bars and an emergency call system in each bath and bedroom, and smoke detectors and alarms. Each apartment unit has a fire sprinkler system in compliance with state regulation, and residents have the use of a separate locked storage cage. The cottage units have a one-car garage.

The Facility is constructed in accordance with all applicable building codes. The architecture emphasizes the residential character of the community and blends the community with the environment. Outside amenities include gardens, walking paths and outdoor recreation areas.

Corporate Structure and Governance of the Corporation

Corporate Structure

The sole member of the Corporation is Mather Health System, Inc. (“Mather”). Mather, a New York not-for-profit corporation, was established in 1932, and currently operates John T. Mather Memorial Hospital located in Port Jefferson, New York, a 248 bed, non-profit hospital facility. Mather provides a wide range of inpatient and outpatient services. The hospital is accredited by the Joint Commission on Accreditation of Healthcare Organizations and licensed by the New York State Department of Health. **Mather has not guaranteed the Series 2016 Bonds, and is not otherwise responsible for the performance by the Corporation of its obligations under the Loan Agreement or the payment of any amounts due thereunder.**

Governance

The Corporation is governed by a Board of Directors (the “Board”), appointed by Mather, which shall consist of not less than three (3) nor more than twelve (12) members. Each member shall serve for a period of three (3) years and until their successor has been elected. The members of the Board are divided into three groups such that the term of one group shall expire each year. The officers of the Corporation are elected by the Board. The current members of the Board with a description of their occupation, affiliations and expiration of term, are set forth below:

<u>Board Member, Title</u>	<u>Occupation/Affiliation</u>	<u>Term Expires</u>
George F. Rice, <i>Chairman</i>	Partner, Spellman, Rice, Schure, Gibbons, McDonough & Polizzi, LLP	May 31, 2018
Vivian Viloría-Fisher, <i>Vice Chair</i>	Former Suffolk County Legislator	May 31, 2019
John Sini, <i>Treasurer</i>	Certified Public Accountant, Sini & Reeves LLP	May 31, 2017
Wayne Shattes, <i>Secretary</i>	Vice President for Administration, John T. Mather Memorial Hospital	May 31, 2019
James Danowski, <i>Director</i>	Certified Public Accountant, Cullen & Danowski, LLP	May 31, 2018
Vincent P. Basilice, <i>Director</i>	Ophthalmologist, Medical Director, The Ophthalmic Center	May 31, 2017
Valerie Cartright, <i>Director</i>	Councilwoman, Town of Brookhaven, New York	May 31, 2017
Gloria Snyder, <i>Director</i>	Vice President, Mark J Snyder Financial Services	May 31, 2018

Conflict of Interest

The Corporation has an established Conflict of Interest Policy. In connection with any possible or actual conflicts of interest, all personnel who have a disclosable interest must disclose such interest and all material facts related thereto in writing by completing a disclosure statement and providing it to the Compliance Officer of the Corporation. Personnel will, at least annually, file a Conflict of Interest Disclosure Statement with the Compliance Officer, who shall keep a confidential file of such statements. The Compliance Officer shall consult with outside counsel, as necessary. Personnel are required to disclose all situations that pose a potential or actual conflict of interest, including, but not limited to, the following situations: (a) the personnel or his/her immediate family has a disclosable interest; (b) the personnel or his/her immediate family is considering or actually entering into an relationship with a vendor which poses a potential or actual conflict of interest; and/or (c) the personnel or his/her immediate family has received or been offered any gift or gratuity under circumstances from which it might be inferred that the gift or gratuity was being given to influence the personnel's actions or decisions on behalf of the Corporation. Personnel have an affirmative obligation to update their annual Disclosure Statement whenever new information arises which is otherwise required to be disclosed in the annual Disclosure Statement by completing a new Disclosure Statement and providing it to the Compliance Officer.

The Compliance Officer will, at least annually (or more frequently, as necessary) review any disclosures in light of the principles set forth in the Conflict of Interest Policy, consult with outside counsel as necessary, seek additional information as necessary, and determine if the financial interest or relationship with the vendor or other Board members or key employees creates a conflict of interest, is improper, or creates the appearance of a conflict of interest or of improper conduct. If the Compliance Officer does not believe that the personnel has a conflict of interest after reviewing the Disclosure Statement, he/she will document the relevant facts and the reason for his/her conclusion. The matter will be deemed to be concluded and no further action will be required. If the Compliance Officer believes a potential or actual conflict of interest exists, or to the extent there is any disagreement between the Compliance Officer and outside counsel with respect to whether a conflict exists, the Compliance Officer will prepare a report stating the relevant facts and the reason why he/she has determined that a conflict of interest exists. A copy of the Compliance Officer's written findings and any advice provided by outside counsel, if any, will be reported to the Compliance Committee for review. Once a final decision is made on how to proceed, the personnel will be instructed as to the appropriate corrective action.

Board members and Senior Management are required to disclose any potential or actual conflict of interest to the other members of the Board of Directors in addition to completing the Disclosure Statement and providing it to the Compliance Officer for review. The same process of review set forth above will apply in determining whether a conflict of interest exists. The Compliance Committee will review the Compliance Officer's reports annually and on a periodic basis, and conduct its own review, as necessary, to determine whether a potential or actual conflict of interest exists. If the Committee determines that it needs to conduct a further review, the Chairman of the Compliance Committee may appoint an ad hoc committee comprised of Board members and the Compliance Officer to review a particular matter and make a recommendation to the Compliance Committee. The Compliance Officer and outside counsel shall assist the Compliance Committee, which shall report its recommendations and findings to the entire Board of Directors. The Board of Directors shall review the recommendations and findings of the Compliance Committee and make its findings which shall be final and binding.

If it is determined that a potential or actual conflict of interest exists, the following corrective actions must be taken to protect the Corporation's best interests:

(a) Personnel Generally. If the potential conflict involves Facility personnel, such personnel will take no part in the matter which is the subject of the potential conflict, and will not use his/her personal influence in such matter.

(b) Board Members and Senior Management. To the extent the matter which is the subject of the potential conflict involves a conflicted Board member, such matter will be presented to the Board for its review and determination, and the following shall apply:

- The conflicted Board member(s) will take no part in the consideration or determination of the matter which is the subject of the potential conflict on the part of the Corporation.
- The conflicted Board member(s) must recuse him or herself from discussion (including informal discussions) of, or Board action on, matters affected by the conflict of interest, including requiring physical absence from Board discussions, deliberations and voting.
- The conflicted Board member(s) will not be counted in determining a quorum for any vote on the matter which is the subject of the potential conflict.
- The conflicted Board member(s) will not use his/her personal influence in any way or at any time - with respect of the matter which is the subject of the potential conflict.
- If the conflict is so significant as to be incompatible with the mission, strategic priorities, and best interests of the Corporation, the matter will be reviewed by the full Board, and a determination will be made whether it is appropriate for the individual to continue serving on the Corporation's Board of Directors, as a member of a Board committee, or as Senior Management of the Corporation.

If the Board or Compliance Committee has reasonable cause to believe any personnel, including Board members and Senior Management, has failed to disclose actual or possible conflicts of interest, it shall inform the personnel of the basis for such belief and afford him/her an opportunity to explain the alleged failure to disclose. If, after hearing the personnel's response and making further investigation as warranted by the circumstances, the Board of Directors or Compliance Committee determines the personnel has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Executive Staff of the Corporation

The day to day operations of the Corporation are managed by on-site personnel. Brief resumes of key members of the executive staff are as follows:

Robert E. Caulfield, CPA, President/Chief Executive Officer. Mr. Caulfield oversees the entire operations of the Corporation. Prior to joining Jefferson's Ferry, Mr. Caulfield developed and managed retirement communities throughout the country as a partner of New Life Management and Development, Inc., and worked on the initial financing, construction and management of Jefferson's Ferry in 1999. Mr. Caulfield was involved in the development and operations of nine not-for-profit CCRCs in the northeastern region, including four of the twelve CCRCs in New York, representing more than a half a billion dollars of financing and construction. Mr. Caulfield launched his professional career as a CPA in the healthcare and real estate divisions of Ernst & Young, a national "big five" accounting firm.

Mr. Caulfield is a member of the American Institute of Certified Public Accountants, the Pennsylvania Institute of Certified Accountants, the New York State Society of CPAs and the Healthcare Financial Management Association. Mr. Caulfield currently serves as a member of the LeadingAge New York CCRC Cabinet and the LeadingAge New York Board of Directors. Mr. Caulfield has twice been recognized for his exceptional leadership by the *Long Island Business News*, Long Island's business weekly. In 2014, Mr. Caulfield was recognized as Top CFO of the Year by the publication and in 2016 was honored as an Outstanding CEO. Mr. Caulfield received his Bachelor of Science Degree in Accounting from Drexel University and his certification as a Certified Aging Services Professional from the Coalition for Leadership in Aging Services.

Brian Amtmann, CPA, Chief Financial Officer. Mr. Amtmann plays a key role in managing many of the components integral to running a Lifecare Retirement Community, from operations to strategic planning and finance to fund raising as well as the formulation and implementation of initiatives, policies and procedures. Mr. Amtmann previously was the Director of Financial Reporting/Controller at Westminster Ingleside Retirement Communities, which operates six companies in the Washington, DC area, including three CCRCs, a foundation, a development company and a management company. Prior to that, Mr. Amtmann was the Financial Reporting Manager/Controller for the YMCA of Central Maryland. Mr. Amtmann is a Certified Public Accountant and holds a Bachelor of Science Degree in Accounting from the University of Maryland at College Park.

Anthony Comerford, Vice President/Administrator of Health Service. As Vice President/Administrator of Health Services, Mr. Comerford oversees the delivery of critical services in the Vincent Bove Health Center and the Healthy Living Center at Jefferson's Ferry, including Skilled Nursing, Assisted Living, Therapeutic Recreation, Rehabilitation Therapy and Wellness Services. Mr. Comerford also serves as the Licensed Nursing Home Administrator for Skilled Nursing. Prior to joining Jefferson's Ferry, Mr. Comerford served as the administrator for Water's Edge at Port Jefferson for Rehabilitation & Nursing, a 120 bed nursing home in Port Jefferson, and as administrator for The Tuttle Center at The Amsterdam at Harborside in Port Washington, a lifecare CCRC similar to Jefferson's Ferry. Mr. Comerford is a graduate of Stony Brook University, with a Master's of Science in Health Care Policy & Management.

Linda Kolakowski, CASP, Vice President of Independent Living Operations. Ms. Kolakowski oversees Resident Services at Jefferson's Ferry. Ms. Kolakowski has more than 10 years of work experience in the Aging Services industry. Prior to coming to Jefferson's Ferry, Ms. Kolakowski volunteered her time and skills, visiting senior communities and giving cosmetology treatments to residents. Ms. Kolakowski worked at Sunrise Assisted Living's Reminiscence Unit, where she took on roles of increasing responsibility. In 2007, she joined Jefferson's Ferry as its Director of Programs & Services, developing a diverse activities program to meet the social, cultural, spiritual, physical and intellectual activities of Independent Living Residents, both on and off campus. She serves on various resident and staff committees as well. Ms. Kolakowski was promoted to Vice President of Independent Living Operations in 2011 and was recognized among notable Long Islanders "Around 50" by Long Island Business News in 2014. A Certified Aging Services Professional, Linda is a member of the CCRC Cabinet of LeadingAge New York, a statewide advocacy and educational association. She is a member of LeadingAge's national organization; the GPLI-Geriatric Professionals of Long Island, and the Stony Brook Rotary. Ms. Kolakowski is a graduate of the LeadingAge 2015 Leadership Academy, an intensive year-long graduate-level curriculum for leaders in the aging services field.

Chris Adamo, Vice President of Hospitality Services. Mr. Adamo oversees more than 150 full and part time employees who provide housekeeping and maintenance for the residents, as well as food service for five dining rooms and a bar, and catering for private resident parties and community functions. Mr. Adamo joined Jefferson's Ferry in 2007, as Vice President of Culinary Operations, and in 2014 was

promoted to Vice President of Hospitality Services. Prior to Jefferson's Ferry, Mr. Adamo had full accountability for The New York Mercantile Exchange dining needs, which included six cafeterias, a bar and restaurant, as well as catered events. Mr. Adamo earned a Bachelor of Science Degree in Business Administration from the C.W. Post Campus of Long Island University.

Cathy DeAngelo, CMP Director of Sales and Marketing. Ms. DeAngelo works closely with prospective residents to counsel and guide them throughout their decision-making process relating to living quarters. Ms. DeAngelo joined Jefferson's Ferry in 2012 after seven years with Covenant Village of Cromwell, one of Connecticut's top CCRCs. A certified marketing professional, Ms. DeAngelo earned a Master's of Education in Human Service Administration from Antioch University in Keene, NH. Ms. DeAngelo is a member of the National Association of Business and Professional Women, the Stony Brook Rotary and was selected for Who's Who in Professional Women of Long Island in 2012.

Michele Berti, Director of Human Resources. Ms. Berti oversees all aspects of Human Resources for Jefferson's Ferry, including recruitment, training, employee development, benefits and compensation. Prior to joining Jefferson's Ferry, Ms. Berti was the Assistant Director of Human Resources for United Cerebral Palsy-Suffolk County. While there, she met the needs of diverse employee groups while ensuring that the staffing needs of a 24/7 operation were met. Ms. Berti holds a Master of Public Administration from Michigan State University and is a member of the Society of Human Resource Management.

Employees

As of September 1, 2016, the Corporation employed 334 employees, 139 of which were full time. The Corporation provides its full-time employees with a comprehensive benefit package which includes group medical and dental insurance coverage, life insurance coverage, long and short-term disability coverage, a 403B plan, flexible spending plan, a paid time off package, education assistance, and an extensive recognition program including perfect attendance, employee of the month and length of service awards.

No employee at the Corporation is represented by a labor union and no union activity or attempts to organize a union are being conducted at the present time. Management believes that relations with its employees are good.

Insurance

The Corporation maintains fire and extended coverage on the Corporation premises for a total blanket amount of \$102,572,566. The Corporation also maintains workers compensation insurance and disability benefits in the amount required by law, and general liability and professional liability insurance in the amounts required under the Loan Agreement and excess liability insurance in the amount of \$1 million per occurrence/\$3 million in the aggregate and excess of \$5 million for a total of \$6 million.

Financial Statements of the Corporation

The Corporation maintains financial records on the basis of a fiscal year ending December 31. The financial statements for the Corporation attached as Appendix A for the fiscal years ended December 31, 2015 and December 31, 2014 have been audited by Baker Tilly Virchow Krause, LLP.

As of the date of this Official Statement, the Corporation represents that there has been no material adverse change in its financial condition since the date of the last audited financial statements which are attached hereto as Appendix A.

Approvals

There are no third-party approvals or consents required from the New York State Department of Health or other governmental entity necessary to consummate the issuance of the Series 2016 Bonds that have not already been obtained.

THE FACILITY

General Description

The Facility is located on a 50 acre site at the corner of Route 347 and Wireless Road in South Setauket, Town of Brookhaven, New York. The wooded and generally flat site is bounded by Route 347 on the north, Wireless Road on the west, and residential housing and an assisted living facility on the south and east. The site is approximately five miles from the Long Island Expressway (Interstate 495) and 10 miles from the intersection of Route 347 and the Northern State Parkway. Services and amenities desired by seniors, including hospitals, physicians offices, colleges, malls, banks, restaurants, clubs and parks are located nearby.

The Facility provides 248 units for senior adults who are capable of living independently at admission, with 60 enriched housing units and 60 skilled nursing care beds to serve seniors as they “age in place.” The design of the Facility is compatible with the architectural style common to the surrounding area.

The apartments and cottages are designed for senior adults 62 and over capable of caring for themselves without assistance. An initial entrance fee and an ongoing monthly fee is charged based on the apartment or cottage unit size and number of residents.

Licensure and Accreditation

The Facility holds a Certificate of Authority to operate a continuing care retirement community, which is issued by the New York State Commissioner of Health under Article 46 of the Public Health Law. In addition, the New York State Department of Health licenses the skilled nursing unit under Article 28 of the Public Health Law. The skilled nursing unit is certified by the federal government for the Medicare and Medicaid Programs. The Department of Health also licenses the Enriched Housing Unit under the provisions of Article 7 of the Social Services Law.

Residential Living Units and Fees

Information regarding the types of unit, square footage and fees for the independent living units is detailed below:

Unit Type	Number	Square Footage	Entrance Fees		Monthly Service	
			90% Refundable	Traditional	1 Person	2 Persons
Studio	6	550	\$ 349,500	\$ 196,700	\$ 3,155	N/A
1 Bedroom	66	700	\$ 417,500	\$ 245,800	\$ 3,543	\$ 5,226
1 Bedroom Deluxe	48	925	\$ 499,900	\$ 293,400	\$ 4,112	\$ 5,795
2 Bedroom	44	1,050	\$ 590,500	\$ 326,000	\$ 4,412	\$ 6,095
2 Bedroom Special	36	1,225	\$ 635,400	\$ 391,000	\$ 4,852	\$ 6,535
2 Bedroom Deluxe	20	1,400	\$ 699,900	\$ 411,400	\$ 5,310	\$ 6,993
2 Bedroom Cottage	22	1,600	\$ 743,600	\$ 473,800	\$ 5,742	\$ 7,425
3 Bedroom Cottage	6	2,000	\$ 849,900	\$ 534,600	\$ 6,697	\$ 8,380

* A second person Entrance Fee of \$47,750 applies to both the 90% Refundable and Traditional plan.

The following services are provided to residents of the Residential Units:

- One meal a day at the community center.
- Meal delivery service for one meal per day during minor short-term illnesses of 14 days or less, when approved by the medical director or his/her designee.
- Buildings and grounds maintenance, and housekeeping in all common areas. Light housekeeping services are provided every other week in the Residential Units. Heavy housekeeping services are provided on an annual basis.
- Necessary repairs, maintenance and replacement of property and equipment owned by the Corporation. Residents are responsible for his/her personal property.
- Weekly laundry service of Residents' own bed linens (sheets and pillowcases).
- The Corporation provides local transportation for Residents to shopping centers, banks and other points of common interest on a scheduled basis, as well as individual trips to physicians, dentists and hospitals within a ten-mile radius of the Facility in the event other conveyance is unavailable and transportation is requested in advance.
- Sewer, water, electricity, heat, air conditioning and trash removal.
- Nursing care and enriched housing services, as outlined in the Residency Agreements.
- The Corporation provides a planned schedule of social, cultural, educational, recreational and religious activities (certain of the costs may be passed on to the Resident in providing programs which require special materials, admission fees, charter bus service or other outside expenses).
- Use of all common and activity areas, and private dining rooms, subject to special scheduling if necessary.
- An emergency call system is located within each living accommodation which is in operation and monitored 24 hours a day, seven days a week.
- A storage area apart from the living accommodation and capable of being locked, is available for use by the Resident. Any loss or damage to items in storage remains the responsibility of the Resident.
- Therapeutic diets when ordered or approved by the medical director or private physician.
- Security personnel on duty during the evening and night hours.

- Fire detection system consisting of smoke and heat detectors in the Residential Units and common areas connected to a central monitoring system.
- Locked individual mailboxes.
- Heat sensitive fire sprinkler system throughout the entire Facility, including Residential Units and common areas, excluding cottages.

Lighted and well maintained parking areas are available to Residents at no additional charge. Parking is available for guests, administration, and employees.

The Community Center

The Community Center contains approximately 40,000 square feet and provides a kitchen for food preparation, food service administrative offices, a central dining room as well as a private dining room for family gatherings or special occasions. The Community Center houses administrative staff as well as lounges, lobbies, social and recreational facilities, an indoor pool, a snack/convenience shop, and beautician/barber services. The Community Center is connected to the Health Care Center and the Residential Units (other than the cottages).

Health Care Center - Enriched Housing

The 60-unit enriched housing (assisted living) facility offers alternate living arrangements for senior adults whose health conditions or disabilities prevent them from living in total independence, but who do not want or need skilled nursing care. Residents receive personal care as necessary to enable the resident to maintain good personal hygiene, to carry out the activities of daily living (ADLs), to maintain good health and to participate in the ongoing activities of the community. Personal care services generally include assistance with grooming, bathing, dressing, ambulation, transfers, toileting, incontinence care, eating, taking and recording weights, blood pressure monitoring, blood sugar monitoring, and assistance with oxygen use and medication management. In addition to the ADLs, enriched housing includes assistance with Instrumental Activities of Daily Living (IADLs), which are adaptive and home management tasks that require a higher level of physical and cognitive ability than ADLs. IADLs include: meal preparation, housekeeping, laundry, shopping, telephone, financial management and transportation.

Residents of enriched housing receive an initial and annual assessment (sooner should the resident exhibit a significant change in condition). This assessment determines the resident's needs and the community's plan to meet these needs. Elements of the plan includes:

- assistance in maintaining and developing family and community ties;
- encouragement in participating in facility and community activities, including resident committees and councils;
- assistance in arranging and maintaining health services (i.e., coordination of medical appointments and transportation);
- assistance in developing appropriate discharge or transfer plans when needed;
- identification and implementation of the appropriate medication management technique; and
- Residents of enriched housing are provided a full range of social recreational programming which enable each resident to participate in cultural, spiritual, physical, social and intellectual activities within the facility and the community. Whenever possible, programming is integrated throughout the continuum of care, allowing

participation in activities appropriate to individual functional abilities. Enriched housing residents receive a total of three meals per day in a central dining room. Residents are encouraged to participate in the congregate dining experience; however, tray service is provided in the event of illness.

The enriched housing program serves seniors from the surrounding community as well as apartment and cottage residents whose conditions have changed and require a higher level of care. Those seniors who are admitted directly into the enriched housing program sign a separate resident agreement which specifies the conditions of residency, the services provided, the costs for such services, the conditions under which these costs may be adjusted and any termination provisions and conditions.

The enriched housing facility is licensed by the New York State Department of Health.

Health Care Center - Nursing Facility

The 60-bed nursing facility has services available for Residents who need care under the supervision of a professional medical staff on a daily basis. Patient care services includes: administration of medications, treatments, bathing, feeding, grooming, maintaining resident comfort, maintaining adequate hygiene, protection from accident or injury, and assistance with all activities of daily living. Services also include initial and ongoing assessments and individualized care planning, social services, and social/recreational programming. Physical, Occupational Therapy & Speech Language Pathology services are provided through a services agreement with Affinity Rehabilitation Services, LLP.

The nursing facility serves seniors from the surrounding community as well as apartment and cottage residents whose conditions have changed and require a higher level of care. Those seniors who are admitted directly into the skilled nursing facility sign a separate resident agreement which specifies the conditions of residency, the services provided, the costs for such services, the conditions under which these costs may be adjusted and any termination and conditions.

Competitive Retirement Communities

There are currently two other CCRCs operating on Long Island, one in Suffolk County and one in Nassau County. Peconic Landing is in Greenport, Town of Southold, Suffolk County (approximately 45 miles from the Facility) and The Amsterdam at Harborside is in Port Washington, Nassau County (approximately 31 miles from the Facility). The Corporation is aware of a third CCRC in the planning stages, Fountaingate Gardens in Commack, Suffolk County (approximately 13 miles from the Facility). As of this writing, Fountaingate Gardens does not yet have approval to enter into residency agreements with prospective residents and has not yet started construction. The Corporation considers these current or proposed CCRCs as competition.

Marketing of the Facility

The Corporation maintains a waiting list comprised of prospective residents who have paid a non-refundable fee of \$250 and have shown an interest in moving into the Facility. Waiting list members are sorted by the type of independent living unit they desire and the time period during which they anticipate moving into the Facility. As of September 16, 2016, there were 65 people on the waiting list and 6 prospective members are in the admission approval process.

The mailing list is comprised of people who are on the varying stages of looking at retirement communities and are gathering information prior to narrowing their choices. They also contain people who have accumulated all the information they need, but are not ready to move to the level of commitment implied in joining the waiting list. As people call and ask for information, they are placed on

the mailing list and entered into the marketing software program. Within three weeks, follow up calls are made during which their level of interest is assessed, and at a six month interval thereafter. As of September 16, 2016, there were 1,869 people on the mailing list.

The Corporation also maintains an extensive list of individuals (lead base) that have requested information from the Corporation, visited the Facility, attended a marketing event or have expressed an interest in learning more about the Facility. As of September 16, 2016, the lead base consisted of approximately 2,395 individuals.

Historical Operations of the Corporation

The tables below summarize certain historical operating statistics of the Facility.

	<u>Historical Utilization by Type of Unit</u>				
	Fiscal Year Ended December 31,			Seven Months Ended July 31,	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Independent Living					
Available Units	248	248	248	248	248
Percent Occupied	92.2%	92.8%	94.6%	94.1%	95.3%
Assisted Living					
Available Units	60	60	60	60	60
Percent Occupied	88.0%	85.3%	92.1%	91.1%	100%
Skilled Nursing					
Available Units	60	60	60	60	60
Percent Occupied	94.9%	96.2%	95.4%	94.7%	90.2%

	<u>Payor Mix in Skilled Nursing</u>				
	Fiscal Year Ended December 31,			Seven Months Ended July 31,	
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Medicare	12.0%	19.0%	18.5%	18.7%	20.4%
Medicaid	9.0%	9.2%	7.1%	5.8%	9.5%
Lifecare	71.9%	65.2%	68.0%	68.6%	62.6%
Private	<u>7.1%</u>	<u>6.6%</u>	<u>6.4%</u>	<u>6.9%</u>	<u>7.5%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Statements of Operations and Changes in Net Deficit

The following statements of operations and changes in net deficit of the Facility for each of the three years ended December 31, was derived from the audited financial statements of the Corporation. The financial information for the seven-month periods ended July 31, 2015 and 2016 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Corporation considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the seven months ended July 31, 2016 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2016. These statements should be read in conjunction with the audited consolidated financial statements and related notes included in this Official Statement in Appendix A.

Statements of Operations and Changes in Net Deficiency

	Year Ended December 31,			Seven Months Ended July 31,	
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2016</u>	<u>2015</u>
					(unaudited)
Unrestricted Revenues					
Net resident service revenues	\$ 25,267,955	\$ 23,995,699	\$ 22,687,894	\$ 15,413,333	\$ 14,546,687
Change in future service obligations	206,000	863,000	-2,705,000	-	-
Contributions	162,423	118,019	184,546	283,389	77,763
Other revenues	79,749	46,902	196,395	38,951	76,999
Investment income	<u>465,253</u>	<u>1,024,493</u>	<u>1,068,166</u>	<u>491,375</u>	<u>501,595</u>
Total unrestricted revenues	<u>26,181,380</u>	<u>26,048,113</u>	<u>21,432,001</u>	<u>16,277,048</u>	<u>15,203,044</u>
Expenses					
Health services	6,409,635	6,179,114	5,570,256	3,916,924	3,640,097
Facility costs and utilities	4,562,861	4,344,580	4,394,243	2,774,156	2,841,114
Dietary	3,890,136	3,774,567	3,649,751	2,349,813	2,319,065
Interest	2,113,471	2,208,507	2,298,990	1,184,707	1,242,459
Administrative	3,374,107	2,552,988	2,578,324	1,600,150	1,786,783
Housekeeping/laundry	1,027,179	921,627	905,772	501,216	617,932
Activities, security, reception	740,375	714,962	691,894	473,305	460,908
Marketing	702,735	764,700	768,448	397,763	400,133
Depreciation	4,715,967	4,531,187	4,415,278	2,926,143	2,717,773
Amortization	<u>80,741</u>	<u>85,592</u>	<u>127,064</u>	<u>45,553</u>	<u>47,099</u>
Total expenses	<u>27,617,207</u>	<u>26,077,824</u>	<u>25,400,020</u>	<u>16,169,730</u>	<u>16,073,363</u>
Revenues less expenses	-1,435,827	-29,711	-3,968,019	57,318	-870,319
Change in Unrealized Gains and Losses on Investments	-4,060	-14,230	-99,175	512,248	-649
Change in Interest in Unrestricted Net Assets of Foundation	<u>136,196</u>	<u>7,025</u>	<u>58,233</u>	=	=
Change in unrestricted net deficit	-1,303,691	-36,916	-4,008,961	569,566	-870,968
Temporarily Restricted Net Assets					
Change in Interest in Temporarily Restricted Net Assets of Foundation	<u>47,933</u>	<u>110,373</u>	<u>414,380</u>	=	=
Change in net deficit	-1,255,758	73,457	-3,594,581	569,566	-870,968
Net Deficit, Beginning	<u>-43,177,755</u>	<u>-43,251,212</u>	<u>-39,656,631</u>	<u>-44,433,513</u>	<u>-43,177,755</u>
Net Deficit, Ending	<u>\$ -44,433,513</u>	<u>\$ -43,177,755</u>	<u>\$ -43,251,212</u>	<u>\$ -43,863,947</u>	<u>\$ -44,048,723</u>

Debt Service Coverage Ratio and Days' Cash on Hand

Set forth below are the Debt Service Coverage Ratio for each of the three years ended December 31, and the number of Days' Cash on Hand as of the end of each such period, calculated pursuant to the Master Indenture. The following summary for the three years ended December 31, 2013, 2014 and 2015 were derived from the audited consolidated financial statements of the Corporation. This summary should be read in conjunction with the audited consolidated financial statements and related notes included in this Official Statement in Appendix A.

	Year Ended December 31,			As Of July 31,	
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2016</u>	<u>2015</u>
Debt Service Coverage Ratio					
Excess of Revenue over Expenses	\$ (1,435,827)	\$ (29,711)	\$ (3,968,019)	\$ 57,318	\$ (870,319)
Deduct:					
Amortization of Entrance Fees	(3,579,523)	(3,402,791)	(3,642,759)	(2,048,598)	(1,992,059)
Change in Future Service Obligation	(206,000)	(863,000)	2,705,000	--	--
Add:					
New Entrance Fees Received	5,896,597	4,537,635	4,762,228	1,715,602	2,576,697
Depreciation and Amortization	4,796,708	4,616,779	4,542,342	2,971,696	2,764,872
Interest Expense	<u>2,113,471</u>	<u>2,208,507</u>	<u>2,298,990</u>	<u>1,184,707</u>	<u>1,242,459</u>
Funds Available for Debt Service	<u>\$ 7,585,426</u>	<u>\$ 7,067,419</u>	<u>\$ 6,697,782</u>	<u>\$ 3,880,725</u>	<u>\$ 3,721,650</u>
Maximum Annual Debt Service	<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>	<u>\$ 4,100,000</u>	<u>\$ 2,391,667</u>	<u>\$ 2,391,667</u>
Maximum Annual Debt Service Ratio	1.85	1.72	1.63	1.62	1.56
Day's Cash on Hand					
Unrestricted Cash and Investments	\$ 31,956,723	\$ 32,090,525	\$ 33,740,216	\$ 31,059,091	\$ 31,277,839
One Days' Operating Expenses (excluding depreciation, amortization and bad debts)	62,514	58,726	57,051	61,921	62,775
Days Cash on Hand	511	546	591	502	498

Management's Discussion of Recent Financial Performance

Year Ended December 31, 2013 Compared to Year Ended December 31, 2014

For Year Ended December 31, 2014, Net Resident Service Revenues increased to twenty-three million nine hundred ninety-five thousand six hundred ninety-nine dollars (\$23,995,699) from twenty-two million six hundred eighty-seven thousand eight hundred ninety-four dollars (\$22,687,894) for Year Ended December 31, 2013. This increase was primarily due to a seventy-six (76%) increase in Medicare A census year over year and a 3.5% increase in monthly service fees to our contract holders. Total Unrestricted Revenue increased from twenty-one million four hundred thirty-two thousand one dollars (\$21,432,001) for Year Ended December 31, 2013 to twenty-six million forty-eight thousand one hundred thirteen dollars (\$26,048,113) for Year Ended December 31, 2014. Management attributes this increase primarily to the change in Net Resident Service Revenue noted above and the Change in Future Service Obligations. The Corporation periodically calculates the present value of the net cost of future services and the use of facilities with assistance from an independent actuary. If the present value of the net obligation to provide future services and use of facilities (discounted at 5.5%) exceeds deferred revenue from entrance fees, a liability is recorded with a corresponding charge to income.

Health Services Expenses increased from five million five hundred seventy thousand two hundred fifty-six dollars (\$5,570,256) for Year Ended December 31, 2013 to six million one hundred seventy-nine thousand one hundred fourteen dollars (\$6,179,114) for Year Ended December 31, 2014. Management attributes such increase to Health Services Expense to the costs of patient care for the increased short-term Medicare A census. Total Expenses for Year Ended December 31, 2014 increased to twenty-six million seventy-seven thousand eight hundred twenty-four dollars (\$26,077,824) from twenty-five million four hundred thousand twenty dollars (\$25,400,020) for Year Ended December 31, 2013. The increase was primarily due to increased costs for Medicare A census and the rest from inflation.

Year ended December 31, 2014 Compared to Year Ended December 31, 2015

Net Resident Service Revenues increased from twenty-three million nine hundred ninety-five thousand six hundred ninety-nine dollars (\$23,995,699) for Year Ended December 31, 2014 to twenty-five million two hundred sixty-seven thousand nine hundred fifty-five dollars (\$25,267,955) for Year Ended December 31, 2015. Management attributes such increase to a three percent (3%) increase in

monthly service fees to our contract holders and an increased census of ten percent (10%) in Assisted Living by changing our license from Enriched Housing to Enhanced Assisted Living. The new license allows the Corporation to provide additional care to our residents which the Corporation was unable to previously provide. Such additional care has increased patient days in Assisted Living. Investment Income decreased from one million twenty-four thousand four hundred ninety-three dollars (\$1,024,493) for Year Ended December 31, 2014 to four hundred sixty-five thousand two hundred fifty-three dollars (\$465,253) for Year Ended December 31, 2015. This decrease was due to market fluctuations and many of the short term investments maturing.

Administrative Expenses increased from two million five hundred fifty-two thousand nine hundred eighty-eight dollars (\$2,552,988) for Year Ended December 31, 2014 to three million three hundred seventy-four thousand one hundred seven dollars (\$3,374,107) for Year Ended December 31, 2015. Management attributes this increase to several one-time charges resulting from the changes in senior management. Total Expenses for Year Ended December 31, 2015 increased from twenty-six million seventy-seven thousand eight hundred twenty-four dollars (\$26,077,824) to twenty-seven million six hundred seventeen thousand two hundred seven dollars (\$27,617,207) for Year Ended December 31, 2015. Management attributes this increase to the one-time charges from the changes in senior management.

Seven Month Period ended July 31, 2015 Compared to Seven Month Period Ended July 31, 2016

Contributions for the Seven Month Period Ended July 31, 2015 increased from seventy-seven thousand seven hundred sixty-three dollars (\$77,763) to two hundred eight-three thousand three hundred eight-nine dollars (\$283,389) for the Seven Month Period Ended July 31, 2016. This increase was due to donations to the Foundation released to pay for partial funding of the new Health Living Center. Total Unrestricted Revenues for the Seven Month Period Ended July 31, 2015 was fifteen million two hundred three thousand forty-four dollars (\$15,203,044) and for the Seven Month Period Ended July 31, 2016, Total Unrestricted Revenues increased to sixteen million two hundred seventy-seven thousand forty-eight (\$16,277,048). The reason for such increase was due to a three percent (3%) increase in monthly service fees, increased occupancy in Independent Living and Assisted Living, and the Contributions listed above.

Administrative Expenses decreased from one million seven hundred eighty-six thousand seven hundred eighty-three dollars (\$1,786,783) for the Seven Month Period Ended July 31, 2015 to one million six hundred thousand one hundred fifty dollars (\$1,600,150) for the Seven Month Period Ended July 31, 2016. This decrease was primarily due to one-time expenses from the changes in senior management.

THE RESIDENCY AGREEMENTS

General

The Corporation enters into a Continuing Care Residency Agreement (the “Residency Agreement”) with each prospective resident, which Residency Agreement sets forth the responsibilities of the Corporation and the resident, pursuant to which the resident is provided with a living accommodation in the Facility and certain services, subject to the right of the Corporation or such resident to terminate the Residency Agreement in certain events described herein.

For the right to occupy and use the living accommodations and receive the services at the Facility, each resident of a Residential Unit is required to pay an Entrance Fee and Monthly Service Fee for a Residential Unit, based upon the size and type of Residential Unit and the number of occupants in the Residential Unit. See “Entrance Fees and Monthly Service Fees” below for a further description of such fees. The rights and privileges granted to the residents under the Residency Agreement do not

include any right, title or interest in, or to any part of, the personal property, land buildings or improvements owned or administered by the Corporation.

Qualifications for Residency

Residential Units. Each prospective resident of the Residential Units in the Facility must be at least 62 years of age, be able to live in an independent environment, meet certain health criteria prior to final acceptance in the Facility and be able to demonstrate the ability to pay the Entrance Fee and Monthly Service Fee required under the Residency Agreement and other required living expenses. If the spouse of a prospective resident is not 62 years of age, the spouse may occupy the Residential Unit and is required to pay only the second person Monthly Service Fee. The spouse is not entitled to receive services in the Health Care Center. When the spouse reaches 62 years of age, the spouse is required to provide new health and financial data demonstrating compliance with the requirements for residency and to pay the additional Entrance Fee for a second resident in the Residential Unit.

Health Care Center. All decisions involving the transfer of a resident to the Health Care Center are made by a Utilization Review Committee consisting of certain representatives of the Corporation, the resident or a personal representative of the resident and the resident's physician, if desired. Enriched housing units in the Health Care Center are available to residents who, in the judgment of the Corporation's Medical Director in consultation with the resident's physician, require more health care than offered in the Residential Units but do not require a skilled nursing bed. If the Utilization Review Committee determines that permanent nursing care is necessary for the resident's physical or mental health, a skilled nursing bed is provided in a semi-private or private room, depending on availability, unless a private room is a medical necessity. Enriched housing units and skilled nursing beds are also available to prospective residents who are in need of assisted living or skilled nursing services, at the established rate for a nonresident patient.

Entrance Fees and Monthly Service Fees

Residential Units. The Entrance Fee is a one-time payment based upon the type of Residential Unit and Entrance Fee plan selected by the resident, and the number of occupants. Two fee plans are offered, the "Traditional" Plan and the "90% Refundable" Plan. The Traditional Plan offers a lower Entrance Fee with a declining refund over time, while the 90% Refundable Plan requires a higher Entrance Fee and allows for a minimum of 90% of the Entrance Fee to be refunded at all times. An identical non-refundable additional person fee is required under each plan if more than one person occupies an independent living unit. Ten percent of the total Entrance Fee (the "Deposit") is payable by a prospective resident at the time of execution of the Residency Agreement. The remaining balance of the Entrance Fee is payable on the date of occupancy by a prospective resident (the "Occupancy Date"), but in no event later than 60 days following the date of the Deposit. The Entrance Fee, including the Deposit, is subject to change for future residents at any time and is refundable to a resident or to a resident's estate as described below under "Rescission, Termination and Refunds." The Monthly Service Fee is based upon the size of the Residential Unit and the number of residents in each Residential Unit. The Monthly Service Fee is payable in advance no later than the fifth day of each month, and the Corporation has the right to adjust the Monthly Service Fee upon 60 days' written notice to the residents in accordance with the methodology approved by the New York Department of Financial Services. In addition, a nonrefundable application fee of \$250 is payable upon execution of a Residency Agreement.

Health Care Center. Residents may be transferred to the Health Care Center temporarily or permanently. Upon transfer to the Health Care Center, the resident will continue to pay the current Monthly Service Fee plus certain other expenses not covered in the Residency Agreement. If a resident of a Residential Unit permanently transfers to the Health Care Center and vacates his or her Residential Unit, no refund of any portion of the Entrance Fee will be made. If the resident elects to terminate the

Residency Agreement at that time, the Entrance Fee would be refundable as described in the “– Rescission, Termination and Refunds” section below.

The Corporation may also permit a resident to enter directly into the Health Care Center at the established rate for a nonresident patient. The daily rate in 2016 is \$290 for residents in a one-bedroom enriched housing unit, \$240 for residents in a studio enriched housing unit, and for skilled nursing beds, \$585 for private pay patients, \$249 for Medicaid patients and average \$590 for Medicare Part A patients. The Corporation has the right to adjust these rates upon notice to the residents of the Health Care Center, provided, however, the Corporation is not permitted to adjust the Medicare and Medicaid rates.

Rescission, Termination and Refunds

Prior to Occupancy

A resident may rescind the Residency Agreement without penalty by written notice to the Corporation within seven (7) days of executing the Residency Agreement. The Corporation shall refund the portion of the entrance fee paid within three (3) days receipt of written notice.

After the expiration of seven days from the date of execution of the Residency Agreement by the resident, the resident may terminate the Residency Agreement without penalty or forfeiture except for those costs specifically incurred by the Corporation at the request of the resident and set forth in writing in a separate addendum signed by both parties. The Corporation shall refund to such resident all amounts paid to the Corporation by the resident or his/her legally designated representative, less any costs specifically incurred in preparing the resident’s living accommodation for residency (and restoring that living accommodation to its original condition) as requested by the resident and set forth in writing in a separate addendum signed by both parties. This refund shall be paid no later than thirty (30) days after a new resident has signed an agreement and paid the applicable entrance fee deposit for an apartment of the type reserved by the resident, but in no case later than one year after cancellation.

If the resident dies or if there are two residents, if both residents die prior to assuming occupancy of their Residential Unit, or through illness, injury or incapacity is precluded from becoming a resident under the terms of the Residency Agreement, the contract is automatically rescinded and the resident or his/her legal representative shall receive a full refund of all money paid to the Corporation, except those costs specifically incurred by the Corporation at the request of the resident and set forth in writing in a separate addendum, signed by the parties to the Residency Agreement. The Corporation shall provide the refund within sixty (60) days from the date of notification. In the event a second person is a party to the Residency Agreement, the resident shall, in the event of the death or inability of the second person as provided above, have the option to leave the Residency Agreement in force or to terminate the Residency Agreement in accordance with the terms of this paragraph. If the resident decides to leave the Residency Agreement in force and move to Jefferson’s Ferry as a single person, the Corporation will refund, within sixty (60) days receipt of written notice, the Second Person Entrance Fee Deposit, determined in accordance with the terms of this paragraph.

After Occupancy

After a resident has assumed residency at the Facility, the resident may terminate their Residency Agreement for any reason by giving the Corporation thirty (30) days written notice. The resident shall pay the Monthly Service Fee up to and including the date of termination. The effective date of termination shall be the thirty-first (31st) day after written notice is given. If the resident of a singly occupied unit dies after the resident has assumed occupancy, the resident’s contract is automatically terminated as of the date of death. The Corporation may, upon written notice and

opportunity to cure as provided in this section, terminate the Residency Agreement for just cause, including, but not limited to, any one or more of the following events (called a “default”):

- failure of a resident to pay the Entrance Fee;
- failure of a resident to pay the Monthly Service Fee;
- a resident’s inability to pay Monthly Fees as a result of his or her willful mismanagement of assets or income needed for payment of the Monthly Fees, unless mutually satisfactory written arrangements have been made. Default under this section shall not occur for at least ninety (90) days after notice of non-payment;
- misrepresentation or omission in the admission application. The Corporation’s right to terminate the Residency Agreement under the provisions of this clause expires two (2) years after execution of the Residency Agreement;
- any act of fraud committed by a resident in connection with the Residency Agreement;
- determination that the resident has failed to comply with any covenants, representations and warranties contained in the Residency Agreement;
- continued creation by the resident of a disturbance within the Facility or other locations in the community detrimental to the health and safety of the resident or other residents after notice of such disturbance is brought to the attention of such resident and the dispute resolution process has been followed.

Prior to termination for any default of a resident, the Corporation shall give such resident notice in writing of such default and the resident shall have thirty (30) days from the date of actual notice within which to correct such default. If the resident corrects such default within such time, then the Residency Agreement shall not be terminated. If the resident fails to correct such default within such time, this Agreement shall terminate at the expiration of such thirty (30) days.

Should the notice to terminate be expressly based upon a written statement of medical findings by two doctors, one of whom is neither employed by nor associated with the Corporation, that the resident is a danger to himself/herself or to others, the effective termination date will be one which is reasonable in light of the circumstances. This decision may be appealed as outlined in the Residency Agreement.

If any event described in this section occurs while the resident is in the Health Center, and the resident does not correct such default within thirty (30) days, the Corporation is expressly authorized by the resident to transfer the resident to an appropriate hospital or facility. The Corporation will promptly notify the resident’s personal physician and designated representative of such transfer. Any such transfer must be done in accordance with New York State Department of Health regulations 10 NYCRR 415.3(h) and include all required rights of notification and appeal. A detailed explanation of the resident’s rights under 10 NYCRR 415.3(h) is available from the Corporation upon request.

Any refund due as a result of the termination of the Residency Agreement after occupancy shall be calculated as follows:

- (a) Termination within the first ninety (90) days of occupancy. The Corporation shall provide a refund of the entrance fee paid by the resident without interest to the resident or his/her legally designated representative, less any costs specifically incurred in preparing the resident’s living accommodation for residency (and restoring the living accommodation to its original condition) as requested by the resident and set forth in writing in a separate addendum signed by both parties to the Residency Agreement, less unpaid monthly service fee and other charges set forth on the monthly service fee statement, and costs incurred as a result of damage to

the living accommodation. Payment of the refund shall be made within thirty (30) days after the new resident pays the then applicable entrance fee for the living unit, but in no event later than one year after resident terminates residency.

(b) Termination after the first ninety (90) days of occupancy. The Corporation shall provide a refund of the first person entrance fee paid by the resident without interest less a four percent (4%) administrative fee and less a two percent (2%) fee for each month or fraction thereof since the resident's Occupancy Date through date of termination of the Residency Agreement, with the added provision that the refund shall not be less than ninety percent (90%) of the first person entrance fee; except if (i) there were costs incurred by the Corporation at the specific request of the resident as set forth in an addendum to the Residency Agreement to the extent that those costs were not paid by the resident, and (ii) there were any unpaid monthly service fee, and other charges as set forth on the monthly service fee statement, and damage to the living accommodation. The Corporation shall provide a refund of the second person entrance fee paid by the resident without interest, less a four percent (4%) administrative fee and less a two percent (2%) fee for each month or fraction thereof since the resident's Occupancy Date through the date of termination of the Residency Agreement. Payment of the refund shall be made within thirty (30) days after the new resident pays the then applicable entrance fee for the living unit, but in no event later than one year after the resident terminates its residency. When two residents contractually share a living accommodation, any refund of the entrance fee will only be paid at termination of the Residency Agreement.

STATE REGULATION OF CONTINUING CARE RETIREMENT COMMUNITIES

CCRCs in the State of New York are regulated by the State Commissioner of Health (the "Commissioner") and the Continuing Care Retirement Community Council (the "Council") under the provisions of Article 46 of the Public Health Law of the State of New York ("Article 46").

The Council consists of the Attorney General of the State of New York, the Commissioner, the State Director of the Office of the Aging, or designees of any of them, and eight public members appointed by the Governor with the advice and consent of the State Senate. Such public members shall be representative of the public, and have a demonstrated expertise or interest in continuing care retirement; provided that no more than one such member shall be a sponsor, owner, operator, manager, member of a board of directors, or a shareholder of a continuing care retirement community. At least two public members shall be residents of a continuing care retirement community. At least one of the public members shall be a representative of an organization with demonstrated experience in representing the interest of senior citizens. The public members of the council have fixed terms of four years.

Certificate of Authority

Article 46 provides that no person may construct, expand, acquire, maintain or operate a CCRC without a certificate of authority issued by the Commissioner with the approval of the Council. The Corporation received a certificate of authority for the Facility in October 1998.

Once issued, a certificate of authority is valid unless and until the Council determines that the operator fails to meet the requirements of Article 46 or, has engaged in egregious behavior or if the Superintendent determines that the operator is insolvent. Within four months after the end of the operator's fiscal year, the operator is required to file an annual statement, including financial and other information, with the Commissioner and the Superintendent. Sixty days prior to the commencement of the operator's fiscal year, the operator is required to file with the Commissioner and the Superintendent a long-term debt service schedule and a projected annual revenue and expense summary for the next ten

years. If the annual statement is not submitted within the time period established under Article 46 and an extension has not been granted, the Council may charge a late fee.

Required Reserves and Certain Financial Covenants

Article 46 and the Insurance Law requires that each operator of a CCRC maintain reserves to pay (i) principal and interest payments and payments for taxes and insurance for up to twelve months, (ii) total estimated operating costs for up to six months as set by the superintendent, (iii) projected or actual resident refunds due on the next six months, and (iv) scheduled repairs and replacements for up to twelve months. Regulations promulgated by the State of New York Department of Financial Services require an operator, after the entrance fees or deposits held in escrow have been released, to maintain reserves for amounts due and unpaid and estimated future capital, operating and refund expenses provided for under the terms of the residency agreements all as set forth in detail in the regulations. The Corporation will meet these requirements by the deposit of moneys in the Debt Service Reserve Fund, together with other available funds held by the Corporation.

Appointment of Caretaker or Receiver

If the Council determines that the CCRC is in substantial violation of federal or state law standards for health, safety or patient care or has established a pattern or practice of violating such standards, it shall revoke, suspend, or annul the operator's certificate of authority and if the Council believes it to be in the public interest, it may request the Commissioner to petition a court of competent jurisdiction to appoint a caretaker. If the Council determines that serious operational deficiencies or serious financial problems exist, it may enter into an agreement with the operator for the appointment of a receiver or the Commissioner shall, upon request of the Council, petition court for appointment of a receiver pursuant to the provisions of Article 46.

The foregoing does not purport to be a complete summary of the provisions of Article 46, the related regulations, or the insurance regulations, and reference is made to the statute and such related regulations for a full and complete statement of their provisions.

THE SERIES 2016 BONDS

General Description

The Series 2016 Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers ("Beneficial Owners") under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book entry only form in denominations of \$5,000 or any integral multiple thereof. Beneficial Owners will not be entitled to receive physical delivery of the Series 2016 Bonds. So long as the Series 2016 Bonds are held in DTC's book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner of the Series 2016 Bonds for all purposes of the Indenture, the Series 2016 Bonds and this Official Statement, and payments of principal or redemption price of and interest on the Series 2016 Bonds will be made solely through the facilities of DTC. See "Book-Entry-Only System" herein.

Interest on the Series 2016 Bonds will be based on a 360 day year of twelve 30 day months and shall be payable on each May 1 and November 1, commencing on May 1, 2017 (each, an "Interest Payment Date"). So long as Cede & Co. is the registered owner of the Series 2016 Bonds, payments of principal or redemption price of and interest on the Series 2016 Bonds are required to be made to Beneficial Owners by DTC through its participants.

The regular record date for interest due on the Series 2016 Bonds on any May 1 shall be the fifteenth (15th) day of the month next preceding May 1 and the record date for interest due on any November 1 shall be the fifteenth (15th) day of the month next preceding November 1 (in each case whether or not a Business Day). Notwithstanding the foregoing, interest which is due and payable on any Interest Payment Date, but cannot be paid on such date from available funds under the Indenture, shall thereupon cease to be payable to the registered owners otherwise entitled thereto as of such date. Such defaulted interest will be payable to the person in whose name such Series 2016 Bond is registered at the close of business on a special record date established by the Trustee. The Trustee shall mail a notice specifying the special payment date and special record date so established to each registered owner of the Series 2016 Bonds, such notice to be mailed at least 15 days prior to the special record date.

Redemption Prior to Maturity

Optional Redemption.

The Series 2016 Bonds maturing on or after November 1, 2027 are subject to redemption by the Issuer, at the option of the Corporation, on or after November 1, 2026, in whole or in part at any time, at a price of par, plus accrued interest to the Redemption Date.

The Corporation may direct such prepayment only if it shall prepay an amount under the Loan Agreement equal to the amount of the prepayment price described above.

Scheduled Mandatory Redemption Without Premium.

The Series 2016 Bonds maturing November 1, 2036, are subject to mandatory redemption in part commencing on November 1, 2032, by lot by operation of Sinking Fund Payments at a Redemption Price equal to the principal amount thereof being redeemed plus accrued interest to the Redemption Date. The amounts and due dates of the Sinking Fund Payments for the Series 2016 Bonds are set forth in the following table:

Sinking Fund Payment Date	Amount
November 1, 2032	\$ 2,230,000
November 1, 2033	2,350,000
November 1, 2034	2,475,000
November 1, 2035	2,605,000
November 1, 2036*	5,570,000

* Final Maturity

Purchase In Lieu of Optional Redemption.

The Corporation shall have the option to cause any Series 2016 Bonds to be purchased by the Corporation, or its designee, in lieu of redemption pursuant to the Indenture. Such option may be exercised by delivery to the Trustee of a written notice of the Corporation specifying that the Series 2016 Bonds shall not be redeemed, but instead shall be subject to purchase pursuant to the Indenture. Upon delivery of such notice, the Series 2016 Bonds shall not be redeemed but shall be purchased at a price equal to the redemption price specified above, and if so purchased, the Series 2016 Bonds shall continue to be Outstanding under the Indenture for all purposes and shall continue to be subject to optional redemption as provided above. Such purchase shall be conditioned upon the delivery of an opinion of Bond Counsel that such purchase will not adversely affect the exclusion from gross income of interest on the Series 2016 Bonds for federal tax purposes.

Extraordinary Redemption Without Premium. The Series 2016 Bonds are subject to redemption in whole or in part at any time, without premium or penalty, at a Redemption Price equal to 100% of the principal amount of the Series 2016 Bonds to be prepaid plus interest accrued thereon to the redemption date, upon the occurrence of any of the following events: (i) insurance or condemnation proceeds of \$25,000 or more resulting from any damage, destruction, casualty loss or condemnation with respect to the Facility shall be on deposit in the Bond Fund pursuant to the Loan Agreement; or (ii) excess Bond Proceeds of \$25,000 or more shall be transferred to the Bond Fund pursuant to the Indenture.

