

NEW ISSUES/BOOK-ENTRY**RATING: Fitch: “BBB”**

*In the opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986 (the “Code”), as amended, (1) the interest on the Series 2021 Bonds is excludable from gross income for federal income tax purposes, (2) is not an item of tax preference for purposes of the federal alternative minimum tax, and (3) the Series 2021 Bonds have not been designated “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. Interest on the Series 2021A Bonds and Series 2021B Bonds is not excluded from income for State of Iowa income tax purposes. Interest on the Series 2021C Bonds is exempt from State of Florida taxes except estate taxes and taxes imposed by Chapter 220, Florida Statutes, as amended, with respect to interest, income or profits on obligations owned by corporations. See “**TAX MATTERS.**”*

LIFESPAC E
COMMUNITIES®

\$120,365,000
REVENUE BONDS
consisting of

\$73,650,000
IOWA FINANCE AUTHORITY
REVENUE BONDS
(LIFESPAC COMMUNITIES, INC.),
SERIES 2021A

\$30,000,000
IOWA FINANCE AUTHORITY
REVENUE BONDS
(LIFESPAC COMMUNITIES, INC.),
SERIES 2021B

\$16,715,000
PALM BEACH COUNTY HEALTH
FACILITIES AUTHORITY
REVENUE BONDS
(LIFESPAC COMMUNITIES, INC.),
SERIES 2021C

Dates, Interest Rates, Prices, Yields and CUSIPs are Shown on the Inside of the Front Cover

The Iowa Finance Authority (the “Iowa Authority”) is issuing its \$73,650,000 Revenue Bonds (Lifespac Communities, Inc.), Series 2021A (the “Series 2021A Bonds”) and its \$30,000,000 Revenue Bonds (Lifespac Communities, Inc.), Series 2021B (the “Series 2021B Bonds”) and the Palm Beach County Health Facilities Authority (the “Florida Authority”) is issuing its \$16,715,000 Revenue Bonds (Lifespac Communities, Inc.), Series 2021C (the “Series 2021C Bonds” and, together with the Series 2021A Bonds and the Series 2021B Bonds, the “Series 2021 Bonds”) the proceeds of which will be loaned to Lifespac Communities, Inc. (the “Corporation”) pursuant to three separate Loan Agreements (as described herein) and applied as described under the captions “**PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS.**” As described more fully herein, the Series 2021 Bonds will be issued and secured under the terms of three separate Bond Trust Indentures (collectively, the “Bond Indentures”). Except as described in this Official Statement, the Series 2021 Bonds will be payable solely from and secured by a pledge of payments to be made under the related Loan Agreement and the related Series 2021 Master Note (as described herein) issued by the Corporation under that certain Master Trust Indenture (as amended and supplemented from time to time, the “Master Indenture”) between the Corporation and U.S. Bank National Association, as master trustee (the “Master Trustee”). The sources of payment of, and security for, the Series 2021 Bonds are more fully described in this Official Statement.

The Series 2021 Bonds, when issued, will be registered initially only in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). As long as Cede & Co. is the registered owner as nominee of DTC, payments on the Series 2021 Bonds will be made to such registered owner, and disbursement of such payments will be the responsibility of DTC and its participants. See “**BOOK-ENTRY ONLY SYSTEM.**”

An investment in the Series 2021 Bonds involves a certain degree of risk related to the nature of the business of the Corporation, the regulatory environment, and the provisions of the principal documents. Prospective Bondowners are advised to read “**SECURITY FOR SERIES 2021 BONDS,**” “**SECURITY FOR THE MASTER NOTES,**” “**REGULATORY ENVIRONMENT**” and “**RISK FACTORS**” herein for a description of the security for the Series 2021 Bonds and for a discussion of certain risk factors which should be considered in connection with an investment in the Series 2021 Bonds. See “**INTRODUCTION – Recent Developments**” for a summary of recent developments relating to the Corporation and certain of its affiliates.

THE SERIES 2021 BONDS WILL BE SUBJECT TO OPTIONAL, MANDATORY AND EXTRAORDINARY OPTIONAL REDEMPTION AND MANDATORY TENDER, AS MORE FULLY DESCRIBED HEREIN.

The Series 2021 Bonds are special, limited obligations of the related Authority payable solely from the proceeds of such Series 2021 Bonds, the revenues pledged to the payment thereof pursuant to the related Loan Agreement, and the funds and accounts held in the related Bond Indenture. None of the Florida Authority, the State of Florida, or any political subdivision thereof, the Iowa Authority nor the State of Iowa, or any political subdivision thereof, shall be obligated to pay the principal of, purchase price for or interest on any Series 2021 Bonds except from said revenues, as appropriate, and neither the faith and credit nor any taxing powers of either Authority, the State of Florida, or any political subdivision thereof, nor the State of Iowa, or any political subdivision thereof, is pledged to the payment of the principal of, purchase price for or interest on the Series 2021 Bonds. The Authorities have no taxing power.

The Series 2021 Bonds are being offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality of the Series 2021 Bonds by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters will be passed upon for the Iowa Authority by its special counsel, Dorsey & Whitney LLP, Des Moines, Iowa; for the Florida Authority by its counsel Nason, Yeager, Gerson, Harris & Fumero, P.A., Palm Beach Gardens, Florida; for the Underwriters by their counsel, Katten Muchin Rosenman LLP, Chicago, Illinois; and for the Obligated Group by its counsel, Dorsey & Whitney, LLP, Des Moines, Iowa. It is expected that the Series 2021 Bonds in definitive form will be available for delivery through The Depository Trust Company in New York, New York on or about August 31, 2021.



MATURITY SCHEDULES

\$73,650,000

IOWA FINANCE AUTHORITY REVENUE BONDS (LIFESPACE COMMUNITIES, INC.), SERIES 2021A

Dated: Date of Delivery

Due: May 15, as shown below

The Series 2021A Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2021A Bonds will be payable on each May 15 and November 15, commencing on November 15, 2021.

<u>Due May 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP[†] (Base 46247S)</u>
2023	\$200,000	4.00%	105.672	0.65%	BD5
2024	250,000	4.00	108.800	0.71	BE3
2025	1,975,000	4.00	111.504	0.84	BF0
2026	2,105,000	4.00	113.508	1.05	BG8
2027	2,240,000	4.00	115.454	1.19	BH6
2028	2,355,000	4.00	117.072	1.33	BJ2
2029	2,490,000	4.00	118.366	1.47	BK9
2030	1,260,000	4.00	117.755 ^C	1.62	BL7

\$31,785,000 4.00% Term Bond due May 15, 2046, Priced: 112.009%^C to yield 2.460%, CUSIP[†]: 46247SBM5

\$28,990,000 4.00% Term Bond due May 15, 2053, Priced: 111.611%^C to yield 2.520%, CUSIP[†]: 46247SBN3

\$30,000,000

IOWA FINANCE AUTHORITY REVENUE BONDS (LIFESPACE COMMUNITIES, INC.), SERIES 2021B

Dated: Date of Delivery

Price: 100%

Due: May 15, 2056

This Official Statement describes the Series 2021B Bonds only while the Series 2021B Bonds bear interest at an Index Rate based upon SOFR. Prospective purchasers of the Series 2021B Bonds should not rely on this Official Statement if the Series 2021B Bonds bear interest at a rate other than an Index Rate based upon SOFR. If the Corporation selects another Index for the Index Rate Mode or elects to convert the Series 2021B Bonds to the Term Rate Mode from the Index Rate Mode, another offering document or supplement to this Official Statement describing such Index or Mode will be prepared.

<u>Initial Index</u>	<u>Initial Applicable Percentage</u>	<u>Initial Applicable Spread</u>	<u>Initial Mandatory Tender Date</u>	<u>CUSIP[†]</u>
SOFR	70%	0.55%	May 15, 2026	46247SBP8

[†] CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”) which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only at the time of issuance of the Series 2021 Bonds and none of the Authority, the Corporation nor the Underwriters makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

^C Calculated to May 15, 2028 optional redemption date at a redemption price equal to 103% of par.

\$16,715,000
PALM BEACH COUNTY HEALTH FACILITIES AUTHORITY REVENUE BONDS
(LIFESPACE COMMUNITIES, INC.), SERIES 2021C

Dated: Date of Delivery

Due: May 15, as shown below

The Series 2021C Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2021C Bonds will be payable on each May 15 and November 15, commencing on November 15, 2021.

<u>Due May 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP[†] (Base 696507)</u>
2023	\$150,000	4.00%	105.672	0.65%	UX8
2024	320,000	4.00	108.800	0.71	UY6
2025	1,120,000	4.00	111.504	0.84	UZ3
2026	1,155,000	4.00	113.508	1.05	VA7
2027	1,240,000	4.00	115.454	1.19	VB5
2028	1,280,000	4.00	117.072	1.33	VC3
2029	1,440,000	4.00	118.366	1.47	VD1
2030	715,000	4.00	117.755 ^C	1.62	VE9

\$9,295,000 4.00% Term Bond due May 15, 2036, Priced: 114.636%^C to yield 2.070%, CUSIP[†]: 696507VF6

[†] CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”) which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only at the time of issuance of the Series 2021 Bonds and none of the Authority, the Corporation nor the Underwriters makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

^C Calculated to May 15, 2028 optional redemption date at a redemption price equal to 103% of par.

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Artist Renderings of Oak Trace Phase II Project



Lifespace Communities, Inc.
The Florida Communities



Village on the Green



The Waterford



Abbey Delray



Abbey Delray South



Harbour's Edge

Lifespace Communities, Inc.



Beacon Hill



Oak Trace



Claridge Court



Friendship Village of South Hills



Friendship Village of Bloomington



Querencia at Barton Creek

Obligated Group Communities

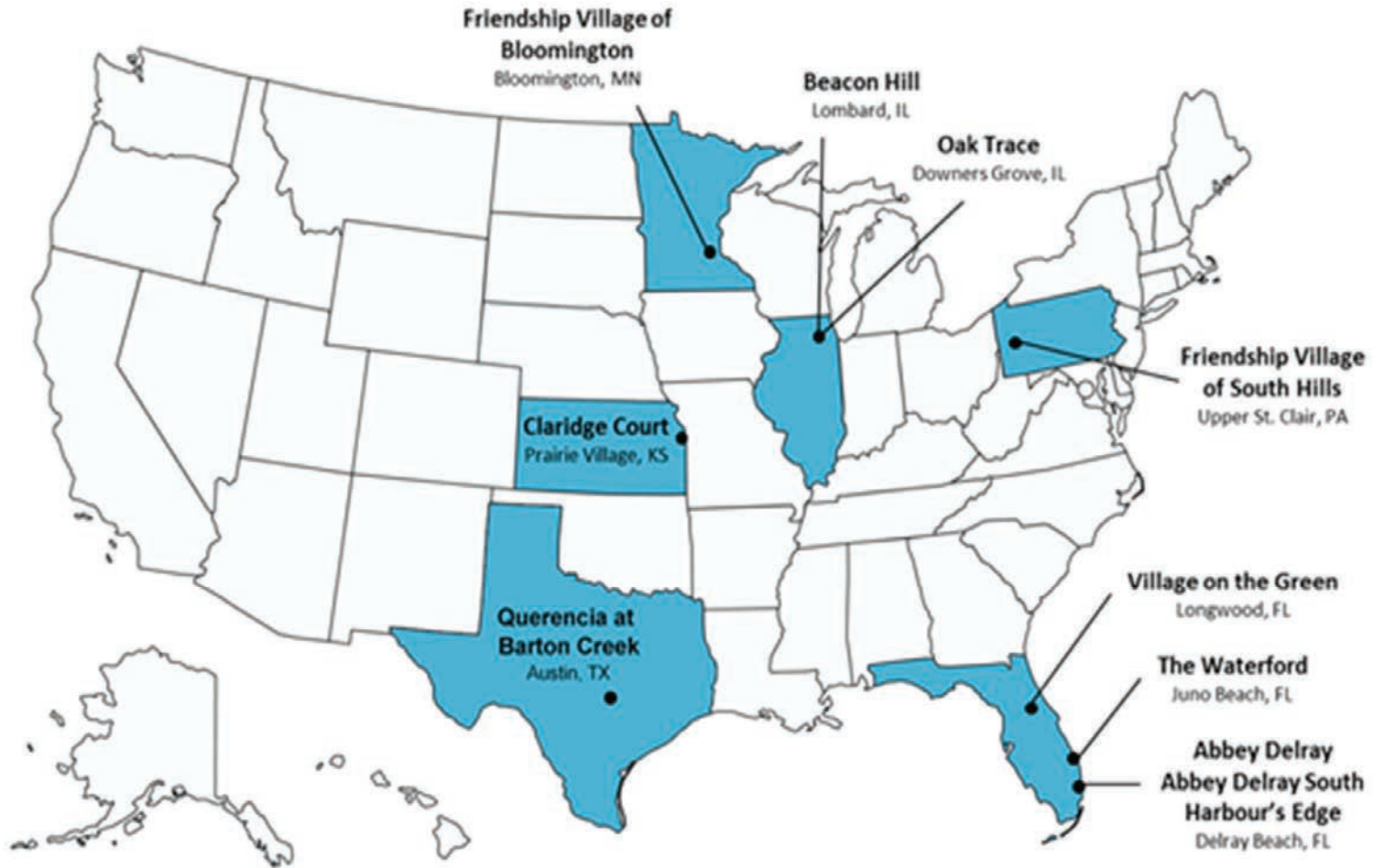


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REGARDING USE OF THIS OFFICIAL STATEMENT

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by either Authority, the Obligated Group or the Underwriters to give any information or to make any representations 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, and there shall not be any sale of the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein relating to the Florida Authority under the headings “**THE FLORIDA AUTHORITY**” and “**LITIGATION – The Florida Authority**” has been obtained from the Florida Authority. The information set forth herein relating to the Iowa Authority under the headings “**THE IOWA AUTHORITY**” and “**LITIGATION – The Iowa Authority**” has been obtained from the Iowa Authority. All other information herein has been obtained by the Underwriters from the Obligated Group, DTC and other sources deemed by the Obligated Group to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by either Authority or the Underwriters. Neither Authority has reviewed or approved any information in this Official Statement except information relating to such Authority under the headings “**THE FLORIDA AUTHORITY**,” “**LITIGATION – The Florida Authority**,” “**THE IOWA AUTHORITY**,” and “**LITIGATION – The Iowa Authority**,” as appropriate. The information herein is 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 either Authority or the Obligated Group since the date hereof.

THE SERIES 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURES AND THE MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2021 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2021 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2021 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING
STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in **APPENDIX A – “Lifespace Communities, Inc. Obligated Group”** herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS, INCLUDING THE RISKS DISCUSSED UNDER “**RISK FACTORS,**” WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE OBLIGATED GROUP DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

References to web site addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.

CUSIP numbers are included in this Official Statement for the convenience of the holders and potential holders of the Series 2021 Bonds. No assurance can be given that the CUSIP numbers will remain the same after the date of issuance and delivery of the Series 2021 Bonds.

OFFICIAL STATEMENT

\$120,365,000
REVENUE BONDS
consisting of

\$73,650,000
IOWA FINANCE AUTHORITY
REVENUE BONDS
(LIFESPACE COMMUNITIES, INC.),
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IOWA FINANCE AUTHORITY
REVENUE BONDS
(LIFESPACE COMMUNITIES, INC.),
SERIES 2021B

\$16,715,000
PALM BEACH COUNTY
REVENUE BONDS
(LIFESPACE COMMUNITIES, INC.),
SERIES 2021C

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the appendices, is to set forth certain information in connection with the offering by the Iowa Finance Authority (the “Iowa Authority”) of its \$73,650,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2021A (the “Series 2021A Bonds”) and its \$30,000,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2021B (the “Series 2021B Bonds”) and the Palm Beach County Health Facilities Authority (the “Florida Authority”) of its \$16,715,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2021C (the “Series 2021C Bonds”) and, together with the Series 2021A Bonds, the “Fixed Rate Series 2021 Bonds” and the Fixed Rate Series 2021 Bonds together with the Series 2021B Bonds, the “Series 2021 Bonds”). Certain capitalized terms used in this Official Statement and not otherwise defined herein are defined in **APPENDIX C**. The Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuers

The Iowa Authority is a public instrumentality and agency of the State of Iowa created and existing under Chapter 16 of the Code of Iowa (as amended, the “Iowa Act”) with authority to issue the Series 2021A Bonds and the Series 2021B Bonds. See “**THE IOWA AUTHORITY**” for more information about the Iowa Authority.

The Florida Authority is a body politic and corporate created by resolutions adopted by the Board of County Commissioners of Palm Beach County Florida on April 12 and 19, 1977 with authority to issue the Series 2021C Bonds pursuant to the provisions of the Health Facilities Authorities Law of the State of Florida, as amended, and the Florida Industrial Development Financing Act, as amended, Part I of Chapter 163, Florida Statutes and that certain Interlocal Agreement dated as of October 11, 2016 between the Florida Authority and Seminole County, Florida (collectively, the “Florida Act”).

The Series 2021 Bonds

The Series 2021A Bonds will be issued pursuant to the Iowa Act, a resolution of the Iowa Authority (the “Iowa Resolution”) and a Bond Trust Indenture (Series 2021A) dated as of August 1, 2021 (the “Series 2021A Bond Indenture”), by and between the Iowa Authority and U.S. Bank National Association, as bond trustee (the “Iowa Bond Trustee”). The proceeds of the Series 2021A Bonds will be loaned to Lifespace Communities, Inc. (the “Corporation”), an Iowa nonprofit corporation, pursuant to a Loan Agreement (Series 2021A) dated as of August 1, 2021 (the “Series 2021A Loan Agreement”), by and between the Corporation and the Iowa Authority.

The Series 2021B Bonds will be issued pursuant to the Iowa Act, the Iowa Resolution and a Bond Trust Indenture (Series 2021B) dated as of August 1, 2021 (the “Series 2021B Bond Indenture” and, together with the Series 2021A Bond Indenture, the “Iowa Bond Indentures”), by and between the Iowa Authority and the Iowa Bond Trustee. The proceeds of the Series 2021B Bonds will be loaned to the Corporation pursuant to a Loan Agreement (Series 2021B) dated as of August 1, 2021 (the “Series 2021B Loan Agreement” and, together with the Series 2021A Loan Agreement, the “Iowa Loan Agreements”), by and between the Corporation and the Iowa Authority.