Partial Redemptions. In the event that redemption of Series 2016 Bonds is made in an amount less than the amount of all Series 2016 Bonds having the same maturity, all Series 2016 Bonds having the same maturity shall be redeemed pro rata. So long as the Series 2016 Bonds are held in the Book-Entry Only System, such selection shall be made by DTC in such manner as DTC may determine. See the caption “Book-Entry-Only System” herein.

Notice of Redemption. When Series 2016 Bonds are to be redeemed, the Trustee shall give notice to the Bondowners in the name of the Issuer, which notice shall identify the Series 2016 Bonds to be redeemed, state the date fixed for redemption, and that such Series 2016 Bonds will be redeemed at the office of the Trustee. The notice shall further state that on such date there shall become due and payable upon each Series 2016 Bond to be redeemed the redemption price thereof, together with interests accrued to the redemption date, and that, from and after such redemption date, interest thereon shall cease to accrue. The Trustee shall mail the redemption notice no more than 60 days nor less than 30 days prior to the date fixed for redemption, to the Owners of each Series 2016 Bond to be redeemed, at their addresses shown on the registration books maintained by the Trustee. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, shall not affect the redemption of the Series 2016 Bonds.

Payment of Redeemed Bonds. If, on the redemption date, moneys for the redemption of all Series 2016 Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date shall be held by the Trustee so as to be available therefore on such date, the Series 2016 Bonds or portions thereof so called for redemption shall cease to bear interest, and such Series 2016 Bonds or portions thereof shall no longer be Outstanding under the Indenture or be secured thereby or be entitled to the benefits of the Indenture except with respect to payment of the redemption price thereof and accrued interest thereon to the redemption date. If such moneys shall not be so available on the redemption date, such Series 2016 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Indenture.

Additional Bonds and Permitted Debt

The Indenture provides for the issuance, under certain conditions, of Additional Bonds by the Issuer on a parity with the Series 2016 Bonds. In addition, as permitted in the Master Indenture, the Corporation may incur Additional Indebtedness, which may be secured equally and ratably with the Series 2016 Bonds and any Additional Bonds by a lien on and security interest in all or any part of the Facility or the Gross Revenues in accordance with the provisions of the Master Indenture. The Corporation may also incur Additional Indebtedness and other types of indebtedness for other lawful purposes on an unsecured or non-parity basis under certain conditions and limitations set forth in the Master Indenture.

See APPENDIX B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and under the heading “– SUMMARY OF CERTAIN PROVISIONS OF THE

MASTER INDENTURE” for a description of the Additional Bonds and permitted indebtedness provisions.

Book-Entry-Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bonds in the aggregate principal amount of such maturity and series will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, defaults and proposed amendments to the documents relating to the Series 2016 Bonds. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2016 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2016 Bond certificates will be printed and delivered.

THE ISSUER, THE CORPORATION, THE TRUSTEE, THE PAYING AGENT AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE SERIES 2016 BONDS

(I) PAYMENTS OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES 2016 BONDS, OR (II) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2016 BONDS, OR (III) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT “RULES” APPLICABLE TO DTC ARE ON FILE WITH THE SEC AND THE CURRENT “PROCEDURES” OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE ISSUER, THE CORPORATION, THE TRUSTEE, THE PAYING AGENT OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OF THE SERIES 2016 BONDS WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (II) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF, OR INTEREST ON, ANY SERIES 2016 BONDS, (III) THE DELIVERY OF ANY NOTICE BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT, (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016 BONDS, OR (V) ANY OTHER ACTION TAKEN BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Issuer and the Trustee. In addition, the Issuer may terminate the services of DTC if the Issuer determines that continuation of the system of book-entry transfers through DTC is not in the best interests of the Issuer. If the Book Entry Only System is discontinued, Series 2016 Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the Bondowner.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the Series 2016 Bonds, including the principal of the Series 2016 Bonds to be redeemed by mandatory sinking fund redemption.

<u>Period Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 970,000	\$ 1,701,035.21	\$ 2,671,035.21
2018	1,120,000	1,912,375.00	3,032,375.00
2019	1,165,000	1,867,575.00	3,032,575.00
2020	1,220,000	1,809,325.00	3,029,325.00
2021	1,285,000	1,748,325.00	3,033,325.00
2022	1,350,000	1,684,075.00	3,034,075.00
2023	1,415,000	1,616,575.00	3,031,575.00
2024	1,485,000	1,545,825.00	3,030,825.00
2025	1,560,000	1,471,575.00	3,031,575.00
2026	1,640,000	1,389,675.00	3,029,675.00
2027	1,730,000	1,303,575.00	3,033,575.00
2028	1,820,000	1,212,750.00	3,032,750.00
2029	1,915,000	1,117,200.00	3,032,200.00
2030	2,015,000	1,016,662.50	3,031,662.50
2031	2,120,000	910,875.00	3,030,875.00
2032	2,230,000	799,575.00	3,029,575.00
2033	2,350,000	682,500.00	3,032,500.00
2034	2,475,000	559,125.00	3,034,125.00
2035	2,605,000	429,187.50	3,034,187.50
2036	<u>5,570,000</u>	<u>292,425.00</u>	<u>5,862,425.00</u>
Total	\$ 38,040,000	\$ 25,070,235.21	\$ 63,110,235.21

SECURITY FOR THE SERIES 2016 BONDS

General

The Indenture. The Series 2016 Bonds are to be issued, pursuant to the Indenture and, together with any Additional Bonds which may be issued from time to time under the Indenture, will be equally and ratably secured thereby.

Bond Fund

Pursuant to the Indenture, a Bond Fund shall be established with the Trustee. Payments by the Corporation in respect of the Debt Service Requirements on the Series 2016 Bonds shall be deposited into the Bond Fund, and shall be applied on each payment date for the Series 2016 Bonds to the payment of the principal, including sinking fund installments, of and interest on the Series 2016 Bonds.

THE SERIES 2016 BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER NOR A DEBT OR INDEBTEDNESS OF THE TOWN OF BROOKHAVEN OR THE STATE OF NEW YORK AND NONE OF THE TOWN OF BROOKHAVEN OR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2016 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE BY THE ISSUER SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER AND PURSUANT TO THE INDENTURE. THE ISSUER HAS NO TAXING POWER.

The Loan Agreement. Under the Loan Agreement, the Corporation will make payments sufficient to pay the principal, purchase price or redemption price of and interest on the Series 2016 Bonds when due. The Loan Agreement is a general obligation of the Corporation.

The Mortgage and the Assignments. Pursuant to the Mortgage, the Corporation has granted to the Issuer a first mortgage lien on the land and buildings included in the Facility. The lien created by the Mortgage will be subject to Permitted Encumbrances, as defined in Appendix B. Also, pursuant to the Mortgage, the Corporation has granted to the Issuer, a security interest in the personal property, equipment and fixtures included in the Facility and any condemnation awards or insurance proceeds with respect thereto. Pursuant to the Assignment of Mortgage and Security Agreement, the Issuer has assigned the Mortgage to the Master Trustee to secure the Corporation's obligations under the Master Indenture.

Acceleration. If an Event of Default occurs under the Indenture, the Trustee may declare the principal of the Series 2016 Bonds and any Additional Bonds immediately due and payable.

Security Under the Master Indenture

The Series 2016 Bonds are also secured by Obligation No. 1, which is issued under and pursuant to the Master Indenture. Obligation No. 1 will be issued by the Corporation to the Issuer under the Supplemental Indenture. Pursuant to the Indenture, the Issuer has assigned Obligation No. 1 to the Trustee for the benefit of the bondholders. Obligation No. 1 will be in same principal amount as the Series 2016 Bonds, and will have terms and conditions to provide payments thereon in the aggregate sufficient to pay all amounts to become due on the Series 2016 Bonds. Obligation No. 1 is subject to the same payment and prepayment terms as the obligations of the Corporation with respect to the Series 2016 Bonds under the Loan Agreement. Obligation No. 1 and the Supplemental Indenture provide that the Obligated Group will receive credit, to the extent, in the manner and with the effect provided therein, for payments of principal and sinking fund installments and premium, if any, and interest required on the Series 2016 Bonds in amounts equal to (1) amounts paid under the Indenture for the payment of principal of and premium, if any, and interest on the Series 2016 Bonds, and (ii) the par amount of the Series 2016 Bonds purchased and delivered to the Trustee for cancellation. The Master Indenture provides that any obligation issued thereunder, such as the Obligation No. 1, is a joint and several obligations of all Members of the Obligated Group. **As of the date of issuance of the Series 2016 Bonds, it is expected that the Corporation shall be the only Member of the Obligated Group.**

Gross Revenues

Gross Revenues is defined in the Master Indenture to include all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third-party payments), any condemnation awards, Entrance Fees and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) any amounts received by an Obligated Group Member as a billing agent for another entity, except for fees received for serving as billing agent, (ii) gifts, grants, bequests, donations and contributions to an Obligated Group Member heretofore or hereafter made, and the income and

gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payments required under the Master Indenture, (iii) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other residential and commercial areas of the Facilities to be occupied or leased to such residents or tenants, (iv) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of such payment or deposit have been satisfied, and (v) all deposits and/or advance payments made in connection with any residency of the Independent Living Units or other residential and commercial areas of the Facilities to be occupied by residents or tenants and received prior to receipt of such certificate and licenses for occupancy of such units.

As provided in the Master Indenture, each Member of the Obligated Group has granted, and each additional Person admitted to the Obligated Group shall grant as a condition of such admission, to the Master Trustee a security interest in all of its Gross Revenues (subject to the right of any member to grant a prior Lien as permitted under the Master Indenture) as security for its obligation to make payments under all Obligations issued under the Master Indenture, including Obligation No. 1. Each Member of the Obligated Group represents and warrants in the Master Indenture that the Lien granted on the Gross Revenues is and at all times will be a first Lien, subject only to (i) Liens permitted by the Master Indenture and (ii) nonconsensual Liens arising by operation of law.

The enforcement of the Lien on Gross Revenues may be subject to limitations imposed by the Bankruptcy Code and to the exercise of discretion by a court of equity and to other significant conditions and limitations, including restrictions upon assignment of accounts receivable and the proceeds thereof under the Medicare and Medicaid programs. See “CERTAIN BONDHOLDERS’ RISKS – Possible Limitations on Mortgage and the Lien” “– Bankruptcy.”

Historical Debt Service Coverage Ratio

Under the Master Indenture, the Obligated Group agrees to maintain a Historical Debt Service Coverage Ratio at least equal to 1.20:1, calculated as of the end of each Fiscal Year. Historical Debt Service Coverage Ratio is defined as for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for any completed period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and to the extent an Interest Rate Agreement has been entered into in connection with any particular indebtedness, the actual debt service paid after the effect of payments made to or received from the provider of the Interest Rate Agreement shall be used in such calculation. Within one hundred fifty (150) days after the end of each Fiscal Year, the Obligated Group shall furnish to the Required Information Recipients a copy of such calculation showing that the requirement of the foregoing sentence was met as of the end of such Fiscal Year.

If the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 but greater than 1.00:1 for any Fiscal Year and the Days Cash on Hand for such Fiscal Year is greater than 350, the Obligated Group shall provide a management report, at the Obligated Group’s expense, within 30 days following the delivery of the calculation described above. Such report shall make recommendations and outline steps to be taken by the Obligated Group with respect to the rates, fees and charges of the Members and the Obligated Group’s methods of operation and other factors affecting its financial condition in order to generate a Historical Debt Service Coverage Ratio of at least 1.20:1 for the

following Fiscal Year. If (a) the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 for any two consecutive Fiscal Years, (b) the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 and the Days Cash on Hand is 350 or less for any Fiscal Year, or (c) the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.00:1 for any Fiscal Year, the Obligated Group shall, at the Obligated Group's expense, select a Consultant within 30 days following the delivery of the calculation described above to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to generate a Historical Debt Service Coverage Ratio of at least 1.20:1 for the following Fiscal Year. The Consultant selected will be approved and retained in accordance with the Master Indenture.

A copy of the Consultant's report and recommendations, if any, shall be filed with each Member and each Required Information Recipient within 60 days of retaining the Consultant which 60 day period shall commence upon the last required approval with respect to the Consultant under the Master Indenture. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law and contract. The Master Indenture shall not be construed to prohibit any Member from serving indigent patients or residents to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients or residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of the Master Indenture.

The foregoing provisions notwithstanding, if the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year does not meet the levels required above, the Obligated Group shall not be required to retain a Consultant to make such recommendations if: (a) there is filed with each Required Information Recipient a written report of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year sufficient to meet the requirements of the Master Indenture, and such report is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee) an opinion of Independent Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding any other provisions of the Master Indenture, in the event that any Member of the Obligated Group incurs any Additional Indebtedness for any acquisition, construction, renovation or replacement project pursuant to any other provision of the Master Indenture, the Debt Service Requirements on such Additional Indebtedness and the Revenues and Expenses relating to the project or projects financed with the proceeds of such Additional Indebtedness shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the purposes of complying with this requirement, until the first full Fiscal Year following the later of (i) the estimated completion of the acquisition, construction, renovation or replacement project being paid for with the proceeds of such Additional Indebtedness provided that such completion occurs no later than six months following the completion date for such Project set forth in the Consultant's report described in paragraph (a) below, or (ii) the first full year in which Stable Occupancy is achieved in the case of acquisition,

construction, renovation or replacement of any nursing home/retirement community facilities financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected in the report of the Consultant referred to in paragraph (a) below to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness, or (iii) the end of the fourth full Fiscal Year after the incurrence of such Additional Indebtedness, if the following conditions are met:

(a) There is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for the first full Fiscal Year following the later of (I) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Additional Indebtedness, or (II) the first full Fiscal Year following the year in which Stable Occupancy is achieved in the case of acquisition, construction, renovation or replacement of nursing home/retirement communities being financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness, or (III) the end of the fourth full Fiscal Year after the occurrence of such Additional Indebtedness will be not less than 1.20:1 after giving effect to the incurrence of such Additional Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations, but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Additional Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this paragraph (a); and

(b) There is delivered to the Master Trustee an Officer's Certificate on the date on which financial statements are required to be delivered to the Master Trustee pursuant to the Master Indenture until the first Fiscal Year in which the exclusion from the calculation of the Historical Debt Service Coverage Ratio no longer applies, calculating the Historical Debt Service Coverage Ratio of the Obligated Group at the end of each Fiscal Year, and demonstrating that such Historical Debt Service Coverage Ratio is not less than 1.00:1, such Historical Debt Service Coverage Ratio to be computed without taking into account (I) the Additional Indebtedness to be incurred if (x) the interest on such Additional Indebtedness during such period is funded from proceeds thereof or other funds of the Member then on hand and available therefor and (y) no principal of such Additional Indebtedness is payable during such period, and (II) the revenues to be derived from the Project to be financed from the proceeds of such Additional Indebtedness.

No Event of Default relating to the requirements set forth above may be declared notwithstanding any other provision of the Master Indenture, unless (i) the Obligated Group fails to take all necessary action to comply with the procedures set forth above if the Historical Debt Service Coverage Ratio is less than 1.20:1 as of a Testing Date; or (ii) the Historical Debt Service Coverage Ratio is less than 1.00:1 and Days Cash on Hand is less than 225 as of a Testing Date; or (iii) the Historical Debt Service Coverage Ratio is less than 1.00:1 as of any two consecutive Testing Dates; or (iv) during any period in which Additional Indebtedness for any acquisition, construction, renovation or replacement project is excluded from the Historical Debt Service Coverage Ratio as described in the preceding paragraph, the Historical Debt Service Coverage Ratio is less than 1.00:1.

See Appendix B – "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" under the heading "Historical Debt Service Coverage Ratio."

Days Cash on Hand

Under the Master Indenture, the Obligated Group agrees to maintain Days Cash on Hand of at least 150 days (the “Liquidity Requirement”) at the end of each semiannual period ending June 30 and December 31 (the “Liquidity Test Dates”). Days Cash on Hand is defined in the Master Indenture as, as of the date of calculation, the amount determined by dividing (a) the amount of Cash and Investments on such date by (b) the quotient obtained by dividing the aggregate Expenses (including interest on Indebtedness but excluding provisions for bad debt, amortization, depreciation or any other non-cash expenses) as shown on the most recent annual audited financial statements of the Corporation, and any other Member of the Obligated Group, by 365. Within one hundred fifty (150) days after the end of each Liquidity Test Date, the Obligated Group shall furnish to the Required Information Recipients an Officer’s Certificate stating, based on calculations shown in such certificate, that the requirement of the foregoing sentence was met on such Liquidity Test Date, calculated as of the end of such Liquidity Test Date.

If the amount of Days Cash on Hand as of any Liquidity Testing Dates is less than the Liquidity Requirement, the Obligated Group Agent shall, within 30 days after delivery of the Officer’s Certificate disclosing such deficiency, deliver an Officer’s Certificate approved by a resolution of the Governing Body of the Obligated Group Agent to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan, setting forth steps to be taken designed to raise the level of the Days Cash on hand to the Liquidity Requirement by the next Liquidity Testing Date.

If the Obligated Group has not raised the level of the Days Cash on Hand to the Liquidity Requirement by the Liquidity Testing Date immediately subsequent to the delivery of the Officer’s Certificate required in the preceding paragraph, the Obligated Group Agent shall, within 30 days after delivery of the Officer’s Certificate disclosing such deficiency, select a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group’s methods of operation and other factors affecting its financial condition in order to increase the Days Cash on Hand to the Liquidity Requirement by the next Liquidity Testing Date. Such Consultant will be approved and retained as set forth in the Master Indenture. A copy of the Consultant’s report and recommendations, if any, shall be filed with each Member and each Required Information Recipient within 60 days after the date such Consultant is retained (which 60 day period shall commence upon the last required approval under, with respect to the Consultant, the Master Indenture). Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Member) and permitted by law and contract.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the Liquidity Requirement for any Liquidity Testing Date shall not constitute an event of default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan or retaining a Consultant and follows each recommendation contained in such plan or Consultant’s report to the extent feasible (as determined by the Governing Body of the Obligated Group Agent) and permitted by law and contract.

See Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE” under the heading “Days Cash on Hand.”

Additional Members Under the Master Indenture; Withdrawal

The Master Indenture contains provisions permitting the addition, withdrawal or consolidation of Members under certain conditions. See Appendix B – “DEFINITIONS OF CERTAIN TERMS AND

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE.”

Additional Debt

The Master Indenture permits each Member of the Obligated Group to incur Obligations secured by a lien on each Member’s Gross Revenues on a parity with Obligation No. 1 given as security for the Series 2016 Bonds. The incurrence of additional parity Obligations is subject to certain conditions, including compliance with the Master Indenture’s limits on Indebtedness. For additional information concerning the incurrence of additional Indebtedness, see Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE.”

Joint and Several Obligation

Each Member of the Obligated Group has unconditionally and irrevocably agreed that it shall be jointly and severally obligated to pay all amounts becoming due and payable on all Obligations issued under the Master Indenture according to the terms thereof. If for any reason any payment required pursuant to the terms of the Obligation issued hereunder has not been timely paid, each Member shall be obligated to make such payment.

Debt Service Reserve Fund

Pursuant to the Indenture, a Debt Service Reserve Fund shall be established with the Trustee for the security of the Series 2016 Bonds and any Additional Bonds, which is required to be funded and maintained in an amount equal to the Debt Service Reserve Fund Requirement which is defined as, with respect to each Series of Bonds, an amount (A) equal to the least of (i) the maximum annual debt service on the applicable Series of Bonds, (ii) one-hundred twenty five percent (125%) of the Corporation’s average annual debt service on the applicable Series of Bonds, or (iii) ten percent (10%) of the par amount of the applicable Series of Bonds, or (B) such lesser amount as may be required in a Supplemental Indenture authorizing a Series of Additional Bonds.

Moneys on deposit in the Debt Service Reserve Fund shall be applied to make up any deficiencies in the Bond Fund with respect to payments of principal of and interest on the Series 2016 Bonds and any Additional Bonds.

If, after making a valuation of the Debt Service Reserve Fund as set forth in the Indenture, the Trustee notifies the Corporation that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Corporation shall pay to the Trustee, in addition to the amounts required under the Loan Agreement, as a special loan payment, on the first day of each February, May, August and November following such notification, an amount equal to one-fourth (1/4) of the total amount necessary to restore the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

CERTAIN BONDHOLDERS’ RISKS

AN INVESTMENT IN THE SERIES 2016 BONDS INVOLVES A DEGREE OF RISK. A PROSPECTIVE PURCHASER OF THE SERIES 2016 BONDS IS ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. REFER TO THE SECTION “SECURITY FOR THE SERIES 2016 BONDS” AND THIS SECTION FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2016 BONDS. The factors listed below,

among others, could adversely affect the Corporation's operation, revenues and expenses for the Facility to an extent which cannot be determined at this time.

Uncertainty of Revenues. The Series 2016 Bonds are payable from the revenues of the Issuer derived from the Corporation under the Loan Agreement, the Gross Revenues derived from the operation of the Facility which are pledged pursuant to the Master Indenture, a first mortgage lien on the real and personal property comprising the Facility and from the funds established under the Indenture (other than the Rebate Fund) and the investment income thereon. Under certain circumstances, the Series 2016 Bonds may be payable from net proceeds of casualty insurance or condemnation awards. The availability of revenues from the Facility in the amounts necessary to pay the principal or redemption price of and interest on the Series 2016 Bonds will be dependent on the maintenance of occupancy levels at the Facility by eligible residents who will be able to pay the Facility's Entrance Fee and Monthly Service Fee (both of which are projected to increase on a regular basis in subsequent years) and the hiring and retention of competent administrative and operating personnel to conduct the day-to-day operations of the Facility. The realization of future revenues and control of expenses is also dependent upon, among other things, successful marketing by the Corporation and future economic and other conditions which are unpredictable. Any of these factors may affect revenues and payment of debt service on the Series 2016 Bonds. No representation or assurance can be made that revenues will be realized by the Corporation from the Facility in amounts sufficient to make the required payments with respect to debt service on the Series 2016 Bonds.

The Corporation may fail to meet the Historical Debt Service Coverage Ratio Covenant or the Liquidity Requirement described above under "SECURITY FOR THE SERIES 2016 BONDS." Failure to meet such requirements will require the Corporation to prepare a management report or retain a Management Consultant to prepare a plan of corrective action as described under "SECURITY FOR THE SERIES 2016 BONDS." While these covenants are intended to require the Corporation to take corrective action in order to avert a payment default, no assurance can be given that such corrective actions, if required, will be successful.

If an Event of Default occurs under the Indenture or the Master Indenture, the Trustee may declare an acceleration or take any of the remedies provided in such document, as described under "SECURITY FOR THE SERIES 2016 BONDS – General - Acceleration." Following an acceleration, there may be no moneys in the funds held by the Trustee under the Indenture for payment of the Series 2016 Bonds. See Appendix B hereto for a description of the events of default and the remedies available to the Trustee under the Indenture and the Master Trustee under the Master Indenture.

Failure to Achieve or Maintain Occupancy or Turnover. The economic feasibility of the Facility depends in large part upon the ability of the Corporation to attract sufficient numbers of residents to the Facility to maintain substantial occupancy and turnover of occupancy at the Facility throughout the term of the Series 2016 Bonds. The Corporation's ability to maintain a high level of occupancy depends to some extent on factors outside its control, such as the residents' right to terminate their Residency Agreements at any time, subject to the conditions provided in the Residency Agreements. If the Facility fails to maintain a high level of occupancy, there may be insufficient funds to pay debt service on the Series 2016 Bonds. Moreover, if a substantial number of Residential Unit residents live beyond the anticipated life expectancies assumed by Management, or if permanent transfers to the Health Care Center are substantially less than assumed by Management, or if market changes require a reduction (or limit the rate of increase) in the amount of the Entrance Fees payable by new residents of the Facility, the amount of additional Entrance Fees would be reduced, with a consequent impairment of the Corporation's revenues. Such impairment would also result if the Corporation is unable to remarket Residential Units becoming available when residents die, withdraw, or are permanently transferred to the Health Care Center.

Competition. The Facility is located in an area where two other CCRCs are currently operating and where one proposed CCRC is in the planning stages. The Facility may also face additional competition in the future as a result of changing demographic conditions and the construction of new CCRCs in the geographic area served by the Facility. The Corporation will also face competition from other forms of retirement living, including condominiums, apartment buildings and facilities not specifically designed for the elderly, some of which may be designed to offer similar facilities but not necessary similar services, at lower prices. In addition, there are few entry barriers to certain competitors because some types of competing facilities do not require a Certificate of Authority under Article 46. The effect of these competing facilities on the Facility may be material.

Third Party Reimbursement.

General. The health care industry, in general, is subject to regulation by a number of governmental agencies, including those which administer the Medicaid and Medicare programs, and other federal, state and local governmental agencies. As a result, the industry is sensitive to legislative changes in such programs and is affected by reductions in governmental spending for such programs. Congress has in the past enacted a number of provisions which affect health care providers, and additional legislative changes can be expected. Previous legislative actions have included limitation of payments to nursing homes under the Medicare and Medicaid programs. Additional legislation dealing with nursing home revenues could be introduced, and if enacted, such legislation might have an adverse impact upon the revenues of the Facility.

The Corporation is certified as a provider of services under Title XVIII of the federal Social Security Act (Medicare) and Title XIX of the Social Security Act (Medicaid) to receive payments for providing nursing care for Medicare- and Medicaid-eligible patients. Payments will be made directly to the Corporation for residents qualifying for Medicare and Medicaid on the basis of per diem rates.

Medicare. Medicare is a federal insurance program which, among other things, provides reimbursement for certain skilled nursing care in Medicare-certified facilities. A resident will qualify for Medicare reimbursement only if the resident's admission to the nursing home facility is immediately subsequent to the resident's three or more day stay at an acute care facility and the resident's condition meets Medicare's medical necessity criteria for skilled nursing care. Medicare reimbursement for nursing care is limited to a renewable 100-day period for each qualified post-hospital admission to a nursing home facility.

Medicare is administered by the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services ("CMS"). Medicare makes payment for skilled nursing services using a prospective payment system ("PPS") subject to certain cost limitations and services, whereby providers are compensated for providing care to Medicare beneficiaries based on an assessment of the resident. The assessment is based on a Resource Utilization Group (RUG) system. Payment is made for up to 100 days of post-hospital extended care services. After the 20th day of such services, the resident is responsible for a coinsurance amount. Extended care services include nursing care, accommodations, medical social services, and physical, occupational or speech therapy furnished by the facility or others under arrangements with the facility.

The Corporation has Medicare certification for the skilled nursing beds. The Medicare rate is based on the prospective rate, adjusted for the resident's acuity assessment.

Recently, CMS has published a major overhaul of regulations affecting long term care facilities which will be effective November 28, 2016. The Corporation is analyzing the impact of these regulations and will comply with these new requirements. Other future legislation, regulation or actions by the federal government are expected to continue the trend toward more restrictive limitations on

reimbursement for long-term care services. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Corporation's financial performance cannot be determined at this time.

Medicare HMOs. Medicare allows Medicare beneficiaries to enroll in certain federally qualified health maintenance organizations and competitive health plans ("Medicare HMOs"). Medicare HMOs enter into contractual arrangements with providers, pursuant to which the HMO pays negotiated rates which may be less than standard Medicare payment rates. The Corporation has not entered into any contracts with Medicare HMOs, but may enter into such contracts in the future.

Medicare Reporting Requirements. Medicare regulations provide that all entities furnishing services for which payment may be made under Medicare are required to submit certain information to CMS and other governmental agencies. Persons who fail to submit the required information or who fail to report the information accurately and completely may be subject to civil money penalties. As these requirements are numerous, technical and complex, there can be no assurance that the Corporation may not incur such penalties in the future. These penalties may be material.

Medicaid. Medicaid is a program jointly funded by the federal and state governments and administered by the states. In New York, the state's share is partially funded by counties and by The City of New York. Medicaid provides coverage to qualifying poor individuals for unlimited duration. Coverage is based on income and asset tests. Each state's Medicaid program has its own rules, subject to certain federal requirements. State systems for reimbursing nursing facilities for care provided to Medicaid residents vary; some rates are retrospective, some are prospective and some are case-mixed based rates. New York's system is a case-mix system, and operates similarly to the PPS system described above.

Medicaid MLTCs. Medicaid allows, and certain counties in New York require, Medicaid recipients to enroll in qualified health maintenance organizations and competitive health plans which are managed long term care plans ("Medicaid MLTCs"). Medicaid MLTCs enter into contractual arrangements with providers, pursuant to which the MLTC pays negotiated rates which may be less than standard Medicaid payment rates. Such Medicaid MLTCs may pay providers on a "capitated" basis; that is, at a predetermined amount per enrollee without regard to the value of services used by enrollees. The Corporation has not entered into any contracts with Medicaid MLTCs, but may enter into such contracts in the future.

Medicaid Reporting Requirements. Medicaid regulations provide that all entities furnishing services for which payment may be made under Medicaid are required to submit certain information to the New York State Department of Health and other governmental agencies. Persons who fail to submit the required information or who fail to report the information accurately and completely may be subject to civil money penalties. As these requirements are numerous, technical and complex, there can be no assurance that the Corporation may not incur such penalties in the future. These penalties may be material.

Federal "Fraud and Abuse" Laws and Regulations. The Federal Medicare/Medicaid anti-Fraud and Abuse Amendments to the Social Security Act (the "Anti-Kickback Law") make it a criminal felony offense to knowingly and willfully offer, pay, solicit or receive any remuneration, directly or indirectly, in cash or in kind, for the referral of patients, to influence or arrange for the referral of patients, or the provision of items or services or other business (e.g., the purchase or lease of goods, facilities, or services) for which reimbursement is provided by federal health care programs, including the Medicare and Medicaid programs. In addition to criminal penalties, including fines of up to \$25,000 and five years imprisonment, violations of the Anti-Kickback Law can lead to civil monetary penalties and exclusion

from federal and state health care programs. The scope of prohibited payments in the Anti-Kickback Law is broad and includes, but is not limited to, economic arrangements involving hospitals, physicians and other health care providers, including, without limitation, joint ventures, space and equipment rentals, purchases of physician practices and management and personal services contracts. Because the Anti-Kickback Law is so broad in its reach, the United States Department of Health and Human Services created a series of statutory exceptions and regulatory safe harbors which protect certain arrangements from being deemed to violate the Anti-Kickback Law. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relationships. For an arrangement to be protected by an exception or safe harbor, all of the requirements of each applicable exception and safe harbor must be met. Therefore, many arrangements involving hospitals, physicians and other health care providers are not protected by these statutory exceptions and regulatory safe harbors.

Providers may have certain relationships with physicians and other referral sources which do not necessarily meet all of the requirements of each applicable exception and safe harbor under the Anti-Kickback Law. While only those arrangements that precisely meet all of the requirements of all applicable exceptions and safe harbors will be afforded protection from prosecution under the Anti-Kickback Law, arrangements that do not squarely fit within an exception or safe harbor do not necessarily violate the Anti-Kickback Law. If a particular transaction does not fit within the applicable exceptions and safe harbors to the Anti-Kickback Law, the transaction will be reviewed on a case-by-case basis to determine whether the relationship is intended to induce referrals or otherwise violate the Anti-Kickback Law. Certain courts have held that where one purpose of the transaction is to induce referrals, the transaction will be found to violate the Anti-Kickback Law. Where all applicable exceptions and safe harbors are not met, there can be no assurances that a provider will not be found to have violated the Anti-Kickback Law, or that any resulting sanction imposed on the provider would not have a material adverse effect on, among other things, a provider's receivables, either by a retrospective denial of claims or exclusion from the Medicare and Medicaid programs. As noted above, other fines, penalties, criminal, civil and/or administrative actions against a provider found to have violated the Anti-Kickback Law may also result and have a material adverse effect on the provider.

The federal physician self-referral law (the "Stark Law") prohibits a physician (or an immediate family member of such physician) with a financial relationship, direct or indirect, with an entity from referring a patient to such entity for the furnishing of certain "designated health services" which are paid for, in whole or in part, by the Medicare or Medicaid programs. The Stark Law further prohibits the entity receiving such prohibited referrals from presenting or causing to be presented a claim for payment under the Medicare and Medicaid programs for designated health services furnished pursuant to a prohibited referral. The designated health services currently subject to these prohibitions include clinical laboratory services, certain nuclear medicine services, physical therapy services, occupational therapy services, speech-language pathology services, radiology and certain other imaging services (including magnetic resonance imaging, computerized axial tomography scans and ultrasound), radiation therapy services and supplies, durable medical equipment and supplies, parental and enteral nutrients equipment and supplies, orthotics, prosthetics and prosthetic devices and supplies, home health services, outpatient prescription drugs (including all drugs covered by Medicare Parts B and D) and inpatient and outpatient hospital services. Many states have similar statutes. However, the various state statutes often differ as to patients covered (e.g., the New York statute covers all patients irrespective of payor) and the list of designated health services included within the respective laws' reach.

Like the Anti-Kickback Law, failure to comply with the Stark Law can result in liability in connection with a wide variety of business transactions. Violation of the Stark Law requires the entity to refund any payments received as a result of a violation of the Stark Law, and may result in significant and material civil monetary penalties of up to \$15,000 for each self-referred service and exclusion from participation in federal health care programs, including Medicare and other programs, even if the

transaction has other wholly legitimate business purposes. Unlike the Anti-Kickback Law, the Stark Law is a strict liability statute. If a financial relationship exists which does not fit within an applicable exception, referrals by a physician for designated health services will be deemed to violate the Stark Law. Both the referral and submission of a claim will violate the Stark Law and expose the individual parties to significant fines and penalties.

Sanctions could be applied in many situations where skilled nursing facilities participate in joint ventures with entities which may be in a position to make or influence referrals or to whom skilled nursing facilities may be in a position to make or influence referrals, enter into personal service and management contracts, enter into space and equipment rental agreements, waive co-payments and deductibles, etc. Such sanctions could result in a material adverse effect on the financial position of the Corporation, exclusion from Medicare, Medicaid, and/or any federal and/or state health care programs, loss of license or disciplinary action by licensing agencies, and/or substantial civil monetary penalties.

Violations of the Anti-Kickback and Stark Laws can also have collateral consequences. For example, submission of claims for reimbursement by federal health care programs that are in violation of the Anti-Kickback or Stark Laws may implicate the Federal False Claims Act. The False Claims Act imposes civil penalties on anyone who, among other things, knowingly presents, or causes to be presented, a "false or fraudulent claim" for payment to the government. Penalties include a mandatory penalty of \$10,781 to \$21,563 for each claim that is found to be false or fraudulent, plus treble damages.

In addition to the Anti-Kickback and Stark Laws and the False Claims Act, there is an increasingly expanding and complex body of laws, regulations and policies relating to federal and state health programs that is not directly related to payment. These include reporting and other technical rules, regulation of emergency treatment and patient transfer, as well as broadly stated prohibitions regarding inducement for referrals, all of which carry potentially significant penalties for noncompliance. Violations may result in civil and criminal penalties, and could result in temporary or permanent exclusion from the federal health programs (which account for a significant portion of accounts receivable of most providers).

The Corporation does not believe that it is involved in activities that pose a significant risk of sanctions under these referral laws. However, there can be no assurance that such challenge or investigation will not occur in the future.

Health Care Reform. Legislation is periodically introduced in Congress and in the New York legislature which could result in limitations on revenues, reimbursements, or charges for health care facilities. At this time, no determination can be made as to whether such federal or state legislation will be enacted, or if enacted, its impact on the Facility.

Professional Liability Claims and Losses. The operations of the Corporation, and thereby of the Facility, may also be affected by increases in the incidence of professional liability lawsuits against healthcare facilities in general, and increases in the dollar amount of patient damage recoveries, resulting in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. The Corporation covenants to maintain professional liability insurance in the amount required under the Loan Agreement. It is not possible at this time to determine either the extent to which such insurance coverage will continue to be available to the Corporation or the premiums at which such coverage can be obtained.

Possible Changes in Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Corporation of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Corporation, and thereby the revenues of the Facility. The Corporation has obtained a letter from the Internal Revenue Service determining it is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of

1986, as amended (the “Code”). As an exempt organization, the Corporation is subject to a number of requirements affecting its operation. The failure of the Corporation to remain qualified as an exempt organization could affect the funds available to the Corporation for payments under the Loan Agreement. Also, loss of exempt status as a Section 501(c)(3) organization may adversely affect the status of the Series 2016 Bonds for federal income tax purposes. Failure of the Corporation to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities such as the Facility, could cause interest on the Series 2016 Bonds to be included in the gross income of Bondholders or former Bondholders for federal income tax purposes. See “TAX MATTERS” herein.

Factors Affecting Real Estate Taxes. The Corporation pays real estate taxes to the local tax authorities based upon the assessed value of its property. In the future, the tax assessment could be increased.

Lack of Marketability for the Series 2016 Bonds. The Underwriter is not obligated to make a market for the Series 2016 Bonds and there can be no assurance that there will be a secondary market for the Series 2016 Bonds. The absence of such a market for the Series 2016 Bonds could result in investors not being able to resell the Series 2016 Bonds should they need or wish to do so.

Lien for Clean-up of Hazardous Materials. The federal Comprehensive Environmental Response, Compensation and Liability Act (the “Federal Superfund Act”) provides authority to the United States Environmental Protection Agency (the “EPA”) to arrange for response actions in the event of a release or substantial threat of release of hazardous substances and also imposes liability for certain response costs and damages on the present owner (among other parties) of a site of such release or threat of release. The Federal Superfund Act provides that all costs and damages for which a person is liable to the United States shall constitute a lien upon all real property belonging to such person which is subject to or affected by the response action. The federal lien is subject to the normal rules of priority.

Bankruptcy. The filing by, or against, the Corporation for relief under the United States Bankruptcy Code (the “Bankruptcy Code”) would have an adverse effect on the ability of the Trustee, the Master Trustee and Bondholders to enforce their claim or claims to the security granted by the Mortgage and the Master Indenture, and their claim or claims to moneys owed them as unsecured claimants, if any. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation and its property and as an automatic stay of any act or proceeding to enforce a lien against such property. Moreover, following such a filing the revenues and accounts receivable and other property of the Corporation acquired after the filing (and under some conditions prior to the filing) would not be subject to the liens and security interests created under the Mortgage and the Master Indenture absent a court order. In addition, the bankruptcy court has the power to issue any order, process or judgment that is necessary or appropriate to carry out the provisions of the Bankruptcy Code; such a court order could require that the property of the Corporation, including the Gross Revenues of the Corporation and proceeds thereof, be used for the benefit of the Corporation, despite the lien and security interest of the Trustee therein.

In a bankruptcy proceeding, the debtor could file a plan of reorganization which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. The Bondholders may only receive post-petition interest on the Series 2016 Bonds to the extent the value of their security exceeds their claim. The plan, when confirmed by the court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan.

No plan may be confirmed unless, among other conditions, the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of

the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly in favor of junior creditors. More particularly, the Bankruptcy Code would permit the liquidation of the Corporation or the adoption of a reorganization plan for the Corporation even though such plan had not been accepted by (i) the holders of a majority in aggregate principal amount of the Series 2016 Bonds, if the plan is “fair and equitable” and does not discriminate unfairly against the Bondholders as a class and is in the “best interest of the creditors,” which may mean that the Bondholders are provided with the benefit of their original lien or the “indubitable equivalent”; or (ii) any holder of the Series 2016 Bonds if the Bondholders, as a class, are deemed unimpaired under the plan.

In addition, if the bankruptcy court concludes that the Bondholders have “adequate protection,” it may (1) substitute other security for the security subject to the lien of the Mortgage and the Master Indenture by granting a replacement lien on post-petition assets or (2) subordinate the lien of the Bondholders to persons who supply credit to the Corporation after commencement of the case. In the event of the bankruptcy of the Corporation, any amount realized by the Trustee or Bondholders may depend on the bankruptcy court’s interpretation of “indubitable equivalent” and “adequate protection” under the then existing circumstances. Any transfers made to the Bondholders or the Trustee at or prior to the commencement of the case may be avoided and recaptured if such transfers are (a) avoidable by a judicial lien creditor who obtained its lien on the date the case commenced (regardless of whether such a creditor actually exists), (b) preferential or fraudulent (as defined by the Bankruptcy Code) or (c) voidable under applicable law by any actual unsecured creditor. The Bondholders may also be subject to avoidance and recapture of any post-petition transfers, turnover of property of the debtor which they, the Trustee or a custodian hold and assumption, assignment or rejection of executory contracts.

Possible Limitations on Mortgage and the Lien. The pledge of and security interest in the Corporation’s and the future members of the Obligated Group’s Gross Revenues derived from or in connection with the Facility created under the Master Indenture, and the lien on the land and buildings of the Facility created under the Mortgage may be limited by the following: (i) statutory liens; (ii) rights arising in favor of the United States of America or any Issuer thereof; (iii) present or future prohibitions against assignment contained in any federal statutes or regulations, which in the case of amounts payable under the Medicare and Medicaid programs, prevents the collection of such amounts directly from the payor by the holder of a security interest; (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (v) federal bankruptcy or state insolvency laws affecting assignments of revenues earned after any effective institution of bankruptcy or insolvency proceedings by or against the Corporation; (vi) rights of third parties in any revenues, including revenues converted to cash, not in possession of the Trustee or the Master Trustee; and (vii) the requirement that appropriate continuation statements be filed in accordance with the New York Uniform Commercial Code.

Limited Use Facility. The Facility has been specially designed as a CCRC. As a result, in the event of default and eviction of the Corporation from the Facility, the Master Trustee’s and the Trustee’s remedies and the number of entities which would be interested in purchasing or leasing the Facility might be limited, and the sales price or fees generated by the Facility might thus be adversely affected.

Additional Debt. The Master Indenture permits the Corporation to incur additional indebtedness which may be equally and ratably secured with the Series 2016 Bonds. See Appendix B – “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE.” Any such additional parity indebtedness would be entitled to share ratably with the holders of the Series 2016

Bonds in any moneys realized from the exercise of remedies in the event of a default by the Corporation and in the proceeds of certain insurance and condemnation awards.

Sale of Homes. It is anticipated that some prospective residents of the Facility will be required to sell their current homes to pay the Entrance Fee prior to occupancy or to meet other financial obligations under their Residency Agreements. If prospective residents encounter difficulties in selling their current homes due to local or national economic conditions affecting the sale of residential real estate, such prospective residents may not have sufficient funds to pay the Entrance Fee or to meet other obligations under their Residency Agreements, thereby causing a delay in remarketing of vacated Residential Units which would have an adverse impact on the revenues of the Corporation.

Treatment of the Residency Agreements as Leases. There is some degree of likelihood that the Residency Agreements for the Facility would be deemed to constitute leases of real property under the laws of the State of New York and as such the residents would be entitled to certain protection available to tenants under the laws of the State of New York.

Prepayment Risks. The Series 2016 Bonds may be required to be paid prior to their stated maturity upon redemption (as described under “THE SERIES 2016 BONDS - Redemption” herein) and upon an acceleration following the occurrence of an event of default under the Indenture. If the Series 2016 Bonds become due upon an acceleration, interest on the Series 2016 Bonds shall cease to accrue on the date of the declaration of acceleration and no premium would be payable. There can be no assurance that there would be sufficient funds available to pay the principal of and interest on the Series 2016 Bonds.

Nature of the Income of the Elderly. A large percentage of the monthly income of some residents of the Facility will be fixed income derived from pensions and social security. In addition, some residents will be liquidating assets in order to pay the Monthly Service Fees required under the Residency Agreement. If, due to inflation or otherwise, substantial increases in Monthly Service Fees are required to cover increases in operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased Monthly Service Fees. The Corporation does conduct a financial analysis of each potential resident before executing a Residency Agreement to determine the likely ability of the resident to meet the financial obligations to the Corporation, however no assurance may be given that future events, including life expectancy, will not result in residents encountering difficulty in paying Monthly Service Fees.

Increases in Nursing Costs Along with Number of Residents Requiring Nursing Care. Because the Corporation is obligated, at no additional charge to the individual residents, to provide nursing care, including placing residents under the Residency Agreement in other nursing facilities if no beds are available at the Health Care Center, increases in the nursing care requirements of the resident population, due to unanticipated increases in life span or any other cause, or substantial unanticipated increases in the cost of nursing care, could have an adverse impact on the operations of the Corporation. Additionally, if the Corporation should have to place residents in nursing care beds not located on the campus of the Facility, an adverse effect on marketing may result. The undertaking to provide such nursing care is a general obligation of the Corporation, and although the Corporation believes that it will have sufficient funds to meet all of its future obligations, no assurance can be given that such funds will be sufficient to meet all future obligations of the Corporation.

Other Possible Risk Factors. The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Corporation:

- (a) Establishment of mandatory governmental wage, rent or price controls;

(b) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;

(c) Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues; and

(d) Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Corporation.

LITIGATION

The Issuer

There is not now pending against the Issuer any litigation restraining or enjoining the issuance or delivery of the Series 2016 Bonds, or questioning or affecting the validity of the Series 2016 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Issuer to their respective offices, is being contested or questioned. There is no litigation pending against the Issuer which in any manner questions the right of the Issuer to enter into the Indenture or the Loan Agreement or to secure the Series 2016 Bonds in the manner provided in the Indenture.

The Corporation

No action, suit, proceeding or investigation is pending against the Corporation or, to the Corporation's knowledge, threatened which might materially adversely affect the business or properties or financial condition of the Corporation, or in which an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of the Loan Agreement, the Master Indenture, the Supplemental Indenture, the Mortgage, or any other documents executed by the Corporation, the performance by the Corporation of any of its obligations thereunder, or the consummation of any of the transactions contemplated thereby.

INDEPENDENT AUDITORS

The financial statements of the Corporation as of December 31, 2015 and 2014 and for the years then ended appearing in Appendix A of this Official Statement have been audited by Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their report appearing in Appendix A to this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Issuer relating to (a) computation of anticipated receipts of principal and interest on the government obligations deposited with the trustee for the Series 2006 Bonds (the "Escrow Securities") and the anticipated payments of principal and interest to redeem the Series 2006 Bonds, and (b) computation of the yields on the Series 2006 Bonds and the Escrow Securities was examined by AMTEC corporation, Avon, Connecticut ("AMTEC"). Such computations were based solely upon assumptions and information supplied by the Underwriter on behalf of the Issuer. AMTEC has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are

based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2016 Bonds are subject to the approving opinion of Nixon Peabody LLP, New York, New York, as Bond Counsel to the Issuer, a form of which is attached as APPENDIX C. A signed copy of such opinion will be available at the time of original delivery of the Series 2016 Bonds. Certain legal matters will be passed upon for the Issuer by its counsel, Annette Eaderesto, Esq., Brookhaven, New York; for the Corporation by its counsel, Garfunkel Wild, P.C., Great Neck, New York; and for the Underwriter by its counsel, Butler Snow LLP, Boston, Massachusetts.

UNDERWRITING

The Series 2016 Bonds are being purchased by B.C. Ziegler and Co., as Underwriter. The Underwriter has agreed to purchase the Series 2016 Bonds at an aggregate underwriting discount of \$399,420.00. The purchase contract for the Series 2016 Bonds provides that the Underwriter will purchase all of the Series 2016 Bonds. The Corporation has agreed to indemnify the Underwriter and the Issuer against losses, claims, damages and liabilities arising out of any incorrect statement or information contained in or information omitted from this Official Statement to the extent set forth in the purchase contract.

The initial public offering prices set forth on the inside cover page hereof may be changed from time to time by the Underwriter, and the Underwriter may offer to sell Series 2016 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof.

RATING

Fitch Ratings Inc. (“Fitch”) has assigned the Series 2016 Bonds the rating shown on the cover page hereof, based upon the credit of the Corporation. Such rating reflects only the views of the rating agency and an explanation of the significance of such rating may be obtained from the rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect upon the market price of the Series 2016 Bonds.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2016 Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement, the Issuer and the Corporation have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer and the Corporation have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Regulatory Agreement. Bond Counsel will also rely on the opinion of Garfunkel Wild, P.C., as to certain matters concerning the status of the Corporation as

an organization described in Section 501(c)(3) of the Code and exempt from federal income tax under Section 501(a) of the Code. Bond Counsel will not independently verify the accuracy of those representations and certifications or that opinion.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Issuer and the Corporation described above, interest on the Series 2016 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2016 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York, including The City of New York, assuming compliance with the tax covenants and accuracy of the representations and certifications described above under “Federal Income Taxes.” Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than the State of New York.

Original Issue Premium

The Series 2016 Bonds sold at prices in excess of their principal amounts are “Premium Bonds.” An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period of the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2016 Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2016 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits and individuals seeking to claim the earned income credit. Ownership of the Series 2016 Bonds may also result in other federal tax consequences to taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2016 Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2016 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2016 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix C. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2016 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Federal Tax Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income on the Series 2016 Bonds for federal or state income tax purposes and thus on the value or marketability of the Series 2016 Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2016 Bonds from gross income for federal or state income tax purposes, or otherwise. Bond Counsel notes that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2016 Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2016 Bonds may occur. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2016 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Corporation has undertaken in a Continuing Disclosure Agreement dated as of November 1, 2016 (the "Continuing Disclosure Agreement") between the Corporation and the Trustee, for the benefit of the holders of the Series 2016 Bonds, to provide to the Trustee certain annual information and notices required to be provided by Rule 15c2-12. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D hereto. The Continuing Disclosure Agreement may be amended or modified without the consent of the holders of the Series 2016 Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto at or prior to the delivery of the Series 2016 Bonds will be on file at the principal corporate trust office of the Trustee. The Issuer has not committed to provide any continuing disclosure to the owners of the Series 2016 Bonds or to any other person.

In the Continuing Disclosure Agreement the Corporation has covenanted with the Trustee for the benefit of Series 2016 Bondowners to provide certain financial information and operating data relating to the Corporation by not later than 150 days following the end of the Corporation's fiscal year beginning with the fiscal year ending December 31, 2016 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Corporation to be material. In addition to its obligations under Rule 15c2-12, the Corporation has agreed to provide certain financial and operating data on a quarterly basis (the "Quarterly Report"). The Annual Report and the Quarterly Report will be filed on behalf of the Corporation with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system located at www.emma.msrb.org, as set forth in the Continuing Disclosure Agreement.

Certain of the Corporation's quarterly reports for fiscal years 2011, 2012, 2013 and 2016 that were provided by the Corporation to the prior bond trustee (as Dissemination Agent) in a timely manner were not filed on EMMA by the Dissemination Agent. In 2012, 2013, 2014 and 2015 the Corporation provided certain other quarterly reports to the Dissemination Agent after the dates on which they were due. All of these reports have since been filed on EMMA. A Remedial Notice relating to these late filings was filed by the Corporation on EMMA on November 9, 2016.

MISCELLANEOUS

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed. To the extent that any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Issuer with the holders of Series 2016 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2016 Bonds nor this Official Statement are to be construed as constituting an agreement with the purchasers of the Series 2016 Bonds.

The information contained herein should not be construed as representing all conditions affecting the Issuer, the Corporation, the Facility, or the Series 2016 Bonds. The foregoing statements relating to the Act, the Indenture, the Loan Agreement, the Master Indenture, the Supplemental Indenture, the Mortgage and other documents are summaries of certain provisions thereof, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such documents in their complete forms.

The attached Appendices A through D are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Series 2016 Bonds, but neither the failure to print such numbers on any Series 2016 Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Series 2016 Bonds.

The Issuer has furnished only the information included herein under the section entitled "TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION" and information concerning the Issuer under the headings "INTRODUCTORY STATEMENT" and "LITIGATION."

The Issuer and the Corporation have authorized the distribution of this Official Statement.