The Series 2021B Bond Indenture permits the Corporation to select an Index Rate Mode or a Term Rate Mode for the Series 2021B Bonds, including an Index Rate Mode, based on the SIFMA Index or SOFR, as described herein. The Series 2021B Bonds will be issued in the Index Rate Mode and initially will bear interest at the Index Rate based on SOFR, as described herein. The Corporation may convert the Index from SOFR to the SIFMA Index or any other index which is chosen by the Corporation, approved by the Iowa Authority in consultation with the Remarketing Agent, and procedurally acceptable to the Calculation Agent, all as described in the Series 2021B Bond Indenture. **THIS OFFICIAL STATEMENT DESCRIBES THE SERIES 2021B BONDS ONLY WHILE THE SERIES 2021B BONDS BEAR INTEREST BASED ON SOFR.** The Series 2021B Bonds are subject to mandatory tender for purchase as described under “**THE SERIES 2021B BONDS – Mandatory Tender and Purchase of Series 2021B Bonds**” including upon any conversion of the Series 2021B Bonds from an Index Rate based on SOFR to the SIFMA Index.

The Series 2021C Bonds will be issued pursuant to the Florida Act, a resolution of the Florida Authority (the “Florida Resolution”) and a Bond Trust Indenture (Series 2021C), dated as of August 1, 2021 (the “Florida Bond Indenture” and, together with the Iowa Bond Indentures, the “Bond Indentures”), by and between the Florida Authority and U.S. Bank National Association, as bond trustee (the “Florida Bond Trustee” and, together with the Iowa Bond Trustee, the “Bond Trustee”). The proceeds of the Series 2021C Bonds will be loaned to the Corporation pursuant to a Loan Agreement (Series 2021C) dated as of August 1, 2021 (the “Florida Loan Agreement” and, together with the Iowa Loan Agreement, the “Loan Agreements”), by and between the Corporation and the Florida Authority.

The Series 2021D Bonds; Continuing Covenants Agreement

Concurrently with the issuance of the Series 2021 Bonds, Iowa Authority is issuing its \$55,000,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2021D (the “Series 2021D Bonds”) pursuant to the Iowa Resolution and a Bond Trust Indenture (Series 2021D) dated as of August 1, 2021 by and between the Iowa Authority and U.S. Bank National Association, as bond trustee (the “Series 2021D Bond Trustee”). The proceeds of the Series 2021D Bonds will be loaned to the Corporation pursuant to a Loan Agreement (Series 2021D) dated as of August 1, 2021 by and between the Corporation and the Iowa Authority. The Series 2021D Bonds will be sold to BMO Harris Bank N.A. (the “2021D Purchaser”) pursuant to a Continuing Covenants Agreement with respect to the Series 2021D Bonds (the “Continuing Covenants Agreement”) between the Corporation and the 2021D Purchaser, which sets forth certain covenants and agreements of the Corporation with the 2021D Purchaser. The Continuing Covenants Agreement provides for, among other things, certain representations, warranties, and covenants in addition to those contained in the Master Indenture (the “CCA Covenants”). The CCA Covenants will run solely to the benefit of the 2021D Purchaser and the CCA Covenants may be amended, modified or waived without the consent of the Series 2021 Bondowners. The Corporation’s obligations in connection with the Series 2021D Bonds and the Continuing Covenants Agreement will be secured by the Corporation’s Master Indenture Bond Note, Series 2021D-1 in the principal amount equal to the aggregate principal amount of the Series 2021D Bonds (the “Series 2021D Bond Master Note”) and the Corporation’s Master Indenture Bank Note, Series 2021D-2 (the “Series 2021D CCA Master Note”

and, together with the Series 2021D Bond Master Note, the “Series 2021D Master Notes”). It is possible that a default with respect to either such Master Note, including with respect to a breach of the CCA Covenants under the Continuing Covenants Agreement could lead to a default under the Master Indenture and an acceleration of all Outstanding Master Notes thereunder, including the Series 2021 Master Notes.

No offer of or solicitation of offers to purchase the Series 2021D Bonds is made by this Official Statement. The Series 2021D Bonds will be offered solely to the 2021D Purchaser.

Purpose of the Series 2021 Bonds

The Series 2021 Bonds. The Corporation will use the proceeds from the sale of the Series 2021 Bonds, together with other available funds (including the proceeds of the Series 2021D Bonds), to (i) pay or reimburse the Corporation for remodeling, renovating, improving and equipping certain of its continuing care retirement communities in Florida, Illinois, Kansas and Minnesota (the “Project”); (ii) refund the \$25,685,000 aggregate outstanding principal amount of Kansas Development Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2010S (the “Refunded Bonds”); (iii) provide for the payment of approximately 24 months of interest on a portion of the Series 2021 Bonds and (iv) pay costs associated with the issuance of the Series 2021 Bonds and the Series 2021D Bonds and refunding the Refunded Bonds. A more detailed description of the use of the proceeds from the sale of the Series 2021 Bonds is included under the captions “**PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS.**”

Security for the Series 2021 Bonds

Limited Obligations. The Series 2021A Bonds and the Series 2021B Bonds, any premium thereon and the interest thereon constitute special, limited obligations of the Iowa Authority and, except to such limited extent, do not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Iowa Authority, the State of Iowa or any political subdivision thereof, within the meaning of any constitutional or statutory limitation or provision. The Iowa Authority is obligated to pay the principal of, premium, if any, and interest on the Series 2021A Bonds and the Series 2021B Bonds and other costs incidental thereto only from the sources specified in the Iowa Bond Indentures. Neither the full faith and credit nor the taxing powers of the Iowa Authority, the State of Iowa or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the Series 2021A Bonds and the Series 2021B Bonds. No owner of any Series 2021 Bond shall have the right to compel the taxing power of the State of Iowa or any political subdivision thereof to pay the principal of, premium, if any, or interest on the Series 2021 Bonds. The Iowa Authority does not have the power to levy taxes for any purpose whatsoever. See “**SECURITY FOR THE SERIES 2021 BONDS**” herein.

The Series 2021C Bonds, any premium thereon and the interest thereon constitute special, limited obligations of the Florida Authority and, except to such limited extent, do not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Florida Authority, the State of Florida or any political subdivision thereof, within the meaning of any constitutional or statutory limitation or provision. The Florida Authority is obligated to pay the principal of, premium, if any, and interest on the Series 2021C Bonds and other costs incidental thereto only from the sources specified in the Florida Bond Indenture. Neither the full faith and credit nor the taxing powers of the Florida Authority, the State of Florida or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the Series 2021C Bonds. No owner of any Series 2021 Bond shall have the right to compel the taxing power of the State of Florida or any political subdivision thereof to pay the principal of, premium, if any, or interest on the Series 2021 Bonds. The Florida

Authority does not have the power to levy taxes for any purpose whatsoever. See “**SECURITY FOR THE SERIES 2021 BONDS**” herein.

Querencia. The Corporation acquired control of Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek, a Texas nonprofit corporation (“Querencia”) in May 2019 and intends to add Querencia to the Obligated Group (as defined below) concurrently with the issuance of the Series 2021 Bonds.

Simultaneously with Querencia joining the Obligated Group, the Corporation will become a member of the obligated group under the Master Trust Indenture, Deed of Trust and Security Agreement dated as of October 1, 2015 (as supplemented and amended, the “Querencia Master Indenture”) between Querencia and U.S. Bank National Association, as successor master trustee (the “Querencia Master Trustee”). Querencia is currently the sole member of the obligated group under the Querencia Master Indenture. There is currently one Obligation issued and outstanding under the Querencia Master Indenture, which evidences and secures the obligations of Querencia with respect to the Tarrant County Cultural Education Facilities Finance Corporation Retirement Facility Revenue Bonds (Barton Creek Senior Living Center, Inc. – Querencia Project), Series 2015 (the “Querencia 2015 Bonds”) in the original aggregate principal amount of \$50,690,000 and currently outstanding in the aggregate principal amount of \$44,690,000.

The Corporation will issue its Master Indenture Note, Series 2021E (the “Series 2021E Master Note”) to secure its obligation to make payments with respect to the Querencia 2015 Bonds and any other Obligations hereafter issued under and in accordance with the Querencia Master Indenture, which will constitute a “Guarantee” for purposes of the Master Indenture (as defined below). Querencia will issue its Barton Creek Senior Living Center, Inc. Series 2021 Note (the “Series 2021 Querencia Obligation”) under the Querencia Master Indenture to secure its obligation to make payments with respect to all Master Notes (as defined below) outstanding under the Master Indenture. The Series 2021 Querencia Obligation will constitute a “Guaranty” for purposes of the Querencia Master Indenture.

Additional information relating to Querencia is set forth in this Official Statement, including in **APPENDIX A** hereto, and is available at the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) page for the Querencia 2015 Bonds available at <https://emma.msrb.org/IssueView/Details/ES358972> as of the date of this Official Statement. The EMMA page is being provided for informational purposes only and the information contained on such page is not, and should not be construed to be, incorporated into this Official Statement.

The Master Indenture and the Master Notes. The Series 2021A Bonds are limited obligations of the Iowa Authority and will be secured by the Corporation’s Master Indenture Bond Note, Series 2021A in the principal amount equal to the aggregate principal amount of the Series 2021A Bonds (the “Series 2021A Master Note”). The Series 2021B Bonds are limited obligations of the Iowa Authority and will be secured by the Corporation’s Master Indenture Bond Note, Series 2021B in the principal amount equal to the aggregate principal amount of the Series 2021B Bonds (the “Series 2021B Master Note”). The Series 2021C Bonds are limited obligations of the Florida Authority and will be secured by the Corporation’s Master Indenture Bond Note, Series 2021C in the principal amount equal to the aggregate principal amount of the Series 2021C Bonds (the “Series 2021C Master Note” and, together with the Series 2021A Master Note, the Series 2021B Master Note, the Series 2021D Master Notes and the Series 2021E Master Note, the “Series 2021 Master Notes”). The Series 2021 Master Notes will be issued by the Corporation pursuant to that certain Master Trust Indenture dated as of November 1, 2010, by and between the Corporation and U.S. Bank National Association, as master trustee (the “Master Trustee”), as supplemented and amended to date including by that certain Supplemental Master Trust Indenture No. 11,

dated as of August 1, 2021 (as so supplemented and amended and as hereafter supplemented and amended in accordance with its terms, the “Master Indenture”) by and among the Corporation, Querencia and the Master Trustee. In reference to the Master Indenture, the Corporation and Querencia may each be referred to herein as a “Member” and, together with each other and any future Members, the “Obligated Group” or the “Obligated Group Members.”

Other than the Series 2021D CCA Master Note, which will be issued directly to the 2021D Purchaser, the applicable Authority will pledge and assign the respective Series 2021 Master Notes and certain of its rights under the related Loan Agreement to the related Bond Trustee as security for the related series of Series 2021 Bonds. The terms of each such Series 2021 Master Note will require payments by the Obligated Group that, together with other moneys available therefor (and interest earned thereon), will be sufficient to provide for the payment of the principal of and interest on the related Series 2021 Bonds.

Heretofore, pursuant to the Master Indenture, as of August 19, 2021, the Corporation had issued and had outstanding 15 Master Notes (the “Prior Master Notes”) with an aggregate principal amount of \$455,908,972 (\$25,000,000 of which relates to a line of credit). See “**THE OBLIGATED GROUP – Outstanding Master Notes**” below. On a *pro forma* basis, after giving effect to the issuance of the Series 2021 Master Notes, including the Series 2021E Master Note securing the Querencia 2015 Bonds, and the satisfaction and discharge of the Master Note securing the Refunded Bonds, the Corporation will have 20 Master Notes outstanding in the aggregate principal amount of \$650,278,972. In certain circumstances, the Obligated Group Members may issue additional Master Notes under the Master Indenture that may be equally and ratably secured with the Series 2021 Master Notes and the Prior Master Notes outstanding under the Master Indenture or that may be entitled to the benefit of security in addition to that securing the Master Notes outstanding under the Master Indenture, which security need not be extended to any other Master Notes. The Prior Master Notes, the Series 2021 Master Notes, and any additional Master Notes hereafter issued pursuant to the Master Indenture are collectively referred to as the “Master Notes.” See “**SECURITY FOR THE MASTER NOTES – Additional Debt**” below. As of the date hereof, the only Obligation outstanding under the Querencia Master Indenture is the Obligation securing the Querencia 2015 Bonds. Subject to the provisions thereof, Querencia may also issue additional Obligations under the Querencia Master Indenture, which would be guaranteed by the Corporation as a member of the obligated group under the Querencia Master Indenture and would be secured on a parity basis with the Master Notes under the Master Indenture and the Obligations under the Querencia Master Indenture.

Each Series 2021 Master Note (other than the Series 2021D CCA Master Note which will be issued directly to the 2021D Purchaser and the Series 2021E Master Note which will be issued to the Querencia master trustee to secure the obligations of the Corporation under the Querencia Master Indenture) will entitle the related Bond Trustee, as the holder thereof, to the protection of the covenants, restrictions and other obligations imposed upon the Obligated Group by the Master Indenture. The Master Notes are parity obligations and are secured equally and ratably under the Master Indenture by (i) a mortgage lien (or leasehold mortgage) on the Mortgaged Property described below and (ii) a security interest in the Unrestricted Receivables of the Obligated Group, subject in each case to Permitted Encumbrances, as defined in the Master Indenture. The Mortgaged Property includes 11 Communities (the “Communities”) owned or leased and operated by the Obligated Group. See “**SECURITY FOR THE MASTER NOTES – General**” and “**RISK FACTORS – The Mortgages**” below.

The Corporation has previously delivered to the Master Trustee mortgagee title insurance policies for the Mortgaged Property, in varying amounts by Community, in an aggregate amount equal to \$339,004,154. The Corporation will not increase the amount of coverage in connection with the issuance

of the Series 2021 Bonds. Further, there is no requirement that the amount of mortgagee title insurance be increased in the future. While Querencia has obtained title insurance on the Querencia campus in conjunction with the issuance of the Querencia 2015 Bonds, no additional title insurance will be obtained with respect to the Querencia campus in conjunction with Querencia joining the Obligated Group under the Master Indenture. See “**SECURITY FOR THE MASTER NOTES – General**” and “**RISK FACTORS – The Mortgages**” below.

Series 2021 Master Notes Not Master DSRF Secured Notes. The Series 2021 Master Notes are not being issued as Master DSRF Secured Notes (as defined under the Master Indenture) and, as such, will not be entitled to the security of the Master Reserve Fund.

Amendments to the Master Indenture. The purchasers of the Series 2021 Bonds, by their purchase, will be deemed to have consented to certain amendments to the Master Indenture described under the subheading “**SECURITY FOR THE MASTER NOTES – Amendments to the Master Indenture**” below. As described under such subheading, certain of the amendments will take effect upon receipt of the consent of a majority of the outstanding principal amount of the Master Notes at any given time and others will not take effect until receipt of the consent of all of the Master Notes outstanding at any given time.

Additional Master Notes and Additional Debt. The Master Indenture permits the Obligated Group Members to incur Additional Debt (including Guaranties) which may, but need not, be evidenced or secured by Additional Master Notes issued under the Master Indenture. In certain circumstances, the Obligated Group Members may issue additional Master Notes under the Master Indenture to either Authority or to other persons that will not be pledged under the Bond Indentures but will be equally and ratably (except as described herein) secured with the Master Notes, including the Series 2021 Master Notes. Under the terms of the Master Indenture, additional Master Notes may also be entitled to the benefit of security in addition to that securing the Master Notes outstanding under the Master Indenture (including the Series 2021 Master Notes). See “**SECURITY FOR THE MASTER NOTES – Additional Debt.**”

Recent Developments

Deerfield and Grand Lodge at the Preserve Transitions. Effective August 1, 2021 the Corporation transferred ownership and management of Grand Lodge at the Preserve in Lincoln, Nebraska (“Grand Lodge”) as well as its interests as sole member of Deerfield Retirement Community, Inc. (“Deerfield”), a nonprofit organization that owns and operates a continuing care retirement community in suburban Des Moines, to Immanuel Communities, a nonprofit owner and operator of continuing care retirement community.

In conjunction with the sale of Deerfield and Grand Lodge, all outstanding Grand Lodge revenue bonds were paid in full, all outstanding Deerfield revenue bonds held by the Corporation were cancelled and all outstanding indebtedness of Deerfield was called for redemption. As a result of the sale, the Corporation has no further guarantees or obligations outstanding with respect to Grand Lodge or Deerfield other than customary indemnification provisions under the Grand Lodge and Deerfield sale documentation.

Newcastle Place Acquisition. Effective July 1, 2021, Newcastle Place, LLC, a Wisconsin limited liability company (“Newcastle”) that was organized and is wholly controlled by the Corporation, completed the acquisition of all the assets associated with a continuing care retirement community located

in Mequon, Wisconsin known as Newcastle Place (“Newcastle Place”). Additional information with respect to the Newcastle acquisition is set forth in **APPENDIX A** hereto.

Newcastle is not a Member of the Obligated Group, and there are no current plans to add Newcastle to the Obligated Group.

THE OBLIGATED GROUP

General

Lifespace Communities, Inc. is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities in several locations throughout the United States. The Corporation is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia located in Austin, Texas, which will be joining the Obligated Group concurrently with the issuance of the Series 2021 Bonds all as more fully described above under “**INTRODUCTION – Querencia**” and in **APPENDIX A** hereto. The Corporation and Querencia have each received a determination letter from the Internal Revenue Service that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), exempt from income taxation in accordance with Section 501(a) of the Code.

Additional information about the Corporation and Querencia, including information regarding their governance and affiliations, is available in **APPENDIX A** hereto.

THE CORPORATION AND QUERENCIA ARE THE ONLY MEMBERS OF THE OBLIGATED GROUP. NO OTHER ENTITIES HAVE PAYMENT OBLIGATIONS WITH RESPECT TO THE LOAN AGREEMENTS, THE MASTER INDENTURE, THE SERIES 2021 MASTER NOTES, THE PRIOR MASTER NOTES OR THE SERIES 2021 BONDS.