**TOWN OF BROOKHAVEN LOCAL
DEVELOPMENT CORPORATION**

By: /s/ Frederick C. Braun
Name: Frederick C. Braun
Title: Chairman

**ACTIVE RETIREMENT COMMUNITY, INC.
D/B/A JEFFERSON'S FERRY**

By: /s/ Robert E. Caulfield
Name: Robert E. Caulfield
Title: President and Chief Executive Officer

APPENDIX A

FINANCIAL STATEMENTS OF THE CORPORATION

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**Active Retirement Community, Inc.
d/b/a Jefferson's Ferry
and Controlled Entity**

Financial Statements and
Supplementary Information

December 31, 2015 and 2014



Candor. Insight. Results.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

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December 31, 2015 and 2014

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Independent Auditors' Report

Board of Directors
Active Retirement Community, Inc. d/b/a Jefferson's Ferry
and Controlled Entity

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Active Retirement Community, Inc., d/b/a Jefferson's Ferry and Controlled Entity (the "Corporation"), which comprise the consolidated balance sheet as of December 31, 2015 and 2014, and the related consolidated statements of operations and changes in net deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Active Retirement Community, Inc., d/b/a Jefferson's Ferry and Controlled Entity as of December 31, 2015 and 2014, and the results of its operations, changes in net deficit and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information for 2015 (with comparative totals for 2014) on pages 20 to 22 is presented for purposes of additional analysis rather than to present the financial position, results of operations, and changes in net deficit of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Viechow Krause, LLP

Philadelphia, Pennsylvania
April 12, 2016

**Active Retirement Community, Inc d/b/a Jefferson's Ferry
and Controlled Entity**

Consolidated Balance Sheet
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 2,795,522	\$ 2,514,076
Accounts receivable:		
Residents, net	663,328	700,695
Entrance fees	340,020	-
Other	44,202	83,622
Prepaid expenses and other assets	760,025	752,019
Investments	21,550,786	21,751,727
Assets limited as to use	13,661,387	13,635,814
Pledges receivable, net	186,045	266,997
Split-interest agreements	555,231	555,231
Property and equipment, net	61,236,321	62,075,923
Deferred costs, net	636,717	717,458
	<u>\$ 102,429,584</u>	<u>\$ 103,053,562</u>
Liabilities and Net Deficit		
Liabilities		
Accounts payable:		
Trade	\$ 467,311	\$ 473,216
Entrance fees	868,050	1,569,316
Accrued expenses	1,587,644	1,465,103
Resident deposits	257,523	223,914
Long-term debt	40,627,775	42,597,333
Obligation to provide future services and use of facilities	5,129,000	5,335,000
Deferred revenues from entrance fees	24,794,280	24,788,065
Refundable entrance fees and advanced deposits	73,131,514	69,779,370
	<u>146,863,097</u>	<u>146,231,317</u>
Net Assets (Deficit)		
Unrestricted	(45,746,397)	(44,442,706)
Temporarily restricted	1,312,884	1,264,951
	<u>(44,433,513)</u>	<u>(43,177,755)</u>
Total net deficit	<u>(44,433,513)</u>	<u>(43,177,755)</u>
Total liabilities and net deficit	<u>\$ 102,429,584</u>	<u>\$ 103,053,562</u>

See notes to consolidated financial statements

**Active Retirement Community, Inc d/b/a Jefferson's Ferry
and Controlled Entity**

Consolidated Statement of Operations and Changes in Net Deficit
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Revenues		
Net resident service revenues	\$ 25,267,955	\$ 23,995,700
Change in future service obligation	206,000	863,000
Contributions	171,187	207,920
Other revenues	79,749	46,902
Investment income	461,634	1,047,730
Net assets released from restrictions	467,734	186,917
	<u>26,654,259</u>	<u>26,348,169</u>
Expenses		
Health services	6,409,635	6,179,114
Facility costs and utilities	4,562,861	4,344,580
Dietary	3,890,136	3,774,567
Interest expense	2,113,471	2,208,507
Administrative	3,374,107	2,552,989
Housekeeping and laundry	1,027,179	921,627
Activities, security, reception, and foundation	1,099,475	1,087,837
Marketing	702,735	764,700
Depreciation	4,721,781	4,534,290
Amortization	80,741	85,592
	<u>27,982,121</u>	<u>26,453,803</u>
Revenues less than expenses	(1,327,862)	(105,634)
Change in Unrealized Gains and Losses on Investments	(4,060)	(14,230)
Net Assets Released from Restrictions	<u>28,231</u>	<u>82,948</u>
Change in unrestricted net deficit	<u>(1,303,691)</u>	<u>(36,916)</u>
Temporarily Restricted Net Assets		
Contributions	486,773	427,866
Change in value of pledges receivable	57,125	(47,628)
Net assets released from restrictions used for:		
Operations	(467,734)	(186,917)
Purchase of property and equipment	(28,231)	(82,948)
	<u>47,933</u>	<u>110,373</u>
Change in temporarily restricted net assets	<u>47,933</u>	<u>110,373</u>
Change in net deficit	(1,255,758)	73,457
Net Deficit, Beginning	<u>(43,177,755)</u>	<u>(43,251,212)</u>
Net Deficit, Ending	<u>\$ (44,433,513)</u>	<u>\$ (43,177,755)</u>

See notes to consolidated financial statements

**Active Retirement Community, Inc d/b/a Jefferson's Ferry
and Controlled Entity**

Consolidated Statement of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net deficit	\$ (1,255,758)	\$ 73,457
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation and amortization	4,802,522	4,619,882
Amortization of bond discount	5,442	5,686
Net realized and unrealized gains on sales of investments	278,162	(173,539)
Proceeds from entrance fees and deposits	2,753,900	4,609,690
Amortization of entrance fees	(3,579,523)	(3,402,791)
Change in obligation to provide future services and use of facilities	(206,000)	(863,000)
Change in split-interest agreements	-	(555,231)
Contributions received restricted for long-term purposes	(28,231)	(82,948)
Changes in assets and liabilities:		
Accounts receivable, residents	76,787	(194,501)
Accounts receivable, entrance fees	(340,020)	-
Prepaid expenses and other current assets	(8,006)	(66,054)
Pledges receivable	80,952	581,399
Trading securities	(73,161)	1,631,214
Accounts payable and accrued expenses	116,636	(119,083)
Resident deposits	33,609	(4,980)
	<u>2,657,311</u>	<u>6,059,201</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,882,179)	(4,088,867)
Net purchases of investments, other-than-trading	(29,633)	(205,674)
	<u>(3,911,812)</u>	<u>(4,294,541)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(1,975,000)	(1,880,000)
Proceeds from refundable entrance fees and deposits	7,317,500	8,471,610
Refunds of entrance fees and deposits	(3,834,784)	(8,544,166)
Contributions received restricted for long-term purposes	28,231	82,948
	<u>1,535,947</u>	<u>(1,869,608)</u>
Net cash provided by (used in) financing activities	<u>1,535,947</u>	<u>(1,869,608)</u>
Net increase (decrease) in cash and cash equivalents	281,446	(104,948)
Cash and Cash Equivalents, Beginning	<u>2,514,076</u>	<u>2,619,024</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,795,522</u>	<u>\$ 2,514,076</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 2,129,929</u>	<u>\$ 2,224,174</u>

See notes to consolidated financial statements

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The consolidated financial statements include the accounts of Active Retirement Community, Inc. d/b/a Jefferson's Ferry ("Jefferson's Ferry") and Jefferson's Ferry Foundation (the "Foundation") (collectively, the "Corporation"). All significant intercorporate transactions and balances have been eliminated.

Jefferson's Ferry is a not-for-profit corporation that operates a continuing-care retirement community ("CCRC") consisting of 248 independent living units and a 120-unit health care center (the "Health Center") which consists of 60 Enriched Housing apartments and a 60 bed skilled nursing facility. Jefferson's Ferry's operations are located in South Setauket, New York.

Mather Health System, Inc. of Port Jefferson, New York is the sole member of Jefferson's Ferry.

The Foundation is a not-for-profit corporation that supports Jefferson's Ferry in its ability to provide and expand its charitable activities. Jefferson's Ferry controls, as the sole corporate member, the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity dates of three months or less, excluding assets limited as to use and investments.

Accounts Receivable, Residents

Accounts receivable, residents are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based upon a periodic review of individual accounts and was approximately \$20,000 at December 31, 2015 and 2014.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheet. The fair value of substantially all securities is determined by quoted market prices. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in revenues less than expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from revenues less than expenses unless the investments are trading securities. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheet are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheet could change materially in the near term.

Investments

Investments generally include unrestricted assets that are available for the general use of the Corporation.

Assets Limited as to Use

Assets limited as to use include assets held by a bond trustee under bond indenture agreements, assets whose use has been limited to specific purposes, and entrance fee deposits from prospective residents.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Costs

Deferred costs includes \$1,548,419 of costs incurred in connection with the issuance of debt (Note 6) and are deferred and amortized over the term of the related debt using the effective-interest method. Amortization expense was \$80,741 in 2015 and \$85,592 in 2014. Accumulated amortization was \$911,702 and \$830,961 at December 31, 2015 and 2014, respectively.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Entrance Fees

Under the terms of the Continuing Care Residency Agreement, Jefferson's Ferry receives entrance fees that entitle the resident to living accommodations and healthcare and other services on a monthly basis.

Jefferson's Ferry offers two entrance fee options: a traditional (declining balance) plan and a 90% refundable plan. Under the traditional plan, refunds are generally equal to the entrance fee paid, minus 2% of the entrance fee paid for each month of occupancy in the independent living unit and a one-time 4% administrative fee. After four years, the entrance fee is nonrefundable. Under the 90% refundable plan, refunds are generally equal to 90% of the entrance fee paid.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable entrance fees and deposits in the consolidated balance sheet. The balance of entrance fees received is amortized to income using the straight-line method over the remaining life expectancy of each resident or couple, adjusted annually at the beginning of each year, and is classified as deferred revenues from entrance fees in the consolidated balance sheet. Upon the death of a sole surviving resident, any remaining unamortized portion of the entrance fee is recognized as operating revenue.

Refunds of entrance fees under both options occur only after a person is no longer a resident of Jefferson's Ferry and after an entrance fee is received from a subsequent resident for their former independent living unit. In no event will the fee be refunded later than one year after the resident terminates residency. At December 31, 2015 and 2014, Jefferson's Ferry owed refunds of \$2,116,774 and \$1,569,316, respectively, to residents who have terminated their agreements. These amounts are classified as accounts payable in the consolidated balance sheet.

Total contractual refund obligations were \$80,814,344 at December 31, 2015.

Deposits from prospective residents represent waiting list deposits and partial payments of entrance fees on units assigned but not yet occupied. The initial waiting list deposit is fully refundable and can later be credited toward the entrance fee. Deposits from prospective residents are fully refundable until such time that the prospective resident takes occupancy of the unit. In the event of cancellation, Jefferson's Ferry is required to refund the deposit. Deposits held as of December 31, 2015 and 2014 were \$480,170 and \$160,040, respectively and are classified as refundable entrance fees and deposits in the consolidated balance sheet.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Obligation to Provide Future Services and Use of Facilities

Jefferson's Ferry periodically calculates the present value of the net cost of future services and the use of facilities with assistance from an independent actuary. If the present value of the net obligation to provide future services and use of facilities (discounted at 5.5%) exceeds deferred revenue from entrance fees, a liability is recorded with a corresponding charge to income. The liability was estimated to be approximately \$5,129,000 and \$5,335,000 at December 31, 2015 and 2014, respectively.

Net Resident Service Revenues

Net resident service revenues are reported at the estimated net realizable amounts from residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Net resident service revenues include amortization of entrance fees of \$3,579,523 in 2015 and \$3,402,791 in 2014.

Use of Estimates

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

Revenues Less Than Expenses

The consolidated statement of operations and changes in net deficit include the determination of revenues less than expenses. Changes in unrestricted net deficit, which are excluded from revenues less than expenses, consistent with industry practice, include unrealized gains and losses on investments, other-than-trading, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been restricted by donors for a specific time period or purpose.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Donor-Restricted Gifts

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or contain a time restriction. Unconditional promises to give cash are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statement of operations and changes in net deficit.

Income Taxes

Jefferson's Ferry and the Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on their exempt income under Section 501(a) of the Internal Revenue Code.

The Corporation accounts for uncertainty in income taxes by prescribing a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold in 2015 and 2014.

The Corporation does not perform any activities that would be subject to unrelated business income tax; therefore, it has not filed Form 990-T, *Exempt Organization Business Income Tax Return*.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through April 12, 2016, the date the consolidated financial statements were issued.

Reclassifications

Certain reclassifications have been made to the 2014 balances previously reported to conform to the current year presentation.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

New Accounting Standard

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Corporation will be required to retrospectively adopt the guidance in ASU No. 2014-09 for years beginning after December 15, 2017; early application is not permitted. The Corporation has not yet determined the impact of adoption of ASU No. 2014-09 on its consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest* (Subtopic 835-30). ASU No. 2015-03 was issued to simplify the presentation of debt issuance costs presented in the balance sheet. Under ASU No. 2015-03, debt issuance costs will be required to be reported as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In addition, ASU No. 2015-03 clarified that the amortization of debt issuance costs should be reported as interest expense in the statement of operations. The Corporation will be required to retrospectively adopt the guidance in ASU No. 2015-03 for years beginning after December 15, 2015; early application is permitted. ASU No. 2015-03 is not expected to have a material impact on the Corporation's consolidated financial statements.

2. Net Resident Service Revenues

Jefferson's Ferry has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- **Medicaid:** Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Approximately 2% of Jefferson's Ferry's net resident service revenues in 2015 and 2014 were derived from the Medicaid program.
- **Medicare:** Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. Approximately 10% of Jefferson's Ferry's net resident service revenues in 2015 and 2014 were derived from the Medicare Part A program.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

As described above, the Medicaid and Medicare Part A rates are based, in part, on clinical, diagnostic, and other factors. The determination of these rates is partially based on Jefferson's Ferry's clinical assessment of its residents. Jefferson's Ferry is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicaid and Medicare programs.

3. Fair Value Measurements and Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level in the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the instrument through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

The following tables present financial instruments measured at fair value at December 31, 2015 and 2014 by caption, on the consolidated balance sheet:

	2015			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
Corporate bonds, investment grade	\$ 8,122,288	\$ -	\$ 8,122,288	\$ -
U.S. government notes	7,382,981	-	7,382,981	-
Cash and cash equivalents	259,243	259,243	-	-
Marketable equity securities	3,664,332	3,664,332	-	-
U.S. government agency obligations	1,671,847	-	1,671,847	-
Exchange traded fund	450,095	450,095	-	-
Total investments	21,550,786	4,373,670	17,177,116	-
Assets limited as to use:				
Corporate bonds, investment grade	5,045,003	-	5,045,003	-
U.S. government notes	1,643,136	-	1,643,136	-
Guaranteed investment contract	4,100,000	-	-	4,100,000
U.S. government agency obligations	1,944,571	-	1,944,571	-
Cash and cash equivalents	928,677	928,677	-	-
Total assets limited as to use	13,661,387	928,677	8,632,710	4,100,000
Total assets	\$ 35,212,173	\$ 5,302,347	\$ 25,809,826	\$ 4,100,000
Disclosed at Fair Value:				
Cash and cash equivalents	\$ 2,795,522	\$ 2,795,522	\$ -	\$ -
Debt (carrying value of \$40,627,775)	\$ 41,731,000	\$ -	\$ 41,731,000	\$ -
Pledges receivable	\$ 186,045	\$ -	\$ -	\$ 186,045

**Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry
and Controlled Entity**

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

	2014			
	Total	Level 1	Level 2	Level 3
Reported at Fair Value				
Investments:				
Corporate bonds, investment grade	\$ 10,263,403	\$ -	\$ 10,263,403	\$ -
U.S. government notes	6,141,887	-	6,141,887	-
Cash and cash equivalents	1,049,041	1,049,041	-	-
Marketable equity securities	3,783,872	3,783,872	-	-
U.S. government agency obligations	104,843	-	104,843	-
Exchange traded fund	408,681	408,681	-	-
Total investments	21,751,727	5,241,594	16,510,133	-
Assets limited as to use:				
U.S. government notes	4,702,197	-	4,702,197	-
Guaranteed investment contract	4,100,000	-	-	4,100,000
U.S. government agency obligations	3,764,480	-	3,764,480	-
Cash and cash equivalents	1,069,137	1,069,137	-	-
Total assets limited as to use	13,635,814	1,069,137	8,466,677	4,100,000
Total assets	\$ 35,387,541	\$ 6,310,731	\$ 24,976,810	\$ 4,100,000
Disclosed at Fair Value:				
Cash and cash equivalents	\$ 2,514,076	\$ 2,514,076	\$ -	\$ -
Debt (carrying value of \$42,597,333)	\$ 45,030,000	\$ -	\$ 45,030,000	\$ -
Pledges receivable	\$ 266,997	\$ -	\$ -	\$ 266,997

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Under the provisions of the Insurance Department for the State of New York Regulation No. 140 (the "Regulation"), Jefferson's Ferry must maintain a debt service reserve fund and an operating reserve fund. At December 31, 2015, Jefferson's Ferry's assets limited as to use - debt service reserve fund satisfies the Regulation's debt service reserve fund requirement and Jefferson's Ferry's cash and cash equivalents and assets limited as to use - operating reserve fund satisfies the Regulation's operating reserve fund requirement. Management believes that Jefferson's Ferry is in compliance with all other requirements of the Regulation as of December 31, 2015.

Investment income is comprised of the following:

	<u>2015</u>	<u>2014</u>
Income:		
Interest and dividend income, net of fees	\$ 749,845	\$ 859,961
Realized (losses) gains on sales of investments	(275,990)	134,437
Change in unrealized gains and losses on investments designated as trading	<u>(12,221)</u>	<u>53,332</u>
Total	<u>\$ 461,634</u>	<u>\$ 1,047,730</u>
Other changes in unrestricted net deficit:		
Change in unrealized gains and losses on investments designated as other-than-trading	<u>\$ (4,060)</u>	<u>\$ (14,230)</u>

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

Valuation Methodologies

The following is a description of the valuation methodologies used for financial instruments measured and disclosed at fair value. There have been no changes or methodologies used at December 31, 2015 and 2014.

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less at date of purchase.

U.S. government notes, U.S. government agency obligations, and corporate bonds are valued based on spreads of published interest rate curves.

Marketable equity securities are valued at closing prices reported on the active market on which the individual securities are traded.

Guaranteed investment contracts are valued by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Exchange traded funds are valued at the net asset value ("NAV") of shares held by the Corporation at the end of the year.

Debt is valued based on current rates offered for similar issues with similar security terms and maturities.

Pledges receivable are valued based on discounted cash flow analysis of the pledges received by the Corporation.

4. Property and Equipment

Property and equipment are as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 5,308,000	\$ 5,308,000
Land improvements	840,190	1,064,010
Building and building improvements	95,494,605	93,986,672
Furniture and equipment	6,241,662	7,323,410
Construction-in-progress	1,182,176	1,109,983
	<u>109,066,633</u>	<u>108,792,075</u>
Total		
	109,066,633	108,792,075
Less accumulated depreciation	<u>(47,830,312)</u>	<u>(46,716,152)</u>
	<u>\$ 61,236,321</u>	<u>\$ 62,075,923</u>

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

5. Long-Term Debt

In June 2006, the Corporation entered into a loan agreement (the "Agreement") with the Suffolk County Industrial Development Agency (the "Agency") whereby the Agency issued, on behalf of the Corporation, \$55,545,000 of Continuing Care Retirement Community Revenue Refunding Bonds, Series 2006 (the "2006 Bonds"). The proceeds from the 2006 Bonds were used to advance refund the Agency's Series 1999A Bonds, fund a debt service fund, and pay the costs and expenses of issuing the 2006 bonds.

The Corporation is obligated for annual payments under the terms of the Agreement which are structured to meet the Agency's annual principal and interest payments due on the 2006 Bonds as follows:

	<u>2015</u>	<u>2014</u>
Serial Bond, Bond due in varying annual installments through November 1, 2016, plus interest at rates ranging from 4.625% to 5.0%	\$ 2,070,000	\$ 4,045,000
Bonds due on November 1, 2028, plus interest at 5.0%. Beginning on November 1, 2017, bonds to be selected by lot will be redeemed in varying annual installments through November 1, 2028	<u>38,600,000</u>	<u>38,600,000</u>
Total	40,670,000	42,645,000
Less bond discount	<u>(42,225)</u>	<u>(47,667)</u>
Long-term debt, net	<u>\$ 40,627,775</u>	<u>\$ 42,597,333</u>

Scheduled principal and sinking fund payments on debt are as follows:

Years ending December 31:	
2016	\$ 2,070,000
2017	2,170,000
2018	2,275,000
2019	2,390,000
2020	2,510,000
Thereafter	<u>29,255,000</u>
Total	<u>\$ 40,670,000</u>

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

The 2006 Bonds are secured by substantially all of the Corporation's property and equipment and gross revenues. The related bond agreement requires the Corporation to be in compliance with certain financial ratios and covenants including a debt service coverage ratio of 1.20 and days cash on hand of at least 150 days. The Corporation is in compliance with the requirements of the bond agreements at December 31, 2015 and 2014.

6. Accrued Expenses

Accrued expenses are as follows:

	<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 548,122	\$ 482,742
Interest	337,623	354,081
Other	376,496	367,319
Accrued pension	181,437	134,996
Paid time off	143,966	125,965
Total	<u>\$ 1,587,644</u>	<u>\$ 1,465,103</u>

7. Pension Plan

During 2001, Jefferson's Ferry established a defined contribution plan (the "Plan") covering all eligible employees. The Company has applied for, and received, qualification of the Plan under the provisions of Section 403(b) of the Internal Revenue Code. Employees are eligible to participate based on length of service. Contributions to this plan are discretionary. The amount of expense related to the Plan was approximately \$206,000 in 2015 and \$156,000 in 2014.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Restricted by time for unrestricted purposes	\$ 668,303	\$ 821,810
Capital acquisitions	596,498	352,665
Endowment fund	5,884	47,764
Employee enhancement	42,199	42,712
Total	<u>\$ 1,312,884</u>	<u>\$ 1,264,951</u>

Active Retirement Community, Inc. d/b/a/ Jefferson's Ferry and Controlled Entity

Notes to the Consolidated Financial Statements
December 31, 2015 and 2014

9. Medical Malpractice Claims Coverage

Jefferson's Ferry maintains professional liability coverage on a claims-made basis through a commercial insurance carrier. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed Jefferson's Ferry's insurance coverages or will have a material adverse effect on the consolidated financial statements.

10. Contingencies

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for resident services previously billed. Management is not aware of any material incidents of noncompliance; however, the possible future financial effects of this matter on the Corporation, if any, are not presently determinable.

11. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements, primarily with Medicaid and Medicare.

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts.

12. Functional Expenses

	<u>2015</u>	<u>2014</u>
Residential and healthcare services	\$ 24,608,013	\$ 23,900,814
General and administrative services	<u>3,374,107</u>	<u>2,552,989</u>
Total	<u>\$ 27,982,120</u>	<u>\$ 26,453,803</u>

**Active Retirement Community, Inc d/b/a Jefferson's Ferry and Controlled Entity
and Controlled Entity**

Consolidating Schedule, Balance Sheet

December 31, 2015

(With Comparative Totals for 2014)

	Active Retirement Community, Inc. d/b/a Jefferson's Ferry	Jefferson's Ferry Foundation, Inc.	Eliminations	2015 Consolidated	2014 Consolidated
Assets					
Cash and cash equivalents	\$ 2,357,607	\$ 437,915	\$ -	\$ 2,795,522	\$ 2,514,076
Due from Jefferson's Ferry, net	-	367	(367)	-	-
Accounts receivable:					
Residents, net	663,328	-	-	663,328	700,695
Entrance fees	340,020	-	-	340,020	-
Other	55,533	-	(11,331)	44,202	83,622
Prepaid expenses and other current assets	759,286	739	-	760,025	752,019
Investments	20,911,961	638,825	-	21,550,786	21,751,727
Assets limited as to use	13,661,387	-	-	13,661,387	13,635,814
Pledges receivable, net	-	186,045	-	186,045	266,997
Split-interest agreements	-	555,231	-	555,231	555,231
Property and equipment, net	61,236,321	-	-	61,236,321	62,075,923
Deferred costs, net	636,717	-	-	636,717	717,458
Interest in net assets of Foundation	1,770,383	-	(1,770,383)	-	-
	<u>\$ 102,392,543</u>	<u>\$ 1,819,122</u>	<u>\$ (1,782,081)</u>	<u>\$ 102,429,584</u>	<u>\$ 103,053,562</u>
Total assets					

**Active Retirement Community, Inc d/b/a Jefferson's Ferry and Controlled Entity
and Controlled Entity**

Consolidating Schedule, Balance Sheet

December 31, 2015

(With Comparative Totals for 2014)

	Active Retirement Community, Inc. d/b/a Jefferson's Ferry	Jefferson's Ferry Foundation, Inc.	Eliminations	2015 Consolidated	2014 Consolidated
Liabilities and Net Assets					
Liabilities					
Accounts payable:					
Trade	\$ 467,311	\$ 11,331	\$ (11,331)	\$ 467,311	\$ 473,216
Entrance fees	868,050	-	-	868,050	1,569,316
Accrued expenses	1,550,236	37,408	-	1,587,644	1,465,103
Due to Foundation, net	367	-	(367)	-	-
Resident deposits	257,523	-	-	257,523	223,914
Long-term debt	40,627,775	-	-	40,627,775	42,597,333
Obligation to provide future services and use of facilities	5,129,000	-	-	5,129,000	5,335,000
Deferred revenues from entrance fees	24,794,280	-	-	24,794,280	24,788,065
Refundable entrance fees and advanced deposits	73,131,514	-	-	73,131,514	69,779,370
	<u>146,826,056</u>	<u>48,739</u>	<u>(11,698)</u>	<u>146,863,097</u>	<u>146,231,317</u>
Total liabilities					
	<u>146,826,056</u>	<u>48,739</u>	<u>(11,698)</u>	<u>146,863,097</u>	<u>146,231,317</u>
Net Assets (Deficit)					
Unrestricted	(45,746,397)	457,499	(457,499)	(45,746,397)	(44,442,706)
Temporarily restricted	1,312,884	1,312,884	(1,312,884)	1,312,884	1,264,951
	<u>(44,433,513)</u>	<u>1,770,383</u>	<u>(1,770,383)</u>	<u>(44,433,513)</u>	<u>(43,177,755)</u>
Total net assets (deficit)					
	<u>(44,433,513)</u>	<u>1,770,383</u>	<u>(1,770,383)</u>	<u>(44,433,513)</u>	<u>(43,177,755)</u>
Total liabilities and net assets (deficit)	<u>\$ 102,392,543</u>	<u>\$ 1,819,122</u>	<u>\$ (1,782,081)</u>	<u>\$ 102,429,584</u>	<u>\$ 103,053,562</u>

**Active Retirement Community, Inc d/b/a Jefferson's Ferry
and Controlled Entity**

Consolidating Schedule, Statement of Operations and Changes in Net Deficit
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Active Retirement Community, Inc. d/b/a Jefferson's Ferry	Jefferson's Ferry Foundation, Inc.	Eliminations	2015 Consolidated	2014 Consolidated
Unrestricted Revenues					
Net resident service revenues	\$ 25,267,955	\$ -	\$ -	\$ 25,267,955	\$ 23,995,700
Change in future service obligation	206,000	-	-	206,000	863,000
Contributions	162,423	8,764	-	171,187	207,920
Other revenues	79,749	-	-	79,749	46,902
Investment income (loss)	465,253	(3,619)	-	461,634	1,047,730
Net assets released from restrictions	-	467,734	-	467,734	186,917
	<u>26,181,380</u>	<u>472,879</u>	<u>-</u>	<u>26,654,259</u>	<u>26,348,169</u>
Expenses					
Health services	6,409,635	-	-	6,409,635	6,179,114
Facility costs and utilities	4,562,861	-	-	4,562,861	4,344,580
Dietary	3,890,136	-	-	3,890,136	3,774,567
Interest expense	2,113,471	-	-	2,113,471	2,208,507
Administrative	3,374,107	-	-	3,374,107	2,552,989
Housekeeping and laundry	1,027,179	-	-	1,027,179	921,627
Activities, security, reception, and foundation	740,375	359,100	-	1,099,475	1,087,837
Marketing	702,735	-	-	702,735	764,700
Depreciation	4,715,967	5,814	-	4,721,781	4,534,290
Amortization	80,741	-	-	80,741	85,592
	<u>27,617,207</u>	<u>364,914</u>	<u>-</u>	<u>27,982,121</u>	<u>26,453,803</u>
Revenues in excess of (less than) expenses	(1,435,827)	107,965	-	(1,327,862)	(105,634)
Change in Unrealized Gains and Losses on Investments	(4,060)	-	-	(4,060)	(14,230)
Net Assets Released from Restrictions	-	28,231	-	28,231	82,948
Change in Interest in Net Assets of Foundation	136,196	-	(136,196)	-	-
Change in unrestricted net assets (deficit)	<u>(1,303,691)</u>	<u>136,196</u>	<u>(136,196)</u>	<u>(1,303,691)</u>	<u>(36,916)</u>
Temporarily Restricted Net Assets					
Contributions	-	486,773	-	486,773	427,866
Change in interest in net assets of Foundation	47,933	-	(47,933)	-	-
Change in value of pledges receivable	-	57,125	-	57,125	(47,628)
Net assets released from restrictions used for					
Operations	-	(467,734)	-	(467,734)	(186,917)
Purchase of property and equipment	-	(28,231)	-	(28,231)	(82,948)
	<u>47,933</u>	<u>47,933</u>	<u>(47,933)</u>	<u>47,933</u>	<u>110,373</u>
Change in temporarily restricted net assets	<u>47,933</u>	<u>47,933</u>	<u>(47,933)</u>	<u>47,933</u>	<u>110,373</u>
Change in net assets (deficit)	(1,255,758)	184,129	(184,129)	(1,255,758)	73,457
Net Assets (Deficit), Beginning	<u>(43,177,755)</u>	<u>1,586,254</u>	<u>(1,586,254)</u>	<u>(43,177,755)</u>	<u>(43,251,212)</u>
Net Assets (Deficit), Ending	<u>\$ (44,433,513)</u>	<u>\$ 1,770,383</u>	<u>\$ (1,770,383)</u>	<u>\$ (44,433,513)</u>	<u>\$ (43,177,755)</u>

APPENDIX B

DEFINITIONS OF CERTAIN TERMS AND EXCERPTS OF CERTAIN PROVISIONS OF PRINCIPAL DOCUMENTS

Definitions of Certain Terms

As used this Official Statement, the following terms shall have the meanings set forth below. For defined terms relating to the Master Indenture, see “Summary of Certain Provisions of the Master Indenture” herein.

“Account” means any Account within any Fund created and maintained pursuant to the Indenture.

“Act” means Section 1411 of the New York Not-For-Profit Corporation Law.

“Additional Bonds” or “Series of Additional Bonds” means any Series of Additional Bonds issued by the Issuer on behalf of the Institution pursuant to the Indenture.

“Applicable Elected Representative” means any Person constituting an “applicable elected representative” within the meaning given to the term in Section 147(f)(2)(E) of the Code.

“Assignment” means the Assignment of Mortgage and Security Agreement, dated December 14, 2016, from the Issuer to the Master Trustee.

“Authenticating Agent” means the Trustee.

“Authorized Investments” has the meaning given to the term “Permitted Investments” in the Master Trust Indenture.

“Authorized Representative” means, in the case of the Issuer, the Chief Executive Officer, Chairman, or any other authorized member of the Issuer; in the case of the Institution, the President or Chief Executive Officer of the Institution; and, in the case of either of the Issuer or the Institution, such additional persons as, at the time, are designated to act on behalf of the Issuer or the Institution, as the case may be, by written certificate furnished to the Trustee, the Issuer or the Institution, as the case may be, containing the specimen signature of each such person and signed on behalf of (i) the Issuer by the Chief Executive Officer, Chairman or any other authorized member of the Issuer, or (ii) the Institution by the President or Chief Executive Officer of the Institution.

“Beneficial Owner” means whenever used with respect to a Bond, the Person in whose name such Bond is recorded as the Beneficial Owner of such Bond by the respective systems of DTC and each of the Participants of DTC. If at any time the Bonds are not held in the Book-Entry System, Beneficial Owner shall mean “Holder” for purposes of the Bond Documents.

“Bond” or “Bonds” means collectively, the Series 2016 Bonds and any Series of Additional Bonds.

“Bond Counsel” means the law firm of Nixon Peabody LLP or an attorney or other firm of attorneys whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

“Bond Documents” means the Master Indenture, Bond Purchase Agreement, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Promissory Note, the Mortgage, the Assignment, the Continuing Disclosure Agreement and the Official Statement.

“Bond Fund” means the fund so designated which is established by the Indenture.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated November 29, 2016, among the Issuer, the Institution and the Underwriter, as the same may be amended from time to time.

“Bond Proceeds” means the aggregate amount, including any accrued interest, paid to the Issuer by the Bondholders pursuant to the Indenture as the purchase price of the Bonds.

“Bond Rate” means the tax-exempt rate of interest from time to time payable on any of the Bonds as defined therein.

“Bond Registrar” means the Trustee as bond registrar with respect to the Bonds and its successors and assigns in such capacity.

“Bond Resolution” means the resolution duly adopted by the Issuer on September 21, 2016, authorizing the issuance, execution, sale and delivery of the Series of 2016 Bonds and the execution and delivery of Issuer Documents, as such resolution may be amended or supplemented from time to time.

“Bond Year” means with respect to the Bonds, each 1-year period (or shorter period from the date of issue) that ends at the close of business on the day in the calendar year that is selected by the Issuer (and approved by the Institution), which must be the last day of a compounding interval used in computing the yield on the Bonds.

“Bondholder” means Owner.

“Business Day” means any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions in New York, New York or any city in which the principal office of the Trustee or any Paying Agent is located are authorized by law or executive order to remain closed.

“Certificate of Authentication” means the certificate executed by an authorized signatory of the Trustee certifying the due authentication of each of the Bonds issued under the Indenture.

“Closing Date” means the date of sale and delivery of the Series 2016 Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and the final, temporary and proposed rules, regulations, rulings and interpretations of the Department of the Treasury promulgated thereunder.

“Completion Certificate” means the Completion Certificate delivered by the Institution to the Issuer and the Trustee pursuant to the Loan Agreement.

“Completion Date” means the date of completion of the Project as certified to pursuant to the Loan Agreement.

“Computation Period” means “Computation Period” as defined in the Tax Regulatory Agreement.

“Condemnation” means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under governmental authority.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of December 14, 2016, between the Institution and the Trustee.

“Cost of the Project” or “Costs of the Project” means all those costs and items of expense listed in the Loan Agreement.

“Debt Service Payment” means, with respect to any Debt Service Payment Date, (i) the interest payable on such Debt Service Payment Date on all Bonds then Outstanding, plus (ii) the principal or Redemption Price, if any, payable on such Debt Service Payment Date on all such Bonds.

“Debt Service Payment Date” means any date on which a Debt Service Payment shall be payable on any Bonds.

“Debt Service Reserve Fund” means the fund so designated which is created by of the Indenture.

“Debt Service Reserve Fund Requirement” means, with respect to each Series of Bonds, (A) the lesser of (i) the maximum annual debt service on the applicable Series of Bonds, (ii) one-hundred twenty five percent (125%) of the Institution’s average annual debt service on the applicable Series of Bonds, or (iii) ten percent (10%) of the par amount of the applicable Series of Bonds, or (B) such lesser amount as may be required in a Supplemental Indenture authorizing a Series of Additional Bonds.

“Dissemination Agent” shall have the meaning ascribed to such term in the Continuing Disclosure Agreement.

“DTC” means The Depository Trust Company, New York, New York.

“DTC Letter of Representation” means the Letter of Representation from the Issuer to DTC.

“Equipment” means all machinery, equipment and other personal property used and to be used in connection with the Project and financed with Bond Proceeds.

“Event of Default” (i) when used with respect to the Indenture means any of those events defined as an Event of Default by the Indenture, and (ii) when used with respect to the Loan Agreement, means any of the events defined as Events of Default by the Loan Agreement.

“Exempt Organization” means an organization described in Section 501(c)(3) of the Code and which is exempt from federal income taxation pursuant to Section 501(a) of the Code.

“Extraordinary Services” and “Extraordinary Expenses” means all services rendered and all fees and expenses incurred by or due to the Trustee or any Paying Agent under the Indenture other than Ordinary Services and Ordinary Expenses, including reasonable fees and disbursements of Trustee’s counsel.

“Facility” shall have the meaning ascribed thereto in the recitals to the Indenture.

“Fiscal Year” means the twelve (12) month period beginning on January 1 in any year or such other fiscal year as the Institution may select from time to time.

“Fitch” means Fitch Ratings and its successors and assigns.

“Fund” means any Fund created and maintained pursuant to the Indenture.

“Government Obligations” means the obligations listed in paragraph (a), (b) and (c) of the definition of “Permitted Investments” in the Master Trust Indenture.

“Gross Revenues” has the meaning given to such term in the Master Trust Indenture.

“Hazardous Substance” means, without limitation, any flammable, explosive, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum constituents, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials, pollutants, or toxic pollutants, as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, et seq.), the Federal Water Pollution Control Act, as amended (33 U.S.C. Sections 1251 et seq.), Articles 17 and 27 of the New York State Environmental Conservation Law, or any other applicable Environmental Law and the regulations promulgated thereunder.

“Holder” means Owner.

“IDA” means the Suffolk County Industrial Development Agency, its successors and assigns, as the Issuer of the Series 2006 Bonds.

“Improvements” means all those buildings, improvements, structures and other related facilities (i) financed with Bond Proceeds or from any payment by the Institution pursuant to the Loan Agreement, and (ii) not part of the Equipment, all as they may exist from time to time.

“Indebtedness” has the meaning given to such term in the Master Trust Indenture.

“Indenture” means the Indenture of Trust, dated as of December 1, 2016, by and between the Issuer and the Trustee, entered into in connection with the issuance, sale, delivery and payment of the Series 2016 Bonds and the security therefor as the same may be amended or supplemented from time to time.

“Independent Counsel” means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court of any state of the United States of America or in the District of Columbia and does not have any employment relationship with the Issuer, the Institution or the Trustee or any affiliates thereof.

“Information Report” means Form 8038 used by the issuers of certain tax-exempt bonds to provide the Internal Revenue Service with the information required to monitor the State volume limitations.

“Institution” shall mean Active Retirement Community, Inc., doing business as Jefferson’s Ferry, a duly organized and validly existing New York not-for-profit corporation and an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxation pursuant to Section 501(a) of the Code, having an office at 1 Jefferson Ferry Drive, South Setauket, New York 11720.

“Institution Documents” means the Bond Purchase Agreement, the Loan Agreement, the Tax Regulatory Agreement, the Note, the Series 2016 Obligation, the Master Indenture, the Mortgage, the Continuing Disclosure Agreement and the Official Statement.

“Interest Account” means the Interest Account within the Bond Fund so designated which is established by the Indenture.

“Issuer” means (i) the Town of Brookhaven Local Development Corporation, its successors and assigns, and (ii) any local governmental body resulting from or surviving any consolidation or merger to which the Issuer or its successors may be a party.

“Issuer Documents” means the Bond Purchase Agreement, the Bonds, the Loan Agreement, the Indenture, the Assignment, the Promissory Note, the Tax Regulatory Agreement, the Information Report and the Official Statement.

“Lien” means any interest in Property securing an obligation owed to a Person whether such interest is based on the common law, statute or contract, and including but not limited to the security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term “Lien” also means any reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar encumbrances affecting real property. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

“Loan Agreement” means, the Loan Agreement, dated as of December 1, 2016 by and among the Issuer and the Institution, or any other Loan Agreement entered into in connection with any Series of Additional Bonds, as the same may be amended from time to time.

“Loan Term” means the duration of the loan term created in the Loan Agreement.

“Master Indenture” means the Master Trust Indenture, as the same may be amended, modified or supplemented from time to time, including as supplemented by the Supplemental Indenture for Obligation No. 1, dated as of December 1, 2016, between the Institution and the Master Trustee.

“Master Trust Indenture” means the Master Trust Indenture, dated as of December 1, 2016, by and between the Institution and U.S. Bank National Association, as master trustee.

“Master Trustee” means U.S. Bank National Association, a national banking association, its successor and assigns.

“Moody’s” means Moody’s Investor Service.

“Mortgage” means the Mortgage and Security Agreement, dated as of December 1, 2016, from the Institution to the Issuer.

“Net Proceeds” means so much of the gross proceeds with respect to which that term is used as remain after payment of all expenses, costs and taxes (including attorneys’ fees) incurred in obtaining such gross proceeds.

“Note” or “Promissory Note” means, the Promissory Note dated the Closing Date from the Institution to the Issuer, substantially in the form of Exhibit B to the Loan Agreement, evidencing the Institution’s obligations to make loan payments to the Issuer.

“Obligated Group Member” or “Member of the Obligated Group” means the Institution and any additional members admitted to the Obligated Group in accordance with the provisions of the Master Trust Indenture.

“Obligations” means those obligations entered into under the Master Trust Indenture to secure the obligations of Obligated Group Members.

“Office of the Trustee” means the principal corporate trust office of the Trustee, as specified in the Indenture, or such other address as the Trustee shall designate.

“Officer’s Certificate” has the meaning given to such term in the Master Trust Indenture.

“Official Statement” means the Official Statement, dated November 29, 2016, distributed by the Underwriter and the Institution in connection with the sale of the Series 2016 Bonds.

“Ordinary Services” and “Ordinary Expenses” means those services normally rendered and those fees and expenses normally incurred by or due to a trustee or paying agent, as the case may be, under instruments similar to the Indenture, including reasonable fees and disbursements of counsel for the Trustee.

“Original Facility” means the Original Facility as more particularly described in the recitals of the Indenture.

“Outstanding” or “Bonds Outstanding” or “Outstanding Bonds” means all bonds which have been authenticated by the Trustee and delivered by the Issuer under the Indenture, or any supplement thereto, except: (i) any Bond cancelled by the Trustee because of payment or redemption prior to maturity; (ii) any bond deemed paid in accordance with the provisions of the Indenture, except that any such Bond shall be considered Outstanding until the maturity date thereof only for the purposes of being exchanged or registered; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee is presented that any Bond, for which a Bond in lieu of or in substitution therefor shall have been authenticated and delivered, is held by a bona fide purchaser, as that term is defined in Article 8 of the Uniform Commercial Code of the State, as amended, in which case both the Bond so substituted and replaced and the Bond or Bonds so authenticated and delivered in lieu thereof or in substitution therefor shall be deemed Outstanding.

“Owner” or “Owners” means the registered owner of any Bond as shown on the registration books maintained by the Bond Registrar pursuant to the Indenture.

“Paying Agent” means the Trustee, acting as such, and any additional paying agent for the Bonds appointed pursuant to the Indenture, their respective successors and any other corporation which may at any time be substituted in their respective places pursuant to the Indenture.

“Participants” means those financial institutions for whom the Securities Depository effects book entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Permitted Encumbrances” has the meaning given to such term in the Master Trust Indenture.

“Person” or “Persons” means an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision or branch thereof.

“Preliminary Official Statement” means the Preliminary Official Statement, dated November 10, 2016, and as supplemented on November 28, 2016, distributed by the Underwriter and the Institution in connection with the sale of the Series 2016 Bonds.

“Principal Account” means the Principal Account within the Bond Fund so designated which is established by the Indenture.

“Project” shall have the meaning set forth in the recitals of the Indenture.

“Project Fund” means the fund so designated which is created by the Indenture.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Rating Agency” means Moody’s, Fitch, S&P or such other nationally recognized rating agency which shall have issued and is maintaining a rating on the Bonds.

“Rating Agency Letter” means the rating letter from each Rating Agency assigning a rating on the Bonds.

“Rebate Amount” means the amount computed as described in the Tax Regulatory Agreement.

“Rebate Fund” means the fund so designated pursuant to the Indenture.

“Record Date” means, with respect to any Debt Service Payment Date, the fifteenth (15th) day of the month next preceding such Debt Service Payment Date (whether or not a Business Day).

“Redemption Date” means, when used with respect to a Bond, the date of redemption thereof established pursuant to the Indenture.

“Redemption Price” means, when used with respect to a Bond, the principal amount thereof plus the applicable premium, if any, payable upon the prior redemption thereof pursuant to the Indenture.

“Refunding Bonds” shall have the meaning ascribed thereto in the Indenture.

“Residency Agreement” means any written agreement or contract, as amended from time to time, between the Institution and a resident or potential resident of the Facility giving the resident certain rights of occupancy in the Facility, including without

limitation, with respect to independent living units, assisted living units, memory support units, skilled nursing beds or specialty care beds and providing for certain services to such resident including any reservation agreement or other agreement or contract reserving rights of occupancy.

“Schedule of Definitions” means the words and terms set forth in the Schedule of Definitions attached to the Indenture as the same may be amended from time to time.

“Securities Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

“SEQR Act” means the State Environmental Quality Review Act and the regulations thereunder.

“Series” or “Series of Bonds” means any series of Bonds issued for the benefit of the Institution under the Indenture.

“Series 2006 Bonds” means the IDA’s Continuing Care Retirement Community Revenue Refunding Bonds (Jefferson’s Ferry Project - Series 2006) issued in the original aggregate principal amount of \$55,545,000.

“Series 2006 Trustee” means The Bank of New York Mellon (formerly known as The Bank of New York), as trustee with respect to the Series 2006 Bonds.

“Series 2016 Bonds” means the Issuer’s Revenue Refunding Bonds, Series 2016 (Active Retirement Community, Inc. d/b/a Jefferson’s Ferry Project) issued pursuant to the terms of the Indenture on December 14, 2016 in the aggregate principal amount of \$38,040,000 and substantially in the form of Exhibit A of the Indenture.

“Series 2016 Facility” means the Series 2016 Facility as more particularly described in the recitals of the Indenture.

“Series 2016 Obligation” means Obligation No. 1, dated December 14, 2016, issued pursuant to the Supplemental Indenture for Obligation No. 1 as security for the Series 2016 Bonds.

“Series 2016 Project Account” means the account so designated in the Project Fund which is created by the Indenture.

“Sinking Fund Payments” means payments made on a Debt Service Payment Date to pay the Redemption Price of bonds called for redemption pursuant to the Indenture.

“S&P” or “Standard & Poor’s” means Standard & Poor’s Financial Services LLC, a Delaware limited liability company which is a subsidiary of McGraw Hill Financial, Inc.

“State” means the State of New York.

“Subaccount” means any subaccount established for a particular Series of Bonds in any Account in any Fund created and maintained pursuant to the Indenture.

“Substitute Facility” shall have the meaning ascribed thereto in the Loan Agreement.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture or in connection with the issuance of any Additional Bonds adopted by the Issuer in accordance with the Indenture.

“Tax-Exempt Bonds” means the Series 2016 Bonds and any Additional Bonds issued under the Indenture as bonds the interest on which is excluded from gross income for federal income tax purposes.

“Tax Regulatory Agreement” means the Tax Regulatory Agreement, dated the Closing Date, among the Issuer, the Institution and the Trustee, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and with the terms of the Indenture, or any other Tax Regulatory Agreement entered into in connection with any Series of Additional Bonds which are Tax-Exempt Bonds.

“Trust Estate” means the rights assigned pursuant to the Indenture and all Property which may from time to time be subject to the lien of the Indenture.

“Trustee” means (i) U.S. Bank National Association, a national banking association organized under the laws of the United States of America, having a corporate trust office at 100 Wall Street, 16th Floor, New York, New York, 10005, Attention: Corporate Trust Services, and (ii) its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Indenture.

“Unassigned Rights” means the rights of the Issuer and moneys payable pursuant to and under Sections 5.3(a), 5.3(c), 6.4(c) and (d), 6.5, 6.7, 8.2, 8.3, 8.6, 8.8, 8.12, 9.1, 9.3, 10.2(a)(i)(A) and (B) and (iii) 10.4(a) and 11.2(b) of the Loan Agreement.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code of the State of New York.

“Underwriter” means, (i) B.C. Ziegler and Company, having an office at 140 East 45th Street, 22nd Floor, New York, New York 10017, and (ii) its successors and assigns.

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Summary of Certain Provisions of the Indenture

The following is a summary of certain provisions of the Indenture. Certain provisions of the Indenture are also described in the Official Statement. This summary does not purport to be complete and reference is made to the Indenture for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Indenture and are included for ease of reference only.

Authentication

No Series 2016 Bond shall be valid for any purpose or shall be entitled to any right or benefit under the Indenture unless there shall be endorsed on such Series 2016 Bond a Certificate of Authentication, duly executed by the Trustee, substantially in the form set forth in the Form of Series 2016 Bonds included as Exhibit A in the Indenture. No Series of Additional Bonds shall be valid for any purpose or shall be entitled to any right or benefit under the Indenture unless there shall be endorsed on such Additional Bond a Certificate of Authentication, duly executed by the Trustee, substantially in the form set forth in the Form of Bonds included as Exhibit A to the Supplemental Indenture executed and delivered in connection with the issuance of such Series of Additional Bonds. Such executed Certificate of Authentication by the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under the Indenture. The Trustee's Certificate of Authentication on any Bond shall be deemed to have been executed by it if signed by an authorized signatory of the Trustee, but it shall not be necessary that the same person sign the Certificate of Authentication on all of the Bonds issued under the Indenture. *(Section 2.05)*

Mutilated, Lost, Stolen or Destroyed Bonds

(a) In the event any Bond is mutilated, lost, stolen or destroyed, the Issuer shall execute and, upon its request, the Trustee shall authenticate and deliver, a new Bond of like maturity, series, interest rate and principal amount and bearing the same number (or such number as the Trustee shall permit) as the mutilated, destroyed, lost or stolen Bond, in exchange for the mutilated Bond, or in substitution for the Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and to the Trustee (i) such security or indemnity as may be required by them to hold each of them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Bond and of the ownership thereof. Upon the issuance of any Bond upon such exchange or substitution, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer or the Trustee. In case any Bond which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Issuer may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and to the Trustee such security or indemnity as they may require to hold them harmless and evidence to the satisfaction

of the Issuer and the Trustee of the mutilation, destruction, loss or theft of such Bond and of the ownership thereof.

(b) Every new Bond issued pursuant to the provisions of the Indenture shall constitute an additional contractual, special obligation of the Issuer (whether or not the destroyed, lost or stolen Bond shall be found at any time after the issuance of such new Bonds, in which case the destroyed, lost or stolen Bond shall be void and unenforceable) and shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Bonds duly issued under the Indenture.

(c) All Bonds shall be held and owned upon the express condition that the provisions under this heading are exclusive, with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude all other rights or remedies, notwithstanding any law or statute existing or hereinafter enacted to the contrary. *(Section 2.09)*

Establishment of Funds

The following trust funds are established under the Indenture with the Trustee and shall be held, maintained and administered by the Trustee on behalf of the Issuer in accordance with the Indenture:

(a) Town of Brookhaven Local Development Corporation Bond Fund – Active Retirement Community, Inc. (the “**Bond Fund**”), and within such Bond Fund, an “Interest Account” and a “Principal Account” and within such Interest Account and Principal Account, Subaccounts for the Series 2016 Bonds and each Series of Additional Bonds issued under the Indenture.

(b) Town of Brookhaven Local Development Corporation Project Fund – Active Retirement Community, Inc. (the “**Project Fund**”), and within such Project Fund, a “Series 2016 Project Account”.

(c) Town of Brookhaven Local Development Corporation Debt Service Reserve Fund – Active Retirement Community, Inc. (the “**Debt Service Reserve Fund**”), and within such Debt Service Reserve Fund, an Account for the Series 2016 Bonds and each Series of Additional Bonds issued under the Indenture.

(d) Town of Brookhaven Local Development Corporation Rebate Fund – Active Retirement Community, Inc. (the “**Rebate Fund**”) and within such Rebate Fund, an Account for the Series 2016 Bonds and each Series of Additional Bonds issued under the Indenture.

(e) Upon the issuance of any Series of Additional Bonds pursuant to the Indenture, the Supplemental Indenture entered into with respect to such Series of Additional Bonds shall create such Funds and Accounts and/or Subaccounts within any Account with respect to such Series of Bonds. *(Section 4.01)*

Moneys to Be Held in Trust

All moneys deposited with, paid to or received by the Trustee for the accounts of the Issuer (other than amounts deposited in the Rebate Fund) shall be held by the Trustee in trust, and shall be subject to the lien of the Indenture and held for the security of the Owners of the particular Series of Bonds until paid in full; provided, however, that moneys which have been deposited with, paid to or received by the Trustee (i) for the redemption of a portion of the particular Series of Bonds, notice of the redemption of which has been given, or (ii) for the payment of the particular Series of Bonds or interest thereon due and payable otherwise than upon acceleration by declaration, shall be held in trust for and subject to a lien in favor of only the Owners of such Series of Bonds so called for redemption or so due and payable. (*Section 4.03*)

Use of the Moneys in Project Fund

(a) Moneys in the Project Fund shall be applied and expended by the Trustee in accordance with the provisions of the Loan Agreement. On the Closing Date, an amount equal to \$34,824,186.64 shall be transferred by the Trustee from the Series 2016 Project Account of the Project Fund to the Series 2006 Trustee for redemption of the Series 2006 Bonds pursuant to a written direction with respect thereto received by the Trustee from Institution on or before such date.

(b) Except as otherwise provided in paragraph (a) immediately above, the Trustee is directed pursuant to the Indenture to issue its checks or send its wires for each disbursement from the Accounts of the Project Fund upon being furnished with a written requisition therefor certified by an Authorized Representative of the Institution substantially in the form of Exhibit B annexed to the Indenture. The Trustee shall maintain adequate records pertaining to the Project Fund and all disbursements therefrom.

(c) The completion of the Project and payment or provision for payment of all of the Costs of the Project shall be evidenced by the filing with the Trustee of the Completion Certificate required by the Loan Agreement. As soon as practicable and in any event not more than sixty (60) days after the date of the filing with the Trustee of the certificate referred to in the preceding sentence, any balance remaining in the Accounts of the Project Fund, except amounts that the Institution shall have directed the Trustee, in writing, to retain for any Costs of the Project not then due and payable, and after the making of any transfer to the Rebate Fund that the Institution shall have directed the Trustee, in writing, to make as required by the Tax Regulatory Agreement and the Indenture, shall without further authorization be transferred to the applicable corresponding Subaccounts of the Accounts of the Bond Fund and thereafter applied as provided in the Indenture.

(d) Within sixty (60) days after transfer of the balance in the Project Fund to the Bond Fund, the Trustee shall file an accounting thereof with the Issuer and the Institution.

(e) All earnings, if any, on amounts held in the Project Fund shall be retained in the respective Account of the Project Fund until the Completion Date. Any transfers by the Trustee of amounts to the Rebate Fund (only at the written direction of the Institution) shall be drawn by the Trustee from the Project Fund.

(f) If an Event of Default under the Indenture shall have occurred and the outstanding principal amount of the Bonds shall have been declared due and payable, the entire balance remaining in the Project Fund, after making any transfer to the Rebate Fund directed to be made by the Institution pursuant to the Tax Regulatory Agreement and the Indenture, shall be transferred to the corresponding applicable Subaccounts of the Accounts of the Bond Fund and applied as provided in the Indenture. *(Section 4.04)*

Payments into Bond Fund

There shall be deposited in the Subaccounts of the Accounts of the Bond Fund, as and when received (a) all payments received by the Trustee under the Loan Agreement or any similar provision in the New Loan Agreement with respect to the payment of debt service on any Series of Additional Bonds; (b) the amount of net income or gain received from the investments of moneys in the Bond Fund and all Funds and Accounts (other than the Rebate Fund) held under the Indenture after the Completion Date; (c) the Net Proceeds derived from insurance proceeds or Condemnation awards to be used to redeem the Bonds pursuant to 7.1(a)(iii)(B) and 7.2(a)(iii)(B), respectively, of the Loan Agreement; (d) amounts transferred from the Debt Service Reserve Fund pursuant to the Indenture with respect to the Series 2016 Bonds or with respect to any other Series of Bonds for which a Debt Service Reserve Fund Account has been established and funded; (e) amounts transferred pursuant to the Loan Agreement and (f) all other moneys received by the Trustee pursuant to any of the provisions of the Loan Agreement or the Indenture and designated for deposit in the Bond Fund. *(Section 4.05)*

Use of Moneys in Bond Fund

(a) Except as otherwise expressly provided in the Indenture, moneys in the Subaccounts of the Accounts of the Bond Fund shall be used solely for the payment, when due, of the Debt Service Payments on the related Bonds or for the purchase or redemption of related Bonds as provided in the Indenture. Moneys deposited in the Subaccounts of the Accounts of the Bond Fund in accordance with the provisions of the Indenture, however, may not be used for the payment of interest on the related Bonds.

(b) The Trustee shall, on or before each Debt Service Payment Date, pay out of the monies then held for the credit of the applicable Subaccount of the Interest Account the amounts required for the payment of interest becoming due on the respective series of Bonds on such Debt Service Payment Date, and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of interest.

(c) The Trustee shall, on or before each Debt Service Payment Date, when principal of the Bonds or Sinking Fund Payments are due, pay out of the monies then held for the credit of the Subaccounts of the Principal Account the amounts required for

the payment of principal or Sinking Fund Payments becoming due at maturity, on a Sinking Fund Payment Date, or upon redemption of the respective Series of Bonds on such Debt Service Payment Date or Sinking Fund Payment Date and such amounts so withdrawn are irrevocably dedicated for and shall be applied to the payment of principal or Sinking Fund Payments.

(d) Except as provided in the Tax Regulatory Agreement, moneys transferred to the corresponding Subaccounts of the Accounts of the Bond Fund from the Series 2016 Account of the Project Fund or another other Account of the Project Fund established in connection with another Series of Tax-Exempt Bonds pursuant to the Indenture or transferred to the Subaccounts of the Accounts of the Bond Fund pursuant to the Loan Agreement shall be invested, at the written direction of the Institution, with yield not in excess of the yield on the applicable Series of Tax-Exempt Bonds, or in investments that are tax-exempt obligations as described in Section 148(b)(3) of the Code, and such moneys and earnings thereon shall be applied only to pay the principal of the applicable Series of Tax-Exempt Bonds as they become due and payable or the Redemption Price of Bonds subject to redemption pursuant to the Indenture (including by operation of Sinking Fund Payments).

(e) In the event there shall be on any Debt Service Payment Date, a deficiency in the Bond Fund (a "Payment Deficiency"), with respect to any Bond or Series of Bonds, the Trustee shall make up any such deficiency from the applicable Account of the Debt Service Reserve Fund to the extent of the amounts in such Account of the Debt Service Reserve Fund, by the withdrawal of monies from the Debt Service Reserve Fund, to the extent available and by the sale or redemption of securities held in the Debt Service Reserve Fund sufficient to make up any deficiency.

(f) The Trustee shall call Bonds for redemption according to the Indenture, upon written direction of the Issuer or the Institution to the Trustee, on or after the date the Bonds are subject to optional redemption pursuant to the Indenture or pursuant to the relevant provisions of a Supplemental Indenture with respect to a Series of Additional Bonds, whenever the assets of the Bond Fund shall be sufficient in the aggregate to provide monies to pay, redeem or retire all the Bonds then Outstanding or to redeem the Bonds in part pursuant to the Indenture or pursuant to the relevant provisions of a Supplemental Indenture with respect to a Series of Additional Bonds, including accrued interest thereon to the Redemption Date.

(g) Moneys in the Subaccounts of the Accounts of the Bond Fund shall be used by the Trustee, upon written request of an Authorized Representative of the Institution, to purchase related Bonds on the most advantageous terms obtainable with reasonable diligence, provided that no such purchase shall be made:

- (i) if an Event of Default under the Loan Agreement has occurred and remains uncured in accordance with the terms set forth therein;

(ii) within forty-five (45) days prior to any date on which Bonds are subject to redemption pursuant to the Indenture or the relevant provisions of a Supplemental Indenture;

(iii) if the amount remaining in the Bond Fund, after giving effect to such purchase, is less than the amount required for the payment of the principal or Redemption Price of the Bonds theretofore matured or called for redemption, plus interest to the date of maturity or the Redemption Date, as the case may be, in all cases where such Bonds have not been presented for payment; or

(iv) at a price in excess of that specified by the Institution in its request to the Trustee, plus accrued interest to the date of purchase.

Notwithstanding the foregoing, each such purchase described above shall be conditioned upon the delivery of an opinion of Bond Counsel that such purchase will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal tax purposes.

The Trustee shall promptly notify the Issuer and the Institution of the principal amount and the maturity of each Series of Bonds so purchased and the balance held in the Bond Fund after such purchase.

(h) In connection with the purchase of the Bonds with moneys on deposit in the Bond Fund as provided the Indenture, the Trustee shall negotiate or arrange for such purchases in such manner (through brokers or otherwise and with or without receiving tenders) as it shall be instructed in writing by the Institution.

(i) If the balance in the Bond Fund, not otherwise required for scheduled payments of principal of, Redemption Price or interest on the Bonds, forty-five (45) days prior to any date on which the Bonds are subject to redemption pursuant to the Indenture or the relevant provisions of a Supplemental Indenture equals or exceeds \$50,000, the Trustee shall, upon written request of an Authorized Representative of the Institution, apply as much of such balance as can be so applied to the redemption of the Bonds on such next succeeding Redemption Date in the manner provided in the Indenture or the relevant provisions of a Supplemental Indenture. The Trustee shall promptly notify the Issuer and the Institution of the principal amount and maturity of each Bond so redeemed and the balance held in the Bond Fund after such redemption.

(j) Whenever the amount in the respective Account or Subaccount in the Bond Fund is sufficient to redeem all of the Outstanding Bonds or any Series of Bonds and to pay accrued interest to maturity or the date of redemption, the Trustee shall, upon request of an Authorized Representative of the Institution, take and cause to be taken the necessary steps to redeem all such Bonds or Series of Bonds on the next succeeding Redemption Date for which the required redemption notice may be given or on such later Redemption Date as may be specified by the Institution. *(Section. 4.06)*

Payments into Debt Service Reserve Fund; Application of Debt Service Reserve Fund

(a) (i) Upon the issuance, sale and delivery of the Series 2016 Bonds, the Issuer shall transfer to the Trustee for deposit into the Series 2016 Account of the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series 2016 Bonds, to the extent such moneys are available for such purpose from the proceeds of the sale of the Series 2016 Bonds.

(ii) The Trustee shall deposit into the Accounts of the Debt Service Reserve Fund all payments made by the Institution pursuant to the Loan Agreement.

(b) Moneys and securities held for credit in the Accounts of the Debt Service Reserve Fund shall be transferred by the Trustee to the corresponding Subaccounts of the Interest Account and the Principal Account of the Bond Fund at the times and in the amounts required pursuant to the Indenture.

(c) Whenever the Trustee shall determine that the moneys and securities in the Series 2016 Account of the Debt Service Reserve Fund will be equal to or in excess of the Redemption Price of all of the Outstanding Series 2016 Bonds plus accrued interest to the Redemption Date, the Trustee shall use and apply the amounts on deposit in the Debt Service Reserve Fund to the redemption of all Outstanding Series 2016 Bonds on the first date thereafter that such Series 2016 Bonds are subject to optional redemption pursuant to the Indenture.

(d) Any income or interest earned by, or increment to, the Accounts of the Debt Service Reserve Fund shall be transferred by the Trustee and deposited (i) prior to the Completion Date, to the related Account of the Project Fund and applied to pay costs of the Project, and (ii) after the Completion Date, to the related Subaccount of the Interest Account of the Bond Fund with respect to such Series of Bonds and applied to the payment of the interest component of the next upcoming Debt Service Payments with respect to such Series of Bonds, and the Institution's obligations the Loan Agreement shall be adjusted accordingly.

(e) In order to ensure the maintenance of the Debt Service Reserve Fund Requirement, the Trustee, upon the determination of any deficiency in an Account of the Debt Service Reserve Fund, shall make and deliver to the Issuer and the Institution at the intervals required pursuant to the Indenture, a certificate stating the amount required to restore the amount of such Account of the Debt Service Reserve Fund to the amount of the applicable Debt Service Reserve Fund Requirement, and the Trustee shall collect such deficiency from the Institution as provided in the Loan Agreement. *(Section 4.07)*

Investment Earnings on Funds; Application of Investment Earnings on Funds

(a) All investment income or earnings on amounts held in the Accounts of the Project Fund, the Subaccounts of the Accounts of the Bond Fund or any other special fund held under any of the Bond Documents (other than the Rebate Fund) prior to the Completion Date shall be deposited upon receipt by the Trustee into the corresponding

related Account of the Project Fund and used for the purposes set forth in the Indenture and after the Completion Date, if the Trustee shall have been notified in writing by an Authorized Representative of the Institution that there remain sums due for Costs of the Project not previously paid, shall be deposited upon receipt by the Trustee into the corresponding related Account of the Project Fund and used to pay any remaining sums due for Costs of the Project not previously paid, or, if no such written notice has been received, deposited by the Trustee into the corresponding related Subaccount of the Interest Account of the Bond Fund and used to pay the interest component of the next upcoming Debt Service Payment. The Trustee shall keep separate accounts of all investment earnings from each Fund and Account under the Indenture to indicate the source of the income or earnings.

(b) Within thirty (30) days after the end of each Computation Period, the Trustee, at the written direction of an Authorized Representative of the Institution, shall transfer to the Rebate Fund instead of the Project Fund or the Interest Account of the Bond Fund an amount of the investment earnings on the Funds and Accounts under the Indenture, such that the amount transferred to the Rebate Fund is equal to that amount as is set forth as the Rebate Amount in a written certificate delivered by the Institution to the Trustee pursuant to the Tax Regulatory Agreement and the Indenture. *(Section 4.08)*

Payments into Rebate Fund; Application of Rebate Fund

(a) The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Owner of any Series of Bond or any other Person.

(b) The Trustee, upon the receipt of a certification of the Rebate Amount from an Authorized Representative of the Institution, shall transfer, from moneys in the Project Fund or from any other moneys paid under the Tax Regulatory Agreement, into the Rebate Fund, within thirty (30) days after the end of each Bond Year, an amount such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the last day of the immediately preceding Bond Year. If there has been delivered to the Trustee a certification of the Rebate Amount in conjunction with the completion of the Project pursuant to the Loan Agreement at any time during a Bond Year, the Trustee shall deposit in the Rebate Fund within thirty (30) days of the Completion Date an amount received from the Institution such that the amount held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated at the completion of the Project. The amount deposited in the Rebate Fund pursuant to the Loan Agreement shall be paid by the Institution pursuant to the Tax Regulatory Agreement.

(c) In the event that on the first day of any Bond Year the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall withdraw such excess amount and deposit it in the Series 2016 Account of the Project Fund until the completion of the Project, or, after the Completion Date, deposit it in the applicable

Subaccounts of the Accounts of the Bond Fund for application to the payment of principal or interest on the Series 2016 Bonds.

(d) The Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall pay to the United States, out of amounts in the Rebate Fund, (i) not later than thirty (30) days after the last day of the fifth Bond Year and after every fifth Bond Year thereafter, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to ninety percent (90%) of the Rebate Amount with respect to the Series 2016 Bonds as of the date of such payment, and (ii) notwithstanding the provisions of the Indenture, not later than thirty (30) days after the date on which all Series 2016 Bonds have been paid in full, one hundred (100%) percent of the Rebate Amount as of the date of payment.

(e) The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from the Institution to make such transfer. (*Section 4.09*)

Investment of Moneys

(a) Moneys held in any Fund established pursuant to the Indenture shall be invested and reinvested by the Trustee in Authorized Investments, pursuant to written direction by an Authorized Representative of the Institution. Such investments shall mature in such amounts and have maturity dates or be subject to redemption at the option of the owners thereof on or prior to the date on which the amounts invested therein will be needed for the purposes of such Fund or Accounts. The Trustee may at any time sell or otherwise reduce to cash a sufficient amount of such investments whenever the cash balance in such Fund or Accounts is insufficient for the purposes thereof. Any such investments shall be held by or under control of the Trustee and shall be deemed at all times a part of the Fund or the respective Account within a Fund or special trust account for which such moneys are invested, and the interest accruing thereon and any profit realized from such investment shall be credited to and held in and any loss shall be charged to the applicable fund.

(b) The Trustee may make any investment permitted by the Indenture through its own bond department. The Trustee shall not be liable for any depreciation in the value of any investment made pursuant to the Indenture or for any loss arising from any such investment.

(c) Any investment authorized in the Indenture is subject to the condition that no use of the proceeds of any Tax-Exempt Bonds or of any other moneys shall be made which, if such use had been reasonably expected on the date of issue of such Tax-Exempt Bonds, would cause such Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of such quoted term in Section 148 of the Code. The Trustee shall not be liable if such use shall cause the Tax-Exempt Bonds to be “arbitrage bonds”, provided only that the Trustee shall have made such investment pursuant to the written direction or confirmation by an Authorized Representative of the Institution as provided under the Indenture.

(d) The Trustee shall compute the amount in the Accounts of the Debt Service Reserve Fund on the third Business Day preceding each Debt Service Payment Date. In computing the amount in the Accounts of the Debt Service Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at the lower of cost or market value, or, if applicable, par. Notwithstanding anything to the contrary contained in the Indenture or any other Bond Document, the weighted average maturity of investments in an Account of the Debt Service Reserve Fund at any time may not exceed ten (10) years as of the date of any purchase of an investment. Upon the occurrence of a deficiency in an Account in the Debt Service Reserve Fund, such deficiency shall be restored to the extent required under the Loan Agreement, and investments of the moneys in the applicable Account or Accounts of the Debt Service Reserve Fund throughout shall be valued monthly until the deficiency has been fully restored as provided in the Loan Agreement. If, as a result of a valuation, moneys and investments on deposit in an Account of the Debt Service Reserve Fund exceed the applicable Debt Service Reserve Fund Requirement, such excess shall be transferred by the Trustee to the corresponding related Subaccount of the Principal Account of the Bond Fund and shall be applied to the principal component of the next upcoming Debt Service Payment and/or Sinking Fund Payment with respect to the related Series of Bonds, and the Institution's obligations under the Loan Agreement shall be adjusted accordingly.

(e) The Trustee shall, at the written direction of the Institution, sell at the best price obtainable by the Trustee, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide monies to meet any payment or transfer from the Fund or Account for which such investment was made.

(f) The Trustee shall not be responsible for confirming that the investments being purchased pursuant to written direction by an Authorized Representative of the Institution are Authorized Investments under the Indenture.

(g) The Institution and the Issuer acknowledge that regulations of the Comptroller of the Currency grant the Institution and the Issuer the right to receive brokerage confirmations of security transactions as they occur. The Institution and the Issuer specifically waive such right to notification to the extent permitted by law and acknowledge that they will receive periodic transaction statements that will detail all investment transactions. *(Section 4.10)*

Payment to Institution upon Payment of Bonds

Except as otherwise specifically provided in the Indenture, after payment in full of the principal or Redemption Price of and interest on all the Bonds (or after provision for the payment thereof has been made in accordance with the Indenture) and after payment in full of the fees, charges and expenses of the Trustee and any Paying Agent and all other amounts required to be paid under the Indenture, and the fees, charges and expenses of the Issuer and all other amounts required to be paid under the Loan Agreement, all amounts remaining in any fund established pursuant to the Indenture with respect to the Bonds (except the Rebate Fund) or otherwise held by the Trustee and by

any additional Paying Agent for the account of the Issuer or the Institution under the Indenture or under the Loan Agreement shall be paid to the Institution. *(Section 4.11)*

Failure to Present Bonds

Subject to the provisions of the Indenture, in the event any Bond shall not be presented for payment when the principal or Redemption Price thereof becomes due, either at maturity or at the date fixed for prior redemption thereof or otherwise, if moneys sufficient to pay such Bond shall be held by the Trustee for the benefit of the Owner thereof, all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged. Thereupon, the Trustee shall hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Bonds, who shall thereafter be restricted exclusively to such moneys for any claim under the Indenture or on, or with respect to, said Bond. If any Bond shall not be presented for payment within the period of two (2) years following the date when such Bond becomes due, whether by maturity or call for prior redemption or otherwise, the Trustee shall return to the Institution the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitations, thereafter be an unsecured obligation of the Institution. The Trustee shall, at least sixty (60) days prior to the expiration of such two (2) year period, give notice to any Owner who has not presented any Bond for payment that any moneys held for the payment of any such Bond will be returned as provided in the Indenture at the expiration of such two (2) year period. The failure of the Trustee to give any such notice shall not affect the validity of any return of funds pursuant to the Indenture. *(Section 5.11)*

Cancellation

All Bonds which have been paid, redeemed, purchased or surrendered shall be canceled and delivered by the Trustee to the Issuer. A copy of the canceled Bond or Bonds or other form of notice of such cancellation shall be delivered to the Institution upon its written request. *(Section 5.12)*

Agreement to Provide Information

The Trustee agrees, whenever requested in writing by the Issuer or the Institution, to provide such information that is known to the Trustee relating to the Bonds as the Issuer or the Institution, from time to time, may reasonably request, including, but not limited to, such information as may be necessary to enable the Issuer or the Institution to make any reports required by any Federal, state or local law or regulation or to request any consent or waiver from the holders of the Bonds. *(Section 5.14)*

Continuing Disclosure Agreement

Pursuant to the Loan Agreement, the Institution and the Trustee have undertaken responsibility for compliance with, and the Issuer shall have no liability to the Holders of the Bonds or any other Person with respect to, any reports, notices or disclosures required by or provided pursuant to the Continuing Disclosure Agreement authorized by the Loan Agreement. The Trustee covenants and agrees with the Holders from time to time of the

Bonds that it will act as Dissemination Agent under the Continuing Disclosure Agreement, comply with and carry out all of its duties as Dissemination Agent under the Continuing Disclosure Agreement and the Loan Agreement. Notwithstanding any other provision of the Indenture, failure of the Institution or the Trustee to perform in accordance with the Continuing Disclosure Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of such a default or an Event of Default shall not apply to any such failure, but the Continuing Disclosure Agreement may be enforced only as provided therein. The Trustee covenants and agrees to comply with the continuing disclosure requirements as may be applicable to any Series of Additional Bonds issued under the Indenture; provided, however, such requirements are substantially in accordance with the provisions of the Continuing Disclosure Agreement and the Loan Agreement. *(Section 5.15)*

Discharge of Lien

(a) If the Issuer shall pay or cause to be paid to the Owners of any Series of Bonds or of all Outstanding Bonds the principal thereof, Redemption Price and interest thereon, at the times and in the manner stipulated therein and in the Indenture, and if there shall have been paid all fees, charges and expenses required to be paid under the Indenture, then the lien on the Trust Estate created for the benefit of the Owners of such Series of Bonds so paid shall be released, discharged and satisfied. In such event, except as otherwise specifically provided in the Indenture, the Trustee and any additional Paying Agent shall pay or deliver to the Institution all moneys or securities held by it pursuant to the Indenture which are not required for the payment of such Series of Bonds. The Issuer may pay or cause to be paid any Series of Bonds without at the same time paying or causing to be paid all other Series of Outstanding Bonds. If the Issuer does not pay or cause to be paid, at the same time, all Outstanding Bonds, then the Trustee and any additional Paying Agent shall not return those moneys and securities held under the Indenture as security for the benefit of the Owners of Bonds not so paid or caused to be paid.

(b) When all of the Outstanding Bonds shall have been paid in full, or provisions for such full payment of all Outstanding Bonds shall have been made in accordance with the Indenture, the Trustee and the Issuer shall promptly execute and deliver to the Institution such written certificates, instruments and documents as the Institution shall provide to cause the lien of the Indenture upon the Trust Estate to be discharged and canceled.

(c) Notwithstanding the fact that the lien of the Indenture upon the Trust Estate may have been discharged and canceled in accordance with the Indenture, the Indenture and the rights granted and duties imposed, to the extent not inconsistent with the fact that the lien upon the Trust Estate may have been discharged and canceled, shall nevertheless continue and subsist until the principal or Redemption Price of and interest on all of the Bonds shall have been fully paid or the Trustee shall have returned to the Institution pursuant to the Indenture all funds theretofore held by the Trustee for payment of any Bonds not theretofore presented for payment. *(Section 7.01)*

Discharge of Indenture

(a) Any Outstanding Bond or installments of interest with respect thereto shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning of, and with the effect expressed in, the Indenture if: (i) there shall have been deposited with the Trustee sufficient cash and/or Government Obligations, in accordance with the Indenture, which will, without further investment, be sufficient, together with the other amounts held for such payment, to pay the principal of such Bonds when due or to redeem such Bonds on the earliest possible redemption date thereof at the Redemption Price specified the Indenture, (ii) in the event such Bonds are to be redeemed prior to maturity in accordance with the Indenture or in a Supplemental Indenture with respect to a Series of Additional Bonds, all action required by the provisions of the Indenture to redeem the Bonds shall have been taken or provided for to the satisfaction of the Trustee and notice thereof in accordance with the Indenture or in a Supplemental Indenture with respect to such Series of Additional Bonds shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) provision shall have been made for the payment of all fees and expenses of the Trustee and of any additional Paying Agent with respect to the Series of Bonds of which the Bond is a part, (iv) the Issuer shall have been reimbursed for all of its expenses under the Loan Agreement with respect to the Series of Bonds of which such Bond is a part, and (v) all other payments required to be made under the Loan Agreement and the Indenture or any Supplemental Indenture with respect to such Series of Bonds of which the Bond is a part shall have been made or provided for.

(b) For the purpose of the Indenture, the Trustee shall be deemed to hold sufficient moneys to pay the principal of an Outstanding Bond not then due or to redeem an Outstanding Bond prior to the maturity thereof only if there shall be on deposit with the Trustee and available for such purpose an amount of cash and/or a principal amount of Government Obligations, maturing or redeemable at the option of the owner thereof not later than (i) the maturity date of such Bonds, or (ii) the first date following the date of computation on which such Bonds may be redeemed pursuant to the Indenture or the provisions of a Supplemental Indenture, as applicable (whichever may first occur), which, together with income to be earned on such Government Obligations prior to such maturity date or Redemption Date, equals the Redemption Price, due on such Bonds, together with all interest thereon (at the maximum applicable rate) which has accrued and which will accrue to such maturity or Redemption Date.

(c) Upon the defeasance of any Bonds or of all Outstanding Bonds in accordance with the Indenture, the Trustee shall hold in trust, for the benefit of the Owners of such Series of Bonds, all such cash and/or Government Obligations, shall make no other or different investment of such cash and/or Government Obligations and shall apply the proceeds thereof and the income therefrom only to the payment of such Bonds, and prior to any defeasance becoming effective as provided in the Indenture, there shall have been delivered to the Issuer and to the Trustee a verification from a verification agent (in each case reasonably satisfactory to the Issuer and the Trustee) to the effect that the moneys and/or Government Obligations are sufficient, together with

any income to be earned thereon, without reinvestment, to pay the principal of, interest on, and redemption premium, if any, of the Bonds to be defeased.

(d) Prior to any defeasance becoming effective as provided in this summarized section there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Bond Counsel to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and (B) a verification from an independent certified public accountant or firm of independent certified public accountants (in each case reasonably satisfactory to the Issuer and the Trustee) to the effect that the moneys and/or Government Obligations are sufficient, without reinvestment, to pay the principal of, Sinking Fund Payments on, interest on, and redemption premium, if any, of the Bonds to be defeased. *(Section 7.02)*

Lien Law Section 73 Covenant

The Institution, for itself and as the agent of the Issuer, covenants to the Issuer and to the Trustee, as a third-party beneficiary of the Indenture, that the Institution will receive advances of monies under the Bond Documents and will hold the right to receive such advances as trust funds to be first applied to the payment of trust claims as defined in Section 71 of the Lien Law of the State, and that the Institution will apply the same to such payments only, before using any part of such advances for any other purpose. *(Section 7.03)*

Events of Default

The following shall be “Events of Default” under the Indenture:

(a) A default in the due and punctual payment of any interest or any principal, Sinking Fund Payment or Redemption Price of any Bond, whether at the stated maturity thereof, upon proceedings for redemption thereof or upon the maturity thereof by declaration, or any other amounts due under the Indenture or the other Bond Documents or any other bond documents entered into in connection with any Series of Additional Bonds; or

(b) A default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in any Series of Bonds and the continuance thereof for a period of thirty (30) days after written notice given by the Trustee or by the Owners of not less than fifty percent (50%) of the principal amount of the Bonds then Outstanding; or if such default cannot be cured within thirty (30) days, but the Issuer is proceeding diligently to cure such default, then the Issuer shall be permitted an additional ninety (90) days within which to remedy the default; or

(c) The occurrence and continuation of an Event of Default under the Loan Agreement; or

(d) The occurrence and continuation of an Event of Default under the Master Indenture or any Obligation issued thereunder. *(Section 8.01)*

Acceleration; Annulment of Acceleration

(a) Upon the occurrence and continuation of an Event of Default under the Loan Agreement or any similar provision in any New Loan Agreement with respect to any Series of Additional Bonds, all Series of Bonds Outstanding shall become immediately due and payable without action or notice of any kind on the part of the Trustee or the Issuer. Upon the occurrence and continuance of any other Event of Default, the Trustee may, or upon the direction of not less than fifty-one percent (51%) of the principal amount of the Bonds then Outstanding shall, by notice in writing delivered to the Issuer and the Institution, declare all Series of Bonds Outstanding immediately due and payable, and such Series of Bonds shall become and be immediately due and payable, anything in the Bonds or in the Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment. If all of the Series of Bonds Outstanding shall become so immediately due and payable, the Issuer and the Trustee shall as soon as possible declare by written notice to the Institution on behalf of the Institution all unpaid Debt Service Payments payable by the Institution under the Loan Agreement or any similar provision in any New Loan Agreement with respect to any Series of Additional Bonds to be immediately due and payable. Upon such declaration the same shall become and be immediately due and payable, and the Trustee shall immediately first apply any moneys on deposit in the Principal Account and Interest Account, as appropriate, of the Bond Fund, and second, apply any moneys on deposit in the applicable Account of the Debt Service Reserve Fund therein to the payment thereof.

(b) At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may annul such declaration and its consequences with respect to any Bonds not then due by their terms if (i) moneys shall have been deposited in the Bond Fund sufficient to pay all matured installments of interest and principal, Sinking Fund Payments, or the Redemption Price (other than principal then due only because of such declaration) of such Outstanding Bonds; (ii) sufficient moneys shall be available to pay the amounts described in the Indenture; (iii) all other amounts then payable by the Issuer under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon. (*Section 8.02*)

Enforcement of Remedies

(a) Upon the occurrence and continuance of any Event of Default, and upon being provided with security or indemnity reasonably satisfactory to the Trustee against any liability or expense which might thereby be incurred, the Trustee shall proceed forthwith to protect and enforce its rights and the rights of the Owners under the Act, the

Bonds and the Loan Agreement and/or any New Loan Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient.

(b) The Trustee acting directly may sue for, enforce payment of and receive any amounts due or becoming due from the Institution for principal, Redemption Price, interest or otherwise under any of the provisions of the Bonds, the Bond Documents, the obligations under the Master Indenture and any bond documents entered into in connection with any Series of Additional Bonds without prejudice to any other right or remedy of the Trustee or of the Owners.

(c) Regardless of the happening of an Event of Default, the Trustee shall have the right to institute and maintain such suits and proceedings as it may be advised by such Owners shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture or of any resolution authorizing any Series of Bonds, or (ii) to preserve or protect the interests of the Owners, provided that such request is in accordance with law and the provisions of the Indenture and is not unduly prejudicial to the interests of the Owners not making such request.

(d) When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, the expenses and the compensation for the services shall constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. *(Section 8.03)*

Appointment of Receivers

Upon the occurrence and continuance of an Event of Default and upon the filing of a suit or commencement of other judicial proceedings to enforce the rights of the Trustee or the Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues and receipts thereof, pending such proceedings, with such powers as the court making such appointment shall confer. *(Section 8.04)*

Application of Moneys

(a) The Net Proceeds received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after paying the reasonable fees and expenses of the Trustee, be deposited in the Bond Fund.

(b) All moneys held in the Bond Fund during the continuance of an Event of Default shall be applied as follows:

(i) Unless the principal of all the Bonds shall have become due or shall have been declared due and payable,

FIRST - To the payment of all installments of interest then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular

installment of interest, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or preference; and

SECOND - To the payment of the unpaid principal or Redemption Price, if any, of any Bonds or principal installments which shall have become due (other than any Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which such Bonds became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD - To the payment of the principal or Redemption Price of and interest on such Bonds as the same become due and payable; and

(ii) If the principal of all such Bonds shall have become due or shall have been declared due and payable, to the payment of the principal and interest (at the rate or rates expressed thereon) then due and unpaid upon all such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds, ratably according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference; and

(iii) If the principal of the Bonds shall have been declared due and payable and if such declaration shall thereafter have been annulled pursuant to the Indenture, the moneys shall be applied in accordance with the provisions of the Indenture.

(c) Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Indenture, such moneys shall be applied at such time or times as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. On the date fixed by the Trustee for application of such moneys, interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the application of any such moneys and of the fixing of any such date. (*Section 8.05*)

Remedies Vested in Trustee

Except as otherwise provided in the Indenture, all rights of action (including the right to file proof of claim) under the Indenture or under any of the Bonds may be

enforced by the Trustee without possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of any Bonds. Subject to the provisions of the Indenture, any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds. *(Section 8.06)*

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Owners by the Indenture is intended to be exclusive of any other remedy. Each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Owners under the Indenture or now or hereafter existing at law or in equity or by statute. *(Section 8.07)*

Removal of Trustee

The Trustee may be removed at any time, with thirty days' written notice, without cause by (a) an instrument which (i) is signed by the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding, (ii) specifies the date on which such removal shall take effect and the name and address of the successor Trustee, and (iii) is delivered to the Trustee, the Issuer and the Institution or (b) by the Institution, so long as no Event of Default has occurred and is continuing under the Loan Agreement. Notice of any such removal shall be given, by first class mail, to each Owner of Bonds then Outstanding not less than sixty (60) days before such removal is to take effect as stated in such instrument. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Indenture or the Loan Agreement, by any court of competent jurisdiction upon the application by the Issuer, the Institution or the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding. *(Section 9.07)*.

Appointment of Successor Trustee by Bondholders; Temporary Trustee

(a) In case the Trustee shall resign under the Indenture, or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting under the Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Trustee may be appointed by the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding by an instrument signed by such Owners and delivered to such successor Trustee, the predecessor Trustee, the Issuer and the Institution. Notice of any such appointment shall be given, by first class mail, to each Owner of each Series of Bonds then Outstanding within thirty (30) days after delivery to the Issuer of the instrument appointing such successor Trustee.

(b) In case of the occurrence of any event affecting the Trustee hereunder described in subsection (a) of this summarized section, the Issuer, by an instrument

signed by the Chief Executive Officer or Chairman and attested by the Secretary, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Owners in the manner provided in subsection (a) of this summarized section. If the Trustee shall be removed in the manner described in clause (b) of the immediately preceding summarized section, the Institution shall have the right to appoint a successor Trustee, provided that no Event of Default has occurred and is continuing under the Loan Agreement. Such instrument appointing such successor Trustee by the Issuer shall be delivered to the successor Trustee so appointed, to the predecessor Trustee and to the Institution. Notice of any such appointment shall be given, by first class mail, to each Owner of Bonds then Outstanding within thirty (30) days after delivery to the successor Trustee of the instrument appointing such successor Trustee. Any such temporary Trustee appointed by the Issuer shall immediately and without further act be superseded by any successor Trustee appointed by the Owners.

(c) Any Trustee appointed pursuant to the provisions of this summarized section shall be a national banking association, trust company or bank which is authorized to exercise the corporate trust powers intended to be conferred upon it by the Indenture and has combined capital and surplus of at least \$25,000,000, or any other corporate or individual trustee duly authorized and empowered to act as Trustee under the Indenture and reasonably acceptable to the Issuer and approved by all Owners. (*Section 9.08*).

Supplemental Indentures Not Requiring Consent of Owners

(a) Without the consent of or notice to any of the Owners of the Bonds issued under the Indenture but subject to the Indenture, the Issuer and the Trustee may enter into one or more Supplemental Indentures, not inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (i) To cure any ambiguity or formal defect or omission in the Indenture;
- (ii) To cure, correct or supplement any defective provision of the Indenture in such manner as shall not be inconsistent with the Indenture and shall not impair the security of the Indenture nor adversely affect the Owners;
- (iii) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee, but only with the prior written consent of the Institution not unreasonably to be withheld;
- (iv) To add to the covenants and agreements of the Issuer in the Indenture, other covenants and agreements to be observed by the Issuer;
- (v) To identify more precisely the Trust Estate;

- (vi) To subject to the lien of the Indenture additional revenues, receipts, Property or collateral, but only with the prior written consent of the Institution;
- (vii) To release Property from the lien of the Indenture or to grant or release easements to the extent permitted by the Indenture;
- (viii) To make any other changes in the Indenture which do not prejudice the interests of the Trustee, the Institution or the Owners;
- (ix) To make any change which, in the opinion of Bond Counsel, is necessary or desirable in order to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes;
- (x) To make any change requested by a Rating Agency in connection with obtaining or maintaining a rating on any Series of Bonds; or
- (xi) To issue any Series of Additional Bonds in accordance with the provisions of the Indenture.

(b) In connection with the execution and delivery of any Supplemental Indenture to be entered into under the provisions of the Indenture, the Trustee shall receive and may rely upon an opinion of Independent Counsel as conclusive evidence that any such Supplemental Indenture complies with the foregoing conditions and provisions. *(Section 10.01)*

Supplemental Indentures Requiring Consent of Owners

(a) Except as provided in the Indenture, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding (or if less than all Series of Bonds then Outstanding are affected by such Supplemental Indenture, then the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series of Bonds so affected) shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such Supplemental Indentures as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture or in the Series 2016 Bonds or any other Series of Bonds issued under the Indenture; provided, however, that nothing contained in the Indenture shall permit:

- (i) A change in the terms of redemption or maturity of the principal of or the time of payment of interest on any Outstanding Series of Bonds or a reduction in the principal amount or Redemption Price of any Outstanding Series of Bonds or the rate of interest thereon, without the consent of the Owner of each such Bond; or

(ii) The creation of a lien upon the Trust Estate ranking prior to or on a parity with the lien created by the Indenture, without the consent of the Owners of all Outstanding Series of Bonds; or

(iii) A preference or priority of any Bond or Series of Bonds over any other such Bond or Series of Bonds, without the consent of the Owners of all such Outstanding Bonds so affected; or

(iv) A reduction in the aggregate principal amount of any Bonds required for consent to such Supplemental Indenture, without the consent of the Owners of all Outstanding Series of Bonds; or

(v) Any reduction in the amount of the Debt Service Reserve Fund Requirement with respect to a Series of Bonds or any change in the terms of the Account of the Debt Service Reserve Fund securing a Series of Bonds, without the consent of the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series of Bonds so affected

(b) If at any time the Issuer shall request the Trustee to enter into a Supplemental Indenture for any of the purposes of the Indenture, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall cause notice of the proposed execution of such Supplemental Indenture to be given, by first class mail, to each Owner of Bonds then Outstanding at their addresses as they appear on the registration books kept by the Trustee. Such notice shall briefly summarize the contents of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Office of the Trustee for inspection by all Owners.

(c) The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by the Indenture.

(d) If, within such period after the mailing of the notice required by the Indenture as the Issuer shall prescribe with the approval of the Trustee, the Issuer shall deliver to the Trustee an instrument or instruments executed by the Owners of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding, referring to the proposed Supplemental Indenture as described in such notice and consenting to and approving the execution thereof, the Trustee shall execute such Supplemental Indenture.

(e) If the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner of Bonds shall have any right to object to any of the terms and provisions contained therein or in any manner to question the propriety of the execution thereof or enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

(f) The Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel as conclusive evidence that (i) any Supplemental Indenture entered into by the Issuer and the Trustee, and (ii) the evidence of requisite Owner consent thereto comply with the provisions of the Indenture. *(Section 10.02)*

Consent of Institution to Supplemental Indentures

Notwithstanding anything contained in the Indenture to the contrary, no Supplemental Indenture which affects any rights or obligations of the Institution shall become effective unless and until the Institution shall have consented in writing to the execution and delivery of such Supplemental Indenture. The Trustee shall be entitled to receive and may rely upon the opinion of Independent Counsel as conclusive evidence of whether or not a Supplemental Indenture affects any rights of the Institution within the meaning of, and for the purposes of, the Indenture. The Trustee shall deliver to the Institution a copy of all executed Supplemental Indentures. *(Section 10.03)*

Condition Precedent to Supplemental Indentures

Notwithstanding the foregoing, the execution and delivery of a Supplemental Indenture in accordance with the Indenture shall be conditioned upon the delivery to the Trustee of an opinion of Bond Counsel that the execution and delivery of such Supplemental Indenture will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal tax purposes. *(Section 10.05)*

Amendments to the Loan Agreement Not Requiring Consent of Owners

Without the consent of or notice to any of the Owners, the Issuer and the Institution may enter into, and the Trustee may consent to, any amendment, change or modification of the Loan Agreement or any New Loan Agreement as may be required (a) by the provisions thereof or of the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein, (c) in connection with the description of the Project and the substitution, addition or removal of a portion of the Facility as provided in the Loan Agreement and the Indenture, (d) in connection with additional real estate which is to become part of the Facility, or (e) in connection with any other change therein which, in the sole judgment of the Trustee, does not adversely affect the interests of the Trustee or the Owners of the Bonds. The Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel stating that and as conclusive evidence that any such amendment, change or modification complies with the provisions of the Indenture. *(Section 11.01)*

Amendments to the Loan Agreement Requiring Consent of Owners

Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer, the Institution, nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement without mailing of notice and the written approval or consent of the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the applicable Series of Bonds at the time Outstanding procured and given in the manner set forth under the heading "Supplemental Indentures Requiring

Consent of Owners”; provided, however, that no such amendment shall be permitted which changes the terms of payment thereunder without the consent of the Owners of all the applicable Series of Bonds then Outstanding. The Trustee shall be entitled to receive and may rely on an opinion of Independent Counsel stating that and as conclusive evidence that any such amendment, change or modification and the evidence of requisite Owner consent comply with the requirements of the Indenture. *(Section 11.02)*

Amendments of Tax Regulatory Agreement Not Requiring Consent of Owners

Without the consent of or notice to any of the Owners, the Issuer and the Trustee may consent to any amendment, change or modification of the Tax Regulatory Agreement as may be required (a) for the purpose of curing any ambiguity or formal defect or omission, (b) to facilitate the issuance of Additional Bonds, (c) in connection with any other change therein which, in any case, in the sole judgment of the Trustee does not adversely affect the interests of the Trustee or the Owners of the Bonds, or (d) any other change required to maintain the tax exemption on the Bonds. The Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel stating that and as conclusive evidence that any such amendment, change or modification complies with the provisions of the Indenture. *(Section 11.03)*

Amendments of Tax Regulatory Agreement Requiring Consent of Owners

Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer nor the Trustee shall enter into any amendment, change or modification of the Tax Regulatory Agreement without mailing of notice and the written approval or consent of the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the applicable Series of Bonds at the time Outstanding procured and given in the manner set forth in the Indenture. The Trustee shall be entitled to receive and may rely upon an opinion of Independent Counsel stating that and as conclusive evidence that any such amendment, change or modification and the evidence of requisite Owner consent comply with the provisions of the Indenture. *(Section 11.04)*

Condition Precedent to Amendments of Tax Regulatory Agreement or Loan Agreement

Notwithstanding the foregoing, the execution and delivery of an amendment to the Loan Agreement or the Tax Regulatory Agreement in accordance with the Indenture shall be conditioned upon the delivery to the Trustee of an opinion of Bond Counsel that the execution and delivery of such amendment will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal tax purposes. *(Section 11.05)*

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Summary of Certain Provisions of the Loan Agreement

The following is a summary of certain provisions of the Loan Agreement. Certain provisions of the Loan Agreement are also described in the Official Statement. This summary does not purport to be complete and reference is made to the Loan Agreement for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Loan Agreement and are included for ease of reference only.

Loan of Series 2016 Bond Proceeds

The Issuer agrees to loan the Bond Proceeds to the Institution in accordance with the provisions of the Loan Agreement. The Bond Proceeds shall be disbursed to the Institution in accordance with the provisions of the Loan Agreement, the Indenture and the Tax Regulatory Agreement. *(Section 5.1)*

Financing of Project

The Institution agrees that the Bond Proceeds of the Series 2016 Bond will be used to pay the Costs of the Project. *(Section 4.1)*

Issuance of the Series 2016 Bonds; Disbursement of Bond Proceeds

In order to provide funds for payment of the Costs of the Project, together with other payments and incidental expenses in connection therewith, the Issuer agrees that it will authorize, issue, sell and cause the Series 2016 Bonds to be delivered on the terms set forth in the Indenture. Bond Proceeds shall be disbursed in accordance with the provisions of the Indenture and the Loan Agreement. *(Section 4.2)*

Application of Bond Proceeds

Except as provided in the Loan Agreement, the Bond Proceeds, upon the written direction of an Authorized Representative of the Institution and on the conditions provided for in the Indenture, shall be applied to pay only the following costs and items of expense paid by or on behalf of the Issuer on or after the Closing Date, except as may otherwise be provided under the Tax Regulatory Agreement or included in a resolution of the Board of Directors of the Institution indicating an intent to reimburse the Institution for costs of the Project incurred prior to that date:

- (i) all costs of the Project, including, without limitation, amounts necessary to refund the Series 2006 Bonds and acquire, construct, renovate and equip the Series 2016 Facility,
- (ii) all fees, taxes, charges and other expenses for recording or filing, as the case may be, any documents that the Issuer or the Trustee may deem desirable in order to protect or perfect any security interest contemplated by the Indenture,

- (iii) all legal, accounting and any other fees, costs and expenses incurred in connection with the preparation, printing, reproduction, authorization, issuance, execution, sale and distribution of the Series 2016 Bonds and the Bond Documents and all other documents in connection with the Loan Agreement or therewith, the refunding of the Series 2006 Bonds and with any other transaction contemplated by the Loan Agreement or the Indenture,
- (iv) any funds or reserves required to be maintained by the Debt Service Reserve Fund,
- (v) any administrative fee and fee for services of the Issuer, or
- (vi) reimbursement to the Institution for any of the above-enumerated costs and expenses. (*Section 4.3*)

Certificates of Completion

To establish the Completion Date, the Institution shall deliver to the Issuer and the Trustee a certificate signed by an Authorized Representative of the Institution (a) stating that (i) the costs of the Project have been paid, and (ii) except for amounts retained in the Project Fund for the payment of incurred, but unpaid, items of the Costs of the Project, the payment for all labor, services, materials and supplies used in such financing and refinancing has been made or provided for, and (b) such other certificates as may be satisfactory to the Trustee. The Institution agrees to complete the construction, renovation and equipping of the Series 2016 Facility on or before November 1, 2019, unless such date has been extended by the Issuer. Such certificate shall further certify as to the determination of the Rebate Amount as provided in the Tax Regulatory Agreement and the Indenture and shall direct the Trustee to make any transfer to, or make payments of amounts for deposit in, the Rebate Fund. (*Series 4.4*)

Completion by Institution

(a) In the event that the Net Proceeds of the Series 2016 Bonds are not sufficient to pay in full all Costs of the Project, the Institution agrees to pay, for the benefit of the Issuer and the Trustee, all such sums as may be in excess of the Net Proceeds of the Series 2016 Bonds.

(b) The Institution shall not be entitled to any reimbursement for such excess cost or expense from the Issuer or the Trustee or the Owners of any of the Series 2016 Bonds, nor shall it be entitled to any diminution or abatement of any other amounts payable by the Institution under the Loan Agreement. (*Section 4.5*)

Loan Payments and Other Amounts Payable

(a) All payments required pursuant to the Loan Agreement, shall be referred to as “Loan Payments”. The Institution’s obligation to pay such Loan Payments shall be evidenced by the Note, substantially in the form attached to the Loan Agreement as

Exhibits B. The Institution shall pay to the Issuer on the Closing Date the Issuer's administrative fee in the amount of \$110,994 (equal to the administrative fee of \$110,000, plus \$944 (total costs related to the public hearing)). In addition, the Institution shall pay to the Issuer an annual compliance fee of \$1,000.00 on or before January 1 of each year commencing on January 1, 2017 and continuing through the term of the Loan Agreement.

(b) The Institution shall pay as basic loan payments for the Project five (5) Business Days before the first day of each May and November, commencing on the fifth (5th) Business Day prior to May 1, 2017, directly to the Trustee, in immediately available funds, an amount equal to the interest component of the next Debt Service Payment becoming due and payable on the Series 2016 Bonds. The Institution shall also pay as basic loan payments for the Project five (5) Business Days before the first day of each November, commencing on the fifth (5th) Business Day prior to November 1, 2017 directly to the Trustee, in immediately available funds, an amount equal to the principal and/or Sinking Fund Payment next becoming due and payable on the Series 2016 Bonds; provided, however, the Institution shall receive credit against such amounts due and owing under the Loan Agreement for any amounts on deposit in the Bond Fund for the payment of principal and interest on the Series 2016 Bonds.

(c) In addition to the Loan Payments pursuant to the Loan Agreement, throughout the Loan Term, the Institution shall pay to the Issuer as additional loan payments, within thirty (30) days of the receipt of demand therefor, an amount equal to the sum of the out-of-pocket expenses of the Issuer and the members thereof actually incurred (i) by reason of the Issuer's financing of the Project, or (ii) in connection with the carrying out of the Issuer's duties and obligations under the Issuer Documents, the payment of which is not otherwise provided for under the Loan Agreement. The foregoing shall not be deemed to include any annual or continuing administrative or management fee beyond any initial administrative fee or fee for services rendered by the Issuer.

(d) In addition, the Institution shall pay as additional loan payments within thirty (30) days after receipt of a written demand therefor the Ordinary Expenses and Extraordinary Expenses payable to the Trustee pursuant to and under the Indenture.

(e) If, after making a valuation of the Debt Service Reserve Fund as set forth in the Indenture, the Trustee notifies the Institution that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Institution shall pay to the Trustee, in addition to the amounts required under the Indenture, as a special loan payment, on the first day of each February, May, August and November following such notification, an amount equal to one-fourth (1/4) of the total amount necessary to restore the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

(f) The Institution, under the provisions of the Loan Agreement, agrees to make the above-mentioned payments in immediately available funds and without any further notice in lawful money of the United States of America. In the event the

Institution shall fail timely to make any payment required in the Loan Agreement, the Institution shall pay the same together with all late payment penalties specified in the Bonds. In the event the Institution shall fail timely to make any payment required in the Loan Agreement, the Institution shall pay the same together with interest on such payment at the per annum rate of ten percent (10%), but in no event at a rate higher than the maximum lawful prevailing rate, from the date on which such payment was due until the date on which such payment is made. *(Section 5.3)*

Obligations of Institution Under the Loan Agreement Unconditional

The obligations of the Institution to make the payments required in the Loan Agreement, and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement, shall be a general obligation of the Institution, and shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment or counterclaim it may otherwise have against the Issuer. The Institution agrees it will not (i) suspend, discontinue or abate any payment required under the Loan Agreement, (ii) fail to observe any of its other covenants or agreements in the Loan Agreement, or (iii) terminate the Loan Agreement for any cause whatsoever unless and until the Series 2016 Bonds, including premium, if any, and interest thereon, have been paid or provided for in the Financing Documents.

Subject to the foregoing provisions, nothing contained in the Loan Agreement shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement or to affect the right of the Institution to seek reimbursement, and in the event the Issuer should fail to perform any such agreement, the Institution may institute such separate action against the Issuer as the Institution may deem necessary to compel performance or recover damages for non-performance. *(Section 5.4)*

Payment of Additional Moneys in Prepayment of Series 2016 Bonds

In addition to any other moneys required or permitted to be paid pursuant to the Loan Agreement, the Institution may, subject to the terms of the Indenture, pay moneys to the Trustee (i) to be applied as the prepayment of amounts to become due and payable by the Institution pursuant to the Loan Agreement and the Promissory Note, or (ii) to be used for the redemption or prepayment of any Series 2016 Bonds, including a purchase in lieu of redemption that the Institution may direct pursuant to the terms of the Indenture, at such time or times and on such terms and conditions as is provided in such Series 2016 Bonds and in the Indenture. The Institution shall notify the Issuer and the Trustee in writing that any such payment shall be applied as provided in the Loan Agreement. *(Section 5.5)*

Rights and Obligations of the Institution upon Prepayment of Series 2016 Bonds

In the event the Series 2016 Bonds shall have been paid in full prior to the termination of the Loan Agreement, or provision for such payment shall have been made in accordance with the Indenture, the Issuer, at the sole cost of the Institution, shall

promptly obtain and record or file appropriate terminations, discharges or releases of any security interest relating to the Facility or under the Indenture. *(Section 5.6)*

Maintenance and Modifications of Facility by Institution

(a) The Institution shall not abandon the Facility for a period of thirty (30) consecutive days or more or cause or permit any waste to the Improvements. During the Loan Term, the Institution shall not remove any part of the Facility outside of the jurisdiction of the Issuer and shall (i) keep the Facility in as reasonably safe condition as their operations shall permit; (ii) make all reasonably necessary repairs and replacements to the Facility (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); and (iii) operate the Facility in a commercially reasonable manner.

(b) Without the consent of the Issuer, the Institution, from time to time, may make any material structural additions, modifications or improvements to the Facility or any part thereof, provided (i) such actions do not adversely affect the structural integrity of the Facility, (ii) such actions do not materially change the nature of the Facility, and (iii) such actions do not materially impair the use of the Facility or materially decrease their value. All such additions, modifications or improvements made by the Institution shall become a part of the Facility. *(Section 6.1)*

Insurance Required

At all times throughout the Loan Term, the Institution at its sole cost and expense shall maintain or cause to be maintained insurance covering the Facility against such risks and for such amounts as are customarily insured against by facilities of like size and type in the same geographic region and shall pay, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:

(a) Insurance against loss or damage by fire, lightning and other casualties customarily insured against, with a uniform standard extended coverage endorsement, such insurance to be in an amount not less than the full replacement value of the completed Improvements, exclusive of footings and foundations, as determined by a recognized appraiser or insurer selected by the Institution, but in no event less than the principal amount of the Bonds.

(b) Workers' compensation insurance, disability benefits insurance and each other form of insurance which the Institution is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Institution who are located at or assigned to the Facility. This coverage shall be in effect from and after the Completion Date or on such earlier date as any employees of the Institution first occupy the Facility.

(c) Insurance protecting the Issuer, the Trustee, and the Institution against loss or losses from liability imposed by law or assumed in any written contract (including the contractual liability assumed by the Institution under the Loan Agreement) and arising from personal injury, including bodily injury or death, or damage to the property of others, caused by an accident or occurrence with a limit of liability of not less than

\$1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage) and with a blanket excess liability coverage in an amount not less than \$5,000,000 protecting the Issuer, the Trustee and the Institution against any loss or liability or damage for personal injury, including bodily injury or death, or property damage.

(d) During any Construction Period (and for at least one year thereafter in the case of Products and Completed Operations as set forth below), the Institution shall cause the general contractor to carry liability insurance of the type and providing the minimum limits set forth below:

(i) Workers' compensation and employer's liability with limits in accordance with applicable law.

(ii) Comprehensive general liability providing coverage for:

Premises and Operations
Products and Completed Operations
Owners Protective
Contractors Protective
Contractual Liability
Personal Injury Liability
Broad Form Property Damage
(including completed operations)
Explosion Hazard
Collapse Hazard
Underground Property Damage Hazard

Such insurance shall have a limit of liability of not less than \$1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage).

(iii) Business auto liability, including all owned, non-owned and hired autos, with a limit of liability of not less than \$1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage).

(iv) Excess "umbrella" liability providing liability insurance in excess of the coverages in (i), (ii) and (iii) above with a limit of not less than \$5,000,000.

(Section 6.4)

Additional Provisions Respecting Insurance

(a) All insurance required by the Loan Agreement shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State and selected by the entity required to procure the same. The company issuing the policies required by the Loan Agreement shall be rated "A" or better by A.M. Best Co., Inc. Such insurance may be

written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects (including the location of such companies in the same or similar geographic region) to those in which the procuring entity is engaged. All policies evidencing the insurance required by the Loan Agreement shall provide for payment to the Institution of the Net Proceeds of insurance resulting from any claim for loss or damage thereunder, and all policies of insurance required by the Loan Agreement shall provide for at least thirty (30) days' prior written notice of the restriction, cancellation or modification thereof to the Issuer and the Trustee; provided, however, such notice shall be at least ten (10) days in the case of non-payment of premium). The policy evidencing the insurance required by the Loan Agreement shall name the Issuer, the Trustee and the Master Trustee as additional insureds. All policies evidencing the insurance required by the Loan Agreement shall name the Issuer, the Trustee, the Master Trustee and the Institution as additional insureds. Upon request of the Master Trustee, the Institution will assign and deliver to the Master Trustee the policies of insurance required under the Loan Agreement, so and in such manner and form that the Master Trustee shall at all times, upon such request and until the payment in full of the Series 2016 Bonds, have and hold said policies and the Net Proceeds thereof as collateral for the payment of the Series 2016 Obligation. The policies under the Loan Agreement shall contain appropriate waivers of subrogation.