Outstanding Master Notes

As of August 19, 2021, the Corporation had previously issued and had outstanding the following Master Notes:

Master Note	Outstanding Principal Amount
2001B (Abbey Delray)	\$992,000
2004A (Harbour's Edge)	765,000
2004B (Harbour's Edge)	2,655,000
2005B (Beacon Hill)	890,000
2010S (Obligated Group) ⁽¹⁾	25,685,000
2014G (Claridge Court)	661,972
2015A (Obligated Group)	29,995,000
2015B (Obligated Group)	34,485,000
2016A (Obligated Group)	47,395,000
2016B (Obligated Group)	22,150,000
2018A (Obligated Group)	134,695,000
2018B (Obligated Group)	30,230,000
2018C (Obligated Group) ⁽²⁾	25,000,000
2019A (Obligated Group)	47,625,000
2019B (Obligated Group)	52,685,000
	\$455,908,972

⁽¹⁾ Will be discharged in conjunction with the refunding of the Refunded Bonds.

⁽²⁾ Secures a revolving line of credit.

Excluded Property

Pursuant to the Master Indenture, certain property of the Obligated Group is “Excluded Property” which can be transferred by the Corporation without restriction under the provisions of the Master Indenture, is not part of the Mortgaged Property nor are the revenues therefrom pledged as part of the pledged Unrestricted Receivables. Excluded Property includes, but is not limited to, the Corporate Headquarters Accounts described below and the Corporation’s home office building, equipment and furnishings therein and property which the Obligated Group Representative has established in an Officer’s Certificate delivered to the Master Trustee is property upon which none of the primary operations of any Member is conducted and which does not constitute a material or integral part of the primary operations of any Member and is not material in the generation of Net Income Available for Debt Service. For more information, see “**Definitions and Summaries of Principal Documents – Definitions – Excluded Property**” in APPENDIX C and “**THE OBLIGATED GROUP – Excluded Property.**”

The “Corporate Headquarters Accounts” are those existing bank and securities accounts of the Corporation that are not used for the deposit of revenues for an individual Community. The Corporate Headquarters Accounts constitute Excluded Property under the Master Indenture and are not included in the Obligated Group’s assets. In addition, the Master Indenture specifically provides that the Corporate Headquarters Accounts are not available to pay the Master Notes. In the future, the Corporation may transfer the Corporate Headquarters Accounts and the home office building, equipment and furnishings therein to an affiliated entity that is not a Member of the Obligated Group. The Master Indenture permits the transfer of Excluded Property without restriction.

PLAN OF FINANCE

Purposes of the Series 2021 Bonds

The Corporation will use the proceeds from the sale of the Series 2021 Bonds, together with other available funds (including a portion of the proceeds of the Series 2021D Bonds), to (i) pay or reimburse the Corporation for remodeling, renovating, improving and equipping the Project; (ii) refund the Refunded Bonds; (iii) provide for the payment of approximately 24 months of interest on a portion of the Series 2021 Bonds and (iv) pay costs associated with the issuance of the Series 2021 Bonds and Series 2021D Bonds and refunding the Refunded Bonds. A more detailed description of the use of the proceeds from the sale of the Series 2021 Bonds and the Series 2021D Bonds is included under the captions “**ESTIMATED SOURCES AND USES OF FUNDS.**”

The Project

The Project consists of remodeling, renovating, improving, constructing and equipping (to various extents), the Obligated Group’s (i) Friendship Village of Bloomington life care retirement community in Bloomington, Minnesota and (ii) Oak Trace life care retirement community in Downers Grove, Illinois as well as refurbishment projects across multiple other Communities. The Corporation has implemented a long-term capital improvement program aimed at rejuvenating and expanding certain of its continuing care retirement communities, including Friendship Village of Bloomington, Oak Trace, Abbey Delray, Abbey Delray South, Harbour’s Edge, Claridge Court, Friendship Village of South Hills and Village on the Green, to better position them for their respective marketplaces. As described in more detail under the caption “**IMPROVEMENTS TO THE COMMUNITIES**” in **APPENDIX A** hereto, the Project represents a portion of a larger plan of improvement for such Communities. The current estimated total cost of the plan is approximately \$441.5 million, approximately \$60 million of which was obtained from the proceeds of bonds issued in 2016, approximately \$141 million of which was funded from proceeds of the Series 2018 Bonds, approximately \$101 million of which was funded from proceeds of the Series 2019 Bonds and approximately \$139 million of which is anticipated to be derived from proceeds of the Series 2021 Bonds. Management of the Corporation anticipates that the remaining costs of the Plan will need to be funded through entrance fee proceeds, internal cash and additional financings, if necessary. The projected initial entrance fees from the projects are approximately \$153 million, a portion of which initial entrance fees will be applied to the prepayment of the Series 2019A-2 Bonds and the Series 2021D Bonds. Further, while the Corporation has no obligation to pursue such strategy and may modify its plans relating thereto at any time, management of the Corporation also anticipates that, after the redemption of the Series 2019A-2 Bonds and Series 2021D Bonds in full, additional initial entrance fees will be applied to the optional redemption of approximately \$15,000,000 of the Series 2021B Bonds. See “**ANTICIPATED APPLICATION OF INITIAL ENTRANCE FEES FROM REDEVELOPMENT PROJECTS**” in **APPENDIX A**.

Neither Authority makes any warranty or representation, whether express or implied, with respect to the Project or the location, use, operation, design, workmanship, merchantability, fitness, suitability or use for a particular purpose, condition or durability thereof or title thereto.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds, net of investment earnings, are as follows:

SOURCES OF FUNDS

Series 2021A Bonds	\$73,650,000
Series 2021B Bonds	30,000,000
Series 2021C Bonds	16,715,000
Series 2021D Bonds ⁽¹⁾	55,000,000
Original Issue Premium	11,640,739
Series 2010 Trustee-Held Funds	2,947,425
Corporation Funds	97,600
Total Sources of Funds	\$190,050,764

USES OF FUNDS

Project Costs	\$154,275,216
Refunding of Refunded Bonds	26,138,055
Funded Interest Deposit ⁽²⁾	6,565,509
Costs of Issuance ⁽³⁾	3,071,985
Total Uses of Funds	\$190,050,764

Figures rounded to nearest dollar.

⁽¹⁾ The Series 2021D Bonds are draw-down bonds being purchased by the 2021D Purchaser, which will advance principal on the Series 2021D Bonds up to the maximum principal amount shown subject to satisfaction of the conditions set forth in the Continuing Covenants Agreement. The Corporation expects to satisfy those conditions and to have the full principal amount of the Series 2021D Bonds advanced on or before December 31, 2023.

⁽²⁾ Includes approximately 24 months of interest on a portion of the Series 2021 Bonds.

⁽³⁾ Includes Underwriters' discount, legal, accounting, administrative and miscellaneous fees and expenses, fees associated with the 2021 Interest Rate Cap (as described below) and the costs associated with the issuance of the Series 2021 Bonds.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required for the payment of principal of, at maturity or by mandatory sinking fund redemption, and interest on the Series 2021 Bonds, Series 2021D Bonds and the Prior Master Notes (including the Series 2021E Master Note which secures the Querencia 2015 Bonds) after giving effect to the refunding of the Refunded Bonds and the anticipated redemption and prepayment of principal on the Series 2019A-2 Bonds, Series 2021B Bonds and Series 2021D Bonds from anticipated Initial Entrance Fees as described herein. The following table does not include debt service on a \$25,000,000 line of credit that is secured by a Master Note.