(b) The policies (or certificates and binders) of insurance required by the Loan Agreement shall be deposited with the Master Trustee on or before the Closing Date. A copy of the policy (or certificate and binder) of insurance required by the Loan Agreement shall be delivered to the Issuer on or before the Closing Date. A copy of the policy (or certificate or binder of insurance is required by the Loan Agreement shall be delivered to the Issuer on or before the earlier of the Closing Date or the commencement of the construction or renovation, if later. The Institution shall deliver to the Issuer and the Trustee before the first Business Day of each twelve (12) month period thereafter a certificate dated not earlier than the immediately preceding month reciting that there is in full force and effect, with a term covering at least the next succeeding twelve (12) month period, insurance of the types and in the amounts required by the Loan Agreement and complying with the additional requirements of the Loan Agreement. Prior to the expiration of each such policy or policies, the Institution shall furnish to the Issuer and the Trustee a new policy or policies of insurance or evidence that such policy or policies have been renewed or replaced or are no longer required by the Loan Agreement. The Institution shall provide such further information with respect to the insurance coverage required by the Loan Agreement as the Issuer and the Trustee may from time to time reasonably require. (*Section 6.5*)

Application of Net Proceeds of Insurance

The Net Proceeds of the insurance carried pursuant to the provisions of the Loan Agreement shall be applied as follows: (i) the Net Proceeds of the insurance required by the Loan Agreement shall be applied as provided in the Loan Agreement, and (ii) the Net Proceeds of the insurance required by the Loan Agreement shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid. (*Section 6.6*)

Damage or Destruction of the Facility

(a) If any portion of the Facility shall be damaged or destroyed (in whole or in part) at any time during the Loan Term:

(i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate the Facility or any portion thereof; and

(ii) there shall be no abatement or reduction in the loan payments or other amounts payable by the Institution under the Loan Agreement (whether or not the Facility or any portion thereof is replaced, repaired, rebuilt, restored or relocated); and

(iii) upon the occurrence of such damage or destruction, the Net Proceeds derived from the insurance shall be paid to the Institution and, except as otherwise provided in the Loan Agreement, and subject to the Loan Agreement, the Institution shall at its option either (A) replace, repair, rebuild, restore or relocate the Facility or the portion thereof, or (B) redeem a principal amount of the Series 2016 Bonds equal to such Net Proceeds in accordance with the Indenture.

If the Institution replaces, repairs, rebuilds, restores or relocates the Facility, the Institution shall disburse the Net Proceeds received from any insurance proceeds in connection with such damage or destruction to pay or reimburse the Institution for the cost of such replacement, repair, rebuilding, restoration or relocation.

(b) Any such replacements, repairs, rebuilding, restorations or relocations shall be subject to the following conditions:

(i) the Facility shall be in substantially the same condition and value as an operating entity as existed prior to the damage or destruction;

(ii) the exclusion of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes shall not, in the opinion of Bond Counsel, be adversely affected; and

(iii) the Facility will be subject to no Liens (unless contested or bonded as set forth in the Loan Agreement), other than Permitted Encumbrances.

(c) All such repair, replacement, rebuilding, restoration or relocation of the Facility shall be effected with due diligence in a good and workmanlike manner in compliance with all applicable legal requirements and be promptly and fully paid for by the Institution in accordance with the terms of the applicable contracts.

(d) If the Institution elects to replace, repair, rebuild, restore or relocate the Facility pursuant to the Loan Agreement, then in the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding, restoration or relocation, the Institution shall nonetheless complete the work and pay from its own

moneys that portion of the costs thereof in excess of such Net Proceeds. All such replacements, repairs, rebuilding, restoration or relocations made pursuant to the Loan Agreement, whether or not requiring the expenditure of the Institution' own money, shall automatically become a part of the Facility as if the same were specifically described in the Loan Agreement.

(e) Any balance of such Net Proceeds remaining after payment of all costs of replacement, repair, rebuilding, restoration or relocation shall, subject to any rebate required to be made to the Federal government pursuant to the Indenture or the Tax Regulatory Agreement, be used to redeem the Series 2016 Bonds as provided in the Indenture.

(f) If the Institution shall exercise its option to terminate the Loan Agreement pursuant to the Loan Agreement, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement. If an Event of Default under the Loan Agreement shall have occurred and is continuing and the Trustee shall have exercised its remedies under the Loan Agreement, such Net Proceeds shall be applied to the payment of the amounts required to be paid the Loan Agreement.

(g) If the entire amount of the Series 2016 Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Indenture, all such remaining Net Proceeds shall be paid to the Institution.

(h) Except upon the occurrence and continuation of an Event of Default, the Institution shall have the right to settle and adjust all claims under any policies of insurance required by the Loan Agreement on its own behalf. (*Section 7.1*)

Condemnation

(a) If title to or use of the Facility or any portion thereof comprising a portion of the Facility shall be taken by Condemnation (in whole or in part) at any time during the Loan Term:

(i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate such Facility or acquire, by construction or otherwise, facilities of substantially the same nature as the Facility (the "**Substitute Facility**"); and

(ii) there shall be no abatement or reduction in the amounts payable by the Institution under the Loan Agreement (whether or not the Facility is replaced, repaired, rebuilt, restored or relocated or the Substitute Facility acquired); and

(iii) upon the occurrence of such Condemnation, the Net Proceeds derived therefrom shall be paid to the Institution and, except as otherwise provided in the Loan Agreement, the Institution shall either:

(A) replace, repair, rebuild, restore or relocate such project comprising a portion of the Facility or acquire the Substitute Facility, or

(B) redeem an amount of Series 2016 Bonds equal to the Net Proceeds in accordance with the Indenture.

If the Institution replaces, repairs, rebuilds, restores or relocates the Facility or acquires a Substitute Facility, the Institution shall disburse the Net Proceeds received as a result of such Condemnation to pay or reimburse the Institution for the cost of such replacement, repair, rebuilding, restoration, relocation or acquisition of the Substitute Facility.

(b) Any such replacements, repairs, rebuilding, restorations, relocations or acquisitions of the Substitute Facility shall be subject to the following conditions:

(i) the Facility or the Substitute Facility shall be in substantially the same condition and value as an operating entity as existed prior to the condemnation;

(ii) the exclusion of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes shall not, in the opinion of Bond Counsel, be adversely affected;

(iii) the Facility or the Substitute Facility will be subject to no Liens (unless contested or bonded as set forth in the Loan Agreement), other than Permitted Encumbrances; and

(iv) any other conditions the Trustee may reasonably impose.

(c) All such repair, replacement, rebuilding, restoration or relocation of the Facility shall be effected with due diligence in a good and workmanlike manner in compliance with all applicable legal requirements and shall be promptly and fully paid for by the Institution in accordance with the terms of the applicable contracts.

(d) If the Institution elects to replace, repair, rebuild, restore or relocate pursuant to the Loan Agreement, then in the event such Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding, restoration, relocation or acquisition of a Substitute Facility, the Institution shall nonetheless complete the work or the acquisition and pay from its own moneys that portion of the costs thereof in excess of such Net Proceeds. All such replacements, repairs, rebuilding, restoration, relocations and such acquisition of the Substitute Facility made pursuant to the Loan Agreement, whether or not requiring the expenditure of the Institution's own money, shall automatically become a part of the Facility as if the same were specifically described in the Loan Agreement.

(e) Any balance of such Net Proceeds remaining after payment of all costs of replacement, repair, rebuilding, restoration, relocation or acquisition of the Substitute Facility shall, subject to any rebate required to be made to the Federal government

pursuant to the Indenture or the Tax Regulatory Agreement, be used to redeem the Series 2016 Bonds as provided in the Indenture.

(f) If the Institution shall exercise its option to terminate the Loan Agreement pursuant to the Loan Agreement, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement. If any Event of Default under the Loan Agreement shall have occurred and is continuing and the Trustee shall have exercised its remedies under the Loan Agreement, such Net Proceeds shall be applied to the payment of the amounts required to be paid by the Loan Agreement.

(g) If the entire amount of the Series 2016 Bonds and interest thereon has been fully paid, or provision therefor has been made in accordance with the Indenture, all such remaining Net Proceeds shall be paid to the Institution.

(h) Except upon the occurrence and continuation of an Event of Default, the Institution shall have the right to settle and adjust all claims under any Condemnation proceedings on its own behalf. (*Section 7.2*)

Hold Harmless Provisions

(a) The Institution agrees that the Issuer, the Trustee and each Paying Agent shall not be liable for and agrees to defend, indemnify, release and hold the Issuer, the Trustee and each Paying Agent harmless from and against any and all (i) liability for loss or damage to Property or injury to or death of any and all Persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Facility or arising by reason of or in connection with the occupation or the use thereof or the presence of any Person or Property on, in or about the Facility or the Land, or (ii) liability arising from or expense incurred in connection with the Issuer's financing of the Project, including without limiting the generality of the foregoing, all claims arising from the breach by the Institution of any of its covenants contained in the Loan Agreement and all causes of action and reasonable attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing, provided that any such losses, damages, liabilities or expenses of the Issuer, the Trustee or any Paying Agent are not incurred or do not result from the gross negligence or intentional or willful wrongdoing of the Issuer, the Trustee or any Paying Agent or any of their respective members, directors, trustees, officers, agents or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence in part of the Issuer, the Trustee or any Paying Agent, or any of their respective members, directors, trustees, officers, agents or employees, and irrespective of the breach of a statutory obligation (other than a breach caused by any of their respective gross negligence or intentional or willful wrongdoing) or the application of any rule of comparative or apportioned liability. The foregoing indemnities are limited only as expressly set forth in the Loan Agreement and to the extent of any prohibitions imposed by law.

(b) Notwithstanding any other provisions of the Loan Agreement, the obligations of the Institution pursuant to the Loan Agreement shall remain in full force and effect after the termination of the Loan Agreement until the expiration of the period

stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters in the Loan Agreement described may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution relating to the matters under the Loan Agreement described and the payment of all expenses and charges incurred by the Issuer, the Trustee or their respective members, directors, officers, agents and employees, relating to the enforcement of the provisions specified in the Loan Agreement.

(c) In the event of any claim against the Issuer, the Trustee or any Paying Agent or their respective members, directors, officers, agents or employees by any employee or contractor of the Institution or anyone directly or indirectly employed by the Institution or anyone for whose acts the Institution may be liable, the obligations of the Institution under the Loan Agreement shall not be limited in any way by any limitation on the amount or type of damages, compensation, disability benefits or other employee benefit acts.

(d) The Trustee and each Paying Agent shall be third party beneficiaries of the Institution's obligations under the Loan Agreement. *(Section 8.2)*

Right to Inspect Facility

The Issuer and the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times upon prior reasonable written notice to the Institution to inspect the Facility during normal business hours. *(Section 8.3)*

Institution to Maintain its Existence

The Institution agrees that during the Loan Term (a) it will maintain its existence as a not-for-profit corporation constituting an Exempt Organization, and (b) will comply with all warranties and financial and reporting covenants as set forth in the Master Indenture and the Continuing Disclosure Agreement (as more fully described in the Loan Agreement). *(Section 8.4)*

Qualification in State

The Institution throughout the Loan Term shall continue to be duly authorized to do business in the State. *(Section 8.5)*

Agreement to Provide Information

The Institution agrees within a reasonable period of time following a written request by the Issuer to provide and certify or cause to be provided and certified such information concerning the Institution, its finances, operations and affairs necessary to enable the Issuer to make any report required by law, including without limitation pursuant to the Public Authorities Accountability Act of 2005 (the "PAAA") and the Public Authorities Reform Act of 2009, each as amended from time to time, governmental regulation or any of the Issuer Documents or Institution Documents. The Institution shall deliver to the Issuer and the Trustee each year no later than January 15 a

certificate signed by the Chief Financial Officer of the Institution, stating that the Institution is not in default under the Loan Agreement and no Event of Default exists and remains uncured under the Loan Agreement, the Promissory Note or any other Institution Documents. Such information shall be provided within thirty (30) days following the Institution's receipt (as determined pursuant to the Loan Agreement) of written request from the Issuer. *(Section 8.6)*

Compliance with Orders, Ordinances, Etc.

(a) The Institution throughout the Loan Term agrees that it will promptly comply, and take all reasonable steps to cause any tenant or occupant of the Facility to comply, with all statutes, codes, laws, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Facility or any part thereof or to the operation thereof, or to any use, manner of use or condition of the Facility or any part thereof, of all federal, state, county, municipal and other governments, departments, commissions, boards, courts, authorities, officials and officers having jurisdiction of the Facility or any part thereof, or to the operation thereof, or to any use, manner of use or condition of the Facility or any part thereof and of all companies or associations insuring the premises.

(b) The Institution shall keep or cause the Facility to be kept free of Hazardous Substances, except in compliance with applicable law. Without limiting the foregoing, the Institution shall not cause or permit the Facility to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance with all applicable federal, state and local laws, regulations and permits, nor shall the Institution cause or permit, as a result of any intentional or unintentional act or omission on the part of the Institution or any contractor, subcontractor, tenant or subtenant, a release of Hazardous Substances onto the Facility or onto any other property. The Institution shall comply with and shall take all reasonable steps to ensure compliance by all contractors, subcontractors, tenants and subtenants with all applicable federal, state and local laws, ordinances, rules and regulations, whenever and by whomever triggered, and shall obtain and comply with, and shall take all reasonable steps to ensure that all contractors, subcontractors, tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Institution shall (a) conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Substances, on, from, or affecting the Facility (i) in accordance with all applicable federal, state, and local laws, ordinances, rules, regulations, and policies, (ii) to the reasonable satisfaction of the Trustee and the Issuer, and (iii) in accordance with the orders and directives of all federal, state, and local governmental authorities; and (b) defend, indemnify, and hold harmless the Trustee and the Issuer, their employees, agents, officers, and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to (i) the presence, disposal, release, or threatened release of any Hazardous Substances which are on, from or affecting the soil, water, vegetation, buildings, personal

property, persons, animals, or otherwise, (ii) any bodily injury, personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substances, (iii) any lawsuit brought or threatened, settlement reached, or government order relating to such Hazardous Substances, and/or (iv) any violation of laws, orders, regulations, requirements, or demands of government authorities, or any policies or requirements of the Trustee and the Issuer, which are based upon or in any way related to such Hazardous Substances, including, without limitation, reasonable attorney and consultant fees, reasonable investigation and laboratory fees, court costs, and reasonable litigation expenses. The provisions of Loan Agreement shall be in addition to any and all other obligations and liabilities the Institution may have to the Trustee at common law, and shall survive the transactions contemplated in the Loan Agreement.

(c) Notwithstanding the provisions of subsections (a) and (b) under this heading, the Institution may in good faith contest the validity or the applicability of any requirement of the nature referred to in such subsections (a) and (b) by appropriate legal proceedings conducted in good faith and with due diligence. In such event, the Institution may fail to comply with the requirement or requirements so contested during the period of such contest and any appeal therefrom, unless the Issuer or the Trustee shall notify the Institution that by failure to comply with such requirement or requirements, the Facility or any part thereof may be subject to immediate loss, penalty or forfeiture, in which event the Institution shall promptly take such action with respect thereto or provide such security as shall be reasonably satisfactory to the Trustee and to the Issuer. If at any time the then existing use or occupancy of the Facility shall, pursuant to any zoning or other law, ordinance or regulation, be permitted only so long as such use or occupancy shall continue, the Institution shall use all reasonable efforts to not cause or permit such use or occupancy to be discontinued without the prior written consent of the Issuer and the Trustee.

(d) Notwithstanding the provisions of the Loan Agreement, if, because of a breach or violation of the Loan Agreement, either the Issuer, the Trustee, or any of their respective members, directors, officers, agents, or employees, shall be threatened with a fine, liability, expense or imprisonment, then, upon notice from the Issuer or the Trustee, the Institution shall immediately provide legal protection and/or pay amounts necessary in the reasonable opinion of the Issuer or the Trustee, as the case may be, and their respective members, directors, officers, agents and employees deem reasonably sufficient, to the extent permitted by applicable law, to remove the threat of such fine, liability, expense or imprisonment.

(e) Notwithstanding any provisions of the Loan Agreement, the Trustee and the Issuer retain the right to defend themselves in any action or actions which are based upon or in any way related to such Hazardous Substances. In any such defense of themselves, the Trustee and the Issuer shall each select their own counsel, and any and all reasonable and actual costs of such defense, including, without limitation, reasonable and actual attorney and consultant fees, reasonable investigation and laboratory fees, court costs, and reasonable and actual litigation expenses, shall be paid by the Institution.
(Section 8.8)

Discharge of Liens and Encumbrances

(a) The Institution throughout the Loan Term, shall not permit or create or suffer to be permitted or created any Lien, except for Permitted Encumbrances, upon the Facility or any part thereof by reason of any labor, services or materials rendered or supplied or claimed to be rendered or supplied with respect to the Facility or any part thereof.

(b) Notwithstanding the provisions of the Loan Agreement, the Institution may in good faith contest any such Lien. In such event, the Institution may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Issuer or the Trustee shall notify the Institution that by nonpayment of any such item or items, the Facility or any part thereof may be subject to immediate loss or forfeiture, in which event the Institution shall promptly secure payment of all such unpaid items by filing a bond, in form and substance reasonably satisfactory to the Issuer, thereby causing such Lien to be removed or by taking such other actions as may be reasonably satisfactory to the Issuer to protect its interests. Mechanics' Liens shall be discharged or bonded within ninety (90) days following the Institution' receipt of notice of the filing or perfection thereof. *(Section 8.9)*

Additional Encumbrances and Indebtedness

The Institution may issue additional long term Indebtedness or request the Issuer to issue one or more Series of Additional Bonds under the Indenture, provided that all terms and conditions for the incurrence of such additional Indebtedness or Additional Bonds under the Master Indenture and the Indenture have been satisfied. *(Section 8.13)*

Certain Additional Covenants

The Institution agrees that during the Loan Term it will comply with all financial and reporting covenants set forth in the Master Indenture. *(Section 8.14)*

Continuing Disclosure Agreement

The Institution has executed and delivered to the Trustee a Continuing Disclosure Agreement, dated the date of initial delivery of the Series 2016 Bonds. The Institution covenants and agrees with the Holders from time to time of the Series 2016 Bonds that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement, as amended from time to time, applicable to it. Notwithstanding any other provision of the Loan Agreement, failure of the Institution to comply with the Continuing Disclosure Agreement shall not be considered a default or an event of default under the Loan Agreement and the rights and remedies provided by the Loan Agreement upon the occurrence of such a default or an event of default shall not apply to any such failure, but the Continuing Disclosure Agreement may be enforced only as provided therein. *(Section 8.15)*

Securities Law Status

The Institution affirmatively represents, warrants and covenants that, as of the date of the Loan Agreement, it is an organization organized and operated: (i) exclusively for civic or charitable purposes; (ii) not for pecuniary profit; and (iii) no part of the net earnings of which inure to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and of the Securities Exchange Act of 1934, as amended. The Institution agrees that it shall not perform any act nor enter into any agreement which shall change such status as set forth in the Loan Agreement. *(Section 8.16)*

Rebate Covenant

The Institution covenants to make, or cause to be made, any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2016 Bonds pursuant to Section 148(f) of the Code and to comply with instructions received from Bond Counsel pursuant to the certification with respect to the making of any such payments. *(Section 8.17)*

Assignment, Leasing and Subleasing

(a) The Loan Agreement may not be assigned, other than as provided in the Master Indenture, in whole or in part, and the Facility may not be leased, in whole or in part, without the prior written consent of the Issuer in each instance except with respect to the Residency Agreements or otherwise in the ordinary course of business of the Institution or except as provided in the Tax Regulatory Agreement. Any permitted assignment or lease shall be on the following conditions:

- (i) no assignment or lease shall relieve the Institution from primary liability for any of its obligations under the Loan Agreement or under any other of the Institution Documents;
- (ii) the assignee or lessee in whole (in the discretion of the Issuer) of the Facility shall assume the obligations of such Institution under the Loan Agreement to the extent of the interest assigned or leased, shall be jointly and severally liable with the Institution for the performance thereof and shall be subject to service of process in the State of New York;
- (iii) the Institution shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Issuer and to the Trustee a true and complete copy of such assignment or lease and the instrument of assumption;
- (iv) neither the validity nor the enforceability of the Series 2016 Bonds or any Bond Document shall be adversely affected thereby;

- (v) the exclusion of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes will not be adversely affected;
- (vi) except as otherwise permitted in the Code and subject to the delivery of an opinion of Bond Counsel with respect to the requirements of clause (v) above, the assignee or lessee in whole (in the discretion of the Issuer) of the Facility shall be an Exempt Organization and shall utilize the Facility substantially in the same manner as the Institution.

(b) If the Trustee or the Issuer shall so request, as of the purported effective date of any assignment or lease of the Facility pursuant to subsection (a) above, the Institution, at its sole cost, shall furnish the Trustee or the Issuer, as appropriate, with an opinion, in form and substance satisfactory to the Trustee or the Issuer, as appropriate, (i) of Bond Counsel as to item (v) above, and (ii) of Independent Counsel as to items (i), (ii), (iv) and (vi) above. *(Section 9.3)*

Merger of Issuer

(a) Nothing contained in the Loan Agreement shall prevent the consolidation of the Issuer with, or merger of the Issuer into, any other local development corporation, public benefit corporation or political subdivision which has the legal authority to enter into the Loan Agreement, provided that:

- (i) upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and conditions of the Loan Agreement to be kept and performed by the Issuer shall be expressly assumed in writing by the local development corporation, public benefit corporation or political subdivision resulting from such consolidation or surviving such merger; and
- (ii) the exclusion of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes shall not be adversely affected thereby.

(b) Within thirty (30) days after the consummation of any such consolidation, merger or transfer of interest, the Issuer shall give notice thereof in reasonable detail to the Institution and the Trustee and shall furnish to the Institution and the Trustee (i) a favorable opinion of Independent Counsel as to compliance with the provisions of the Loan Agreement, and (ii) a favorable opinion of Bond Counsel opining as to compliance with the provisions of the Loan Agreement. The Issuer promptly shall furnish such additional information with respect to any such transaction as the Institution or the Trustee may reasonably request. *(Section 9.5)*

Events of Default Defined

- (a) The following shall be “Events of Default” under the Loan Agreement:

(i) the failure by the Institution to pay or cause to be paid on the date due, the amounts specified to be paid pursuant to the Loan Agreement;

(ii) the failure by the Institution to observe and perform any covenant contained in the Loan Agreement;

(iii) any representation or warranty of the Institution in the Loan Agreement or in the Bond Purchase Agreement shall prove to have been false or misleading in any material respect and the same shall have a materially adverse effect upon the Institution, the Facility, or the exclusion of interest on the Series 2016 Bonds from gross income for federal income tax purposes;

(iv) the failure by the Institution to observe and perform any covenant, condition or agreement under the Loan Agreement on its part to be observed or performed (except obligations referred to in the Loan Agreement) for a period of thirty (30) days after receiving written notice, specifying such failure and requesting that it be remedied, given to the Institution by the Issuer or the Trustee; provided, however, that if such default cannot be cured within thirty (30) days but the Institution is proceeding diligently and in good faith to cure such default, then the Institution shall be permitted an additional ninety (90) days within which to remedy the default;

(v) the dissolution or liquidation of the Institution; or the failure by the Institution to release, stay, discharge, lift or bond within ninety (90) days any execution, garnishment, judgment or attachment of such consequence as may impair its ability to carry on its operations; or the failure by the Institution generally to pay its debts as they become due; or an assignment by the Institution for the benefit of creditors; the commencement by the Institution (as the debtor) of a case in bankruptcy or any proceeding under any other insolvency law; or the commencement of a case in bankruptcy or any proceeding under any other insolvency law against the Institution (as the debtor) and a court having jurisdiction in the premises enters a decree or order for relief against the Institution as the debtor in such case or proceeding, or such case or proceeding is consented to by the Institution or remains undismissed for ninety (90) days, or the Institution consents to or admits the material allegations against it in any such case or proceeding; or a trustee, receiver or agent (however named) is appointed or authorized to take charge of substantially all of the property of the Institution for the purpose of enforcing a lien against such Property or for the purpose of general administration of such Property for the benefit of creditors (the term "dissolution or liquidation of the Institution" as used in this subsection shall not be construed to include any transaction permitted by the Loan Agreement);

(vi) an Event of Default under or a default on the part of the Institution of its obligations under the Indenture or the Loan Agreement shall have occurred and be continuing;

(vii) the Institution or any Obligated Group Member shall default in the payment of any other Indebtedness (other than the Series 2016 Obligation), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which default in payment or event of default shall be in respect of (a) any Indebtedness secured by an Obligation issued pursuant to the Master Indenture or (b) any Indebtedness in an aggregate principal amount that exceeds the greater of \$250,000 or 1% of unrestricted net assets of the Obligated Group, where the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holders thereof (or a trustee on behalf of such holders) to cause such Indebtedness to become due prior to its stated maturity; provided, however that such default shall not constitute an Event of Default within the meaning of the Loan Agreement if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of such Indebtedness under the laws of New York or other laws governing such proceeding (i) the Institution or such Obligated Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, (ii) sufficient moneys are escrowed with a bank or trust corporation for the payment of such Indebtedness, and (iii) the Institution delivers an Officer's Certificate to the Issuer and the Trustee certifying that the Institution has complied with the Loan Agreement;

(viii) the invalidity, illegality or unenforceability of any of the Bond Documents, provided the same does not permit the Issuer or the Trustee, as the case may be, to recognize the material benefits of the respective documents; or

(ix) a breach of any covenant or representation contained in the Loan Agreement with respect to environmental matters.

(b) Notwithstanding the provisions of the Loan Agreement, if by reason of force majeure any party to the Loan Agreement shall be unable in whole or in part to carry out its obligations under the Loan Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Trustee, within a reasonable time after the occurrence of the event or cause relied upon, such obligations under the Loan Agreement of the party giving such notice (and only such obligations), so far as they are affected by such force majeure, shall be suspended during continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The term "force majeure" as used in the Loan Agreement shall include,

without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, acts, priorities or orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, governmental subdivisions, or officials, any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, shortages of labor or materials or delays of carriers, partial or entire failure of utilities, shortage of energy or any other cause or event not reasonably within the control of the party claiming such inability and not due to its fault. The party claiming such inability shall remove the cause for the same with all reasonable promptness. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout and other industrial disturbances by acceding to the demands of the opposing party or parties. *(Section 10.1)*

Remedies on Default

(a) Whenever any Event of Default shall have occurred and be continuing, the Issuer or the Trustee may take, to the extent permitted by law, any one or more of the following remedial steps:

(i) declare, by written notice to the Institution, to be immediately due and payable, whereupon the same shall become immediately due and payable: (A) all unpaid loan payments payable pursuant to the Loan Agreement and pursuant to the Promissory Note in amount equal to the aggregate unpaid principal balance of all Series 2016 Bonds together with all interest which has accrued and will accrue thereon to the date of payment and all premium, if any, and (B) all other payments due under the Loan Agreement; provided, however, that if an Event of Default specified in the Loan Agreement shall have occurred, such Loan Payments and other payments due under the Loan Agreement shall become immediately due and payable without notice to the Institution or the taking of any other action by the Trustee;

(ii) (a) apply any undisbursed money in the Project Fund to the payment of the costs and expenses incurred in connection with the enforcement of the rights and remedies of the Trustee and the Issuer, and (b) apply any undisbursed monies in the Project Fund and any other Fund or Account under the Indenture (other than those sums attributable to Unassigned Rights and except for the monies and investments from time to time in the Rebate Fund) to the payment of the outstanding principal amount of the Series 2016 Bonds and premium, if any, and accrued and unpaid interest on the Bonds; or

(iii) take any other action at law or in equity that may appear necessary or desirable to collect the payments then due or thereafter to

become due under the Loan Agreement and to enforce the obligations, agreements or covenants of the Institution under the Loan Agreement.

(b) Reserved.

(c) Any sums payable to the Issuer as a consequence of any action taken pursuant to the Loan Agreement (other than those sums attributable to Unassigned Rights and except for the moneys and investments from time to time in the Rebate Fund) shall be paid to the Trustee and applied to the payment of the Series 2016 Bonds.

(d) No action taken pursuant to the Loan Agreement shall relieve the Institution from the obligation to make all payments required by the Loan Agreement and pursuant to the Promissory Note. (*Section 10.2*)

Remedies Cumulative

No remedy conferred in the Loan Agreement upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy, but each and every such remedy shall be cumulative and in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee, as appropriate, to exercise any remedy reserved to it in the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Loan Agreement. (*Section 10.3*)

Agreement to Pay Attorneys' Fees and Expenses

(a) In the event the Institution should default under any of the provisions of the Loan Agreement and the Issuer should employ attorneys or incur other expenses for the collection of amounts payable under the Loan Agreement or the enforcement of performance or observance of any obligations or agreement on the part of the Institution contained in the Loan Agreement, the Institution shall, on demand therefore, pay to the Issuer the reasonable and actual fees of such attorneys and such other reasonable and actual out of pocket expenses so incurred.

(b) In the event the Institution should default under any of the provisions of the Loan Agreement and the Trustee should employ attorneys or incur other expenses for the collection of amounts payable under the Loan Agreement or the enforcement of performance or observance of any obligations or agreements on the part of the Institution contained in the Loan Agreement, the Institution shall, on demand therefor, pay to the Trustee the reasonable and actual fees of such attorneys and such other reasonable and actual out-of-pocket expenses so incurred. (*Section 10.4*)

No Additional Waiver Implied by One Waiver

In the event any agreement contained in the Loan Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Loan Agreement. *(Section 10.5)*

Early Termination of Loan Agreement

The Institution shall have the option to terminate the Loan Agreement at any time that the Series 2016 Bonds are subject to redemption in whole under the Indenture and upon filing with the Issuer and the Trustee a certificate signed by an Authorized Representative of the Institution stating the Institution's intention to do so pursuant to the Loan Agreement and the date upon which such payment shall be made (which date shall not be less than thirty (30) nor more than ninety (90) days from the date such certificate is filed) and upon compliance with the requirements set forth in the Loan Agreement. *(Section 11.1)*

Conditions to Early Termination of Loan Agreement

In the event the Institution exercises the option to terminate the Loan Agreement in accordance with the provisions of the Loan Agreement, the Institution shall make the following payments:

(a) To the Trustee for the account of the Issuer: an amount certified by the Trustee which, when added to the total amount on deposit with the Trustee for the account of the Issuer and the Institution and available for such purpose, will be sufficient to pay the principal of, Redemption Price of, and interest to maturity or the earliest practicable redemption date, as the case may be, on the Series 2016 Bonds, all expenses of redemption and the Trustee's fees and expenses.

(b) To the Issuer: an amount certified by the Issuer sufficient to pay all unpaid fees and expenses of the Issuer incurred under the Bond Documents.

(c) To the appropriate Person: an amount sufficient to pay all other fees, expenses or charges, if any, due and payable or to become due and payable under the Bond Documents. *(Section 11.2)*

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Summary of Certain Provisions of the Master Indenture

The following is a summary of certain provisions of the Master Indenture. Certain provisions of the Master Indenture are also described in the Official Statement. This summary does not purport to be complete and reference is made to the Master Indenture for the detailed provisions thereof. This summary is qualified in its entirety by such reference. Headings are not part of the Master Indenture and are included for ease of reference only.

Definitions

“Additional Indebtedness” means Indebtedness incurred by any Member subsequent to the execution and delivery of the Master Indenture.

“Affiliate” means a corporation, partnership, joint venture, association, business trust or similar entity (a) which controls, is controlled by or is under common control with, directly or indirectly, a Member; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of a Member. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (b) a nonprofit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the members of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, “Directing Body” means with respect to: (a) a corporation having stock, such corporation’s board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation’s directors (both of which groups shall be considered a Directing Body); (b) a nonprofit corporation not having stock, such corporation’s members if the members have complete discretion to elect the corporation’s directors, or the corporation’s directors if the corporation’s members do not have such discretion; and (c) any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

“Affiliate Related Subordinated Indebtedness” means fees and other amounts due to an Affiliate of a Member for money borrowed, credit extended or services rendered, the payment of which are deferred or not yet payable at the time of calculation and which are subordinate to payments due on all Obligations issued under the Master Indenture in accordance with written agreements between such Affiliates and a Member.

“Balloon Indebtedness” means Long-Term Indebtedness, 25% or more of the original principal amount of which matures during any consecutive 12-month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such 12-month period. Balloon Indebtedness does not

include Indebtedness which otherwise would be classified under the Master Indenture as Put Indebtedness.

“Book Value,” when used with respect to Property of a Member, means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member which have been prepared in accordance with generally accepted accounting principles, and, when used with respect to Property of all Members, means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined or consolidated financial statements of the Obligated Group prepared in accordance with generally accepted accounting principles, provided that such aggregate shall be calculated in such a manner so that no portion of the value of any Property of any Member is included more than once.

“Capitalized Lease” means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

“Capitalized Rentals” means, as of the date of determination, the amount at which the aggregate Net Rentals due and to become due under a Capitalized Lease under which a Person is a lessee would be reflected as a liability on a balance sheet of such Person.

“Cash and Investments” means the sum of cash, cash equivalents, marketable securities, including without limitation board-designated assets, but excluding (a) trustee-held funds other than those otherwise described in this definition, (b) donor-restricted funds to the extent that the payment of debt service on the Indebtedness of the Obligated Group would be inconsistent with the donor’s restrictions, and (c) any funds pledged or otherwise subject to a security interest for debt other than the Obligations, as shown on the most recent audited or unaudited financial statements of the Obligor and any other Member of the Obligated Group. Any amounts on deposit in any debt service reserve fund created under a Related Bond Indenture shall be excluded from the calculation of Cash and Investments for the purposes of determining the number of Days Cash on Hand. For purposes of calculations under the Master Indenture, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the Unrestricted Contribution is made prior to the date the applicable Officer’s Certificate is required to be delivered with respect to such calculation.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations relating to such section.

“Commitment Indebtedness” means the obligation of any Member to repay amounts disbursed pursuant to a commitment from a financial institution to refinance or purchase when due, when tendered or when required to be purchased (a) other Indebtedness of such Member, or (b) Indebtedness of a Person who is not a Member, which Indebtedness is guaranteed by a Guaranty of such Member or secured by or payable from amounts paid on Indebtedness of such Member, in either case which Indebtedness or Guaranty of such Member was incurred in accordance with the Master Indenture, and the obligation of any Member to pay interest payable on amounts disbursed for such purposes, plus any fees, costs or expenses payable to such

financial institution for, under or in connection with such commitment, in the event of disbursement pursuant to such commitment or in connection with enforcement thereof, including without limitation any penalties payable in the event of such enforcement.

“Completion Funded Indebtedness” means any Funded Indebtedness for borrowed money: (a) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of Facilities with respect to which Funded Indebtedness for borrowed money has been incurred in accordance with the provisions of the Master Indenture; and (b) with a principal amount not in excess of the amount which is required to provide a completed and equipped Facility of substantially the same type and scope contemplated at the time such prior Funded Indebtedness was originally incurred, to provide for Funded Interest during the period of construction, to provide any reserve fund relating to such Completion Funded Indebtedness and to pay the costs and expenses of issuing such Completion Funded Indebtedness.

“Construction Index” means the most recent issue of the “Dodge Construction Index” (available at McGraw Hill Construction, <http://construction.com/>) with reference to the city in which the subject property is located (or, if such Index is not available for such city, with reference to the city located closest geographically to the city in which the subject property is located), or, if such Index is no longer published or used by the federal government in measuring costs under Medicare or Medicaid programs, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer’s Certificate delivered to the Master Trustee and which other index is not objected to by the Master Trustee.

“Consultant” means a Person selected by the Obligated Group Agent and not objected to by more than two-thirds in aggregate principal amount of the holders of the Outstanding Obligations pursuant to the Master Indenture, which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of the Obligor or any other Member of the Obligated Group and which is a recognized professional management consultant or accountant (which may be the Obligor’s external auditing firm) in the area of nursing home/retirement community finance and having the skill and experience necessary to render the particular opinion, certificate or report required by the provisions of the Master Indenture in which such requirement appears.

“Contributions” means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable fiscal year of such Person and any such contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person which are converted in such fiscal year to cash or marketable securities. Contributions shall include payments received from any Affiliate of an Obligated Group Member.

“Current Value” means (i) with respect to Property, Plant and Equipment: (a) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and, in the case of real property, who is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated) increased or decreased by a percentage equal to the

aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated, minus the fair market value (as reflected in such most recent appraiser's report) of any Property, Plant and Equipment included in such report but disposed of since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which Current Value is to be calculated; plus (b) the Book Value of any Property, Plant and Equipment acquired since the last such report increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such acquisition to the date as of which Current Value is to be calculated, minus (c) the Book Value of any such Property, Plant and Equipment acquired since the last such report but disposed of and (ii) with respect to any other Property, the fair market value of such Property, which fair market value shall be evidenced in a manner satisfactory to the Master Trustee.

"Days Cash on Hand" means, as of the date of calculation, the amount determined by dividing (a) the amount of Cash and Investments on such date by (b) the quotient obtained by dividing the aggregate Expenses (including interest on Indebtedness but excluding provisions for bad debt, amortization, depreciation or any other non-cash expenses) as shown on the most recent annual audited financial statements of the Obligor, and any other Member of the Obligated Group, by 365.

"Debt Obligation" means an Obligation issued to secure or evidence any Indebtedness authorized to be issued by a Member pursuant to the Master Indenture which has been authenticated by the Master Trustee pursuant to the Master Indenture.

"Debt Service Requirements" means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, mandatory prepayment or otherwise) and interest on Outstanding Funded Indebtedness of each Person or a group of Persons with respect to which calculated; provided that: (a) the amount of such payments for a future period shall be calculated in accordance with the assumptions contained in the Master Indenture; (b) interest shall be excluded from the determination of the Debt Service Requirements to the extent that Funded Interest is available to pay such interest; (c) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal; (d) principal of Indebtedness shall be excluded from the determination of Debt Service Requirements to the extent moneys were initially deposited and are on deposit as of the date of calculation in a debt service reserve fund which requires that moneys on deposit in the debt service reserve fund be used to pay a principal payment in the final year of such Indebtedness, and except for the payment to be received from such debt service reserve fund, the Indebtedness would have had approximately level debt service; (e) any annual fees payable in respect of a credit facility issued to secure any series of Related Bonds, if any (other than annual fees to be paid from proceeds of a bond issue escrowed for such purpose) shall be included in the determination of Debt Service Requirements, and (f) with respect to any Funded Indebtedness for which the number of actual payments of principal in any Fiscal Year is greater than those in

the immediately preceding and/or succeeding Fiscal Years solely by reason of the fact that such principal payments are scheduled to occur other than on a specified date or dates, the first or last principal payment in such Fiscal Year, as the case may be, for which the number of payments is higher shall be deemed to be required to be made in the next preceding or succeeding Fiscal Year, as appropriate, so as to have an equal number of principal payments in each Fiscal Year.

“EMMA” means the Electronic Municipal Market Access system as described in the Securities Exchange Act of 1934, as amended by Release No. 59062, and maintained by the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12, or any similar system that is acceptable to the Securities and Exchange Commission.

“Encumbered” means, with respect to Property, subject to (i) a Lien described in the following subsections of the definition of “Permitted Encumbrances”: subsection (r), other than a Lien also covered by subsection (c); subsection (aa), but including only Capitalized Leases; subsections (l)(ii), (s), (v), (x), (y), and (bb); or (ii) any other Liens not described in the definition of Permitted Encumbrances; provided that any amounts on deposit in a construction fund created in connection with the issuance of an Obligation which are held as security for the payment of such Obligation or any Indebtedness incurred to purchase such Obligation or the proceeds of which are advanced or otherwise made available in connection with the issuance of such Obligation, shall not be deemed to be Encumbered if the amounts are to be applied to construct or otherwise acquire Property which is not subject to a Lien.

“Entrance Fees” means fees, other than security deposits, monthly rentals or monthly service charges, paid to a Member by residents of living units for the purpose of obtaining the right to reside in those living units or to obtain a parking space including any refundable resident deposits described in any Residency Agreement with respect to those living units or parking spaces, but shall not include any such amounts held in escrow or otherwise set aside pursuant to the requirements of any such agreement or a reservation agreement prior to the occupancy of the living unit or parking space covered by such Residency Agreement (which amounts shall be included if and when occupancy occurs).

“Escrow Obligations” means, (a) with respect to any Obligation which secures a series of Related Bonds, the obligations permitted to be used to refund or advance refund such series of Related Bonds under the Related Bond Indenture, or (b) in all other cases (i) non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America; and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (A) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (B) which are secured as to principal and interest and redemption premium by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) of this definition which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this clause (ii), as appropriate, (C) as to which the principal of and interest on the bonds and obligations of the character described in

clause (i) of this definition which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this clause (ii) as appropriate, and (D) which are rated “AAA” by Standard & Poor’s or “Aaa” by Moody’s.

“Excluded Property” means (a) any assets of “employee pension benefit plans” as defined in the Employee Retirement Income Security Act of 1974, as amended, (b) any moneys and securities held as an entrance fee deposit or security deposit, or in a resident trust fund, for any resident of any Facility of a Member prior to such resident’s occupancy of any Facility, and (c) the real estate described in Exhibit B to the Master Indenture, as such Exhibit may be amended by the Obligated Group Agent and the Master Trustee from time to time, and all improvements, fixtures, tangible personal property and equipment located thereon and used in connection therewith.

“Expenses” means, for any period, the aggregate of all expenses calculated under generally accepted accounting principles, including without limitation any taxes, incurred by the Person or group of Persons involved during such period, minus (a) interest on Funded Indebtedness (taking into account any Interest Rate Agreement as provided in the Master Indenture), (b) depreciation and amortization, (c) extraordinary expenses, losses on the sale, disposal or abandonment of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans, (d) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of an Affiliate which does not constitute an extraordinary expense, (e) losses resulting from any reappraisal, revaluation or write-down of assets other than bad debts, (f) any losses from the sale or other disposition of fixed or capital assets, (g) any losses resulting from changes in the valuation of investment securities and unrealized changes in the value of derivative instruments or resulting from the temporary impairment of investment securities, (h) any other non-cash expenses and (i) any development, management, marketing, operating or other subordinated fees that have been deferred from the year in which they were originally due as a result of subordination. If such calculation is being made with respect to the Obligated Group, any such expenses attributable to transactions between any Member and any other Member shall be excluded. Generally, any transfers of cash made under the heading “Sale, Lease or Other Disposition of Property” are not included in the definition of “Expenses.”

“Extendable Indebtedness” means Indebtedness which is repayable or subject to purchase at the option of the holder thereof prior to its stated maturity, but only to the extent of money available for the repayment or purchase therefor and not more frequently than once every year.

“Facilities” means all land, leasehold interests and buildings and all fixtures and equipment (as defined in the Uniform Commercial Code or equivalent statute in effect in the state where such fixtures or equipment are located) of a Person. Facilities shall not include the land, leasehold interests, buildings, fixtures or equipment constituting Excluded Property.

“Fiscal Year” means any 12-month period beginning on January 1 and ending on December 31 of a calendar year or such other consecutive 12-month period selected by the Obligated Group Agent as the fiscal year for the Members.

“Fitch” means Fitch Ratings Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Master Trustee at the written direction of the Obligated Group Agent.

“Funded Indebtedness” means, with respect to any Person, (a) all Indebtedness of such Person for money borrowed, credit extended, incurred or assumed which is not Short-Term; (b) all Short-Term Indebtedness incurred by the Person which is of the type described in the Master Indenture; (c) the Person’s Guaranties of Indebtedness which are not Short-Term; and (d) Capitalized Rentals under Capitalized Leases entered into by the Person; provided, however, that (i) Indebtedness that could be described by more than one of the foregoing categories shall not in any case be considered more than once for the purpose of any calculation made pursuant to the Master Indenture and (ii) Affiliate Related Subordinated Indebtedness shall not be considered Funded Indebtedness.

“Funded Interest” means amounts irrevocably deposited in an escrow or other trust account to pay interest on Funded Indebtedness or Related Bonds and interest earned on amounts irrevocably deposited in an escrow or other trust account, to the extent such amounts so deposited are required to be applied to pay interest on Funded Indebtedness or Related Bonds.

“Governing Body” means, with respect to a Member, the board of directors, the board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested or an executive committee of such board or any duly authorized committee of such board to which the relevant powers of that board have been lawfully delegated.

“Gross Revenues” means all receipts, revenues, rentals, income, insurance proceeds (including, without limitation, all Medicaid, Medicare and other third-party payments), condemnation awards, Entrance Fees and other moneys received by or on behalf of any Obligated Group Member, including (without limitation) revenues derived from (a) the ownership, operation or leasing of any portion of the Facilities (including, without limitation, fees payable by or on behalf of residents of the Facilities) and all rights to receive the same (other than the right to receive Medicaid and Medicare payments), whether in the form of accounts, general intangibles or other rights, and the proceeds of such accounts, general intangibles and other rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired, and (b) gifts, grants, bequests, donations and contributions heretofore or hereafter made that are legally available to meet any of the obligations of the Obligated Group Member incurred in the financing, operation, maintenance or repair of any portion of the Facilities; provided, however, that there shall be excluded from Gross Revenues (i) any amounts received by an Obligated Group Member as a billing agent for another entity, except for fees received for serving as billing agent, (ii) gifts, grants, bequests, donations and contributions to an Obligated Group Member heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a

particular purpose which is inconsistent with their use for payments required under the Master Indenture, (iii) any moneys received by any Obligated Group Member from prospective residents or commercial tenants in order to pay for customized improvements to those Independent Living Units or other residential and commercial areas of the Facilities to be occupied or leased to such residents or tenants, (iv) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of such payment or deposit have been satisfied, and (v) all deposits and/or advance payments made in connection with any residency of the Independent Living Units or other residential and commercial areas of the Facilities to be occupied by residents or tenants and received prior to receipt of such certificate and licenses for occupancy of such units.

“Guaranty” means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (a) to purchase such Indebtedness or obligation or any Property constituting security therefor; (b) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

“Hedging Obligation” means an Obligation issued under the Master Indenture, expressly identified as a Hedging Obligation, as being issued in order to evidence or secure financial obligations of a Member in an Interest Rate Agreement.

“Historical Debt Service Coverage Ratio” means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Debt Service Requirements for such period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for such period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and to the extent an Interest Rate Agreement has been entered into in connection with any particular indebtedness, the actual debt service paid after the effect of payments made to or received from the provider of the Interest Rate Agreement shall be used in such calculation.

“Historical Maximum Annual Debt Service Coverage Ratio” means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Historical Maximum Annual Debt Service Requirements on the Indebtedness of the Person or Persons involved during any completed period and a denominator of one; provided, however, that in calculating the Debt Service Requirements for any completed period, the principal amount of any Indebtedness included in such calculation which is paid during such period shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, and to the extent an Interest Rate Agreement has been entered into in connection with any particular indebtedness, the actual debt service paid after the

effect of payments made to or received from the provider of the Interest Rate Agreement shall be used in such calculation.

“Historical Maximum Annual Debt Service Requirements” means the largest total Debt Service Requirements for the Fiscal Year with respect to which an Historical Maximum Annual Debt Service Coverage Ratio is being calculated or any subsequent Fiscal Year on the Indebtedness of the Person or Persons involved which was simultaneously Outstanding during the Fiscal Year with respect to which an Historical Maximum Annual Debt Service Coverage Ratio is being calculated.

“Historical Pro Forma Maximum Annual Debt Service Coverage Ratio” means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness then Outstanding (other than any Funded Indebtedness being refunded with the Funded Indebtedness then proposed to be issued) and the Funded Indebtedness then proposed to be issued and a denominator of one.

“Income Available for Debt Service” means for any period, the excess of Revenues over Expenses of the Person or group of Persons involved.

“Indebtedness” means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person in accordance with generally accepted accounting principles, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events or (ii) if incurred or assumed primarily to assure the repayment of money borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise; provided that Indebtedness shall not include Indebtedness of one Member to another Member, any Guaranty by any Member of Indebtedness of any other Member, the joint and several liability of any Member on Indebtedness issued by another Member, Interest Rate Agreements or any obligation to repay moneys deposited by patients or others with a Member as security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to Entrance Fees (whether amortized into income or not), endowment or similar funds deposited by or on behalf of such residents including but not limited to any deferred obligations for the refund or repayment of Entrance Fees, any rent, development, marketing, operating or other fees that have been deferred from the year in which they were originally due as a result of deferral or subordination.

“Independent Counsel” means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for any Related Issuer, any Member, the Master Trustee or any Related Bond Trustee.

“Independent Living Units” means independent living units that are or will be Property of a Member.

“Initial Entrance Fees” means Entrance Fees received upon the initial occupancy of any Independent Living Unit (including any such fees collected for the purpose of obtaining a parking space) not previously occupied.

“Insurance Consultant” means a person or firm who in the case of an individual is not an employee or officer of any Member or any Related Issuer and which, in the case of a firm, does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof, appointed by the Obligated Group Agent and not objected to by the Master Trustee, qualified to survey risks and to recommend insurance coverage for nursing home/retirement community facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations, and which may include a broker or agent with whom any Member transacts business.

“Interest Rate Agreement” means an interest rate exchange, hedge or similar agreement, expressly identified, in an Officer’s Certificate of the Obligated Group Agent delivered to the Master Trustee at the time such agreement is entered into, as being entered into in order to hedge the interest payable on all or a portion of any Permitted Additional Indebtedness, which agreement may include, without limitation, an interest rate swap, a basis swap, a yield curve swap, a currency swap, a rate maintenance agreement, or a forward or futures contract or an option (*e.g.*, a call, put, cap, floor or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof. An Interest Rate Agreement shall not constitute Indebtedness under the Master Indenture.

“Issuer” means the Town of Brookhaven Local Development Corporation, a local development corporation existing under the laws of the state of New York, created pursuant to and in accordance with the provisions of Section 1411 of the New York Not-for-Profit Corporation Law, and its successors and assigns.

“Land” means the real Property owned or leased by any Member of the Obligated Group upon which the primary operations of the Members are conducted as described in Exhibit A to the Master Indenture, as amended as provided in the Master Indenture from time to time, together with all buildings, improvements and fixtures located thereon, but excluding therefrom the Excluded Property.

“Lien” means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any Property of the Person involved in favor of, or which secures any obligation to, any Person other than any Member.

“Liquidity Requirement” means no less than 150 Days Cash on Hand.

“Long-Term Indebtedness” means Indebtedness (which also may constitute Balloon Indebtedness or Put Indebtedness) having an original stated maturity or term greater than one year.

“Master Indenture” means the Master Trust Indenture dated as of December 1, 2016 between the Obligor and the Master Trustee, as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Master Trustee” means U.S. Bank National Association, its successors and assigns, or any successor trustee under the Master Indenture.

“Maximum Annual Debt Service Requirement” means the largest total Debt Service Requirements for the current or any succeeding Fiscal Year.

“Member” or “Member of the Obligated Group” means any Person who is listed on Exhibit C to the Master Indenture (as amended from time to time) after designation as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Master Trustee at the written direction of the Obligated Group Agent.

“Mortgage” means the Mortgage and Security Agreement, from the Obligor, as mortgagor, to the Issuer, as mortgagee, dated as of December 1, 2016, as assigned by an Assignment of Mortgage and Security Agreement, dated December 14, 2016, from the Issuer to the Master Trustee, as the same may be supplemented and amended from time to time.

“Mortgaged Property” means the real property and personal property of the Obligor which is subject to the Lien and security interest of the Mortgage.

“Net Proceeds” means, when used with respect to any insurance or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used less all expenses (including attorney’s fees, adjuster’s fees and any expenses of the Obligated Group or the Master Trustee) incurred in the collection of such gross proceeds.

“Net Rentals” means all fixed rents (including as such all payments which the lessee is obligated to make to the lessor on termination of the lease or surrender of the Property other than upon termination of the lease for a default thereunder) payable under a lease or sublease of real or personal Property excluding any amounts required to be paid by the lessee (whether or not designated as rents or additional rents) on account of maintenance, repairs, insurance, taxes and similar charges. Net Rentals for any future period under any so-called “percentage lease” shall be computed on the basis of the amount reasonably estimated to be payable thereunder for such period, but in any event not less than the amount paid or payable thereunder during the immediately preceding period of the same duration as such future period; provided that the amount estimated to be payable under any such percentage lease shall in all cases recognize any change in the applicable percentage called for by the terms of such lease.

“Non-Recourse Indebtedness” means any Indebtedness the liability for which is effectively limited to Property, Plant and Equipment (other than the Land) and the income therefrom, with no recourse, directly or indirectly, to any other Property of any Member.

“Obligated Group” means the Obligor and any other Person which has fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture and which has not ceased such status pursuant to the Master Indenture.

“Obligated Group Agent” means the Obligor or such other Member as may be designated from time to time pursuant to written notice to the Master Trustee, executed by an authorized officer of the Obligor.

“Obligation Holder,” “holder” or “owner of the Obligation” means the registered owner of any fully registered or book entry Obligation unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Obligation is issued for establishing ownership of such Obligation in which case such alternative provision shall control.

“Obligations” means any Debt Obligation or Hedging Obligation authorized to be issued by a Member pursuant to the Master Indenture and any Supplemental Master Indenture and which has been authenticated by the Master Trustee pursuant to the Master Indenture and any Obligation or Obligations issued in exchange therefor.

“Obligor” means Active Retirement Community, Inc., doing business as Jefferson’s Ferry, a duly organized and validly existing New York not-for-profit corporation, and its successors and assigns and any surviving, resulting or transferee corporation.

“Occupied” means (i) with respect to any Independent Living Unit, any unit for which a Residency Agreement has been executed, and, if an Entrance Fee is payable, the related Entrance Fee has been paid or a promissory note for such Entrance Fee has been executed and the occupant of such Independent Living Unit continues to reside therein or (ii) with respect to any other type of unit/bed, physical possession of such unit/bed by a resident (other than a resident temporarily transferred from another unit/bed within the community).

“Officer’s Certificate” means a certificate signed, in the case of a certificate delivered by a Member of the Obligated Group, by the President, any Vice President, or any other officer authorized to sign by resolution of the Governing Body of such Member of the Obligated Group or in the case of a certificate delivered by any other organization, by the President, Vice President, or any other officer or agent authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such certificate shall be evidenced to the satisfaction of the Master Trustee.

“Opinion of Bond Counsel” means a written opinion of nationally recognized municipal bond counsel, which opinion may be based upon a ruling or rulings of the Internal Revenue Service.

“Outstanding” means, in the case of Indebtedness of a Person other than Related Bonds or Obligations, all such Indebtedness of such Person which has been issued except any such portion thereof canceled after purchase or surrendered for cancellation or because of payment at or redemption prior to maturity, any such Indebtedness in lieu of which other Indebtedness has been duly incurred and any such Indebtedness which is no longer deemed outstanding under its

terms and with respect to which such Person is no longer liable under the terms of such Indebtedness.

“Outstanding Obligations” or “Obligations Outstanding” means all Obligations which have been duly authenticated and delivered by the Master Trustee under the Master Indenture, except:

(a) Obligations canceled after purchase or because of payment at or prepayment or redemption prior to maturity;

(b) (i) Obligations for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with an escrow agent, which may be the Master Trustee, (whether upon or prior to the maturity or redemption date of any such Obligations); provided that if such Obligations are to be prepaid or redeemed prior to the maturity thereof, notice of such prepayment or redemption shall have been given or irrevocable arrangements satisfactory to the Master Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Master Trustee shall have been filed with the Master Trustee and (ii) Obligations securing Related Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with an escrow agent, which may be the Related Bond Trustee, (whether upon or prior to the maturity or redemption date of any such Related Bonds); provided that if such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been made therefor, or waiver of notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Obligations in lieu of which others have been authenticated under the Master Indenture; and

(d) Obligations held by a Member.

Notwithstanding the foregoing, any Obligation securing Related Bonds shall be deemed Outstanding if such Related Bonds are Outstanding.

“Outstanding Related Bonds” means all Related Bonds which have been duly authenticated and delivered by the Related Bond Trustee under the Related Bond Indenture and are deemed outstanding under the terms of such Related Bond Indenture or, if such Related Bond Indenture does not specify when Related Bonds are deemed outstanding thereunder, all such Related Bonds which have been so authenticated and delivered, except:

(a) Related Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Related Bonds for the payment or redemption of which cash or Escrow Obligations of the type described in clause (b)(i) of the definition thereof shall have been theretofore deposited with the Related Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with the Related Bond Indenture; provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Related Bond Trustee shall have been

made therefor, or waiver of such notice satisfactory in form to the Related Bond Trustee shall have been filed with the Related Bond Trustee;

(c) Related Bonds in lieu of which others have been authenticated under the Related Bond Indenture; and

(d) For the purposes of all covenants, approvals, waivers and notices required to be obtained or given under the Related Bond Indenture, Related Bonds held or owned by a Member.

“Paying Agent” means the bank or banks, if any, designated pursuant to a Related Bond Indenture to receive and disburse the principal of, premium, if any, and interest on any Related Bonds or designated pursuant to the Master Indenture and named in an Obligation to receive and disburse the principal of, premium, if any, and interest on such Obligation.

“Permitted Additional Indebtedness” means Additional Indebtedness permitted by the Master Indenture.

“Permitted Encumbrances” means the Master Indenture, the Mortgage, any Related Loan Document, any Related Bond Indenture and, as of any particular time:

(a) Liens arising by reason of good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers’ compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(b) any Lien on the Property of any Member permitted under the provisions of the Master Indenture;

(c) any Lien on Property if such Lien equally and ratably secures all of the Obligations and only the Obligations;

(d) Residency Agreements and leases which relate to Property of the Obligated Group which is of a type that is customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops, commercial, beauty shop, banking, parking for residents, other similar specialty services, pharmacy and similar departments, space for telecommunications equipment, or employee rental apartments; sale/saleback or lease/leaseback or similar arrangements in connection with the issuance of Related Bonds; and any leases, licenses or similar rights to use Property between Members that include fair and reasonable terms no less favorable to any such parties than they would obtain in a comparable arm’s-length transaction;

(e) Liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with the Master Indenture;

(f) utility, telecommunications, access and other easements and rights-of-way, restrictions, encumbrances and exceptions which do not materially interfere with or materially impair the operation of the Property affected thereby (or, if such Property is not being then operated, the operation for which it was designed or last modified);

(g) any mechanic's, laborer's, materialman's, supplier's or vendor's Lien or right in respect thereof if payment is not yet due under the contract in question or has been due for less than 90 days, or if such Lien is being contested in accordance with the provisions of the Master Indenture;

(h) such Liens, defects, irregularities of title and encroachments on adjoining property as normally exist with respect to property similar in character to the Property involved and which do not materially adversely affect the value of, or materially impair, the Property affected thereby for the purpose for which it was acquired or is held by the owner thereof, including without limitation statutory liens granted to banks or other financial institutions, which liens have not been specifically granted to secure Indebtedness and which do not apply to Property which has been deposited as part of a plan to secure Indebtedness;

(i) zoning laws and similar restrictions which are not violated by the Property affected thereby;

(j) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the Property involved is located;

(k) all right, title and interest of the state where the Property involved is located, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;

(l) Liens on or in Property given, granted, bequeathed or devised by the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure Indebtedness which is not assumed by any Member and such Liens attach solely to the Property (including the income therefrom) which is the subject of such gift, grant, bequest or devise;

(m) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which any Member shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall be in existence;

(n) Liens on moneys deposited by residents or others with a Member as security for or as prepayment of the cost of resident or patient care or similar services or any rights of residents of life care, nursing home/retirement community or similar facilities to endowment, prepayment or similar funds deposited by or on behalf of such residents;

- (o) Liens on Excluded Property;
- (p) Liens on Property due to rights of third party payors for recoupment of excess reimbursement paid;
- (q) any security interest in the Rebate Fund, any depreciation reserve, debt service or interest reserve, debt service, construction fund or any similar fund established pursuant to the terms of any Supplemental Master Indenture, Related Bond Indenture or Related Loan Document in favor of the Master Trustee, a Related Bond Trustee, a Related Issuer or the holder of the Indebtedness issued pursuant to such Supplemental Master Indenture, Related Bond Indenture or Related Loan Document or the holder of any related Commitment Indebtedness;
- (r) any Lien on any Related Bond or any evidence of Indebtedness of any Member acquired by or on behalf of any Member by the provider of liquidity or credit support for such Related Bond or Indebtedness;
- (s) any Lien on Property acquired by a Member which Lien secures Indebtedness issued, incurred or assumed by any Member, in connection with and to effect such acquisition or existing Indebtedness which will remain Outstanding after such acquisition which Lien encumbers Property other than Land, if in any such case the aggregate principal amount of such Indebtedness does not exceed the fair market value of the Property subject to such Lien as determined in good faith by the Governing Body of the Member;
- (t) Liens on accounts receivable arising as a result of the sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such Lien does not exceed the face amount of such accounts receivable sold;
- (u) such Liens, covenants, conditions and restrictions, if any, which do not secure Indebtedness and which are other than those of the type referred to above, as are set forth in Exhibit E to the Master Indenture, and which (i) in the case of Property owned by the Obligated Group on the date of execution of the Master Indenture, do not and will not, so far as can reasonably be foreseen, materially adversely affect the value of the Property currently affected thereby or materially impair the same, and (ii) in the case of any other Property, do not materially impair or materially interfere with the operation or usefulness thereof for the purpose for which such Property was acquired or is held by a Member;
- (v) any Lien to which the Property of a Member is subject at the time it becomes a Member, provided that at the time of becoming a Member, (i) the principal amount of the debt the Lien secures is not more than 80% of the Current Value of the Property subject to the Lien, (ii) the Obligated Group Agent shall deliver to the Master Trustee an Officer's Certificate that, after giving effect thereto, the aggregate amount of the Indebtedness secured by such Lien and by all other Liens permitted by this clause (v), does not exceed 30% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group, (iii) the requirements of the Master Indenture have been met, (iv) no Lien so described may be modified to apply to any Property of any Member not subject to such Lien on the date of such Member's joining the Obligated Group, (v) no Additional Indebtedness may

be thereafter incurred which is secured by such Lien and (vi) no Lien so described may be extended or replaced by another Lien;

(w) Liens on funds or securities posted in a collateral account held by a counterparty to an Interest Rate Agreement, or by a third party custodian therefore,

(x) Liens securing Indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the property subject to such Liens; provided that such Liens shall not apply to any Property theretofore owned by an Obligated Group Member other than any theretofore unimproved real property on which the Property so constructed or improved is located;

(y) security interests in the accounts (and proceeds thereof), as defined in Article 9 of the New York Uniform Commercial Code as now or hereafter in effect, of any Member which may be prior to, on a parity with or subordinate to the security interest in those accounts and proceeds created by the Master Indenture, securing Short-Term Indebtedness provided that at the time of the creation of any such security interest the Current Value of such accounts, together with the Current Value of all other Property subject to Liens classified as Permitted Encumbrances under the Master Indenture, shall not exceed 15% of the Revenues as reflected in the Financial Statements of the Obligated Group; and

(z) any Lien which secures Non-Recourse Indebtedness that constitute Permitted Additional Indebtedness;

(aa) any Lien arising out of Capitalized Leases that constitute Permitted Additional Indebtedness;

(bb) any Lien in the nature of a purchase money mortgage or lien on fixed assets, fixtures or equipment acquired or constructed and financed thereby if, after giving effect to such Lien, such purchase money mortgage or lien secures an amount not in excess of the cost of the particular asset to which such Lien relates and any related financing charges, where such purchase money mortgage or lien constitutes a Lien on fixed assets acquired or constructed by a Member and granted contemporaneously with such acquisition or construction, and which Lien secures all or a portion of the related purchase price or construction cost of such assets;

(cc) any Lien representing rights of setoff and banker's liens with respect to funds on deposit in a financial institution in the ordinary course of business;

(dd) any of the Liens set forth in Exhibit E to the Master Indenture; provided such Liens are not increased, extended, or modified to apply to additional Property or secure Additional Indebtedness (unless otherwise permitted under the Master Indenture); and

(ee) any Lien relating to the pledge or assignment of (i) construction documents for improvements financed with Permitted Additional Indebtedness, or (ii) leases when a Member is the lessee.

“Permitted Investments” means the obligations described below:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies, provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself, mortgage pass-through securities, mortgage-backed securities pools, collateralized mortgage obligations and all mortgage derivative securities trusts shall not constitute Permitted Investments);

- (1) Direct obligations of or fully guaranteed certificates of beneficial ownership of the Export Import Bank of the United States,
- (2) Federal Financing Bank,
- (3) Participation certificates of the General Services Administration,
- (4) Guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association, and
- (5) Project Notes, Local Housing Authority Bonds, New Communities Debentures and U.S. public housing notes and bonds fully guaranteed by the U.S. Department of Housing and Urban Development.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies, provided such agency is rated “AAA” at the time of purchase by at least two of the Nationally Recognized Statistical Rating Organizations (“NRSROs”) (stripped securities are only permitted if they have been stripped by the agency itself):

- (1) Federal Home Loan Bank System senior debt obligations,
- (2) Participation Certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation,
- (3) Mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association, and
- (4) Consolidated system wide bonds and notes of the Farm Credit System Corporation.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating of “AAAm” or equivalent by at least two of the NRSROs.

(e) Certificates of deposit if collateralized by securities described in (a) and/or (b) above, issued by commercial banks, savings and loan associations or mutual savings banks where the collateral is held by a third party and the Master Trustee has a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the FDIC.

(g) Unsecured investment agreements; any investment agreement with a term greater than three (3) years must be with an issuer rated “AA” by at least two of the NRSROs.

In the event the counterparty is downgraded below either “AA-” or “Aa3” by Standard & Poor’s or Moody’s, respectively, or equivalent by an NRSRO:

- i. The agreement will be transferred to an acceptable institution that meets the ratings requirement described above, or
- ii. Collateral consisting of securities outlined in (a) or (b) above shall be posted that has a value equal to at least 104% of the principal plus accrued interest, or collateral consisting of securities outlined in (c) above shall be posted that has a value equal to at least 105% of the principal plus accrued interest, or
- iii. The agreement must be converted into a Repurchase Agreement, or
- iv. The agreement shall terminate at par plus accrued interest within ten (10) business days should (i), (ii) or (iii) above not be accomplished.

(h) Collateralized investment agreements with providers rated at least “A-” and “A3” by Standard & Poor’s and Moody’s, respectively, or equivalent by at least two NRSROs, provided that (i) the same collateral requirements as outlined in (g)(ii) are followed and (ii) if the provider is downgraded below “A-” and “A3”, or equivalent by at least two NRSROs, the agreement shall terminate at par plus accrued interest.

(i) Commercial paper rated “Prime-1” by Moody’s and “A-1+” by Standard & Poor’s, or equivalent by at least two NRSROs and which matures no more than 270 days from the date of purchase and subject to the following limitations:

- a. Only United States issuers of corporate (issued to provide working capital funding) commercial paper including United States issuers with a foreign parent shall constitute Permitted Investments; and
- b. Limited-purpose trusts, structured investment vehicles, asset-back commercial paper conduits, and any other type of specialty finance company, whose purpose is generally limited to acquiring and funding a defined pool of assets that are used to repay obligations, shall not constitute Permitted Investments.

(j) Bonds or notes issued by any state or municipality which are rated by any two NRSROs in one of the two highest long-term rating categories assigned by such NRSROs (without qualification by symbols “+” or “-” or a numerical notation).

(k) Federal funds or bankers’ acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” by Moody’s and “A-1” by Standard & Poor’s, or equivalent by at least two NRSROs.

(l) Repurchase Agreements.

(m) Forward delivery agreements with providers rated at least “A-” and “A3” by Standard & Poor’s and Moody’s, respectively, or equivalent by at least two NRSROs, provided that (i) permitted deliverables are limited to securities described in (a), (b) and (c) above and (ii) if the provider is downgraded below “A-” or “A3”, or equivalent by an NRSRO, the agreement shall terminate at par plus accrued interest.

(n) Any state administered pool investment fund in which any Related Issuer is statutorily permitted or required to invest, rated “AAA” or equivalent by one of the NRSROs.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

“Primary Obligor” means the Person who is primarily obligated on an obligation which is guaranteed by another person.

“Projected Debt Service Coverage Ratio” means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement for the Funded Indebtedness expected to be Outstanding during such period and a denominator of one.

“Projected Rate” means the projected yield at par of an obligation as set forth in the report of a Consultant. Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of no fewer than three obligations selected by such Consultant, the interest on which is entitled to the exemption from federal income tax afforded by Section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax-exempt obligations, then obligations the interest on which is subject to federal income taxation) which obligations such Consultant states in its report are reasonable comparators for utilizing in developing such Projected Rate and which obligations: (i) were Outstanding on a date selected by the Consultant which date so selected occurred during the 90-day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, are obligations of Persons engaged in operations similar to those of the Obligated Group and having a credit rating similar to that of the Obligated Group, (iii) are not entitled to the benefits of any credit enhancement, including without limitation any letter or line of credit or insurance policy, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which such Projected Rate is being developed.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired, other than Excluded Property.

“Property, Plant and Equipment” means all Property of each Member which is classified as property, plant and equipment under generally accepted accounting principles.

“Put Date” means (a) any date on which an owner of Put Indebtedness may elect to have such Put Indebtedness paid, purchased or redeemed by or on behalf of the underlying obligor prior to its stated maturity date or (b) any date on which Put Indebtedness is required to be paid, purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund or other than by reason of acceleration upon the occurrence of an event of default.

“Put Indebtedness” means Indebtedness which is (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund, other than by reason of an event of taxability with respect to any Related Bond or other than by reason of acceleration upon the occurrence of an event of default.

“Qualified Financial Institution” means a financial institution that is a domestic corporation, a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a foreign bank acting through a domestic branch or agency which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; provided that for each such entity its unsecured or uncollateralized long term debt obligations, or obligations secured or supported by a letter of credit, contract, guarantee, agreement or surety bond issued by any such organization, directly or by virtue of a guarantee of a corporate parent thereof, have been assigned a long-term credit rating by any two national ratings services which is not lower than the two highest ratings (with respect to a foreign bank, the highest rating category) then assigned (i.e., at the time an investment agreement or Repurchase Agreement is entered into) by such rating service without qualification by symbols “+” or “-” or a numerical notation.

“Rating Agency” means Moody’s, Standard & Poor’s or Fitch, and their respective successors and assigns.

“Rebate Fund” means any Rebate Fund created by a Related Bond Indenture.

“Related Bond Indenture” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued.

“Related Bond Trustee” means any trustee under any Related Bond Indenture and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Indenture, any Related Issuer.

“Related Bonds” means any revenue bonds or similar obligations the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of an Obligation or Obligations.

“Related Issuer” means any issuer of a series of Related Bonds.

“Related Loan Document” means any document or documents (including without limitation any loan agreement, lease, sublease or installment sales contract) pursuant to which any proceeds of any Related Bonds are advanced to any Member (or any Property financed or refinanced with such proceeds is leased, subleased or sold to a Member).

“Related Tax Regulatory Agreement” means any tax regulatory agreement or similar instrument entered into in connection with the issuance of a series of Related Bonds.

“Repurchase Agreement” means a written repurchase agreement entered into with a Qualified Financial Institution, a bank acting as a securities dealer or a securities dealer which is listed by the Federal Reserve Bank of New York as a “Primary Dealer” and rated “AA” or “Aa2” or better by at least two Nationally Recognized Statistical Rating Organizations (“NRSROs”) (a “Primary Dealer”), under which securities are transferred from a dealer bank or securities firm for cash with an agreement that the dealer bank or securities firm will repay the cash plus a yield in exchange for the securities on a specified date and under which (i) the Master Trustee is the real party in interest and has the right to proceed against the obligor on the underlying obligations which must be obligations of, or guaranteed by, the United States of America; (ii) the term of which shall not exceed one hundred eighty (180) days; (iii) the collateral must be delivered to the Master Trustee (if the Master Trustee is not supplying the collateral) or a third party acting as agent for the Master Trustee (if the Master Trustee is supplying the collateral) prior to or simultaneous with investment of moneys therein; (iv) such collateral is held free and clear of any lien by the Master Trustee or an independent third party acting solely as agent for the Master Trustee; and (v) the collateral shall be valued weekly, marked to market at current market prices plus accrued interest; provided that at all times the value of the collateral must at least equal the required percentage of the amount invested in the Repurchase Agreement. If the value of such collateral is less than the amount specified, the Qualified Financial Institution or Primary Dealer must invest additional cash or securities such that the collateral value of the amount invested thereafter at least equals as follows: (a) if collateralized by securities described in clause (a) or (b) of the definition of Permitted Investments, at least 104%, or (b) if collateralized by securities described in clause (c) of the definition of Permitted Investments, at least 105%.

“Required Information Recipients” means the Master Trustee, each Related Bond Trustee, and any Related Issuer.

“Residency Agreement” means any written agreement or contract, as amended from time to time, between a Member and a resident or potential resident of a Facility giving the resident

certain rights of occupancy in the Facility, including without limitation, Independent Living Units, assisted living units, memory support units, skilled nursing beds or specialty care beds and providing for certain services to such resident including any reservation agreement or other agreement or contract reserving rights of occupancy.

“Revenues” means, for any period, (a) in the case of any Person providing nursing home/retirement community services, the sum of (i) resident service revenues plus (ii) other operating revenues, plus (iii) non-operating revenues (other than Contributions, income derived from the sale or other disposition of assets not in the ordinary course of business or any gain from the extinguishment of debt or other extraordinary item or earnings which constitute Funded Interest or earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness), plus (iv) Unrestricted Contributions, plus (v) Entrance Fees (other than Initial Entrance Fees) received minus (A) Entrance Fees amortized during such Fiscal Year and (B) Entrance Fees refunded to residents; and (b) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally accepted accounting principles; but excluding in either case (i) any unrealized gain or loss resulting from changes in the valuation of investment securities or unrealized changes in the value of derivative instruments, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write-up of fixed or capital assets, (iv) any revenues recognized from deferred revenues related to entrance fees or (v) insurance (other than business interruption) and condemnation proceeds; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member. For purposes of calculations under the Master Indenture, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the Unrestricted Contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation. For purposes of any calculation under the Master Indenture that is made with reference to both Revenues and Expenses, any deduction from gross resident service revenues otherwise required by this definition shall not be made if and to the extent that the amount of such deduction is included in Expenses.

“Rule 15c2-12” means Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 as amended.

“Short-Term,” when used in connection with Indebtedness, means having an original maturity less than or equal to one year.

“Stable Occupancy” means with respect to any facility financed with Indebtedness for which the Master Trustee was furnished a Consultant’s report pursuant to the Master Indenture (or, if no Consultant’s report was required by the Master Indenture, an Officer’s Certificate), the percentage of Occupied units in that facility at the level reflected as substantially at the sustainable capacity for which such facility was designed or “stabilized occupancy” for that facility in the Consultant’s report or the Officer’s Certificate.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc., a corporation organized and existing under the laws of the

State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” or “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Master Trustee, at the direction of the Obligated Group Agent.

“Subordinated Indebtedness” means (i) Affiliate Related Subordinated Indebtedness and (ii) Indebtedness which meets the requirements set forth in Exhibit D to the Master Indenture.

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code and is not a “private foundation” within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect. “Tax-Exempt Organization” shall include a limited liability company which has as its sole member a Tax-Exempt Organization, as it derives its tax status for federal income tax purposes from its sole member.

“Testing Date” means, with respect to the Historical Debt Service Coverage Ratio, the last day of each Fiscal Year, commencing December 31, 2016, and with respect to the Liquidity Requirement set forth in the Master Indenture, the last day of the second fiscal quarter and the last day of each fiscal year, commencing December 31, 2016.

“Trust Estate” shall have the meaning set forth in the Granting Clauses of the Master Indenture.

“Unrestricted Contributions” means Contributions, including any payment received from an Affiliate of an Obligated Group Member, which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contributions.

“Written Request” means with reference to a Related Issuer, a request in writing signed by the Chairman, Vice Chairman, Chief Executive Officer, Executive Director, General Counsel, any Managing Director, any Assistant Director, or any other duly authorized officer of the Related Issuer and with reference to any Member means a request in writing signed by the President, Vice President or any other officers designated by such Member, as the case may be.

Series, Designation and Amount of Obligations

No Obligations may be issued under the provisions of the Master Indenture except in accordance with the Master Indenture. The total principal amount of Obligations, the number of Obligations and the series of Obligations that may be created under the Master Indenture are not limited except as shall be set forth with respect to any other series of Obligations in the Supplemental Master Indenture providing for the issuance thereof. Each series of Obligations shall be issued pursuant to a Supplemental Master Indenture. Each series of Obligations shall be designated so as to differentiate the Obligations of such series from the Obligations of any other

series. Unless provided to the contrary in a Supplemental Master Indenture, Obligations shall be issued as fully registered Obligations. *(Section 201)*

Security for Obligations

Any one or more series of Obligations issued under the Master Indenture may, so long as any Liens created in connection therewith constitute Permitted Encumbrances, be secured by security (including without limitation letters or lines of credit, insurance or Liens on Property, including nursing home/retirement community Facilities of the Obligated Group, or security interests in depreciation reserve, debt service or interest reserve or debt service or similar funds). Such security need not extend to any other Indebtedness (including any other Obligations or series of Obligations). Consequently, the Supplemental Master Indenture pursuant to which any one or more series of Obligations is issued may provide for such supplements or amendments to the provisions of the Master Indenture as are necessary to provide for such security and to permit realization upon such security solely for the benefit of the Obligations entitled thereto. *(Section 208)*

Payment of Principal, Premium, if any, and Interest

Each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture), jointly and severally covenants that it will promptly pay the principal of, premium, if any, and interest on every Obligation issued under the Master Indenture at the place, on the dates and in the manner provided in the Master Indenture and in said Obligations according to the true intent and meaning thereof. Notwithstanding any schedule of payments upon the Obligations set forth in the Master Indenture or in the Obligations, each Member unconditionally and irrevocably (subject to the right of such Member to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture), jointly and severally agrees to make payments upon each Obligation and be liable therefor at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, principal at maturity or by mandatory sinking fund redemption, or premium, if any, upon any Related Bonds from time to time Outstanding. *(Section 401)*

Entrance into the Obligated Group

As of the date of execution of the Master Indenture, the Obligor is the only Member of the Obligated Group. Any other Person may become a Member of the Obligated Group if:

(a) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture not objected to by the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Agent, containing (i) the agreement of such Person (A) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture and (B) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and conditions of the Master Indenture) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation and (ii) representations and warranties by such Person substantially similar to those set forth in the Master Indenture other

than those contained in the Master Indenture if such Person is not a Tax-Exempt Organization (but with such deviations as are not objected to by the Master Trustee);

(b) The Obligated Group Agent, by appropriate action of its Governing Body, shall have approved the admission of such Person to the Obligated Group, and each of the other Members shall have taken such action, if any, required to approve the admission of such Person to the Obligated Group;

(c) The Master Trustee shall have received (1) an Officer's Certificate of the Obligated Group Agent which (A) demonstrates that (i) immediately upon such Person becoming a Member of the Obligated Group, the Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking the Person becoming a Member into account, for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available would be not less than 1.20:1 or that such Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking the Person becoming a Member into account, is greater than the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year without such Person becoming a Member of the Obligated Group, and (ii) immediately upon such Person becoming a Member of the Obligated Group, taking the Person becoming a Member into account, the Obligated Group would be in compliance with the Liquidity Requirement of the Master Indenture based on the most recent quarterly financial statements delivered to the Master Trustee pursuant to the Master Indenture; and (B) states that immediately after such Person becoming a Member of the Obligated Group, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default as a result of the addition of such Member; (2) an opinion of Independent Counsel to the effect that (x) the Supplemental Master Indenture described in paragraph (a) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and other customary enforceability exceptions to opinions, and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; (3) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Indentures, an Opinion of Bond Counsel to the effect that under then existing law the addition of such Person to the Obligated Group, whether or not contemplated on the date of delivery of any such Related Bond, would not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable on such Bond otherwise entitled to such exemption; provided that in making the calculation called for by this heading, (i) there shall be excluded from Revenues (a) any Revenues generated by Property of such new Member transferred or otherwise disposed of by such new Member since the beginning of the Fiscal Year during which such new Member's entry into the Obligated Group occurs and (b) any Revenues generated by Property of the new Member which at the time of such new Member's entry into the Obligated Group will be categorized as Excluded Property and (ii) there shall be excluded from Expenses (a) any Expenses related to Property of such new Member transferred or otherwise disposed of by such new Member since the beginning of the Fiscal Year during which

such new Member's entry into the Obligated Group occurs and (b) any Expenses related to Property of the new Member which at the time of such new Member's entry into the Obligated Group will be categorized as Excluded Property; and (4) if any Related Bonds were rated by a Rating Agency prior to the Person becoming a Member of the Obligated Group, evidence from such Rating Agency, satisfactory to the Master Trustee, that the rating(s) on such Related Bonds will not be reduced or withdrawn as a result of such Person becoming a Member;

(d) (i) Exhibit A to the Master Indenture is amended to include a description of the real property of the Person becoming a Member upon which the primary operations of such Person are conducted, (ii) Exhibit B is amended to include a description of the Property of the Person becoming a Member which is to be considered Excluded Property (provided that such Property may be treated as Excluded Property only if such Property is real or tangible personal property and the primary operations of such Person are not conducted upon such real property), (iii) Exhibit C is amended to add such Person as a Member, and (iv) Exhibit E to the Master Indenture is amended to include a description of any Permitted Encumbrances of the Person becoming a Member; and

(e) Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status. (*Section 404*)

Cessation of Status as a Member of the Obligated Group

Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) the Member proposing to withdraw from the Obligated Group is not or will not be a party to any Related Loan Documents with respect to Related Bonds which remain Outstanding;

(b) prior to cessation of such status, there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any Related Bond or any exemption from federal or state income taxation of interest payable thereon to which such Bond would otherwise be entitled;

(c) prior to the cessation of such status, there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that: (A) (i) immediately after such cessation the Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking such cessation into account, for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available would be not less than 1.20:1 or that such Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group, taking such cessation into account, is greater than the Historical Maximum Annual Debt Service Coverage Ratio of the Obligated Group was for such Fiscal Year prior to such cessation, and (ii) immediately after such cessation, taking

such cessation into account, the Obligated Group would be in compliance with the Liquidity Requirement of the Master Indenture based on the most recent quarterly financial statements delivered to the Master Trustee pursuant to the Master Indenture; and (B) immediately after such cessation, no event of default exists under the Master Indenture and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an event of default as a result of the addition of such Member;

(d) prior to such cessation there is delivered to the Master Trustee an opinion of Independent Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status;

(e) if any Related Bonds were rated by a Rating Agency prior to the Person withdrawing from the Obligated Group, evidence from such Rating Agency that the rating(s) on such Related Bonds will not be reduced or withdrawn as a result of such Person withdrawing from the Obligated Group; and

(f) prior to cessation of such status, the Obligated Group Agent consents in writing to the withdrawal by such Member.

Upon such cessation in accordance with the foregoing provisions, (i) Exhibit A to the Master Indenture shall be amended to delete therefrom the description of any real property of the Member which has ceased being a Member of the Obligated Group and of any Permitted Encumbrances related to such real property, (ii) Exhibit B shall be amended to delete therefrom any Property of the Member which has ceased being a Member, (iii) Exhibit C shall be amended to delete therefrom the name of such Person and (iv) the Master Trustee shall be authorized to release any Lien or mortgage held by the Master Trustee upon the Property of such Member which has ceased being a Member of the Obligated Group.

Notwithstanding anything to the contrary in the Master Indenture, the Obligor shall not withdraw from the Obligated Group at any time. (*Section 405*)

Covenants as to Corporate Existence, Maintenance of Properties, and Similar Matters; Right of Contest.

Each Member covenants in the Master Indenture to:

(a) Except as otherwise expressly provided in the Master Indenture (i) preserve its corporate or other separate legal existence, (ii) preserve all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs as then conducted and (iii) be qualified to do business and conduct its affairs in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate such Member to retain, preserve or keep in effect the rights, licenses or qualifications no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) With respect to any Member which is, on the date it becomes a Member, a Tax-Exempt Organization, maintain its status as a Tax-Exempt Organization throughout the term of

the Master Indenture unless (1) the Governing Body determines that such status is not necessary or useful, and (2) prior to the cessation of such status there is delivered to the Master Trustee (x) an Opinion of Bond Counsel to the effect that such change in status will not have an adverse effect on the exemption of interest on any Related Bond from federal income taxation to which such Bond is otherwise entitled or the validity or enforceability of any Related Bond, and (y) an opinion of Independent Counsel to the effect that registration of the Obligations under the Securities Act of 1933, as amended, is not required or that such Obligations have been so registered.

(c) At all times use its Facilities only in furtherance of its lawful corporate purposes and cause its business to be carried on and conducted and its Property and each part thereof to be maintained, preserved and kept in good repair (ordinary wear and tear excluded), working order and condition and in as safe condition as its operations will permit and make all necessary and proper repairs (interior and exterior, structural and non-structural, ordinary as well as extraordinary and foreseen as well as unforeseen), renewals and replacements thereof so that its operations and business shall at all times be conducted in an efficient, proper and advantageous manner; provided, however, that nothing in the Master Indenture contained shall be construed (i) to prevent it from ceasing to operate any portion of its Property, if in its reasonable judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its Governing Body) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(d) Pay or cause to be paid: (i) all taxes, levies, assessments and charges on account of the use, occupancy or operation of its Property, including but not limited to all sales (if applicable), use, occupation, real and personal property taxes, all permit and inspection fees, occupation and license fees and all water, gas, electric, light, power or other utility charges assessed or charged on or against its Property or on account of its use or occupancy thereof or the activities conducted thereon or therein; and (ii) all taxes, assessments and impositions, general and special, ordinary and extraordinary, of every name and kind, which shall be taxed, levied, imposed or assessed during the term of the Master Indenture upon all or any part of its Property, or its interest or the interest of any Related Issuer or either of them in and to its Property, or upon its interest or the interest of any Related Issuer or the interest of either of them in the Master Indenture or the amounts payable under the Master Indenture or under the Obligations. If under applicable law any such tax, levy, charge, fee, rate, imposition or assessment may at the option of the taxpayer be paid in installments, any Member may exercise such option.

(e) Not create or permit to be created or remain and, at its cost and expense, promptly discharge or terminate all Liens on its Property or any part thereof which are not Permitted Encumbrances.

(f) At its sole cost and expense, promptly comply with all present and future laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court and the officers thereof which may be applicable to it or any of its affairs, business, operations and Property, any part thereof, or to the

use or manner of use, occupancy or condition of any of its Property or any part thereof if the failure to so comply would have a material adverse effect on the operations or financial affairs of the Obligated Group.

(g) Promptly pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable which if not so paid, satisfied or discharged would constitute a default or an event of default under the Master Indenture.

(h) At all times comply with all material terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(i) Procure and maintain all necessary licenses and permits and use its best efforts to maintain the status of its Facilities (other than those not currently having such status or not having such status on the date a Person becomes a Member under the Master Indenture) as providers of nursing home/retirement community services eligible for payment under those third-party payment programs which its Governing Body determines are appropriate.

(j) In the case of the Obligor and each Member which is a Tax-Exempt Organization at the time it becomes a Member, so long as the Master Indenture shall remain in force and effect and so long as all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or provision for such payment has not been made, to take no action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which could result in any such Related Bond being declared invalid or result in the interest on any Related Bond, which is otherwise exempt from federal or state income taxation, becoming subject to such taxation.

(k) comply with all applicable non-discrimination policies.

(l) In the case of the Obligor and each Member which is a Tax-Exempt Organization at the time it becomes a Member, not distribute any of its revenues, income or profits, whether realized or unrealized, to any of its members, directors or officers or allow the same to inure to the benefit of any private person, association or corporation, other than for the lawful corporate purposes of such Member, as the case may be; provided, further, that no such distribution shall be made which is not permitted by the legislation pursuant to which such Member is governed or which would result in the loss or alteration of its status as a Tax-Exempt Organization.

The foregoing notwithstanding, any Member may (i) cease to be a nonprofit corporation, (ii) take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization or (iii) distribute its revenues, income or profits to any of its members, directors or officers or allow the same to inure to the benefit of a private person, association or corporation if (1) prior thereto there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that such actions would not adversely affect the validity of any Related Bond, the exemption from federal or state income taxation of interest payable on any Related Bond otherwise entitled to such exemption or adversely affect the enforceability in accordance with its terms of the Master Indenture against any Member and (2) after such action the Obligated Group

could meet the conditions described in Section 415(A) for the incurrence of one dollar of additional Funded Indebtedness.

For the purposes of this heading (other than subparagraph (e) under this heading), the terms Property and Facilities shall be deemed to include Excluded Property.

No Member shall be required to pay any tax, levy, charge, fee, rate, assessment or imposition referred to in the Master Indenture, to remove any Lien required to be removed under this heading, pay or otherwise satisfy and discharge its obligations, Indebtedness (other than Indebtedness evidenced by Obligations), demands and claims against it or to comply with any Lien, law, ordinance, rule, order, decree, decision, regulation or requirement referred to under this heading, so long as such Member shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Lien so contested, and the sale, forfeiture, or loss of its Property or any part thereof, provided, that no such contest shall subject any Related Issuer, any Obligation holder or the Master Trustee to the risk of any liability. While any such matters are pending, such Member shall not be required to pay, remove or cause to be discharged the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Lien being contested, unless such Member agrees to settle such contest and payments under such settlement agreement are deemed to be due and payable. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of such Member engaging in such a contest to settle such contest), and in any event the Member will save all Obligation Holders and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith. The Member engaging in such a contest shall give the Master Trustee prompt written notice of any such contest. Each Member waives, to the extent permitted by law, any right which it may have to contest (i) any Obligation issued for the benefit of another Member or (ii) any Obligation issued to secure or in connection with Related Bonds.

If the Master Trustee shall notify such Member that, in the opinion of Independent Counsel, by nonpayment of any of the foregoing items the Property of such Member or any substantial part thereof will be subject to imminent loss or forfeiture, then such Member shall promptly pay all such unpaid items and cause them to be satisfied and discharged. (*Section 406*)

Insurance

Each Member shall maintain, or cause to be maintained at its sole cost and expense, insurance with respect to its Property, the operation thereof and its business against such casualties, contingencies and risks (including but not limited to public liability and employee dishonesty) and in amounts not less than is customary in the case of corporations engaged in the same or similar activities and similarly situated and as is adequate to protect its Property and operations, and each such insurance policy shall list the Master Trustee as an additional insured

and loss payee. For purposes of this heading, the term Property shall be deemed to include Excluded Property. The Obligated Group Agent shall annually review the insurance each Member maintains to determine whether such insurance is customary and adequate. In addition, the Obligated Group Agent shall (commencing with its Fiscal Year ending December 31, 2016 and every other Fiscal Year thereafter) cause a certificate of an Insurance Consultant or Insurance Consultants to be delivered to the Master Trustee and any Related Bond Trustee within 150 days of the end of each such Fiscal Year which certificate indicates that the insurance then being maintained by the Members is customary in the case of corporations engaged in the same or similar activities and similarly situated and is adequate to protect the Obligated Group's Property and operations. The Obligated Group Agent shall cause copies of the certificates of the Insurance Consultant or Insurance Consultants, as the case may be, to be delivered promptly to the Master Trustee. The Obligated Group or any Member may self-insure if the Insurance Consultant or Insurance Consultants determine(s) that such self-insurance meets the standards set forth in the first sentence of this paragraph and is prudent under the circumstances; provided, however, that no Member of the Obligated Group shall self-insure any of its Property, Plant and Equipment. Notwithstanding the above, the Obligated Group shall maintain insurance as set forth in any Related Loan Agreement.

The Master Trustee makes no representations as to and shall have no responsibility for the sufficiency of the insurance. *(Section 407)*

Rates and Charges

Each Member covenants and agrees to operate all of its Facilities on a revenue-producing basis and to charge such fees and rates for its Facilities and services and to exercise such skill and diligence, including obtaining payment for services provided, as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property and all other payments required to be made by it under the Master Indenture to the extent permitted by law. Each Member further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture.

The Members covenant and agree that the Obligated Group Agent will calculate the Historical Debt Service Coverage Ratio of the Obligated Group as of each Testing Date, and will deliver a copy of such calculation to the Required Information Recipients in connection with the delivery of the financial statements required by the Master Indenture. For the purposes of the Master Indenture, when calculating the Historical Debt Service Coverage Ratio of the Obligated Group, principal and interest payable on any Affiliate Related Subordinated Indebtedness shall be excluded from Debt Service Requirements.

If the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 but greater than 1.00:1 for any Fiscal Year and the Days Cash on Hand for such Fiscal Year is greater than 350, the Obligated Group shall provide a management report, at the Obligated Group's expense, within 30 days following the delivery of the calculation described in the Master Indenture. Such report shall make recommendations and outline steps to be taken by the Obligated Group with respect to the rates, fees and charges of the Members and the Obligated

Group's methods of operation and other factors affecting its financial condition in order to generate a Historical Debt Service Coverage Ratio of at least 1.20:1 for the following Fiscal Year. If (a) the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 for any two consecutive Fiscal Years, (b) the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.20:1 and the Days Cash on Hand is 350 or less for any Fiscal Year, or (c) the Historical Debt Service Coverage Ratio of the Obligated Group is less than 1.00:1 for any Fiscal Year, the Obligated Group shall, at the Obligated Group's expense, select a Consultant within 30 days following the delivery of the calculation described in the Master Indenture to make recommendations with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to generate a Historical Debt Service Coverage Ratio of at least 1.20:1 for the following Fiscal Year. Any Consultant selected as required by the Master Indenture shall be approved and retained as set forth in the Master Indenture.

A copy of the Consultant's report and recommendations, if any, shall be filed with each Member and each Required Information Recipient within 60 days of retaining the Consultant which 60 day period shall commence upon the last required approval under the Master Indenture. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member) and permitted by law and contract. The Master Indenture shall not be construed to prohibit any Member from serving indigent patients or residents to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of patients or residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of the Master Indenture.

The foregoing provisions notwithstanding, if the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year does not meet the levels required above, the Obligated Group shall not be required to retain a Consultant to make such recommendations if: (a) there is filed with each Required Information Recipient a written report of a Consultant which contains an opinion of such Consultant to the effect that applicable laws or regulations have prevented the Obligated Group from generating Income Available for Debt Service during such Fiscal Year sufficient to meet the requirements of the Master Indenture, and such report is accompanied by a concurring opinion of Independent Counsel as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00:1. The Obligated Group shall not be required to cause the Consultant's report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee) an opinion of Independent Counsel to the effect that the applicable laws and regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Notwithstanding any other provisions of the Master Indenture, in the event that any Member of the Obligated Group incurs any Additional Indebtedness for any acquisition,

construction, renovation or replacement project pursuant to any other provision of the Master Indenture, the Debt Service Requirements on such Additional Indebtedness and the Revenues and Expenses relating to the project or projects financed with the proceeds of such Additional Indebtedness shall be excluded from the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the purposes of complying with the Master Indenture, until the first full Fiscal Year following the later of (i) the estimated completion of the acquisition, construction, renovation or replacement project being paid for with the proceeds of such Additional Indebtedness, provided that such completion occurs no later than six months following the completion date for such project set forth in the Consultant's report described in (A) below, or (ii) the first full Fiscal Year in which Stable Occupancy is achieved in the case of acquisition, construction, renovation or replacement of any nursing home/retirement community facilities financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected in the report of the Consultant referred to in paragraph (A) below to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness, or (iii) the end of the fourth full Fiscal Year after the incurrence of such Additional Indebtedness, if the following conditions are met:

- (A) there is delivered to the Master Trustee a report or opinion of a Consultant to the effect that the Projected Debt Service Coverage Ratio for the first full Fiscal Year following the later of (I) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Additional Indebtedness, or (II) the first full Fiscal Year following the year in which Stable Occupancy is achieved in the case of acquisition, construction, renovation or replacement of any nursing home/retirement community facilities being financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness, or (III) the end of the fourth full Fiscal Year after the incurrence of such Additional Indebtedness, will be not less than 1.20:1 after giving effect to the incurrence of such Additional Indebtedness and the application of the proceeds thereof; provided, however, that in the event that a Consultant shall deliver a report to the Master Trustee to the effect that state or Federal laws or regulations or administrative interpretations of such laws or regulations then in existence do not permit or by their application make it impracticable for Members to produce the required ratio, then such ratio shall be reduced to the highest practicable ratio then permitted by such laws or regulations but in no event less than 1.00:1; provided, however, that in the event a Consultant's report is not required to incur such Additional Indebtedness, the Obligated Group may deliver an Officer's Certificate to the Master Trustee in lieu of the Consultant's report described in this subparagraph (A); and
- (B) there is delivered to the Master Trustee an Officer's Certificate on the date on which financial statements are required to be delivered to the Master Trustee pursuant to the Master Indenture until the first Fiscal Year in which the exclusion from the calculation of the Historical Debt Service Coverage Ratio no longer applies, calculating the Historical Debt Service Coverage Ratio of the Obligated Group at the end of each Fiscal Year, and demonstrating that such Historical Debt Service Coverage Ratio is not less than 1.00:1, such Historical Debt Service

Coverage Ratio to be computed without taking into account (I) the Additional Indebtedness to be incurred if (x) the interest on such Additional Indebtedness during such period is funded from proceeds thereof or other funds of the Member then on hand and available therefor and (y) no principal of such Additional Indebtedness is payable during such period, and (II) the Revenues to be derived from the project to be financed from the proceeds of such Additional Indebtedness.

No Event of Default relating to the requirements of this heading may be declared notwithstanding any other provision of the Master Indenture, unless (i) the Obligated Group fails to take all necessary action to comply with the procedures set forth above if the Historical Debt Service Coverage Ratio is less than 1.20:1 as of a Testing Date; or (ii) the Historical Debt Service Coverage Ratio is less than 1.00:1 and Days Cash on Hand is less than 225 as of a Testing Date; or (iii) the Historical Debt Service Coverage Ratio is less than 1.00:1 as of any two consecutive Testing Dates; or (iv) during any period in which Additional Indebtedness for any acquisition, construction, renovation or replacement project is excluded from the Historical Debt Service Coverage Ratio as described in the preceding paragraph, the Historical Debt Service Coverage Ratio is less than 1.00:1. (*Section 409*)

Damage or Destruction

Each Member agrees to notify the Master Trustee immediately in the case of the destruction of its Facilities or any portion thereof as a result of fire or other casualty, or any damage to such Facilities or portion thereof as a result of fire or other casualty, the Net Proceeds of which are estimated to exceed the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000 plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016. Each Member irrevocably assigns to the Master Trustee, as its interests may appear, all right, title and interest of such Member in and to any Net Proceeds relating to such damage or destruction, which exceeds the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000 plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016. Such Net Proceeds shall be initially paid to the Master Trustee for disbursement or use as provided in the Master Indenture. If there is no event of default under the Master Indenture and such Net Proceeds do not exceed the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000, plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016, such Net Proceeds may be paid directly to the Member suffering such casualty or loss. The Members covenant that they will expend or contract to expend an amount not less than the amount of any such Net Proceeds within 24 months after receipt thereof to (i) repair, replace or restore the damaged or destroyed facilities, (ii) acquire or construct additional capital assets for any one or more Members, or (iii) prepay Obligations or repay the principal portion of any Indebtedness incurred by any one or

more Members of the Obligated Group to acquire or construct capital assets or refinance Indebtedness incurred for such purpose.

If there is no event of default under the Master Indenture and such Net Proceeds exceed the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000 plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016, the Member suffering such casualty or loss shall within 12 months after the date on which the Net Proceeds are finally determined, elect by written notice to the Master Trustee one of the following three options:

(a) Option A - Repair and Restoration. Such Member may elect to replace, repair, reconstruct, restore or improve any of the Facilities of the Obligated Group or acquire additional Facilities for the Obligated Group or repay Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event an amount equal to the Net Proceeds of any insurance relating thereto shall be deposited, when received, with the Master Trustee and such Member shall proceed forthwith to replace, repair, reconstruct, restore or improve Facilities of the Obligated Group or to acquire additional Facilities and will apply the Net Proceeds of any insurance relating to such damage or destruction received from the Master Trustee to the payment or reimbursement of the costs of such replacement, repair, reconstruction, restoration, improvement or acquisition or to the repayment of such Indebtedness. So long as the Members are not in default under the Master Indenture, any Net Proceeds of insurance relating to such damage or destruction received by the Master Trustee shall be released from time to time by the Master Trustee to such Member upon the receipt by the Master Trustee of:

(1) the Written Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such replacement, repair, reconstruction, restoration, improvement or acquisition and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such replacement, repair, reconstruction, restoration, improvement or acquisition; and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Written Request (solely as to the sufficiency of the expenditures requested by the Member to complete such replacement, repair, reconstruction, restoration, improvement or acquisition) by an Independent Architect.

It is further understood and agreed that in the event such Member shall elect this Option A, such Member shall complete the replacement, repair, reconstruction, restoration, improvement and acquisition of the Facilities, whether or not the Net Proceeds of insurance received for such purposes are sufficient to pay for the same.

(b) Option B - Prepayment of Obligations. Subject to the obligations of the Members under the Master Indenture, such Member may elect to have all of the Net Proceeds payable as a result of such damage or destruction applied to the prepayment of the Obligations. In such event

such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee in writing to apply such Net Proceeds, when and as received, to the prepayment of Obligations in accordance with the provisions of the Master Indenture.

(c) Option C - Partial Restoration and Partial Prepayment of Obligations. Such Member may elect to have a portion of such Net Proceeds applied to the replacement, repair, reconstruction, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds with the remainder of such Net Proceeds to be applied to prepay Obligations, in which event such Net Proceeds to be used for replacement, repair, reconstruction, restoration, improvement and acquisition shall be applied as set forth in subparagraph (a) of the Master Indenture and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in subparagraph (b) of the Master Indenture.

If an event of default exists under the Master Indenture, all Net Proceeds shall be paid to the Master Trustee and applied to the prepayment of Obligations in accordance with the provisions of the Master Indenture.

The foregoing notwithstanding, no Member will be required to comply with the Master Indenture to the extent that the Facilities damaged or destroyed were pledged as security for Non-Recourse Indebtedness incurred in accordance with the Master Indenture or Indebtedness secured by Liens imposed in accordance with paragraph (z) of the definition of Permitted Encumbrances and the documents pursuant to which such Indebtedness was incurred require Net Proceeds to be applied in a manner inconsistent with the Master Indenture. (*Section 410*)

Condemnation

The Master Trustee shall cooperate fully with the Members in the handling and conduct of any prospective or pending condemnation proceedings with respect to their Facilities or any part thereof. Each Member irrevocably assigns to the Master Trustee, as its interests may appear, all right, title and interest of such Member in and to any Net Proceeds of any award, compensation or damages payable in connection with any such condemnation or taking, or payment received in a sale transaction consummated under threat of condemnation (any such award, compensation, damages or payment being referred to in the Master Indenture as an “award”), which exceeds the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000 plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016. Such Net Proceeds shall be initially paid to the Master Trustee for disbursement or use as provided in the Master Indenture. If there is no event of default under the Master Indenture and such Net Proceeds do not exceed the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000 plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016, such Net Proceeds may be paid to the Member in question. The Members covenant that they will expend or contract to expend an

amount not less than the amount of any such Net Proceeds within 24 months of the receipt thereof to (i) restore, replace or repair the condemned Facilities, (ii) acquire or construct additional capital assets, or (iii) prepay Obligations or repay the principal portion of Indebtedness incurred by one or more Members of the Obligated Group to acquire or construct capital assets or to refinance Indebtedness incurred for such purpose.

If there is no event of default under the Master Indenture and such Net Proceeds exceed the greater of (i) 5% of the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property, Plant and Equipment of the Obligated Group or (ii) \$5,000,000 plus an amount equal to \$5,000,000 multiplied by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from its level as of November 1, 2016, the Member in question shall within 12 months after the date on which the Net Proceeds are finally determined elect by written notice of such election to the Master Trustee one of the following three options:

(a) Option A - Repairs and Improvements. The Member may elect to use the Net Proceeds of the award for restoration or replacement of or repairs and improvements to the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds. In such event, so long as the Obligated Group is not in default under the Master Indenture, such Member shall have the right to receive such Net Proceeds from the Master Trustee from time to time upon the receipt by the Master Trustee of:

(1) the Written Request of such Member specifying the expenditures made or to be made or the Indebtedness incurred in connection with such restoration, replacement, repairs, improvements and acquisitions and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such restoration, replacement, repairs, improvements and acquisition; and

(2) if such expenditures were or are to be made or such Indebtedness was incurred for the construction or renovation of Facilities, the written approval of such Written Request (solely as to the sufficiency of the expenditures requested by the Member to complete such replacement, repair, reconstruction, restoration, improvement or acquisition) by an Independent Architect.

(b) Option B - Prepayment of Obligations. Subject to the obligation of such Member under the Master Indenture, such Member may elect to have such Net Proceeds of the award applied to the prepayment of the Obligations. In such event such Member shall, in its notice of election to the Master Trustee, direct the Master Trustee in writing to apply such Net Proceeds, when and as received, to the prepayment of Obligations in accordance with the provisions of the Master Indenture.

(c) Option C - Partial Restoration and Partial Prepayment of Obligations. Such Member may elect to have a portion of such Net Proceeds of the award applied to the repair, replacement, restoration and improvement of the Facilities of the Obligated Group or the acquisition of additional Facilities for the Obligated Group or the repayment of Indebtedness incurred for any such purpose pending the receipt of such Net Proceeds, with the remainder of

such Net Proceeds to be applied to the prepayment of Obligations, in which event such Net Proceeds to be used for repair, replacement, restoration, improvement and acquisition shall be applied as set forth in the Master Indenture and such Net Proceeds to be used for prepayment of the Obligations shall be applied as set forth in the Master Indenture.

(d) If an event of default exists under the Master Indenture, all Net Proceeds shall be paid to the Master Trustee and applied to the prepayment of Obligations in accordance with the provisions of the Master Indenture.