FYE December 31,	Series 2021A Bonds		Series 2021B Bonds		Series 2021C Bonds		Series 2021D Bonds ⁽¹⁾	Funded Interest ⁽³⁾	Prior Master Notes ⁽¹⁾⁽⁴⁾	Initial Entrance Fee Receipts ⁽⁵⁾	Total Net Debt Service
	Principal	Interest	Principal ⁽¹⁾	Interest ⁽²⁾	Principal	Interest					
2021		\$613,750		\$46,875		\$139,292	\$30,195	(\$660,987)	\$56,524,549	(\$26,850,000)	\$29,843,674
2022		2,946,000		225,000		668,600	125,279	(3,153,079)	26,897,271		27,709,071
2023	\$200,000	2,942,000		225,000	\$150,000	665,600	9,871,876	(2,906,470)	27,079,875	(9,011,668)	29,216,213
2024	250,000	2,933,000		225,000	320,000	656,200	41,922,172		27,086,632	(41,424,280)	31,968,723
2025	1,975,000	2,888,500		225,000	1,120,000	627,400	4,574,390		24,548,082	(4,564,052)	31,394,320
2026	2,105,000	2,806,900	\$15,000,000	192,500	1,155,000	581,900			24,554,907	(15,000,000)	31,396,207
2027	2,240,000	2,720,000		112,500	1,240,000	534,000			24,543,182		31,389,682
2028	2,355,000	2,628,100		112,500	1,280,000	483,600			24,553,882		31,413,082
2029	2,490,000	2,531,200		112,500	1,440,000	429,200			24,545,857		31,548,757
2030	1,260,000	2,456,200		112,500	715,000	386,100			24,553,732		29,483,532
2031		2,431,000		112,500		371,800			28,775,838		31,691,138
2032		2,431,000		112,500	2,040,000	331,000			28,996,826		33,911,326
2033		2,431,000		112,500	2,120,000	247,800			29,316,638		34,227,938
2034		2,431,000		112,500	2,210,000	161,200			29,273,976		34,188,676
2035		2,431,000		112,500	2,300,000	71,000			29,240,726		34,155,226
2036	1,770,000	2,395,600		112,500	625,000	12,500			29,358,588		34,274,188
2037	2,490,000	2,310,400		112,500					29,819,213		34,732,113
2038	2,590,000	2,208,800		112,500					29,836,594		34,747,894
2039	2,700,000	2,103,000		112,500					29,790,350		34,705,850
2040	2,810,000	1,992,800		112,500					29,776,725		34,692,025
2041	2,925,000	1,878,100		112,500					26,348,850		31,264,450
2042	3,040,000	1,758,800		112,500					26,329,975		31,241,275
2043	3,165,000	1,634,700		112,500					26,305,975		31,218,175
2044	3,295,000	1,505,500		112,500					26,284,850		31,197,850
2045	3,430,000	1,371,000		112,500					26,264,913		31,178,413
2046	3,570,000	1,231,000		112,500					26,238,475		31,151,975
2047	3,715,000	1,085,300		112,500					26,217,600		31,130,400
2048	3,870,000	933,600		112,500					26,190,350		31,106,450
2049	4,025,000	775,700		112,500					13,300,000		18,213,200
2050	4,190,000	611,400		112,500					13,294,800		18,208,700
2051	4,360,000	440,400		112,500					13,263,300		18,176,200
2052	4,540,000	262,400		112,500					13,224,000		18,138,900
2053	4,290,000	85,800	425,000	110,906					13,214,200		18,125,906
2054			4,820,000	91,238					13,227,000		18,138,238
2055			4,860,000	54,938					13,187,600		18,102,538
2056			4,895,000	18,356							4,913,356
Total	\$73,650,000	\$62,204,950	\$30,000,000	\$4,339,813	\$16,715,000	\$6,367,192	\$56,523,912	(\$6,720,535)	\$881,965,324	(\$96,850,000)	\$1,028,195,655

Numbers may not foot due to rounding.

- (1) The Series 2019A-2 Bonds, Series 2021B and Series 2021D Bonds mature on May 15, 2049, May 15, 2056 and August 25, 2031, respectively, and are subject to mandatory bond sinking fund redemption. The foregoing notwithstanding, the Series 2019A-2 Bonds and Series 2021D Bonds are each subject to mandatory redemption from certain Initial Entrance Fees. Management of the Obligated Group anticipates redeeming the Series 2019A-2 Bonds and Series 2021D Bonds from Initial Entrance Fees on or before December 15, 2021 and December 31, 2025, respectively. Additionally, while the Series 2021B Bonds are not subject to mandatory redemption from Initial Entrance Fees, management of the Corporation currently anticipates that it will (but is not obligated to) apply certain Initial Entrance Fees to the optional redemption of approximately \$15,000,000 of the principal amount thereof after the redemption of the Series 2019A-2 Bonds and Series 2021D Bonds in full. If undertaken, the optional redemption of such Series 2021B Bonds is anticipated to occur on or before December 31, 2026. The actual timing of the prepayment of the Series 2019A-2 Bonds, Series 2021B Bonds (if any) and Series 2021D Bonds may differ from the anticipated timing because of timing differences in the receipt of Initial Entrance Fees. Assumes these Bonds are prepaid as shown based on management's expectations.
- (2) Assumes that the Series 2021B Bonds bear interest at the fixed rate of 0.75% per annum.
- (3) Includes funded interest deposits made in connection with the issuance of the Series 2021 Bonds and anticipated earnings thereon. No assurances can be given that investment earnings will be received in the estimated amounts.
- (4) Assumes the 2014G Master Note bears interest at the rates of 2.16% per annum through maturity; includes the Series 2021E Master Note which will secure the Querencia 2015 Bonds based on the scheduled debt service on the Querencia 2015 Bonds.
- (5) Reflects application of Initial Entrance Fee receipts to the repayment of the Series 2019A-2 Bonds, Series 2021B Bonds and Series 2021D Bonds as described in note (1) above.

THE FIXED RATE SERIES 2021 BONDS

The following is a summary of certain terms and provisions of the Fixed Rate Series 2021 Bonds. Reference is hereby made to the Fixed Rate Series 2021 Bonds and the provisions with respect thereto in the related Bond Indenture and Loan Agreement for the detailed terms and provisions thereof.

General

The Fixed Rate Series 2021 Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Payment of the principal of, premium, if any, and interest on each Fixed Rate Series 2021 Bond will be made, and notices and other communications to Bondowners will be given, directly to DTC by the Bond Trustee. See “**BOOK-ENTRY ONLY SYSTEM.**” In the event the Fixed Rate Series 2021 Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on the Fixed Rate Series 2021 Bonds will be made and such notices and communications will be given as described in the related Bond Indenture.

The Fixed Rate Series 2021 Bonds will be issued in book-entry only form as fully registered Fixed Rate Series 2021 Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof and will be dated the date of their initial issuance and delivery. The Fixed Rate Series 2021 Bonds shall bear interest from their date or from the most recent interest payment date to which interest has been paid, payable on November 15, 2021, and thereafter semiannually on May 15 and November 15 of each year. The Fixed Rate Series 2021 Bonds shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the respective rates per annum and shall mature, subject to prior redemption, on the dates set forth on the inside cover page hereof.

Redemption

The Fixed Rate Series 2021 Bonds are subject to mandatory and optional to the extent and as described below.

Optional Redemption. The Fixed Rate Series 2021 Bonds are subject to redemption and payment prior to maturity, at the option of the Iowa Authority or the Florida Authority, as applicable, which shall be exercised upon instructions from the Corporation, in whole or in part on any date on or after May 15, 2028, at the Redemption Price (expressed as a percentage of principal) corresponding to the date of redemption as set forth in the following table:

<u>Optional Redemption Dates</u>	<u>Redemption Price</u>
5/15/2028 through 5/14/2029	103%
5/15/2029 through 5/14/2030	102%
5/15/2030 through 5/14/2031	101%
5/15/2031 and thereafter	100%

Scheduled Mandatory Redemption.

Term Bonds. The Series 2021A Bonds maturing on May 15, 2046 are subject to scheduled mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, as follows:

May 15 of the Year	Principal Amount
2036	\$1,770,000
2037	2,490,000
2038	2,590,000
2039	2,700,000
2040	2,810,000
2041	2,925,000
2042	3,040,000
2043	3,165,000
2044	3,295,000
2045	3,430,000
2046 [†]	3,570,000

[†]Final Maturity

The Series 2021A Bonds maturing on May 15, 2053 are subject to scheduled mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, as set forth below:

May 15 of the Year	Principal Amount
2047	\$3,715,000
2048	3,870,000
2049	4,025,000
2050	4,190,000
2051	4,360,000
2052	4,540,000
2053 [†]	4,290,000

[†]Final Maturity

The Series 2021C Bonds, maturing on May 15, 2036 are subject to scheduled mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, as set forth below:

May 15 of the Year	Principal Amount
2032	\$2,040,000
2033	2,120,000
2034	2,210,000
2035	2,300,000
2036 [†]	625,000

†Final Maturity

The deposits described above shall be reduced (i) by the amount of Fixed Rate Series 2021 Bonds acquired and delivered in the open market at a price not exceeding the redemption price in accordance with the provisions of the applicable Bond Indenture in satisfaction of such Bond Sinking Fund requirements and (ii) in connection with a partial redemption of Fixed Rate Series 2021 Bonds if the Corporation elects to reduce mandatory Bond Sinking Fund redemptions for the Fixed Rate Series 2021 Bonds in the manner provided in the applicable Bond Indenture.

In lieu of redeeming Fixed Rate Series 2021 Bonds, the applicable Bond Trustee may, at the Written Request of the Corporation, use such funds otherwise available under the applicable Bond Indenture for redemption of Fixed Rate Series 2021 Bonds to purchase for cancellation Fixed Rate Series 2021 Bonds specifically designated by the Corporation in the open market at a price not exceeding the redemption price then applicable under the applicable Bond Indenture. In the case of any optional or extraordinary redemption (as described below under the caption “**CERTAIN PROVISIONS APPLICABLE TO ALL SERIES 2021 BONDS – Extraordinary Optional Redemption**”) or any purchase and cancellation of term Fixed Rate Series 2021 Bonds, the applicable Authority shall receive credit against its required Bond Sinking Fund deposits with respect to the Fixed Rate Series 2021 Bonds of the same maturity in such order as the Corporation elects in writing prior to such optional or extraordinary redemption or purchase and cancellation or, if no such election is made, in the inverse order thereof.

THE SERIES 2021B BONDS

The following is a summary of certain terms and provisions of the Series 2021B Bonds. Reference is hereby made to the Series 2021B Bonds and the provisions with respect thereto in the Series 2021B Bond Indenture and the Series 2021B Loan Agreement for the detailed terms and provisions thereof. See APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of Certain Provisions of the Series 2021B Bonds” hereto for additional definitions used in the definition of SOFR and additional provisions relating to the Series 2021B Bonds.