The foregoing notwithstanding, no Member will be required to comply with the Master Indenture to the extent that the Facilities damaged or destroyed were pledged as security for Non-Recourse Indebtedness incurred in accordance with the Master Indenture or Indebtedness secured by Liens imposed in accordance with paragraph (z) of the definition of Permitted Encumbrances and the documents pursuant to which such Indebtedness was incurred require Net Proceeds to be applied in a manner inconsistent with the Master Indenture. (*Section 411*)

Other Provisions with Respect to Net Proceeds

Amounts received by the Master Trustee in respect of Net Proceeds shall, at the Written Request of the Obligated Group Agent, be deposited with the Master Trustee in a special trust account and be invested or reinvested by the Master Trustee as directed in writing by the Obligated Group Agent in Permitted Investments subject to any Member's right to receive the same pursuant to the Master Indenture. If any Member elects to proceed under the Master Indenture, any amounts in respect of such Net Proceeds not so paid to such Member shall be used to prepay Obligations in accordance with the provisions of the Master Indenture. Notwithstanding anything in the Master Indenture to the contrary, any moneys on deposit with the Master Trustee shall be invested in accordance with, and subject to the terms of, any Related Bond Indenture or any Related Tax Regulatory Agreement, to the extent applicable. (*Section 412*)

Merger, Consolidation, Sale or Conveyance

(a) Each Member agrees that it will not merge into, or consolidate with, one or more corporations which are not Members, or allow one or more of such corporations to merge into it, or sell or convey all or substantially all of its Property to any Person who is not a Member, unless:

(i) Any successor corporation to such Member (including without limitation any purchaser of all or substantially all the Property of such Member) is a Person (other than a natural person) organized and existing under the laws of the United States of America or a state thereof and shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such successor corporation to assume, jointly and severally, the due and punctual payment of the principal of, premium, if any, and interest on all Obligations according to their tenor and the due and punctual performance and observance of all the covenants and conditions of the Master Indenture and the Mortgage to be kept and performed by such Member;

(ii) Immediately after such merger or consolidation, or such sale or conveyance, no Member would be in default in the performance or observance of any covenant or condition of any Related Loan Document or the Master Indenture;

(iii) If any Related Bonds were rated by a Rating Agency prior to such merger or consolidation, or such sale or conveyance, evidence from such Rating Agency that the rating(s) on such Related Bonds will not be reduced or withdrawn as a result of such merger or consolidation, or such sale or conveyance;

(iv) Assuming that any Indebtedness of any successor or acquiring corporation is Indebtedness of such Member and that the Revenues and Expenses of the Member for such most recent Fiscal Year include the Revenues and Expenses of such other corporation (A) immediately after such merger or consolidation, sale or conveyance, either (x) the Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available would be not less than 1.20:1 or (y) the Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year for which financial statements that have been reported upon by independent certified public accountants are available was greater than 1.00:1 and the Days Cash on Hand for such Fiscal Year was equal to at least 350, and (B) immediately after such merger or consolidation, sale or conveyance, the Obligated Group Agent shall deliver an Officer's Certificate stating that the Obligated Group is in compliance with the following requirements that the Days Cash on Hand of the Obligated Group as set forth on the most recent quarterly financial statements delivered to the Master Trustee pursuant to the Master Indenture would be not less than the Liquidity Requirement of the Obligated Group as set forth in the Master Indenture; and

(v) If all amounts due or to become due on all Related Bonds have not been fully paid to the holders thereof or fully provided for, there shall be delivered to the Master Trustee an Opinion of Bond Counsel to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the validity of such Related Bonds or the exemption otherwise available from federal or state income taxation of interest payable on such Related Bonds.

(b) [Reserved]

(c) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such Member. Each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the conditions described in the Master Indenture to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status. Any successor corporation to such Member thereupon may cause to be signed and may issue in its own name Obligations under the Master Indenture and the predecessor corporation shall be released from its obligations under the Master Indenture and under any Obligations, if such predecessor

corporation shall have conveyed all Property owned by it (or all such Property shall be deemed conveyed by operation of law) to such successor corporation. All Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture by such prior Member without any such consolidation, merger, sale or conveyance having occurred.

(d) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(e) The Master Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of the Master Indenture and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any instrument required to be executed and delivered by the Master Indenture. (*Section 413*)

Financial Statements and Related Matters

(a) The Members covenant that they will keep or cause to be kept proper books of records and accounts in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Obligated Group in accordance with generally accepted principles of accounting consistently applied except as may be disclosed in the notes to the audited financial statements referred to in the Master Indenture. To the extent that generally accepted accounting principles in the United States of America would require consolidation of certain financial information of entities which are not Members of the Obligated Group with financial information of one or more Members, or as may otherwise be determined by the Obligated Group Agent, consolidated financial statements prepared in accordance with generally accepted accounting principles which include information with respect to entities which are not Members of the Obligated Group may be delivered in satisfaction of the requirements of the Master Indenture so long as: (i) supplemental information in sufficient detail to separately identify the information with respect to the Members of the Obligated Group is delivered to the Master Trustee with the audited financial statements; (ii) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements delivered to the Master Trustee and, in the opinion of the accountant, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole; and (iii) such supplemental information is used for the purposes of the Master Indenture or for any agreement, document or certificate executed and delivered in connection or pursuant to the Master Indenture.

(b) The Obligated Group Agent will furnish or cause to be furnished to (i) the Required Information Recipients, and (ii) so long as any Member has a continuing disclosure obligation under Rule 15c2-12 of the Securities and Exchange Commission, EMMA, or any similar system that is acceptable to the Securities and Exchange Commission, the following:

(i) The following information as soon as practicable after it is available but in no event more than 45 days after the completion of such fiscal quarter commencing with the fiscal quarter ending December 31, 2016: (A) quarterly unaudited financial statements of the Obligated Group (including unaudited financial statements with respect to the fourth quarter of each fiscal year), including a combined or combining statement of revenues and expenses (with comparison to budget for the appropriate year to date period) and statement of cash flows of the Obligated Group during such period and a combined or combining balance sheet as of the end of each such fiscal quarter and a calculation of the Historical Debt Service Coverage Ratio for the Fiscal Year to Date and, to the extent such quarter ends on a Testing Date with respect to the Liquidity Requirement, Days Cash on Hand statistics for such quarter and (B) information regarding occupancy and payor mix for each level of service provided by each Obligated Group Member in each of its facilities operating nursing beds, in each case prepared in reasonable detail and certified, subject to year-end adjustments, by an Officer of the Obligated Group Agent.

(ii) If the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is less than 1.00:1 or the Days Cash on Hand of the Obligated Group is less than the Liquidity Requirement for any Testing Date as provided in the Master Indenture, the Obligated Group will deliver, within 45 days of the end of each month until the Historical Debt Service Coverage Ratio of the Obligated Group is at least 1.00:1 and the Days Cash on Hand of the Obligated Group is at least equal to the Liquidity Requirement, (A) unaudited financial statements of the Obligated Group, including a combined and combining statement of revenues and expenses and statement of cash flows of the Obligated Group during the prior month and a combined and combining balance sheet as of the end of each such month, (B) a calculation of Days Cash on Hand as of the last day of such month, and (C) the Historical Debt Service Coverage Ratio calculated on a year-to-date basis (the calculations described in (B) and (C) above are for informational purposes only and are not to be treated as a covenant of the Obligated Group).

(iii) Within 150 days of the end of each Fiscal Year commencing with the Fiscal Year ending December 31, 2016, an annual financial report of the Obligated Group audited by a firm of certified public accountants, including a combined and an unaudited combining balance sheet as of the end of such Fiscal Year and a combined and an unaudited combining statement of changes in fund balances for such Fiscal Year and a combined and an unaudited combining statement of revenues and expenses and statement of cash flows for such Fiscal Year, showing in each case, except for combining information, in comparative form the financial figures for the preceding Fiscal Year.

(iv) At any time during the Fiscal Year,

i. Copies of any correspondence to or from the Internal Revenue Service questioning or contesting the status of a Member as an organization described in Section 501(c)(3) of the Code or with respect to the tax-exempt status of any Related Bonds the interest on which is excludable from the gross

income of the owners thereof for federal income tax purposes, promptly upon receipt.

ii. To the extent the Obligated Group incurs, in the aggregate, more than \$500,000 in Additional Indebtedness of a form for which there is not a CUSIP number (the “non-Public Debt”) the Obligated Group Agent will provide a debt service schedule showing the principal and interest associated with each series of Related Bonds then outstanding as well as the non-Public Debt and the aggregated debt service of the Obligated Group. To the extent that the non-Public Debt is used to construct additional units at the Facilities, the Obligated Group Agent will provide monthly reports similar to those prepared by any construction consultants for such project.

iii. Any material changes to the Obligor’s Centers for Medicare and Medicaid Services rating promptly upon notification of the Obligated Group Agent of such rating change.

(c) The Obligated Group Agent will furnish or cause to be furnished to the Required Information Recipients, on or before the date of delivery of the financial reports referred to in the Master Indenture, an Officer’s Certificate of the Obligated Group Agent (A) stating that the Obligated Group is in compliance with all of the terms, provisions and conditions of the Master Indenture or if not, specify all such defaults and the nature thereof, (B) calculating and certifying Days Cash on Hand and Historical Debt Service Coverage Ratio, and (C) an executive summary of any actuarial reports received by the Obligated Group during the preceding Fiscal Year, if any, with a management’s discussion and analysis of results or such other discussion or analysis provided by such third parties hired by the Obligated Group Agent, which management’s discussion shall include information regarding occupancy and payer mix for each level of service provided by each Obligated Group Member in its facilities.

(d) The Obligated Group Agent shall furnish or cause to be furnished to the Master Trustee or any Related Bond Trustee, such additional information as the Master Trustee or any Related Bond Trustee may reasonably request concerning any Member in order to enable the Master Trustee or such Related Bond Trustee to determine whether the covenants, terms and provisions of the Master Indenture have been complied with by the Members and for that purpose all pertinent books, documents and vouchers relating to the business, affairs and Property (other than patient, resident, donor and personnel records or any other confidential information) of the Members shall, to the extent permitted by law, at all reasonable times during regular business hours and upon reasonable notice be open to the inspection of such accountant or other agent (who may make copies of all or any part thereof) as shall from time to time be designated by the Master Trustee or such Related Bond Trustee.

(e) The Members also agree that, within 10 days after its receipt thereof, the Obligated Group Agent will file with each Required Information Recipient a copy of each Consultant’s report or counsel’s opinion required to be prepared under the terms of the Master Indenture.

(f) The Obligated Group Agent shall give prompt written notice of a change of accountants by the Obligated Group to the Master Trustee and each Related Bond Trustee. The notice shall state (i) the effective date of such change; (ii) whether there were any unresolved disagreements with the former accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which the accountants claimed would have caused them to refer to the disagreement in a report on the disputed matter, if it was not resolved to their satisfaction; and (iii) such additional information relating thereto as such Related Bond Trustee or the Master Trustee may reasonably request.

(g) Without limiting the foregoing, each Member will permit, upon reasonable notice, the Master Trustee or any such Related Bond Trustee (or such persons as they may designate) to visit and inspect, at the expense of such Person, its Property and to discuss the affairs, finances and accounts of the Obligated Group with its officers and independent accountants, all at such reasonable times and locations and as often as the Master Trustee or such Related Bond Trustee may reasonably desire.

(h) The Obligated Group Agent may designate a different Fiscal Year for the Members of the Obligated Group by delivering a notice to the Master Trustee designating the first and last day of such new Fiscal Year and whether or not there will be any interim fiscal period (the "Interim Period") of a duration of greater than or less than 12 months preceding such new Fiscal Year. The Members covenant that they will furnish to the Master Trustee and each Related Bond Trustee, as soon as practicable after they are available, but in no event more than 150 days after the last day of such Interim Period, a financial report for such Interim Period certified by a firm of independent certified public accountants selected by the Obligated Group Agent covering the operations of the Obligated Group for such Interim Period and containing a combined balance sheet as of the end of such Interim Period and a combined statement of changes in fund balances and changes in financial position for such Interim Period and a combined statement of revenues and expenses for such Interim Period, showing in each case in comparative form the financial figures for the comparable period in the preceding Fiscal Year, together with a separate written statement of the accountants preparing such report containing a calculation of the Historical Debt Service Coverage Ratio of the Obligated Group for the Interim Period and a statement that such accountants have obtained no knowledge of any default by any Member in the fulfillment of any of the terms, covenants, provisions or conditions of the Master Indenture, or if such accountants shall have obtained knowledge of any such default or defaults, they shall disclose in such statement the default or defaults and the nature thereof (but such accountants shall not be liable directly or indirectly to anyone for failure to obtain knowledge of any default).

(i) Notwithstanding anything in the Master Indenture to the contrary, the Master Trustee shall be under no obligation to review the financial statements received under the Master Indenture for content and shall not be deemed to have knowledge of the contents thereof. *(Section 414)*

Permitted Additional Indebtedness

Subject to the last paragraph of this heading, so long as any Obligations are Outstanding, the Obligated Group will not incur any Additional Indebtedness (whether or not incurred through the issuance of an Obligation) other than:

- (A) Funded Indebtedness, if prior to incurrence thereof or, if such Funded Indebtedness was incurred in accordance with another subsection under this heading and any Member wishes to have such Indebtedness classified as having been issued under this subsection (A), prior to such classification, there is delivered to the Master Trustee:

- (i) An Officer's Certificate stating that the Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year preceding the date of delivery of the report for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.20:1; or

- (ii) (a) An Officer's Certificate stating that either (x) the Historical Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year preceding the date of delivery of the report for which combined financial statements reported upon by independent certified public accountants are available was not less than 1.20:1 or (y) the Historical Pro Forma Maximum Annual Debt Service Coverage Ratio of the Obligated Group for the most recent Fiscal Year preceding the date of delivery of the report for which combined financial statements reported upon by independent certified public accountants are available was greater than 1.00:1 and the Days Cash on Hand for such Fiscal Year was equal to at least 350; and (b) a written Consultant's report prepared in accordance with industry standards to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group is not less than 1.25:1 for the next succeeding Fiscal Year following the later of (I) the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Additional Indebtedness, or (II) the first full Fiscal Year following Stable Occupancy in the case of acquisition, construction, renovation or replacement of nursing home/retirement community facilities being financed with the proceeds of such Additional Indebtedness, which Stable Occupancy shall be projected to occur no later than during the fourth full Fiscal Year following the incurrence of such Additional Indebtedness or (III) the Fiscal Year in which such Funded Indebtedness for other purposes is being incurred; provided that such report shall include forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for such Fiscal Year and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements must indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing Facilities and the debt service on the Obligated Group's other existing Indebtedness during such Fiscal Year.

- (B) Completion Funded Indebtedness if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member for whose benefit such Indebtedness is being issued stating that at the time the original Funded Indebtedness for the Facilities to be completed was incurred, such Member had reason to believe that the proceeds of such Funded Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities, (ii) a statement of an Independent Architect or an expert setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member stating that the proceeds of such Completion Funded Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated loans from Affiliates or bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect or other expert, as the case may be, referred to in (ii), which amount shall be no more than 10% of Funded Indebtedness originally incurred to finance the construction of such Facilities.
- (C) Funded Indebtedness for the purpose of refunding (whether in advance or otherwise) any Outstanding Funded Indebtedness if prior to the incurrence thereof an Officer's Certificate of a Member is delivered to the Master Trustee stating that, taking into account the issuance of the proposed Funded Indebtedness and the application of the proceeds thereof and any other funds available to be applied to such refunding, that either (i) the Maximum Annual Debt Service Requirement of the Obligated Group will not be increased by more than 20%, or (ii) such refunding will result in a present value savings in the Obligated Group's overall Debt Service Requirements.
- (D) Short-Term Indebtedness in a total principal amount which at the time incurred does not, together with the principal amount of all other such Short-Term Indebtedness of the Obligated Group then Outstanding under this subsection (D) but excluding the principal payable on all Funded Indebtedness during the next succeeding 12 months and also excluding such principal to the extent that amounts are on deposit in an irrevocable escrow and such amounts (including, where appropriate, the earnings or other increments to accrue thereon) are required to be applied to pay such principal and such amounts so required to be applied are sufficient to pay such principal, exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available; provided, however, that for a period of 20 consecutive calendar days in each Fiscal Year the total amount of such Short-Term Indebtedness of the Obligated Group Outstanding under this subsection (D) shall be not more than 7.5% of the Revenues of the Obligated Group during the preceding Fiscal Year plus such additional amount as the Obligated Group Agent certifies in an Officer's Certificate is (a) attributable to Short-Term Indebtedness incurred to offset a

temporary delay in the receipt of funds due from third party payors and (b) in the minimum amount reasonably practicable taking into account such delay. For the purposes of this subsection, Short-Term Indebtedness shall not include overdrafts to banks to the extent there are immediately available funds of the Obligated Group sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business.

(E) Balloon Indebtedness if:

(i) (1) there is in effect at the time such Balloon Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution or bond insurer or surety generally regarded as responsible, to provide financing sufficient to pay the principal amount of such Balloon Indebtedness coming due in each consecutive 12-month period in which 25% or more of the original principal amount of such Balloon Indebtedness comes due; and

(2) the conditions set forth in subsection (A) are met for any Fiscal Year in which 25% or more of the original principal amount of such Balloon Indebtedness comes due when it is assumed that (a) the portion of Balloon Indebtedness coming due in such Fiscal Year matures over 30 years from the date of issuance of the Balloon Indebtedness, bears interest on the unpaid balance at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years or (b) the portion of Balloon Indebtedness coming due in such Fiscal Year matures according to its actual principal amortization schedule, bears interest on the unpaid balance at the Projected Rate, but this subsection (b) shall only be used if the amortization of all Indebtedness of the Obligated Group Outstanding, when the Balloon Indebtedness debt service being calculated is calculated according to this subsection (b) varies no more than 10% per year or (c) the portion of Balloon Indebtedness coming due in such Fiscal Year bears interest at the Projected Rate and matures according to the principal amortization schedule set forth in the binding commitment described in subsection (1) above; or

(ii) the aggregate principal amount of all Balloon Indebtedness issued pursuant to this subsection (E) does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available; or

(iii) the Balloon Indebtedness to be incurred has a remaining term of five years or greater beginning in such fiscal year, and

(1) the Member incurring such Balloon Indebtedness establishes in an Officer's Certificate filed with the Master Trustee an amortization schedule for such Balloon Indebtedness, which amortization schedule shall provide for payments of principal and interest for each Fiscal Year

that are not less than the amounts required to make any actual payments required to be made in such Fiscal Year by the terms of such Balloon Indebtedness;

(2) such Member agrees in such Officer's Certificate to deposit each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Balloon Indebtedness during such Fiscal Year (other than from amounts on deposit with such bank or trust company) which deposit shall be made prior to any such required actual payment during such Fiscal Year if the amounts so on deposit are intended to be the source of such actual payments; and

(3) the conditions described in subsection (A) above are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness is actually payable in accordance with such amortization schedule; or

(iv) (1) there is delivered to the Master Trustee an Officer's Certificate to the effect that the Member incurring such Balloon Indebtedness intends to refinance the principal amount of such Balloon Indebtedness on or prior to the date on which it is due; and (2) the conditions set forth in subsections (A) or (C) are met with respect to such Balloon Indebtedness when it is assumed that such Balloon Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years from the date of issuance of the Balloon Indebtedness; and (3) the report of the Consultant establishing the Projected Rate used to make the calculation pursuant to subsection (E)(iv) contains a statement of the Consultant that it is reasonable to assume that 30 year installment obligations (or installment obligations of such lesser term as is used to calculate annual debt service in accordance with subsection (E)(iv)) of the Obligated Group or a Member thereof can be sold.

(F) Put Indebtedness if:

(i) the amount of such Put Indebtedness does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported upon by independent certified public accountants are available and the conditions set forth in subsection (A) above are met with respect to such Put Indebtedness when it is assumed that (a) such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years commencing with the next succeeding Put Date, or (b) such Put Indebtedness bears interest at the Projected Rate and is payable according to its actual principal amortization schedule, but this subsection (b) shall only be used if the debt service of all Indebtedness of the Obligated Group Outstanding, when the Put Indebtedness debt service being calculated is calculated according to this subsection (b) varies no more than 10% per year or (c) such Put Indebtedness bears interest at the Projected Rate and is payable

according to the principal amortization schedule set forth in a binding commitment of the type described in subsection (F)(ii)(1) below; or

(ii) (1) there is in effect at any time such Put Indebtedness is incurred a binding commitment (including without limitation letters or lines of credit or insurance) which may be subject only to commercially reasonable contingencies by a financial institution or bond insurer or surety generally regarded as responsible, to provide financing sufficient to pay the principal amount of such Put Indebtedness on any Put Date, and (2) the conditions set forth in subsection (A) are met for any Fiscal Year in which 25% or more of the original principal amount of such Put Indebtedness may come due when it is assumed that (a) the portion of Put Indebtedness which may come due in such Fiscal Year matures over 30 years from the date of issuance of the Put Indebtedness, bears interest on the unpaid balance at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years or (b) the portion of Put Indebtedness which may come due in such Fiscal Year matures according to its actual principal amortization schedule and bears interest on the unpaid balance at the Projected Rate, but this subsection (b) shall only be used if the amortization of all Indebtedness of the Obligated Group Outstanding, when the Put Indebtedness debt service being calculated is calculated according to this subsection (b), varies no more than 10% per year or (c) such Put Indebtedness bears interest at the Projected Rate and is payable according to the principal amortization schedule set forth in a binding commitment of the type described in clause (1) above; or

(iii) the aggregate principal amount of all Put Indebtedness issued pursuant to this subsection (F) does not exceed 10% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available; or

(iv) (1) there is delivered to the Master Trustee an Officer's Certificate to the effect that the Member incurring such Put Indebtedness intends to refinance the principal amount of such Put Indebtedness on or prior to the next succeeding Put Date; and (2) the conditions set forth in subsections (A) or (C) are met with respect to such Put Indebtedness when it is assumed that such Put Indebtedness bears interest at the Projected Rate and is payable on a level annual debt service basis over a period of no more than 30 years from the date of issuance of the Put Indebtedness; and (3) the report of the Consultant establishing the Projected Rate used to make the calculation pursuant to this subsection (F)(iv) contains a statement of the Consultant that it is reasonable to assume that 30 year installment obligations (or installment obligations of such lesser term as is used to calculate annual debt service in accordance with this subsection (F)(iv)) of the Obligated Group or a Member thereof can be sold.

(G) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

- (H) Indebtedness consisting of accounts payable incurred in the ordinary course of business or other Indebtedness not incurred or assumed primarily to assure the repayment of money borrowed or credit extended which Indebtedness is incurred in the ordinary course of business, including but not limited to deferred obligations for the refund or repayment of Entrance Fees.
- (I) Indebtedness represented by a letter of credit reimbursement agreement or standby bond purchase agreement or other similar agreement entered into by any Member and a financial institution providing either a liquidity or credit support with respect to any other Indebtedness incurred in accordance with any other provision under this heading;
- (J) Non-Recourse Indebtedness, without limit.
- (K) Extendable Indebtedness if the conditions set forth in subsection (A) above are met when it is assumed that (i) such Indebtedness bears interest at the Projected Rate and is amortized on a level debt service basis over a term equal to the remaining term of the Extendable Indebtedness or (ii) such Indebtedness bears interest at the Projected Rate and is payable in accordance with its actual amortization schedule, but only if the debt service on all Indebtedness of the Obligated Group Outstanding when the Extendable Indebtedness debt service being calculated is calculated in accordance with this subsection (ii), varies by no more than 10% per year.
- (L) Subordinated Indebtedness, without limit.
- (M) Commitment Indebtedness, without limit.
- (N) Indebtedness the principal amount of which at the time incurred, together with the aggregate principal amount of all other Indebtedness then Outstanding which was issued pursuant to the provisions of this subsection (N) and which has not been subsequently reclassified as having been issued under subsection (A), (D), (E) or (F), does not exceed 10% of the Revenues of the Obligated Group for the latest preceding Fiscal Year for which financial statements reported upon by independent certified public accountants are available provided, however, that the total amount of all Indebtedness Outstanding which was issued pursuant to the provisions of subsections (D), (E)(ii), (F)(iii) and this subsection (N) shall not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which financial statements reported on by independent certified public accountants are available.

It is agreed and understood by the parties to the Master Indenture that various types of Indebtedness may be incurred under any of the above-referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to such type of Indebtedness (e.g., Balloon Indebtedness and Put Indebtedness may be incurred under subsection (A) above if the tests therein are satisfied).

Each Member covenants that prior to, or as soon as reasonably practicable after, the incurrence of Indebtedness by such Member for money borrowed or credit extended, or the equivalent thereof, it will deliver to the Master Trustee an Officer's Certificate which identifies the Indebtedness incurred, identifies the subsection under this heading pursuant to which such Indebtedness was incurred, demonstrates compliance with the provisions of such subsection and attaches a copy of the instrument evidencing such Indebtedness; provided, however, that this requirement shall not apply to Indebtedness incurred pursuant to subsection (G) or (H) under this heading.

Each Member agrees that, prior to incurring Additional Indebtedness for money borrowed from or credit extended by entities other than Related Issuers, sellers of real or personal property for purchase money debt, lessors of such property or banks or other institutional lenders, it will provide the Master Trustee with an opinion of Independent Counsel to the effect that, to such Independent Counsel's knowledge, such Member has complied in all material respects with all applicable state and federal laws regarding the sale of securities in connection with the incurrence of such Additional Indebtedness (including the issuance of any securities or other evidences of indebtedness in connection therewith) and such Independent Counsel has no reason to believe that a right of rescission under such laws exists on the part of the entities to which such Additional Indebtedness is to be incurred.

The provisions of the Master Indenture notwithstanding, the Members of the Obligated Group may not incur any Additional Indebtedness the proceeds of which will be used for the acquisition of real Property or the construction of any Facilities unless the right, title and interest in any assets to be financed or refinanced with the proceeds of such Additional Indebtedness and the real estate upon which such assets will be located will be mortgaged and assigned to the Master Trustee pursuant to a mortgage or deed of trust in substantially the form of the Mortgage and such assets and real estate are not subject to any other Lien except for Permitted Encumbrances. (*Section 415*)

Calculation of Debt Service and Debt Service Coverage

The various calculations of the amount of Indebtedness of a Person, the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness required under certain provisions of the Master Indenture shall be made in a manner consistent with that adopted in the Master Indenture. In the case of Balloon or Put Indebtedness issued pursuant to subsection (E) or (F) under the heading "Permitted Additional Indebtedness", unless such Indebtedness is reclassified pursuant to the the Master Indenture as having been issued pursuant to another subsection under the heading "Permitted Additional Indebtedness", the amortization schedule of such Indebtedness and the debt service payable with respect to such Indebtedness for future periods shall be calculated on the assumption that such Indebtedness is being issued simultaneously with such calculation. With respect to Put Indebtedness, if the option of the holder to require that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date, or if the requirement that such Indebtedness be paid, purchased or redeemed prior to its stated maturity date (other than at the option of such holder and other than pursuant to any mandatory sinking fund or any similar fund), has expired or lapsed as of the date of calculation, such Put Indebtedness shall be deemed payable in accordance with its terms.

In determining the amount of debt service payable on Indebtedness in the course of the various calculations required under certain provisions of the Master Indenture, if the terms of the Indebtedness being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index, then for the purpose of making such determination of debt service, interest on such Indebtedness for such period (the "Determination Period") shall be computed by assuming that the rate of interest applicable to the Determination Period is equal to the average of the rate of interest (calculated in the manner in which the rate of interest for the Determination Period is expressed to be calculated) which was in effect on the last date of each of the twelve full calendar months immediately preceding the month in which such calculation is made; provided that if the index or other basis for calculating such interest was not in existence for at least twelve full calendar months next preceding the date of calculation, the rate of interest for such period shall be deemed to be the average rate of interest that was in effect on the last day of each full calendar month next preceding the date of calculation; and if the average rate of interest borne by such Indebtedness for such shorter period cannot be calculated, the rate of interest for such period shall be deemed to be the Projected Rate. No debt service shall be deemed payable upon the exercise by a holder of Extendable Indebtedness of the option to tender such Indebtedness for payment.

Obligations issued to secure Indebtedness permitted to be incurred under the heading "Permitted Additional Indebtedness" shall not be treated as Additional Indebtedness in a manner which would require such Indebtedness to be included more than one time in the calculations performed under the Master Indenture.

No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as funding occurs under the commitment which gave rise to such Commitment Indebtedness. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No Additional Indebtedness shall be deemed to arise when any funding occurs under any such commitment or any such commitment is renewed upon terms which provide for substantially the same terms of repayment of amounts disbursed pursuant to such commitment as obtained prior to such renewal. In addition, no Additional Indebtedness shall be deemed to arise when Indebtedness which bears interest at a variable rate of interest is converted to Indebtedness which bears interest at a fixed rate or the method of computing the variable rate on such Indebtedness is changed or the terms upon which Indebtedness, if Put Indebtedness, may be or is required to be tendered for purchase are changed, if such conversion or change is in accordance with the provisions applicable to such variable rate Indebtedness or Put Indebtedness in effect immediately prior to such conversion or change.

Balloon Indebtedness incurred as provided under subsection (B) or (N) under the heading "Permitted Additional Indebtedness", unless reclassified pursuant to the Master Indenture, shall be deemed to be payable in accordance with the assumptions set forth in subsection (E)(i)(2) under the heading "Permitted Additional Indebtedness". Put Indebtedness incurred as provided under subsection (B) or (N) under the heading "Permitted Additional Indebtedness", unless reclassified pursuant to the Master Indenture, shall be deemed to be payable in accordance with

the assumptions set forth in subsection (F)(i) under the heading “Permitted Additional Indebtedness”.

For the purpose of determining whether any particular Guaranty may be incurred, it shall be assumed that 100% of the Indebtedness guaranteed is Funded Indebtedness of the guarantor under such Guaranty. For the purpose of calculating any historical Debt Service Requirements, the guarantor’s Debt Service Requirements under a Guaranty shall be deemed to be the actual amount paid on such Guaranty by the guarantor. For any other purpose, a guarantor shall be considered liable only for 20% of the annual debt service requirement on the Indebtedness guaranteed; provided, however, if the guarantor has been required by reason of its guaranty to make a payment in respect of such Indebtedness within the immediately preceding 24 months, the guarantor shall be considered liable for 100% of the annual debt service requirement on the Indebtedness guaranteed.

For purposes of the various calculations required under the Master Indenture for Capitalized Leases, the Capitalized Rentals under a Capitalized Lease at the time of such calculation shall be deemed to be the principal payable thereon.

Each Member may elect to have Indebtedness issued pursuant to one provision under the heading “Permitted Additional Indebtedness”, including without limitation subsection (N) of thereof, reclassified as having been incurred under another provision under the heading “Permitted Additional Indebtedness”, by demonstrating compliance with such other provision on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other provision including the certification of any applicable Projected Rate. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the provision with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Anything to the contrary in the Master Indenture notwithstanding, any portion of any Indebtedness of any Member for which an Interest Rate Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Interest Rate Agreement is in effect at a net rate which takes into account the interest payments made by such Member on such Indebtedness and the payments made or received by such Member on such Interest Rate Agreement; provided that the long-term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the three highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. For the purposes of determining the Debt Service Requirements for any future period of time with respect to any Indebtedness subject to an Interest Rate Agreement satisfying the requirements of the preceding sentence (i) if the Member is required to pay a fixed rate of interest under the Interest Rate Agreement, such Indebtedness shall be deemed to bear interest at such fixed rates and (ii) if the Member is required to pay interest at a variable rate under the Interest Rate Agreement, Debt Service Requirements on such Indebtedness shall be calculated in accordance with the second paragraph under this heading. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by a Member on such Interest Rate Agreement shall be excluded from Expenses and any payments received by a

Member on such Interest Rate Agreement shall be excluded from Revenues, in each case, for all purposes of the Master Indenture. *(Section 416)*

Sale, Lease or Other Disposition of Property

(a) Except for circumstances under the heading “Merger, Consolidation, Sale, or Conveyance” is applicable, if the amount of such Property sold, leased or otherwise disposed, for any consecutive twelve month period, will exceed 3% of the total Book Value (or Current Value if the Obligated Group Agent so elects) of all Property of the Obligated Group, each Member agrees that it will not sell, lease or otherwise dispose (including without limitation any involuntary disposition) of Property (either real or personal property, including cash and investments) unless the Obligated Group Agent delivers an Officer’s Certificate to the Master Trustee stating that the Property has been transferred in one or more of the following transfers or other dispositions of Property:

(1) In return for or replaced by other Property of equal or greater value or usefulness;

(2) In the ordinary course of business upon fair and reasonable terms;

(3) The Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(4) In the case of any proposed, pending or potential condemnation or taking for public or quasi-public use of the Property or any portion thereof;

(5) In connection with a merger, consolidation, sale or conveyance permitted under the Master Indenture;

(6) At the time of such transfer or disposition, the Historical Debt Service Coverage Ratio of the Obligated Group was not less than 1.30:1 for the last Fiscal Year for which audited financial statements have been delivered to the Master Trustee, and as of the end of the last fiscal quarter for which financial statements have been delivered to the Master Trustee, the Obligated Group had not less than 100 Days Cash on Hand after giving effect to the transactions;

(7) Leases listed in the definition of “Permitted Encumbrances;” or

(8) any Property that is not Mortgaged Property that is sold for fair market value.

(b) Notwithstanding subsection (a) above, if the Historical Debt Service Coverage Ratio is equal to or greater than 1.30:1, the foregoing percentage of the total Book Value or Current Value of Property that may be transferred or disposed, shall be increased as follows under the following conditions:

(1) to 5%, if Days Cash on Hand would not be less than 300 after the effect of such transfer or disposition; or

(2) to 7.5%, if Days Cash on Hand would not be less than 400 after the effect of such transfer or disposition; or

(3) to 10%, if Days Cash on Hand would not be less than 500 after the effect of such transfer or disposition.

If the Property to be disposed in accordance with the Master Indenture is Mortgaged Property, the Master Trustee shall, upon the request of the Obligated Group Agent, release such Mortgaged Property from the Mortgage pursuant to the terms of the Mortgage. *(Section 417)*

Liens on Property

Certain provisions of the Master Indenture notwithstanding, a Lien on Property of any Member securing Indebtedness or an Interest Rate Agreement shall be classified as a Permitted Encumbrance (as provided in clause (b) of the definition thereof) and therefore be permitted if:

(1) such Lien secures Non-Recourse Indebtedness; or

(2) (a) after giving effect to such Lien, the Book Value or, at the option of the Obligated Group Agent, the Current Value of the Property of the Obligated Group which is Encumbered is not more than 10% of the value of all of the Property of the Obligated Group (calculated on the same basis as the value of the Encumbered Property) and (b) the Obligated Group Agent delivers an Officer's Certificate stating that the conditions described in subsection (A) under the heading "Permitted Additional Indebtedness" are met for allowing the incurrence of one dollar of additional Funded Indebtedness. *(Section 418)*

Liquidity Covenant

Each Member shall have the right to agree in any Related Bond Indenture, Related Loan Document or Supplemental Master Indenture pursuant to which an Obligation is issued that, so long as any Related Bonds remain outstanding under such Related Bond Indenture or such Obligation remains Outstanding, any or all provisions of the Master Indenture which provide for approval, consent, direction or appointment by the Master Trustee, provide that anything must be satisfactory or not objected to by the Master Trustee, allow the Master Trustee to request anything or contain similar provisions granting discretion to the Master Trustee shall be deemed to also require or allow, as the case may be, the approval, consent, appointment, satisfaction, acceptance, request or like exercise of discretion by the Related Bond Trustee, and that all items required to be delivered or addressed to the Master Trustee under the Master Indenture or under the Mortgage shall also be delivered or addressed to the Related Bond Trustee, unless waived thereby. If a Member enters into any such agreements in a Related Bond Indenture, Related Loan Document or Supplemental Master Indenture, such agreements shall be deemed to be included in the Master Indenture as if set forth in the Master Indenture. *(Section 424)*

Approval of Consultants

(a) If at any time the Members of the Obligated Group are required to engage a Consultant under the provisions of the Master Indenture, such Consultant shall be engaged in the manner set forth under this heading.

(b) Upon selecting a Consultant as required under the provisions of the Master Indenture, the Obligated Group Agent will notify the Master Trustee of such selection. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the holders of all Obligations Outstanding under the Master Indenture of such selection. Such notice shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that the holder of the Obligation will be deemed to have consented to the selection of the Consultant named in such notice unless such Obligation holder submits a reasonable objection to the selected Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 15 days of the date that the notice is sent to the Obligation holders. No later than two Business Days after the end of the 15-day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If more than a majority in aggregate principal amount of the holders of the Outstanding Obligations have been deemed to have consented to the selection of the Consultant, the Obligated Group Agent may engage the Consultant. If more than a majority in aggregate principal amount of the owners of the Obligations Outstanding have objected to the Consultant selected, the Obligated Group Agent shall select another Consultant which may be engaged upon compliance with the procedures of the Master Indenture.

(c) When the Master Trustee notifies the holders of Obligations of such selection, the Master Trustee will also request any Related Bond Trustee send a notice containing the information required by subparagraph (b) above to the owners of all of the Outstanding Related Bonds. Such Related Bond Trustee shall, as the owner of an Obligation securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the response of the owners of such Related Bonds. If more than a majority in aggregate principal amount of the owners of the Related Bonds have been deemed to have consented to the selection of the Consultant, the Related Bond Trustee shall approve the Consultant. If more than a majority in aggregate principal amount of the owners of the Related Bonds have objected to the Consultant selected, the Related Bond Trustee shall not approve the Consultant.

The 15-day notice period described in (b) above may be extended by the Master Trustee in order to permit each Related Bond Trustee to give the owners of the Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of an Obligation securing any Related Bonds, the Related Bond Trustee agrees to comply with the provisions of the Master Indenture.

(d) All Consultant reports required under the Master Indenture shall be prepared in accordance with the then-effective industry-appropriate standards.

(e) If a Consultant is required to be engaged under two or more Sections of the Master Indenture, the requirements of those Sections may (but need not be) satisfied through the

engagement of a single Consultant under a single engagement in lieu of multiple engagements. Any requirement for a Consultant's report under the Master Indenture may be satisfied by an update of a previous Consultant's Report so long as the update when taken together with the previous report satisfies the requirements of the Master Indenture.

(f) A Consultant's report under one Section of the Master Indenture may satisfy a requirement for a Consultant's report under another Section of the Master Indenture but only if the nature of the Consultant and the substance of the report are sufficient to satisfy that requirement.

The Obligated Group shall not be required to obtain a Consultant's report that satisfies the requirements of a particular Section of the Master Indenture more than one time in any twelve-month period. *(Section 426)*

Actuarial Study

Commencing with the Fiscal Year ending December 31, 2017 and at least once every three Fiscal Years thereafter, the Obligated Group Representative, at the Obligated Group's expense, shall provide a management summary of the actuarial study described under this heading to each Member and each Required Information Participant. The actuarial study shall be prepared by a Consultant and include (a) the amount, if any, of the Obligated Group's obligations to provide services under the Residency Agreements anticipated to be in excess of those that could be satisfied using the rates, fees and charges for the Facilities then in effect, and (b) recommendations, if any, with respect to the rates, fees and charges of the Members and the Obligated Group's methods of operation and other factors affecting its financial condition in order to enable the Obligated Group to satisfy such obligations. Each Member shall follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Agent) and permitted by law and contract. *(Section 427)*

Events of Default

Each of the following events is declared an "event of default":

(a) failure of the Obligated Group to pay any installment of interest or principal, or any premium, or any other scheduled amount due on any Obligation when the same shall become due and payable, whether at maturity, upon any date fixed for prepayment or by acceleration or otherwise; or

(b) except as otherwise provided in the Master Indenture, failure of any Member to comply with, observe or perform any of the covenants, conditions, agreements or provisions of the Master Indenture and to remedy such default within 30 days after written notice thereof to such Member and the Obligated Group Agent from the Master Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Obligations, provided that, if in the judgment of the Master Trustee, such default cannot with due diligence and dispatch be wholly cured so that such failure no longer constitutes an "event of default" under the Master Indenture within 30 days but can be wholly cured, the failure of the Member to remedy such default within such 30-day period shall not constitute a default under the Master Indenture if the Member shall

immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default shall thereafter prosecute and complete the same with due diligence and dispatch; or

(c) any representation or warranty made by any Member in the Master Indenture or in any statement or certificate furnished to the Master Trustee or the purchaser of any Obligation in connection with the sale of any Obligation or furnished by any Member pursuant to the Master Indenture proves untrue in any material respect as of the date of the issuance or making thereof and shall not be corrected or brought into compliance within 30 days after written notice thereof to the Obligated Group Agent by the Master Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Obligations; provided that, if in the judgment of the Master Trustee, such default cannot with due diligence and dispatch be wholly cured so that such failure no longer constitutes an “event of default” under the Master Indenture within 30 days but can be wholly cured, the failure of the Member to remedy such default within such 30-day period shall not constitute a default under the Master Indenture if the Member shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(d) default in the payment of the principal of, premium, if any, or interest on any Indebtedness for borrowed money or in the payment of any amount due on any Interest Rate Agreement of any Member, including without limitation any Indebtedness created by any Related Loan Document, as and when the same shall become due and after any notice periods, or an event of default as defined in any mortgage, indenture, loan agreement or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness or Interest Rate Agreement (including any Obligation) of any Member, and which default in payment or event of default entitles the holder thereof to declare or, in the case of any Obligation, to request that the Master Trustee declare, such Indebtedness or Interest Rate Agreement due and payable prior to the date on which it would otherwise become due and payable; provided, however, that if such Indebtedness or Interest Rate Agreement is not evidenced by an Obligation or issued, incurred or secured by or under a Related Loan Document, a default in payment thereunder shall not constitute an “event of default” under the Master Indenture unless the unpaid principal amount of such Indebtedness or Interest Rate Agreement, together with the unpaid principal amount of all other Indebtedness or Interest Rate Agreement so in default, exceeds the greater of \$250,000 or 1% of unrestricted net assets of the Obligated Group;

(e) any judgment, writ or warrant of attachment or of any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 90 days; provided, however, that none of the foregoing shall constitute an event of default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds the greater of \$250,000 or 1% of the unrestricted net assets of the Obligated Group; or

(f) any Member admits insolvency or bankruptcy or its inability to pay its debts as they mature, or is generally not paying its debts as such debts become due, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee, custodian or receiver for such Member, or for the major part of its Property; or

(g) a trustee, custodian or receiver is appointed for any Member or for the major part of its Property and is not discharged within 90 days after such appointment; or

(h) bankruptcy, dissolution, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against any Member (other than bankruptcy proceedings instituted by any Member against third parties), and if instituted against any Member are allowed against such Member or are consented to or are not dismissed, stayed or otherwise nullified within 90 days after such institution; or

(i) payment of any installment of interest or principal, or any premium, on any Related Bond shall not be made when the same shall become due and payable under the provisions of any Related Bond Indenture; or

(j) any event of default shall occur under the Mortgage or any mortgage executed pursuant to the last paragraph under the heading “Permitted Additional Indebtedness.”

Upon the Master Trustee’s receipt of notice of the occurrence and during the continuance of an event of default described in the Master Indenture as provided in subsection (g) under the heading “Acceptance of Trusts”, or of which by said subsection the Master Trustee is deemed to have notice, the Master Trustee shall give the Obligated Group Agent the Notice described in the Master Indenture. (*Section 502*)

Acceleration

If an event of default has occurred and is continuing under the Master Indenture, the Master Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of Outstanding Obligations, shall, by notice in writing delivered to the Obligated Group Agent, declare the entire principal amount of all Obligations then Outstanding under the Master Indenture and the interest accrued thereon immediately due and payable, and the entire principal and such interest shall thereupon become immediately due and payable, subject, however, to the provisions of the Master Indenture with respect to waivers of events of default. (*Section 503*)

Remedies, Rights of Obligation Holders

Upon the occurrence of any event of default under the Master Indenture, the Master Trustee may pursue any available remedy including a suit, action or proceeding at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Obligations Outstanding under the Master Indenture and any other sums due under the Master Indenture and may collect such sums in the manner provided by law out of the Property of any Member wherever situated.

If an event of default shall have occurred and is continuing under the Master Indenture, and if it shall have been requested so to do by the holders of 25% or more in aggregate principal amount of Obligations Outstanding who requested or was entitled to request pursuant to the Master Indenture that the Master Trustee accelerate the Obligations and if it shall have been indemnified as provided in subsection (k) under the heading “Acceptance of Trusts”, the Master Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the provisions under this heading as the Master Trustee shall deem most expedient in the interests of the holders of Obligations; provided, however, that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of Obligations not parties to such request.

No remedy by the terms of the Master Indenture conferred upon or reserved to the Master Trustee (or to the holders of Obligations) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Master Trustee or to the holders of Obligations under the Master Indenture now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or event of default shall impair any such right or power or shall be construed to be a waiver of any such default or event of default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or event of default under the Master Indenture, whether by the Master Trustee or by the holders of Obligations, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon. (*Section 504*)

Direction of Proceedings by Holders

The holders of a majority in aggregate principal amount of the Obligations then Outstanding which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of remedies exercised to enforce such payment, or the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding in the case of any other remedy, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture and the Mortgage, or for the appointment of a receiver or any other proceedings under the Master Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken or the Master Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Obligations not parties to such direction.

The foregoing notwithstanding, the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding which are entitled to the exclusive benefit of certain security in addition to that intended to secure all or other Obligations shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Master Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Indenture, the Supplemental Master Indenture or Indentures pursuant to which such Obligations were issued or so secured or any separate security document in order to realize on such security; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of the Master Indenture and that the Master Trustee shall have the right to decline to comply with any such request if the Master Trustee shall be advised by counsel (who may be its own counsel) that the action so directed may not lawfully be taken. *(Section 505)*

Appointment of Receivers

Upon the occurrence of an event of default (beyond any applicable notice and cure period), and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and the holders of Obligations under the Master Indenture, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the rights and properties pledged under the Master Indenture and of the revenues, issues, payments and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer. *(Section 506)*

Application of Moneys

All moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture (except moneys held for the payment of Obligations called for prepayment or redemption which have become due and payable) shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees of, expenses, liabilities and advances incurred or made by the Master Trustee, any Related Issuers and any Related Bond Trustees, be applied as follows:

(a) Unless the principal of all the Obligations shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Obligations, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal and premium, if any, on any Debt Obligations which shall have become due (other than Debt Obligations called for redemption or payment for payment of which moneys are held pursuant to the provisions of the Master Indenture) and of any amounts which have become due under any Hedging Obligation, in the order of the scheduled dates of their payment, and, if the amount available shall not be sufficient to pay in full the Obligations

due on any particular date, then to the payment ratably, according to the amount of principal, premium and other amounts due on such date, to the persons entitled thereto without any discrimination or privilege; and

Third: To the payment to the persons entitled thereto of any other amounts which have become due under any and all Obligations.

(b) If the principal of all the Obligations shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment of the principal, premium, if any, and interest then due and unpaid and any other amounts which have become due under any and all Obligations (including Hedging Obligations) without preference or priority of principal, premium, interest or other amounts over the others, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal, premium, if any, interest and other amounts to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of paragraph (b) above in the event that the principal of all the Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) above.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of the Master Indenture, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine in its sole discretion, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this heading and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Obligated Group Agent on behalf of the Members. (*Section 507*)

Remedies Vested in Master Trustee

All rights of action including the right to file proof of claims under the Master Indenture or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Master Trustee shall be brought in its name as

Master Trustee without the necessity of joining as plaintiffs or defendants any holders of the Obligations, and any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Obligations. *(Section 508)*

Rights and Remedies of Obligation Holders

No holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Master Indenture or for the execution of any trust of the Master Indenture or for the appointment of a receiver or any other remedy under the Master Indenture, unless a default shall have become an event of default and the holders of 25% or more in aggregate principal amount (i) of the Obligations which have become due and payable in accordance with their terms or have been declared due and payable pursuant to the Master Indenture and have not been paid in full in the case of powers exercised to enforce such payment or (ii) the Obligations then Outstanding in the case of any other exercise of power, shall have made written request to the Master Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers before granted in the Master Indenture or to institute such action, suit or proceeding in its own name, and unless also, in each case, such holders have offered to the Master Trustee indemnity as provided in the Master Indenture, and unless the Master Trustee shall thereafter fail or refuse to exercise the powers before granted in the Master Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Master Trustee to be conditions precedent to the execution of the powers and trusts of the Master Indenture and to any action or cause of action for the enforcement of the Master Indenture, or for the appointment of a receiver or for any other remedy under the Master Indenture; it being understood and intended that no one or more holders of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Master Indenture by its, his or their action or to enforce any right under the Master Indenture except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the equal benefit of the holders of all Obligations Outstanding. Nothing in the Master Indenture contained shall, however, affect or impair the right of any holder to enforce the payment of the principal of, premium, if any, and interest on any Obligation at and after the maturity thereof, or the obligation of the Members to pay the principal, premium, if any, and interest on each of the Obligations issued under the Master Indenture to the respective holders thereof at the time and place, from the source and in the manner in said Obligations expressed. *(Section 509)*

Termination of Proceedings

In case the Master Trustee shall have proceeded to enforce any right under the Master Indenture by the appointment of a receiver, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Master Trustee, then and in every case the Members and the Master Trustee shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Master Indenture with respect to the Property pledged and assigned under the Master Indenture, and all rights, remedies and powers of the Master Trustee shall continue as if no such proceedings had been taken. *(Section 510)*

Waiver of Events of Default

If, at any time after the principal of all Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as provided in the Master Indenture and before the acceleration of any Related Bond, any Member shall pay or shall deposit with the Master Trustee a sum sufficient to pay all matured installments of interest upon all such Obligations and the principal and premium, if any, of all such Obligations that shall have become due otherwise than by acceleration (with interest on overdue installments of interest and on such principal and premium, if any, at the rate borne by such Obligations to the date of such payment or deposit, to the extent permitted by law) and the expenses of the Master Trustee, and any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on such Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case the holders of not less than a majority in aggregate principal amount of all Obligations then Outstanding who requested or was entitled to request the giving of notice of acceleration, by written notice to the Obligated Group Agent and to the Master Trustee, may waive all events of default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent event of default, or shall impair any right consequent thereon. *(Section 511)*

Members' Rights of Possession and Use of Property

So long as each Member is in compliance with the terms and provisions of the Master Indenture, each Member shall be suffered and permitted to possess, use and enjoy its Property and appurtenances thereto free of claims of the Master Trustee. *(Section 512)*

Related Bond Trustee or Bondholders Deemed to be Obligation Holders

For the purposes of the Master Indenture, unless a Related Bond Trustee elects to the contrary or contrary provision is made in a Related Bond Indenture, each Related Bond Trustee shall be deemed the holder of the Obligation or Obligations pledged to secure the Related Bonds with respect to which such Related Bond Trustee is acting as trustee. If such a Related Bond Trustee so elects or the Related Bond Indenture so provides, the holders of each series of Related Bonds shall be deemed the holders of the Obligations to the extent of the principal amount of the Obligations to which their Bonds relate. *(Section 513)*

Lock-Box Provisions

Upon the occurrence and during the continuance of a payment event of default described in the Master Indenture, the Master Trustee shall give to the Obligated Group Agent a notice (the "Lock-Box Notice") referring to the Master Indenture. Upon receipt of a Lock-Box Notice, (a) each Obligated Group Member will immediately commence depositing all Gross Revenues with the Master Trustee and will continue to do so on a daily basis as and when it receives or collects any moneys constituting Gross Revenues and (b) within seven (7) days the Obligated Group Agent will (i) engage a Consultant (which Consultant is not objected to by the Master Trustee) to review the operating budget of the Obligated Group as required by the Master Indenture and (ii) submit to such Consultant and the Master Trustee a proposed operating budget for the

Consultant's approval or modification. The proposed operating budget shall include on a month-by-month basis all operating expenses to be paid by each Obligated Group Member. Upon review of the proposed budget, the Consultant will notify the Obligated Group Agent and the Master Trustee whether such budget is approved as submitted or of any modifications the Consultant will impose. A copy of the budget, as approved or modified (the "Lock-Box Budget"), will be sent to the Obligated Group Agent and the Master Trustee. In the event that the Obligated Group Agent fails to submit a proposed operating budget to the Consultant and the Master Trustee, the Consultant will modify the operating budget last submitted to the Consultant as it deems appropriate under the then existing circumstances and such modified operating budget will constitute the Lock-Box Budget. The Lock-Box Budget may be amended and modified by the Consultant at any time and from time to time as the Consultant in its discretion determines is necessary or appropriate under the then existing circumstances. A copy of any amendment or modification to the Lock-Box Budget will be sent by the Consultant to the Obligated Group Agent and the Master Trustee. The Master Trustee agrees that, upon receipt of a Lock-Box Notice, it will make disbursements (from amounts deposited with it by each Obligated Group Member as provided above) in each month to the Obligated Group Agent to pay operating expenses only in accordance with the Lock-Box Budget.

If at any time following a Lock-Box Notice all amounts due to the Master Trustee have been paid in full, the Master Trustee will notify the Obligated Group Agent in writing that the lock-box provisions of the Master Indenture are suspended. Additionally, the Master Trustee may in its discretion at any time agree to suspend such lock-box provisions by so notifying the Obligated Group Agent in writing. Thereafter, unless and until any subsequent Lock-Box Notice is received by the Obligated Group Agent, Gross Revenues need not be deposited with the Master Trustee. (*Section 514*)

Remedies Subject to Provisions of Law

All rights, remedies and powers provided by the Master Indenture may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of the Master Indenture are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render such instrument or the provisions of the Master Indenture invalid or unenforceable under the provisions of any applicable law. (*Section 515*)

Acceptance of Trusts

The Master Trustee accepts and agrees to execute the trusts imposed upon it by the Master Indenture, but only upon the terms and conditions set forth therein. The Master Trustee, prior to the occurrence of an event of default and after the curing of all events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture. The Master Trustee shall not be liable in connection with the performance of such duties, except with respect to its own negligence and willful misconduct. No implied covenants or obligations should be read into the Master Indenture against the Master Trustee. If an event of default under the Master Indenture shall have occurred and be continuing, the Master Trustee shall exercise such of the rights and powers vested in it by the Master Indenture and shall use the same degree of care as a prudent person would exercise or use in the

circumstances in the conduct of such person's own affairs. The Master Trustee agrees to perform such trusts only upon and subject to the following express terms and conditions:

(a) The Master Trustee may execute any of the trusts or powers of the Master Indenture and perform any of its duties by or through attorneys, agents, receivers, or employees and shall not be responsible for the misconduct or negligence of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts of the Master Indenture and duties thereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver or employee retained or employed by it in connection with the Master Indenture. The Master Trustee may act upon the opinion or advice of an attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care or selected or retained by any Member in the exercise of such care. The Master Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice.

(b) The Master Trustee shall not be responsible for any recital in the Master Indenture, or in the Obligations (except with respect to the certificate of the Master Trustee endorsed on the Obligations), or for the investment of moneys as provided in the Master Indenture (provided that no investment shall be made by the Master Trustee except in compliance with the provisions of the Master Indenture applicable to such investment), or for the recording or re-recording, filing or re-filing of the Master Indenture, or any supplement or amendment thereto, or the filing of financing statements, or for the validity of the execution by the Obligor of the Master Indenture, or by any Member of any supplemental indentures or instruments of further assurance, or for the sufficiency of the security for the Obligations issued thereunder or intended to be secured thereby, or for the value or title of the Property conveyed in the Master Indenture or otherwise as to the maintenance of the security of the Master Indenture. The Master Trustee may (but shall be under no duty to) require of any Member full information and advice as to the performance of the covenants, conditions and agreements in the Master Indenture and shall use its best efforts, but without any obligation, to advise the Members of any impending default known to the Master Trustee. The Master Trustee shall have no obligation to perform any of the duties of the Obligated Group under the Master Indenture, nor any obligation to monitor the Obligated Group's compliance with the terms of the documents executed and delivered in connection with the issuance of Related Bonds.

(c) The Master Trustee shall not be accountable for the use or application by the Obligated Group of any of the Obligations or the proceeds thereof or for the use or application of any money paid over by the Master Trustee in accordance with the provisions of the Master Indenture or for the use and application of money received by any Paying Agent. The Master Trustee may become the owner of Obligations secured with the same rights it would have if it were not Master Trustee.

(d) The Master Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of Independent Counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be in the proper form, genuine and to have been signed or sent by the proper person or persons. Any action taken by the Master Trustee pursuant to the Master Indenture upon the request or authority or consent of any person who at the time of making such request or giving such

authority or consent is the owner of any Obligation shall be conclusive and binding upon all future owners of the same Obligation and upon Obligations issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Master Trustee shall be entitled to rely upon a certificate signed on behalf of any Member by its President, any Vice-President, and any other authorized officer of the Member as sufficient evidence of the facts therein contained and, prior to the occurrence of a default of which the Master Trustee has been notified as provided in subsection (g) below, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Master Trustee may accept a certificate of the President, any Vice President, or any other authorized officer of the Member to the effect that a resolution in the form therein set forth has been adopted by such Member as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(f) The permissive right of the Master Trustee to do things enumerated in the Master Indenture shall not be construed as a duty and the Master Trustee shall not be answerable for other than its negligence or willful misconduct.

(g) The Master Trustee shall not be required to take notice or be deemed to have notice of any event of default under the Master Indenture except failure by the Obligated Group to cause to be made any of the payments to the Master Trustee required to be made by the Master Indenture unless the Master Trustee shall be specifically notified in writing of such default by a Member, by the written report of nationally recognized independent certified public accountants required by the Master Indenture, by any Related Bond Trustee or by the holders of at least 25% in aggregate principal amount of all Obligations then Outstanding and all notices or other instruments required by the Master Indenture to be delivered to the Master Trustee must, in order to be effective, be delivered at the designated corporate trust office of the Master Trustee, and in the absence of such notice so delivered, the Master Trustee may conclusively assume there is no default except as aforesaid.

(h) At any and all reasonable times, the Master Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect any and all books, papers and records of any Member pertaining to the Obligations, and to take such memoranda from and in regard thereto as may be reasonably desired.

(i) The Master Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything contained elsewhere in the Master Indenture, the Master Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Obligation, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Master Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to

that by the terms of the Master Indenture required as a condition of such action by the Master Trustee reasonably requested by the Master Trustee to discharge its duties, for the purpose of establishing the right of any Member to the authentication of any Obligations, the withdrawal of any cash, the release of any property or the taking of any other action by the Master Trustee.

(k) Before taking any action under the Master Indenture other than making payments of principal and interest on the Obligations as they become due and causing an acceleration of the Obligations when required by the Master Indenture, the Master Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances, and except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(l) All moneys received by the Master Trustee or any Paying Agent shall, until used or applied or invested as provided in the Master Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or by the Master Indenture. Neither the Master Trustee nor any Paying Agent shall be under any liability for interest on any moneys received under the Master Indenture except such as may be agreed upon.

(m) The Master Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to any Related Bonds or any Obligations except with respect to any such information, statement or recital submitted by the Master Trustee for such purpose.

(n) The Master Trustee shall not be required to monitor the financial condition of the Members or the physical condition of the Mortgaged Property. Furthermore, the Master Trustee shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents to any Person to whom the Master Trustee may provide such information pursuant to the Master Indenture.

(o) All moneys received by the Master Trustee shall be held in trust in the manner and for the purpose for which they were received but need not be segregated from other moneys held by the Master Trustee, except to the extent required by the Master Indenture or by law. The Master Trustee shall not be liable for interest on any moneys received under the Master Indenture.

(p) In no event shall the Master Trustee be liable for incidental, indirect, special, consequential or punitive damages or penalties (including, but not limited to lost profits), even if the Master Trustee has been advised of the likelihood of such damages or penalty and regardless of the form of action. (*Section 601*)

Resignation by the Master Trustee

The Master Trustee and any successor Master Trustee may at any time resign from the trusts created by giving thirty days' written notice to the Obligated Group Agent and by

registered or certified mail to each registered owner of Obligations then Outstanding and to each holder of Obligations as shown by the list of Obligation Holders required by the Master Indenture to be kept at the office of the Master Trustee. Such resignation shall take effect at the end of such thirty days or when a successor Master Trustee has been appointed and has assumed the trusts created by the Master Indenture, whichever is later, or upon the earlier appointment of a successor Master Trustee by the holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding or by the Obligated Group. If a successor Master Trustee has not accepted its appointment within such 30-day period, the current Master Trustee may apply to a court of competent jurisdiction to appoint a successor Master Trustee to act until such time, if any, as a successor shall have so accepted its appointment. Such notice to the Obligated Group Agent may be served personally or sent by registered or certified mail. (*Section 607*)

Removal of the Master Trustee

The Master Trustee may be removed at any time by giving thirty days' written notice, by an instrument or concurrent instruments in writing delivered to the Master Trustee and to the Obligated Group Agent, and signed by the registered owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding. So long as no event of default has occurred and is continuing under the Master Indenture, and no event shall have occurred which, with the passage of time or the giving of notice or both would become such an event of default under the Master Indenture, the Master Trustee may be removed at any time by an instrument in writing signed by the Obligated Group Agent and delivered to the Master Trustee. The foregoing notwithstanding, but subject to the Master Indenture, the Master Trustee may not be removed by the Obligated Group Agent unless written notice of the delivery of such instrument or instruments signed by the Obligated Group Agent is mailed to the owners of all Obligations Outstanding under the Master Indenture, which notice indicates the Master Trustee will be removed and replaced by the successor trustee named in such notice, such removal and replacement to become effective on the 60th day next succeeding the date of such notice, unless the owners of not less than 10% in aggregate principal amount of such Obligations then Outstanding under the Master Indenture shall object in writing to such removal and replacement. (*Section 608*)

Appointment of Successor Master Trustee by the Obligated Group and Obligation Holders; Temporary Master Trustee

In case the Master Trustee under the Master Indenture shall resign or be removed, or be dissolved, or shall be in the process of dissolution or liquidation, or otherwise becomes incapable of acting under the Master Indenture, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Obligated Group, or by the owners of not less than a majority in aggregate principal amount of Obligations then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys in fact, duly authorized, with the approval of the Obligated Group so long as the Obligated Group is not in default, or potentially in default, under the Master Indenture. If a successor trustee shall not have been appointed within 30 days after notice of resignation by or removal of the Master Trustee, the Obligated Group or any holder of an Obligation may apply to any court of competent jurisdiction to appoint a successor to act until

such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Master Trustee appointed pursuant to the provisions of the Master Indenture shall be a trust company or bank in good standing under the law of the jurisdiction in which it was created and by which it exists, having corporate trust powers and subject to examination by federal or state authorities, and having a reported capital and surplus of not less than \$50,000,000. (*Section 609*)

Supplemental Master Indentures and Amendments to the Mortgage Not Requiring Consent of Obligation Holders

Subject to the limitations set forth in the Master Indenture with respect to the provisions under this heading, the Members and the Master Trustee may, but without the consent of, or notice to, any of the Obligation Holders, amend or supplement the Master Indenture or the Mortgage for any one or more of the following purposes:

(b) To cure any ambiguity or defective provision in or omission from the Master Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or the Mortgage or adversely affect the holder of any Obligation;

(c) To grant to or confer upon the Master Trustee for the benefit of the Obligation Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Obligation Holders and the Master Trustee, or either of them, to add to the covenants of the Members for the benefit of the Obligation Holders or to surrender any right or power conferred under the Master Indenture or under the Mortgage upon any Member;

(d) To assign and pledge under the Master Indenture or the Mortgage any additional revenues, properties or collateral;

(e) To evidence the succession of another corporation to the agreements of a Member or the Master Trustee, or the successor of any thereof under the Master Indenture;

(f) To permit the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter in effect or to permit the qualification of any Obligations for sale under the securities laws of any state of the United States;

(g) To provide for the refunding or advance refunding of any Obligation;

(h) To provide for the issuance of Obligations;

(i) To reflect the addition to or withdrawal of a Member from the Obligated Group;

(j) To provide for the issuance of Obligations with original issue discount, provided such issuance would not materially adversely affect the holders of Outstanding Obligations;

(k) To permit an Obligation to be secured by security which is not extended to all Obligation Holders;

(l) To modify or eliminate any of the terms of the Master Indenture; provided, however, that such Supplemental Master Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Obligation Outstanding of any series created prior to the execution of such Supplemental Master Indenture; and

(m) To permit the issuance of Obligations which are not in the form of a promissory note;

(n) Provide for the release in accordance with the provisions of the Master Indenture or the Mortgage of any Property subject to the lien of the Mortgage; and

(o) To make any other change which, in the opinion of the Master Trustee (which opinion may be based upon the advice or opinion of Independent Counsel), does not materially adversely affect the holders of any of the Obligations and, in the opinion of each Related Bond Trustee, does not materially adversely affect the holders of the Related Bonds with respect to which it acts as trustee, including without limitation any modification, amendment or supplement to the Master Indenture or any indenture supplemental to the Master Indenture or the Mortgage or any amendment thereto in such a manner as to establish or maintain exemption of interest on any Related Bonds under a Related Bond Indenture from federal income taxation under applicable provisions of the Code.

(p) Any Supplemental Master Indenture providing for the issuance of Obligations shall set forth the date thereof, the date or dates upon which principal of, premium, if any, and interest on such Obligations shall be payable, the other terms and conditions of such Obligations, the form of such Obligations and the conditions precedent to the delivery of such Obligations which shall include, among other things:

(i) delivery to the Master Trustee of all materials required to be delivered as a condition precedent to the incurrence of the Additional Indebtedness evidenced by such Obligations;

(ii) delivery to the Master Trustee of an opinion of Independent Counsel to the effect that all requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and in the Supplemental Master Indenture have been complied with and satisfied; and

(iii) delivery to the Master Trustee of an opinion of Independent Counsel to the effect that registration of such Obligations under the Securities Act of 1933, as amended, is not required, or, if such registration is required, that the Obligated Group has complied with all applicable provisions of said Act.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any Supplemental Master Indenture pursuant to subsection (m) above, the Master Trustee shall cause notice of the proposed execution of such Supplemental Master Indenture to be given to each Rating Agency then maintaining a rating on any then-outstanding Obligations or Related Bonds, in the manner provided in the Master Indenture or in the documents related to such

Related Bonds at least 15 days prior to the execution of such Supplemental Master Indenture, which notice shall include a copy of the proposed Supplemental Master Indenture.

If any Supplemental Master Indenture is entered into pursuant to the Master Indenture, the Master Trustee shall send notice of the execution thereof to any remarketing agents of Related Bonds.

In connection with the execution and delivery of any Supplemental Master Indenture to be entered into under the provisions of the Master Indenture, the Master Trustee shall receive and may rely upon an opinion of Independent Counsel as conclusive evidence that any such Supplemental Master Indenture complies with the foregoing conditions and provisions. (*Section 701*)

Supplemental Master Indentures and Amendments to the Mortgage Requiring Consent of Obligation Holders

In addition to Supplemental Master Indentures covered by the Master Indenture and subject to the terms and provisions contained in this heading, and not otherwise the holders of not less than a majority in aggregate principal amount of the Obligations which are Outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture or amendment to the Mortgage or, in case less than all of the several series of Obligations Outstanding are affected thereby, the holders of not less than majority in aggregate principal amount of the Obligations of the series affected thereby which are Outstanding under the Master Indenture at the time of the execution of such Supplemental Master Indenture or amendment to the Mortgage, shall have the right, from time to time, anything contained in the Master Indenture or in the Mortgage to the contrary notwithstanding, to consent to and approve the execution by the Members and the Master Trustee of such Supplemental Master Indentures as shall be deemed necessary and desirable by the Members for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Master Indenture; provided, however, that nothing contained in the Master Indenture shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of or reduction in the rate or extension of the time of paying of interest on or reduction of any premium payable on the redemption of, any Obligation, without the consent of the holder of such Obligation, (b) a reduction in the aforesaid aggregate principal amount of Obligations the holders of which are required to consent to any such Supplemental Master Indenture or amendment to the Mortgage or any such amending or supplementing instruments, without the consent of the holders of all the Obligations at the time Outstanding which would be affected by the action to be taken, (c) modification of the rights, duties or immunities of the Master Trustee, without the written consent of the Master Trustee or (d) permit the creation of any Lien ranking prior to the lien of the Master Indenture with respect to any of the Trust Estate or terminate the lien of the Master Indenture or the Mortgage on any Property at any time subject to the Master Indenture or Mortgage (other than as may otherwise be provided in the Master Indenture or the Mortgage); provided further that no such modification shall be made if it materially adversely affects the provisions of the Master Indenture concerning the conditions precedent to a Person becoming a Member, the conditions precedent to cessation of status as a Member, the maintenance of the Obligated Group's Property free and clear of Liens other than Permitted Encumbrances, the definition of Permitted Encumbrances or

transactions with or transfers to Members and other entities without the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Obligations of each series affected thereby.

If at any time the Obligated Group Agent shall request the Master Trustee to enter into any such Supplemental Master Indenture for any of the purposes of the provisions under this heading, the Master Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Master Indenture to be mailed by first class mail postage prepaid to each holder of an Obligation or, in case less than all of the series of Obligations are affected thereby, of an Obligation of the series affected thereby. Such notice shall briefly set forth the nature of the proposed Supplemental Master Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Master Trustee for inspection by all Obligation Holders. The Master Trustee shall not, however, be subject to any liability to any Obligation Holder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such Supplemental Master Indenture when consented to and approved as provided under this heading. If the holders of not less than a majority in aggregate principal amount of the Obligations or the Obligations of each series affected thereby, as the case may be, which are Outstanding under the Master Indenture at the time of the execution of any such Supplemental Master Indenture shall have consented to and approved the execution thereof as provided in the Master Indenture, no holder of any Obligation shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or the Members from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Master Indenture as in the Master Indenture permitted and provided, the Master Indenture shall be and be deemed to be modified and amended in accordance therewith.

For the purpose of obtaining the foregoing consents, the determination of who is deemed the holder of an Obligation held by a Related Bond Trustee shall be made in the manner provided in the Master Indenture.

If any Supplemental Master Indenture is entered into pursuant to the provisions under this heading, the Master Trustee shall send notice of the execution thereof to any remarketing agents of Related Bonds. (*Section 702*)

Defeasance

If the Members shall pay or provide for the payment of the entire indebtedness on all Obligations (including, for the purposes of the Master Indenture, any Obligations owned by a Member) Outstanding in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations Outstanding, as and when the same become due and payable;

(b) by depositing with an escrow agent, which may be the Master Trustee, in trust, at or before maturity, moneys in an amount as the Master Trustee shall determine sufficient (which

determination may be based upon a report of a firm of independent certified public accountants) to pay or redeem (when redeemable) all Obligations Outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the written direction of the Obligated Group Agent in Escrow Obligations, in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations Outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the written direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations Outstanding; or

(d) by depositing with an escrow agent, which may be the Master Trustee, in trust, before maturity, Escrow Obligations in such amount as the Master Trustee shall determine (which determination may be based upon a report of a firm of independent certified public accountants) will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations Outstanding at or before their respective maturity dates;

and if the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group and, if any such Obligations are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then and in that case (but subject to the provisions of the Master Indenture) the Master Indenture and the estate and rights granted under the Master Indenture shall cease, determine, and become null and void, and thereupon the Master Trustee shall, upon Written Request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer's Certificate from the Obligated Group Agent and an opinion of Independent Counsel not objected to by the Master Trustee, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture and the lien thereof. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection with the Master Indenture. The foregoing notwithstanding, the liability of the Obligated Group in respect of the Obligations shall continue until paid in full, but the holders thereof shall thereafter be entitled to payment only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid.

Any moneys, funds, securities, or other property remaining on deposit under the Master Indenture (other than said Escrow Obligations or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture, forthwith be transferred, paid over and distributed to the Obligated Group.

The Obligated Group may at any time surrender to the Master Trustee for cancellation by it any Obligations previously authenticated and delivered which the Obligated Group may have acquired in any manner whatsoever, and such Obligations, upon such surrender and cancellation, shall be deemed to be paid and retired. (*Section 801*)

Provision of Payment of a Particular Series of Obligations or Portion Thereof

If the Obligated Group shall pay or provide for the payment of the entire indebtedness on all Obligations of a particular series or a portion of such a series (including, for the purpose under this heading, any such Obligations owned by a Member) in one of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Obligations of such series or portion thereof Outstanding, as and when the same shall become due and payable;

(b) by depositing with an escrow agent, which may be the Master Trustee, in trust, at or before maturity, moneys in an amount as the Master Trustee shall determine (which determination may be based upon a report of a firm of independent certified public accountants) sufficient to pay or redeem (when redeemable) all Obligations of such series or portion thereof Outstanding (including the payment of premium, if any, and interest payable on such Obligations to the maturity or redemption date), provided that such moneys, if invested, shall be invested at the written direction of the Obligated Group Agent in Escrow Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof Outstanding at or before their respective maturity dates; it being understood that the investment income on such Escrow Obligations may be used at the written direction of the Obligated Group Agent for any other purpose permitted by law;

(c) by delivering to the Master Trustee, for cancellation by it, all Obligations of such series or portion thereof Outstanding; or

(d) by depositing with an escrow agent, which may be the Master Trustee, in trust, Escrow Obligations in such amount as the Master Trustee shall determine (which determination may be based upon a report of a firm of independent certified public accountants) will, together with the income or increment to accrue thereon without consideration of any reinvestment thereof, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Obligations of such series or portion thereof at or before their respective maturity dates;

and if the Obligated Group shall also pay or cause to be paid all other sums payable under the Master Indenture by the Obligated Group with respect to such series of Obligations or portion thereof, and, if any such Obligations of such series or portion thereof are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee shall have been made for the giving of such notice, then in that case (but subject to the provisions of the Master Indenture) such Obligations shall cease to be entitled to any lien, benefit or security under the Master Indenture. The foregoing notwithstanding, the liability of the Obligated Group in respect of such Obligations shall continue but the holders thereof shall thereafter be entitled to

payment (to the exclusion of all other Obligation Holders) only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid. *(Section 802)*.

Conditions to Defeasance

Prior to any defeasance becoming effective as provided in the Master Indenture, there shall have been delivered to the Master Trustee (A) an Opinion of Bond Counsel to the effect that interest on any Obligation being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and (B) a verification from an independent certified public accountant or firm of independent certified public accountants (in each case reasonably satisfactory to the Master Trustee) to the effect that the moneys and/or Escrow Obligations are sufficient, without reinvestment, to pay the indebtedness of the Obligation to be defeased. *(Section 804)*.

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Summary of Certain Provisions of the Mortgage and Security Agreement

The following summarizes certain provisions of the Mortgage and Security Agreement.

Grant of Mortgage Lien

To secure payment of the principal sum of THIRTY-EIGHT MILLION FORTY THOUSAND AND 00/100 DOLLARS (\$38,040,000) in lawful money of the United States of America, the maximum principal amount which is or under any contingency may be secured by the Mortgage, to be paid according to the terms of the Series 2016 Obligation and the Master Indenture, with interest thereon to be computed at the per annum rate specified in the Series 2016 Obligation and the Master Indenture, together with redemption premium, if any, and any and all other sums which may from time to time become due and payable to the Mortgagee by reason of the exercise of any of its rights and remedies under the Master Indenture, as the case may be (such principal, interest, fees, expenses and other amounts being collectively referred to as the “**Payments**”), and to secure the payment and performance of all obligations of the Institution under the Series 2016 Obligation and the Master Indenture, and in consideration of Ten Dollars (\$10.00) in hand paid, receipt whereof is acknowledged by the Mortgage, Mortgagor does mortgage, grant, bargain, sell, assign, transfer, pledge, warrant and grant a security interest unto the Mortgagee, its successors and assigns, its interest in and to the following described property, property rights and proceeds thereof (collectively, the “**Mortgaged Property**”) whether now owned or held or hereafter acquired:

- A. The Land, as more particularly described in Exhibit A attached to the Mortgage;
- B. All buildings, structures and other improvements, now or hereafter erected on the Land (collectively, the “**Improvements**”);
- C. All of the right, title and interest of the Mortgagor in and to all streets, roads, pedestrian walkways, tunnels, vault areas and public places, opened or proposed, in front of, adjacent to or adjoining the Land, the Improvements or any part thereof and all air rights, development rights, parking areas, easements and rights of way, public or private, now or hereafter used in connection therewith (collectively, the “**Appurtenances**”);
- D. All of the right, title and interest of the Mortgagor in and to all plans, specifications, surveys, licenses, permits, contracts, building materials, supplies, equipment, fixtures and fittings of every kind or character which are acquired in whole or in part for the purpose of being used or useful in connection with the acquisition, renovation, use, operation and equipping of the Mortgaged Property, whether such materials, supplies, equipment, fixtures and fittings are now owned or hereafter acquired by the Institution whether now or hereafter actually located on or adjacent to the Land or not, and whether in storage or otherwise, wheresoever the same may be located, together with all additions thereto, substitutions therefor and replacements thereof and the proceeds thereof (collectively, the “**Building Materials**”);

E. All of the right, title and interest of the Mortgagor in and to all machinery, apparatus, equipment, fittings, fixtures and articles of personal property which are acquired in whole or in part for the purpose of being installed in, attached to or used in connection with the present or future use of the Land or the present or future operation or maintenance of the Improvements, whether such machinery, apparatus, equipment, fittings, fixtures and articles of personal property are now owned or hereafter acquired by the Institution, together with all additions thereto, substitutions therefor and replacements thereof and the proceeds thereof (collectively, the “**Equipment**”);

F. All of the right, title and interest of the Mortgagor in and to all awards heretofore made and hereafter to be made by reason of a taking or condemnation affecting the Land, the Improvements, the Appurtenances, the Building Materials, the Equipment or any part thereof appurtenant thereto by competent authority as a result of the exercise of the power of eminent domain, including, but not limited to, any awards or payments for use and occupation or for change of grade of streets (collectively, the “**Condemnation Awards**”);

G. All of the right, title and interest of the Mortgagor in and to all insurance proceeds heretofore paid and hereafter to be paid by reason of any loss or damage to the Improvements, the Building Materials, the Equipment or any part thereof by fire, flood or other casualty (collectively, the “**Casualty Insurance Proceeds**”); and

H. All Leases, Lease Provisions and Rents (each as defined in the Mortgage);

all of which rights, titles, interests and estates, together with all other incidents of ownership therein and all further and additional rights, titles, interests and estates which the Mortgagor may hereafter acquire therein, are intended to be covered by the lien of the Mortgage and/or the security interest created by the Mortgage.

Events of Default

The occurrence and continuance of any one or more of the following events shall constitute an “Event of Default” under the Mortgage:

(a) the Institution shall fail to pay the principal of, redemption premium, if any, interest on or any other debt charges in respect of the Series 2016 Obligation when the same shall become due, whether on an interest payment date, upon redemption, at maturity, upon acceleration, or otherwise; or

(b) the Institution shall fail to pay any amount due and owing under the terms of the Master Indenture; or

(c) the Institution shall fail to observe or perform any covenant, condition or agreement on its part to be performed under the Mortgage; or

(d) the occurrence and continuation of an Event of Default under the Master Indenture; or

(e) any “Event of Default” occurs and is continuing under any of the other Bond Documents; or

(f) if the Institution shall release or sell any Mortgaged Property without the Master Trustee’s prior written consent under the Master Indenture (other than as permitted by the terms of the Master Indenture), which consent may be given or withheld in Mortgagee’s reasonable discretion.

Rights and Remedies Upon Default

Upon the occurrence of any Event of Default and during its continuance under the Mortgage, the Mortgagee may exercise any one or more of the following rights and remedies:

(a) Right to Cure Default. The Mortgagee shall have the right, but not the obligation, to comply with, perform or observe any covenant or obligation which Mortgagor has failed to comply with, perform or observe under any of the Bond Documents and shall have the right to enter the Mortgaged Property at any time and from time to time for the purpose of curing such default, and any amounts so paid by the Mortgagee or the costs of such performance, together with all costs and expenses incurred by the Mortgagee in connection with such payment or performance, including, but not limited to, reasonable and actual attorneys’ fees and disbursements and interest on all such amounts, costs and expenses at the per annum rate of ten percent (10%), but in no event in excess of the maximum interest rate permitted by law, shall be paid by the Mortgagor to the Mortgagee on demand. Until so paid, all such amounts, costs and expenses, together with interest thereon, shall be secured by the Mortgage and, if not paid, may be added to the judgment in any foreclosure action.

(b) Right to Accelerate Bonds. The Mortgagee may declare the entire unpaid principal amount, accrued interest and any other fees and expenses evidenced by the Series 2016 Obligation and secured by the Mortgage to be due and payable, in which event said amount shall immediately become due and payable.

(c) Right to Foreclose Mortgage. The Mortgagee may foreclose the Mortgage and sell, if permitted by law, or petition to be sold, the Mortgaged Property in one or more parcels or in several interests or portions in such manner as a court of competent jurisdiction may direct. If permitted by law, the Mortgagee may foreclose the Mortgage for any portion of the indebtedness or any other sums secured by the Mortgage which are then due and payable, subject to the continuing lien of the Mortgage for the balance of the indebtedness not then due. If any real property transfer tax shall be due and payable upon the conveyance of the Mortgaged Property or any portion thereof pursuant to a judicial sale in any foreclosure action or by deed in lieu of foreclosure, the Mortgagor shall pay the same. In the event that the Mortgagor fails to pay any such tax within ten (10) days after notice and demand for payment is given by the Mortgagee, the Mortgagee may pay the same, and any amount thereof so paid by the Mortgagee, together with all costs and expenses incurred by the Mortgagee in connection with such payment, including, but not limited to, reasonable and actual legal fees and disbursements, and interest on all such

amounts, costs and expenses at the per annum rate of ten percent (10%), but in no event in excess of the maximum interest rate permitted by law, shall be paid by the Mortgagor to the Mortgagee on demand. The Mortgagee shall apply all proceeds of a foreclosure first, to all reasonable costs and expenses, including legal fees and expenses and costs incurred in connection with the foreclosure of the Mortgage, second, to the payment of all outstanding taxes and special assessments, third, to the payment of the indebtedness secured under the Mortgage, and fourth, any balance to the Institution or as otherwise required by law. Until so paid, all such amounts, costs and expenses, together with interest thereon, shall be secured by the Mortgage and, if not paid, may be added to the judgment in any foreclosure action.

(d) Right to Appointment of Receiver. The Mortgagee shall be entitled, without notice, without regard to the adequacy of any security for the indebtedness secured by the Mortgage and without regard to the solvency of the Mortgagor, by any application of the Mortgage which application may be made on an ex-parte basis to have a receiver, trustee, liquidator or conservator appointed with all the rights and powers permitted under the laws of the State. Such receiver shall have and may enforce all of the rights and remedies of the Mortgagee under subsection (c) under this heading to the maximum extent permitted by law.

(e) Right to Sell Mortgaged Property. The Mortgagee shall have the right to sell for cash or upon credit the Mortgaged Property or any part thereof and all estate, claim, demand, right, title and interest of Mortgagor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entirety or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law.

(f) Right to Institute an Action, Suit or Proceeding. The Mortgagee shall have the right to institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained in the Mortgage, in the Series 2016 Obligation, the Master Indenture or in the other Bond Documents.

(g) Right to Recover on Series 2016 Obligation. The Mortgagee shall have the right to recover judgment on the Series 2016 Obligation either before, during or after any proceedings for the enforcement of the Mortgage or the other Bond Documents.

(h) Rights under the Uniform Commercial Code. The Mortgagee shall have the right to exercise any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing: (i) the right to take possession of the Building Materials and the Equipment, or any part thereof, and to take such other measures as Mortgagee may deem reasonably necessary for the care, protection and preservation of the Building Materials and Equipment, and (ii) reasonably request Mortgagor at its expense to assemble the Building Materials and Equipment and make it available to Mortgagee at a convenient place acceptable to Mortgagee. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Building Materials and Equipment sent to Mortgagor in accordance with the provisions of the Mortgage at least five (5) business days prior to such action, shall constitute commercially reasonable notice to Mortgagor.

(i) Right to Apply Sums in Accordance with Bond Documents. The Mortgagee shall have the right to apply any sums then deposited or held in escrow or otherwise by or on behalf of

Mortgagee in accordance with the terms of the Series 2016 Obligation, the Mortgage, the Master Indenture or any other Bond Document to the payment of the following items in any order in its uncontrolled discretion: real estate taxes; insurance premiums; interest on the unpaid principal balance of the Series 2016 Obligation; unpaid principal balance of the Series 2016 Obligation; and all other sums payable pursuant to the Series 2016 Obligation, the Master Indenture, the Mortgage and the other Bond Documents, including, without limitation, advances made by Mortgagee pursuant to the terms of the Mortgage.

In the event of a sale, by foreclosure, power of sale or otherwise, of less than all of Mortgaged Property, the Mortgage shall continue as a lien and security interest on the remaining portion of the Mortgaged Property unimpaired and without loss of priority.

Rights and Remedies Under Mortgage not Exclusive

The rights and remedies of the Mortgagee under the Mortgage shall be in addition to its rights and remedies under the laws of the State, including, but not limited to, its rights and remedies under Section 254 of the Real Property Law of the State. Nothing contained in the Mortgage shall be construed as requiring the Mortgagee to pursue any particular right or remedy for the purpose of procuring the satisfaction of the obligations and indebtedness secured by the Mortgage, and the Mortgagee may exercise any or all of its rights and remedies under the Bond Documents or otherwise provided by law in its sole discretion. No failure of the Mortgagee to insist upon the strict performance by the Mortgagor of any of its covenants or obligations under the Bond Documents, and no delay by the Mortgagee in exercising any of its rights or remedies thereunder or otherwise provided by law, shall be deemed to be a waiver of such covenants or obligations or to preclude the exercise of such rights or remedies, and the Mortgagee, notwithstanding any such failure or delay, shall have the right thereafter to insist upon the strict performance by the Mortgagor of any and all of its covenants and obligations under the Bond Documents and to exercise any and all of its rights and remedies thereunder or otherwise provided by law.

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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December 14, 2016

Town of Brookhaven Local Development Corporation
Farmingville, New York

U.S. Bank National Association, as Trustee
New York, New York

B.C. Ziegler and Company, as Underwriter
New York, New York

Re: \$38,040,000 Town of Brookhaven Local Development Corporation
Revenue Refunding Bonds, Series 2016
(Active Retirement Community, Inc. d/b/a Jefferson's Ferry Project)

Ladies and Gentlemen:

We have acted as bond counsel to the Town of Brookhaven Local Development Corporation (Town of Brookhaven, New York) (the "**Issuer**"), in connection with the issuance on the date hereof by the Issuer of its \$38,040,000 Revenue Refunding Bonds, Series 2016 (Active Retirement Community, Inc. d/b/a Jefferson's Ferry Project) (the "**Series 2016 Bonds**"). The Series 2016 Bonds are authorized to be issued pursuant to:

- (i) Section 1411 of the New York Not-for-Profit Corporation Law (the "**Act**"),
- (ii) the Bond Resolution duly adopted by the Issuer on September 21, 2016 (the "**Resolution**"), and
- (iii) the Indenture of Trust, dated as of December 1, 2016 (the "**Indenture**"), by and between the Issuer and U.S. Bank National Association, as trustee for the benefit of the Owners of the Series 2016 Bonds (the "**Trustee**"). The Series 2016 Bonds were issued to finance or refinance the costs of acquisition, construction, renovating and equipping of a continuing care retirement community (as more particularly described in the Indenture, the "**Project**").

The Issuer will loan the proceeds of the Series 2016 Bonds to Active Retirement Community, Inc., doing business as Jefferson's Ferry, a duly organized and validly existing New York not-for-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"), which is exempt from federal income taxation

Town of Brookhaven Local Development Corporation
U.S. Bank National Association, as Trustee
B.C. Ziegler and Company, as Underwriter
December 14, 2016
Page 2

pursuant to Section 501(a) of the Code (the “**Institution**”), pursuant to the terms of a Loan Agreement, dated as of December 1, 2016 (the “**Loan Agreement**”), between the Issuer and the Institution. The Issuer has assigned to the Trustee as security for the Series 2016 Bonds, for the benefit of the Owners of the Series 2016 Bonds, substantially all of its rights under the Loan Agreement pursuant to the Indenture. The Issuer and the Institution have entered into a Tax Regulatory Agreement, dated the date hereof (the “**Tax Regulatory Agreement**”), in which the Issuer and the Institution have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Code. B.C. Ziegler and Company (the “**Underwriter**”) has agreed to purchase the Series 2016 Bonds pursuant to the terms of a Bond Purchase Agreement, dated November 29, 2016 (the “**Bond Purchase Agreement**”), among the Issuer, the Underwriter and the Institution.

The Institution has agreed to secure the payment obligations of the Institution under the Loan Agreement and the Series 2016 Bonds by the issuance of the Institution’s Obligation No. 1, dated December 14, 2016 (the “**Series 2016 Obligation**”), pursuant to the terms of the Master Trust Indenture, dated as of December 1, 2016 (the “**Master Trust Indenture**”), by and between the Institution and the other parties thereto from time to time (collectively, the “**Obligated Group Members**”) and U.S. Bank National Association, as master trustee (the “**Master Trustee**”), as such Master Trust Indenture may be amended and supplemented from time to time, including as amended and supplemented by the Supplemental Indenture for Obligation No. 1, dated as of December 1, 2016 (the “**Supplemental Indenture for Obligation No. 1**”; and, collectively with the Master Trust Indenture, the “**Master Indenture**”), which Series 2016 Obligation will be assigned by the Issuer to the Trustee pursuant to the Indenture as security for the Series 2016 Bonds.

The Series 2016 Obligation and all Obligations issued pursuant to the Master Indenture will be secured by (i) a Mortgage and Security Agreement, dated as of December 1, 2016 (the “**Mortgage**”) from the Institution to the Issuer, which Mortgage shall be assigned by the Issuer to the Master Trustee pursuant to an Assignment of Mortgage, dated December 14, 2016 (the “**Assignment**”), from the Issuer to the Master Trustee, and (ii) a pledge of Gross Revenues (as defined in the Master Indenture) of the Obligated Group Members under the Master Indenture.

The Series 2016 Bonds are dated December 14, 2016 (the “**Closing Date**”), and bear interest from the date thereof at the rate and pursuant to the respective terms of the Series 2016 Bonds. The Series 2016 Bonds are subject to prepayment or redemption prior to maturity, as a whole or in part, at such time or times, under such circumstances and in such manner as is set forth in the Series 2016 Bonds and the Indenture.

As bond counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents (including all documents constituting the Transcript of Proceedings with respect to the issuance of the Series 2016 Bonds) as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In

such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, without having conducted any independent investigation, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned in the Schedule of Definitions attached as Schedule A to the Indenture.

In rendering the opinions set forth below, we have relied upon, among other things, certain representations and covenants made by the parties in this transaction including: (i) the Institution in (a) the Bond Purchase Agreement, (b) the Tax Regulatory Agreement, (c) the Loan Agreement, (d) the Closing Certificate of the Institution, dated the date hereof, (e) the Bond Counsel Questionnaire submitted to us by the Institution, as amended and supplemented, (f) the Continuing Disclosure Agreement, dated as of December 14, 2016 (the “**Continuing Disclosure Agreement**”) between the Institution and the Trustee, and (g) the Official Statement, dated November 29, 2016 (the “**Official Statement**”), and (ii) the Issuer in (a) the Bond Purchase Agreement, (b) the Indenture, (c) the Tax Regulatory Agreement, (d) the Loan Agreement, and (e) the Closing Certificate of the Issuer, dated the date hereof. We call your attention to the fact that there are certain requirements with which the Issuer and the Institution must comply after the date of issuance of the Series 2016 Bonds in order for the interest on the Series 2016 Bonds to remain excluded from gross income for Federal income tax purposes. Copies of the aforementioned documents are included in the Transcript of Proceedings.

In addition, in rendering the opinions set forth below, we have relied upon the opinions of counsel to the Issuer, Annette Eaderesto, Esq., the Town Attorney for the Town of Brookhaven, Farmingville, New York; counsel to the Institution, Garfunkel Wild, P.C., Great Neck, New York; and counsel to the Trustee, Hinckley, Allen & Snyder LLP, New York, New York, all of even date herewith. Copies of the aforementioned opinions are contained in the Transcript of Proceedings.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Issuer is a duly organized and existing corporate entity constituting a local development corporation of the State of New York.
2. The Issuer is duly authorized to issue, execute, sell and deliver the Series 2016 Bonds, for the purpose of paying the costs of the Project described above.
3. The Resolution has been duly adopted by the Issuer and is in full force and effect.
4. The Bond Purchase Agreement, the Indenture, the Tax Regulatory Agreement, the Assignment and the Loan Agreement have been duly authorized, executed and delivered by the

Issuer and assuming the due authorization, execution and delivery thereof by the other parties thereto, are legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms.

5. The Series 2016 Bonds have been duly authorized, executed and delivered by the Issuer and are legal, valid and binding special obligations of the Issuer payable solely from the revenues derived from the Loan Agreement, enforceable against the Issuer in accordance with their respective terms.

6. The Series 2016 Bonds do not constitute a debt of the State of New York or of the Town of Brookhaven, New York, and neither the State of New York nor the Town of Brookhaven, New York, will be liable thereon.

7. The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Series 2016 Bonds. Pursuant to the Indenture, the Loan Agreement and the Tax Regulatory Agreement, the Issuer and the Institution have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer and the Institution have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Regulatory Agreement. We are also relying on the opinion of counsel to the Institution, Garfunkel Wild, P.C., as to all matters concerning the status of the Institution as an organization described in Section 501(c)(3) of the Code and exempt from Federal income tax under Section 501(a) of the Code. We have not independently verified the accuracy of those certifications and representations or that opinion.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2016 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

8. Interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York), assuming compliance with the tax covenants and the accuracy of the representations and certifications described in paragraph 7 herein.

Except as stated in the paragraphs 7 and 8 above, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Series 2016 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

The foregoing opinions are qualified to the extent that the enforceability of the Series 2016 Bonds, the Bond Purchase Agreement, the Indenture, the Loan Agreement, the Assignment and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency or other laws or enactments now or hereafter enacted by the State of New York or the United States affecting the enforcement of creditors' rights and by restrictions on the availability of equitable remedies and to the extent, if any, that enforceability of the indemnification provisions of such documents may be limited under law. We express no opinion with respect to the availability of any specific remedy provided for in any of the bond documents.

In rendering the foregoing opinions, we are not passing upon and do not assume any responsibility for the accuracy, completeness, sufficiency or fairness of any documents, information or financial data supplied by the Issuer, the Institution or the Trustee in connection with the Series 2016 Bonds, the Bond Purchase Agreement, the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the Official Statement, the Continuing Disclosure Agreement or the Project and make no representation that we have independently verified the accuracy, completeness, sufficiency or fairness of any such documents, information or financial data. In addition, we express no opinion herein with respect to the accuracy, completeness, sufficiency or fairness of the Official Statement with respect to the Series 2016 Bonds.

We express no opinion herein with respect to the registration requirements under the Securities Act of 1933, as amended, the registration or qualification requirements under the Trust Indenture Act of 1939, as amended, the registration, qualification or other requirements of State Securities laws or the availability of exemptions therefrom.

We express no opinion as to the sufficiency of the description of the Facility contained in the Loan Agreement or the Mortgage or as to the adequacy, perfection or priority of any security interest in any collateral securing the Series 2016 Bonds.

Furthermore, we express no opinion as to the Continuing Disclosure Agreement. We express no opinion with respect to whether the Issuer and the Institution (i) have complied with the State Environmental Quality Review Act, (ii) have obtained any or all necessary governmental approvals, consents or permits, or (iii) have complied with the New York Labor Law or other applicable laws, rules, regulations, orders and zoning and building codes, all in connection with the renovation, construction, equipping, furnishing and operation of the Facility and the loan of the proceeds of the Series 2016 Bonds by the Issuer to the Institution for the Project.

Town of Brookhaven Local Development Corporation
U.S. Bank National Association, as Trustee
B.C. Ziegler and Company, as Underwriter
December 14, 2016
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The opinions expressed herein may be relied upon by the addressees and may not be relied upon by any other person without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of December 1, 2016 (this “Disclosure Agreement”) is executed and delivered by ACTIVE RETIREMENT COMMUNITY, INC. D/B/A JEFFERSON’S FERRY (the “Institution”) and U.S. BANK NATIONAL ASSOCIATION, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$38,040,000 Town of Brookhaven Local Development Corporation Revenue Refunding Bonds, Series 2016 (Active Retirement Community, Inc. d/b/a Jefferson’s Ferry Project) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2016 (the “Trust Indenture”), by and between Town of Brookhaven Local Development Corporation (the “Issuer”) and U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Trustee”), and the proceeds of the Bonds are being loaned by the Issuer to the Institution pursuant to a Loan Agreement, dated as of December 1, 2016 (the “Loan Agreement”), between the Issuer and the Institution. The Institution and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Institution and the Dissemination Agent for the benefit of the Bondowners and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Institution and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures. The Dissemination Agent, except as provided in Section 3, has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and shall have no liability to any person, including any Bondowner, with respect to any such reports, notices or disclosures except for its negligent failure to comply with its obligations under Section 3.

Section 2. Definitions. In addition to the definitions set forth in the Trust Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondowner” shall mean the registered owner of a Bond and any beneficial owner thereof, as established to the reasonable satisfaction of the Trustee or Institution.

“Dissemination Agent” shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by the Institution and which has filed with the Institution, the Trustee and the Issuer a written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. In the absence of a third-party Dissemination Agent, the Institution shall serve as the Dissemination Agent. Initially, the Trustee shall serve as the Dissemination Agent, and the Institution hereby so designates the Trustee and the Trustee hereby accepts such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB as contemplated by this Disclosure Agreement. Filing information relating to the MSRB is set forth in Exhibit B hereto.

“Quarterly Report” shall mean any Quarterly Report provided by the Institution pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of New York.

“Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Reports.

(a) The Dissemination Agent, not later than 150 days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2016 (the “Annual Report Filing Deadline”), shall submit to the MSRB the Institution’s Annual Report as provided to the Dissemination Agent by the Institution, which Annual Report the Institution agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than ten (10) days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Annual Report to the Dissemination Agent. If the audited financial statements of the Institution are not available for inclusion in the Institution’s Annual Report as of such fifteenth day prior to the Annual Report Filing Deadline, the Institution may instead provide unaudited financial statements to the Dissemination Agent, who shall in turn submit the Institution’s Annual Report containing the unaudited financial statements; provided, however, that the Institution shall provide the audited financial statements to the Dissemination Agent and the Trustee as soon as practicable after they become available and the Dissemination Agent shall submit the audited financial statements to the MSRB as soon as practicable thereafter. The Institution shall provide a copy of the Annual Report to the Issuer and the Trustee. Neither the Trustee nor the Dissemination Agent shall have any duty to review the financial statements for content and shall not be deemed to have knowledge of the contents thereof.

(b) The Dissemination Agent, not later than 45 days after the end of each fiscal quarter, commencing with the quarter ending December 31, 2016 (the “Quarterly Report Filing Deadline”) shall submit to the MSRB the Institution’s Quarterly Report as provided to the Dissemination Agent by the Institution, which Quarterly Report the Institution agrees shall be consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than ten (10) days prior to said date, the Institution (if it is not the Dissemination Agent) shall provide the Quarterly Report to the Dissemination Agent.

(c) In each case, the Annual Report and the Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, in each case, that the Institution shall provide clear written instructions to the Dissemination Agent as to the complete list of documents comprising each Annual Report and Quarterly Report.

(d) If the Trustee is not the Dissemination Agent and has not received the Annual Report or Quarterly Report as applicable, by the Annual Report Filing Deadline or the Quarterly Report Filing Deadline, as applicable, the Trustee shall send, and the Institution hereby authorizes and directs the Trustee to submit on its behalf, a notice to the MSRB in substantially the form attached as Exhibit A.

(e) If the Dissemination Agent has not provided the Annual Report or the Quarterly Report to the MSRB by the Annual Report Filing Deadline or the Quarterly Report Filing Deadline, as applicable, the Institution shall send, or cause the Dissemination Agent to send, a notice substantially in the form of Exhibit A irrespective of whether the Trustee submits such written notice.

(f) The Dissemination Agent shall submit to the MSRB any debt service schedule provided to the Dissemination Agent by the Institution to the extent that the Institution enters into additional indebtedness.

The Institution shall provide the Dissemination Agent with such debt service schedule within ten (10) days of incurring such additional indebtedness.

(g) The Dissemination Agent shall submit to the MSRB any actuarial study for the Institution prepared according to state regulatory requirements. The Institution shall provide the Dissemination Agent with such actuarial study within thirty (30) days of receipt of such actuarial study.

Section 4. Content of Annual and Quarterly Reports.

(a) The Institution's Annual Report shall contain or incorporate by reference audited financial statements for the most recent fiscal year, and financial information and operating data as set forth below:

1. *Audited Financials – Accountant* – A copy of the Institution's annual audited financial statements prepared by a firm of independent certified accountants in accordance with State law, together with a copy of the accompanying audit report; provided however, that such annual audited financial statements may be submitted separately from the balance of the Annual Report and that, if such audited financial statements are not available within 150 days of the end of the fiscal year of the Institution, unaudited financial statements will be provided, and audited financial statements will subsequently be submitted when they become available; and
2. Calculations of the Institution's debt service coverage ratio and liquidity covenant (in accordance with the provisions of the Master Trust Indenture, dated as of December 1, 2016 (the "Master Indenture"), by and between the Institution and U.S. Bank National Association, as master trustee (the "Master Trustee"), and notwithstanding whether or not such calculations are required under the terms of the Master Indenture; provided, that if such calculations are not required under the Master Indenture, such calculations are being provided for informational purposes only).

(b) The Institution's Quarterly Report shall contain or incorporate by reference financial information and operating data as set forth below:

1. Unaudited quarterly financial reports of the Institution which shall include an income statement, a statement of cash flows and a balance sheet and in the income statement, a comparison to budget;
2. Information detailing the occupancy of the Facility for the quarterly period covered by the quarterly financial report and showing occupancy by level of care;
3. Calculations of the Institution's debt service coverage ratio and liquidity covenant (in accordance with the provisions of the Master Indenture and notwithstanding whether or not such calculations are required under the terms of the Master Indenture; provided, that if such calculations are not required under the Master Indenture, such calculations are being provided for informational purposes only); and
4. The payor mix for the skilled nursing facility.

The financial statements and information provided pursuant to Sections 3 and 4(a) of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. The Quarterly Report provided pursuant to Section 4(b) of this Disclosure Agreement shall be prepared by the management of the Institution. The Construction Report shall only be

provided upon any future construction with respect to the Facility and for the duration of such construction, and only to the extent such Construction Reports are actually received by the Institution. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Institution is an “obligated person” covered by the Rule, which (i) are available to the public on the MSRB Internet website or (ii) have been filed with the Securities and Exchange Commission. The Institution shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondowners, if material;
8. Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;
14. The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into an agreement to take such an action or termination of an agreement to undertake any such action, other than pursuant to its terms, if material; and
15. Appointment of a successor or an additional trustee or change in the name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Institution shall, in a timely manner not to exceed ten (10) Business Days, direct the Dissemination Agent to file a notice of such occurrence with the MSRB. The Institution shall provide a copy of each such notice to the Issuer and the Trustee. The Dissemination Agent, if other than the Institution, shall have no duty to file a notice of an event described hereunder unless it is directed in writing to do so by the Institution, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

Section 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Institution's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the Dissemination Agent of an opinion of counsel experienced in federal securities laws selected by the Institution and acceptable to the Dissemination Agent to the effect that compliance with this Disclosure Agreement no longer is required by the Rule. If the Institution's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the original Institution shall have no further responsibility hereunder.

Section 8. Dissemination Agent. The Institution may, from time to time with notice to the Trustee and the Issuer, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may, with notice to the Trustee and the Issuer, discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Institution) may resign upon thirty (30) days written notice to the Institution, the Trustee and the Issuer.

Section 9. Amendment Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Institution and the Dissemination Agent may amend this Disclosure Agreement (and, except as provided in the last sentence of this Section 9, the Dissemination Agent shall agree to any amendment so requested by the Institution) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel experienced in federal securities laws acceptable to both the Institution and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, the Institution and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Institution or of the type of business conducted by the Institution, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (c) (i) the Dissemination Agent determines, or the Dissemination Agent receives an opinion of counsel experienced in federal securities laws and acceptable to the Dissemination Agent to the effect that, the amendment does not materially impair the interests of the holders of the Bonds or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Trust Indenture which requires the consent of the holders of the Bonds, and (d) the Dissemination Agent shall have delivered, within one business day after receipt, of copies of such opinion(s) and amendment to the MSRB through the EMMA system and to the Issuer. The annual and quarterly financial information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Neither the Trustee nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Institution from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Institution chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Institution shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Institution or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of registered owners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Institution or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Institution or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Institution) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Institution agrees to indemnify and save the Dissemination Agent (if other than the Institution), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Institution under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Institution covenants that whenever it is serving as Dissemination Agent, it shall take any action required of the Dissemination Agent under this Disclosure Agreement.

The Trustee shall have no obligation under this Disclosure Agreement to report any information to the MSRB or to any Bondowner. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 5 hereunder, whether or not such event is material, the Trustee shall timely notify the Institution of such occurrence; provided, however, that any failure by the Trustee to give such notice to the Institution shall not affect the Institution's obligations under this Disclosure Agreement or give rise to any liability by the Trustee for such failure.

The only remedy for any breach of duty hereunder is specific performance.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Institution, the Trustee, the Dissemination Agent, the Underwriter and the Bondowners, and shall create no rights in any other person or entity.

Section 14. Disclaimer. No Annual Report or Quarterly Report or notice of a Listed Event filed by or on behalf of the Institution under this Disclosure Agreement shall obligate the Institution to file any information regarding matters other than those specifically described in Section 4 and Section 5 hereof, nor shall any such filing constitute a representation by the Institution or raise any inference that no other material events have occurred with respect to the Institution or the Bonds or that all material information regarding the

Institution or the Bonds has been disclosed. The Institution shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Section 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date set forth above.

ACTIVE RETIREMENT COMMUNITY, INC.

D/B/A JEFFERSON'S FERRY

By: _____
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION, as Dissemination
Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Authority: TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION

Name of Bond Issue: \$38,040,000 TOWN OF BROOKHAVEN LOCAL DEVELOPMENT CORPORATION REVENUE REFUNDING BONDS, SERIES 2016 (ACTIVE RETIREMENT COMMUNITY, INC. D/B/A JEFFERSON'S FERRY PROJECT)

Name of Obligated Person: ACTIVE RETIREMENT COMMUNITY, INC. D/B/A JEFFERSON'S FERRY

Date of Issuance: December 14, 2016

NOTICE IFS HEREBY GIVEN that Active Retirement Community, Inc. d/b/a Jefferson's Ferry (the "Institution") has not provided [an Annual][a Quarterly] Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of December 1, 2016 between the Institution and U.S. Bank National Association, as trustee (the "Trustee").

Dated: _____

U.S. BANK NATIONAL ASSOCIATION, as Trustee
on behalf of ACTIVE RETIREMENT COMMUNITY, INC.
D/B/A JEFFERSON'S FERRY

cc: Active Retirement Community, Inc. d/b/a Jefferson's Ferry

EXHIBIT B

FILING INFORMATION FOR THE MSRB

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board
<http://emma.msrb.org/>

JEFFERSON'S
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