This Official Statement describes the Series 2021B Bonds only while the Series 2021B Bonds bear interest at an Index Rate based upon SOFR. Prospective purchasers of the Series 2021B Bonds should not rely on this Official Statement if the Series 2021B Bonds bear interest at a rate other than an Index Rate based upon SOFR. If the Corporation selects another Index for the Index Rate Mode or elects to convert the Series 2021B Bonds to an interest rate Mode other than the Index Rate Mode, another offering document or supplement to this Official Statement describing such Index or Mode will be prepared.

General

The Series 2021B Bonds will bear interest at the Index Rate based on SOFR as described below under “**Interest Rate**” and “**Determination of Index Rates**” unless and until, at the direction of the Corporation and upon compliance with the conditions set forth in the Series 2021B Bond Indenture, (1) the interest rate for the Series 2021B Bonds is converted to an Index Rate based on the SIFMA Index or another index chosen by the Corporation, approved by the Iowa Authority in consultation with the Remarketing Agent, and procedurally acceptable to the Calculation Agent, or (2) the Series 2021B Bonds are converted to a Term Rate Mode. See “**Conversion of Interest Rates**” below. The Series 2021B Bonds will be issued only in fully registered form in Authorized Denominations of \$5,000 or any integral multiple thereof.

The Series 2021B Bonds will mature on May 15, 2056, subject to earlier redemption, and while in the Index Rate Mode will bear interest from their dated date, payable on the first Business Day of each calendar month (the “Interest Payment Dates” with respect to the Series 2021B Bonds), commencing October 1, 2021. The Series 2021B Bonds, as initially issued, will be dated their date of issuance.

Interest Rate

During the Initial Index Rate Period, the interest rate on the Series 2021B Bonds will be based on SOFR (determined daily as described below) times the Applicable Percentage plus the Applicable Spread, not to exceed the Maximum Bond Interest Rate (the lesser of 12% per annum or the Maximum Lawful Rate). The initial Applicable Percentage and initial Applicable Spread (which will remain in effect during the Initial Index Rate Period) are set forth on the inside cover page of this Official Statement.

Interest on the Series 2021B Bonds will accrue from their issue date and will be payable each Interest Payment Date (commencing October 1, 2021). Interest will accrue on Series 2021B Bonds bearing interest at an Index Rate based on SOFR on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed.

“Initial Index Rate Period” means the period from the issuance date of the Series 2021B Bonds to (but not including) the earliest to occur of (i) May 15, 2026 (ii) the Conversion Date next succeeding the issuance date of the Series 2021B Bonds and (iii) the date on which the Series 2021B Bonds are purchased or redeemed in full.

“SOFR” means, as of any date of determination, the Secured Overnight Financing Rate as of 3:00 p.m. on the Federal Reserve’s Website on the Rate Determination Date for each related SOFR Reference Date. The “Rate Determination Date” means, while the Series 2021B Bonds bearing interest at an Index Rate based on SOFR, the U.S. Government Securities Business Day that is two U.S. Government Securities Business Days immediately preceding a Rate Reset Date. The “SOFR Reference Date” is the U.S. Government Securities Business Day immediately preceding the related Rate Determination Date (for example, the Secured Overnight Financing Rate for the Rate Reset Date of August 26, 2021, will be the rate on the Federal Reserve’s Website on the Rate Determination Date, August 24, 2021, as of 3:00 p.m., for the SOFR Reference Date of August 23, 2021.) The Secured Overnight Financing Rate is published every U.S. Government Securities Business Day at 8:00 a.m. and may be revised until 2:30 p.m. as described herein. For purposes hereof, SOFR shall be rounded to the second decimal place.

If the Secured Overnight Financing Rate cannot be determined with respect to such Rate Determination Date as specified in the preceding paragraph, unless both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, SOFR shall be the Secured Overnight Financing Rate in respect of the last U.S. Government Securities Business Day for which such Secured Overnight Financing Rate was published on the Federal Reserve’s Website. If a SOFR Index Cessation Event and SOFR Index

Cessation Date have occurred, the Calculation Agent shall calculate the Index Rate as if references to SOFR were references to the rate that was recommended as the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator and which rate may include any adjustments or spreads as determined by the Corporation in consultation with the Remarketing Agent and procedurally acceptable to the Calculation Agent). If no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, the Calculation Agent shall calculate the Index Rate as if references to SOFR were references to OBFR for any Rate Reset Date after the SOFR Index Cessation Date (it being understood that OBFR for any Rate Reset Date will be OBFR appearing as of 3:00 p.m. on Bloomberg on the Rate Determination Date for each related SOFR Reference Date). If the Calculation Agent is required to use the OBFR in the preceding sentence and an OBFR Index Cessation Event has occurred, then for any Rate Reset Date after the OBFR Index Cessation Date, the Calculation Agent shall use the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve's Website, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of Certain Provisions of the Series 2021B Bonds”** hereto for additional definitions used in the definition of SOFR and additional provisions relating to the Series 2021B Bonds.

Determination of Index Rates

During the Initial Index Rate Period the interest rate on the Series 2021B Bonds shall be adjusted on each Rate Reset Date (each U.S. Government Securities Business Day). The Index Rate for each Interest Period shall be the rate obtained by (i) multiplying SOFR by the Applicable Percentage and then (ii) adding the Applicable Spread to such result. The Index Rate may not exceed the Maximum Bond Interest Rate and will be rounded by the Calculation Agent to the second decimal place. The first Interest Period will commence on the date of issuance of the Series 2021B Bonds and end on the next day, which will be the first Rate Reset Date.

While Series 2021B Bonds bear interest at an Index Rate based on SOFR, the Calculation Agent will determine the Index Rate for each Interest Period on the Rate Determination Date and thereafter on each U.S. Government Securities Business Day preceding each Rate Reset Date, and such rate shall become effective for the next U.S. Government Securities Business Day. The determination of any Index Rate based on SOFR by the Calculation Agent will be conclusive and binding upon the Iowa Authority, the Corporation, the Iowa Bond Trustee and the Bondowners. In determining the interest rate or rates that the Series 2021B Bonds will bear, the Calculation Agent will not have any liability to the Iowa Authority, the Corporation, the Iowa Bond Trustee or any Bondowner except for its gross negligence or willful misconduct. On each date on which the Index Rate is recalculated by the Calculation Agent, the Iowa Bond Trustee shall give Immediate Notice of such rate to the Corporation. Upon request, the Iowa Bond Trustee will give notice of such Index Rate to any Bondowner.

After the Initial Index Rate Period, unless the Corporation elects to convert to the Term Rate Mode, the Corporation shall designate an Index Rate Period succeeding the immediately preceding Index Rate Period and the Index, which may be the SIFMA Index, SOFR or any other index which is chosen by the Corporation, approved by the Iowa Authority in consultation with the Remarketing Agent, and

procedurally acceptable to the Calculation Agent, applicable to such Index Rate Period. Each such designation shall be made by the Corporation by giving Immediate Notice thereof to the Iowa Bond Trustee, the Remarketing Agent, and the Calculation Agent, which shall be given not later than the 10th Business Day preceding the first day of such proposed Index Rate Period. The Index Rate will be recalculated each Rate Determination Date for the next succeeding Rate Reset Date.

The Remarketing Agent shall determine the Applicable Percentage and the Applicable Spread to be used in calculating the Index Rate not later than 4:00 p.m. on the Rate Determination Date immediately preceding the commencement of the first Interest Period of a new Index Rate Period. The Applicable Percentage and the Applicable Spread shall be the lowest amounts which, when used to compute the Index Rate, in the reasonable judgment of the Remarketing Agent, will result in a sale of the Series 2021B Bonds at a price equal to the principal amount of the Series 2021B Bonds outstanding on the first day of the Index Rate Period. The Remarketing Agent's determination shall be based on the market for, and the relative yields of, the Series 2021B Bonds and other securities that bear interest at a variable rate or fixed rate that, in the judgment of the Remarketing Agent, are otherwise comparable to the Series 2021B Bonds, or any fact or circumstance relating to the Series 2021B Bonds or affecting the market for the Series 2021B Bonds or affecting any other comparable securities in a manner that, in the judgment of the Remarketing Agent, will affect the market for the Series 2021B Bonds. The Remarketing Agent will make such information available by Electronic Means to any Bondowner requesting such information and to the Corporation, the Iowa Authority and the Iowa Bond Trustee. Such determination shall be conclusive and binding upon the Iowa Authority, the Corporation, the Iowa Bond Trustee and the Bondowners on the Rate Determination Date.

For each Rate Reset Date in the new Index Rate Period, the Calculation Agent shall determine the Index Rate as described above based on the Index, the Applicable Percentage and the Applicable Spread for that Index Rate Period and the Bond Trustee is required to give Immediate Notice of such rate to the Corporation and, upon written request, to any Bondowner.

Failure to Determine Index Rates or Index Rate Periods

If a new Index Rate Period or Index is not designated by the Corporation as described above under "Determination of Index Rates" prior to the Business Day next preceding the Mandatory Tender Date for the Index Rate Period then in effect, all of the Series 2021B Bonds in the Index Rate Mode shall bear interest for an Index Rate Period of one year in length based on the same Index as the immediately preceding Index Rate Period.

In the event that an interest rate on the Series 2021B Bonds shall be held to be invalid or unenforceable by a court of law, or the Calculation Agent has failed to determine a new interest rate for the immediately preceding Interest Period, the interest rate applicable to the Series 2021B Bonds, as determined by the Calculation Agent will be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such interest rate is again validly determined by the Calculation Agent.

The Series 2021B Bonds will be subject to mandatory tender for purchase on each Index Rate Purchase Date (which is also a Mandatory Tender Date), as described immediately below, irrespective of any change (or lack of change) in the length of the new Index Rate Period or the Index for that new Index Rate Period.

Appointment of Remarketing Agent for Series 2021B Bonds

As of the date of this Official Statement, the Corporation has not designated a Remarketing Agent for the Series 2021B Bonds but are obligated to do so not less than 90 days prior to the end of the then current Index Rate Period (initially, May 14, 2026). The Remarketing Agent will remarket the Series 2021B Bonds on each Mandatory Tender Date and, if the Corporation elects to maintain the Series 2021B Bonds in the Index Rate Mode, will be responsible for determining the Applicable Percentage and the Applicable Spread for each Index Rate Period, all in accordance with the Series 2021B Bond Indenture.

Mandatory Tender and Purchase of Series 2021B Bonds

Mandatory Tender for Purchase on each Index Rate Purchase Date. Series 2021B Bonds bearing interest at the Index Rate are subject to mandatory tender for purchase on each Index Rate Purchase Date (which is also a Mandatory Tender Date) for the current Index Rate Period at the Tender Price, equal to the principal amount thereof plus accrued and unpaid interest thereon to, but not including, the Mandatory Tender Date. The Index Rate Purchase Date is initially May 15, 2026 and thereafter the day immediately succeeding the last day of each succeeding Index Rate Period. The Iowa Bond Trustee is required to give notice of a mandatory tender for purchase pursuant to this paragraph to the Series 2021B Bondholders not less than 15 days prior to the Mandatory Tender Date.

Mandatory Tender for Purchase upon Conversion to a Term Rate Mode. Series 2021B Bonds to be changed from the Index Rate Mode to the Term Rate Mode are also subject to mandatory purchase on the Conversion Date at the Tender Price. Such mandatory tender on a Conversion Date is subject to the Corporation's right to rescind the Conversion or any deemed rescission described under "**Conversion of Interest Rates**" below.

Sources of Funds for Payment of Tendered Series 2021B Bond

The Tender Price for Series 2021B Bonds subject to mandatory tender is payable solely from (i) the proceeds of remarketing of the Series 2021B Bonds, and (ii) to the extent such remarketing proceeds are not sufficient to pay the full Tender Price, payments required to be made by the Corporation to the Iowa Bond Trustee under the Series 2021B Loan Agreement for such purpose. There is no independent source of liquidity for payment of the Tender Price of Series 2021B Bonds subject to mandatory tender and purchase. See "**BONDHOLDERS' RISKS – No Credit Enhancement or Liquidity Support for the Series 2021B Bonds.**" The failure of the Corporation to pay the full Tender Price in excess of available remarketing proceeds is an Event of Default under the Series 2021B Bond Indenture. See "**BONDHOLDERS' RISKS – No Credit Enhancement or Liquidity Support for the Series 2021B Bonds.**"

Conversion of Interest Rates

The Series 2021B Bond Indenture provides that the interest rate Mode may be converted to another Mode or to another Index within the Index Rate Mode at the option of the Corporation. All but not less than all the Series 2021B Bonds in the Index Rate Mode may be converted on any Business Day on or after the Par Call Date described under "**Optional and Mandatory Redemption of the Series 2021B Bonds – Optional Redemption**" below. Notice of a proposed change in Mode shall be given to the owners of the Series 2021B Bonds no less than 15 days prior to the Conversion Date and no less than 30 days prior to the Conversion Date for Conversions to the Fixed Rate Mode. The Series 2021B Bonds to be converted will be subject to mandatory tender on such conversion date, as discussed above.

The conversion of interest rate Modes is subject to certain conditions set forth in the Series 2021B Bond Indenture, including a requirement for the delivery of a Favorable Opinion of Bond Counsel. A failed conversion shall not constitute an event of default under the Series 2021B Bond Indenture; however, failure to pay the Tender Price on the proposed Conversion Date will constitute an event of default under the Series 2021B Bond Indenture, unless the proposed Conversion is rescinded by the Corporation as described in the following paragraph.

The Corporation may rescind its election to convert the interest rate on the Series 2021B Bonds to another Mode or to another Index by delivering a rescission notice to the Iowa Bond Trustee on or prior to 10:00 a.m. on the Business Day preceding the proposed effective date of the Conversion. If sufficient remarketing proceeds are not available for the purchase of all the Series 2021B Bonds to be converted on the date that would have been the effective date of the Conversion, then the Corporation shall be deemed to have rescinded its election to make such conversion. If the Corporation rescinds its election to convert the Mode from the Index Rate Mode or to another Index Interest Rate Period from an Index Rate Period, then the Series 2021B Bonds that would have been converted will continue to bear interest at the Index Rate as in effect immediately prior to such proposed Conversion and the Series 2021B Bonds will not be subject to mandatory tender for purchase on the date that would have been the effective date of the Conversion unless such date is also an Index Rate Purchase Date, in which case the failure to purchase the Series 2021B Bonds would be an event of default under the Series 2021B Bond Indenture. The Iowa Bond Trustee is required to give notice of the rescission by Electronic Means as soon as practicable and in any event not later than the same Business Day to the Bondowners.

Redemption

The Series 2021B Bonds are subject to mandatory and optional redemption to the extent and as described below.

Optional Redemption. The Series 2021B Bonds are subject to optional redemption prior to maturity at the option of the Corporation on behalf of the Authority out of amounts prepaid on the Series 2021B Master Note and deposited in the Optional Redemption Fund established under the Series 2021B Bond Indenture, in whole or in part on or after the Par Call Date (and if in part by lot using such method as may be designated by the Bond Trustee in Authorized Denominations), at a redemption price equal to 100% of the principal amount of the Series 2021B Bonds called for redemption, without premium, plus accrued interest thereon to the date of redemption. The Series 2021B Bonds optionally redeemed pursuant to this paragraph shall be credited at 100% of the principal amount thereof on the obligation to redeem the Series 2021B Bonds shall be credited on future scheduled mandatory redemption obligations for the Series 2021B Bonds described below in chronological order or such other order as the Corporation may designate and the principal amount of the Series 2021B Bonds to be redeemed as described under “**Scheduled Mandatory Redemption**” immediately below shall be accordingly reduced.

“Par Call Date” is the date one year prior to the end of the Index Rate Period (initially May 15, 2025), unless the Index Rate Period is less than two years in duration, in which case it is the first Business Day succeeding the then current Index Rate Period.

Scheduled Mandatory Redemption. The Series 2021B Bonds are subject to scheduled mandatory redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, as follows:

May 15 of the Year	Principal Amount	May 15 of the Year	Principal Amount
2032	\$550,000	2045	\$605,000
2033	550,000	2046	610,000
2034	555,000	2047	615,000
2035	560,000	2048	620,000
2036	565,000	2049	620,000
2037	570,000	2050	625,000
2038	575,000	2051	630,000
2039	575,000	2052	635,000
2040	580,000	2053	1,065,000
2041	585,000	2054	5,465,000
2042	590,000	2055	5,510,000
2043	595,000	2056 [†]	5,550,000
2044	600,000		

[†]Final Maturity

The deposits described above shall be reduced (i) by the amount of Series 2021B Bonds acquired and delivered in the open market at a price not exceeding the redemption price in accordance with the provisions of the Series 2021B Bond Indenture in satisfaction of such Bond Sinking Fund requirements and (ii) in connection with a partial redemption of Series 2021B Bonds if the Corporation elects to reduce mandatory Bond Sinking Fund redemptions for the Series 2021B Bonds in the manner provided in the Series 2021B Bond Indenture.

In lieu of redeeming Series 2021B Bonds, the Iowa Bond Trustee may, at the Written Request of the Corporation, use such funds otherwise available under the Series 2021B Bond Indenture for redemption of Series 2021B Bonds to purchase for cancellation Series 2021B Bonds specifically designated by the Corporation in the open market at a price not exceeding the redemption price then applicable under the Series 2021B Bond Indenture. In the case of any optional or extraordinary redemption (as described below under the caption “**CERTAIN PROVISIONS APPLICABLE TO ALL SERIES 2021 BONDS – Extraordinary Optional Redemption**”) or any purchase and cancellation of term Series 2021B Bonds, the Authority shall receive credit against its required Bond Sinking Fund deposits with respect to the Series 2021B Bonds of the same maturity in such order as the Corporation elects in writing prior to such optional or extraordinary redemption or purchase and cancellation or, if no such election is made, in the inverse order thereof.

CERTAIN PROVISIONS APPLICABLE TO ALL SERIES 2021 BONDS

Registered Owners, Transfer and Exchange

The person in whose name any Series 2021 Bond shall be registered on the related Bond Register shall be deemed and regarded as the absolute owner of such Series 2021 Bond for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such Series 2021 Bond shall be made only to or upon the order of the registered owner thereof or his legal

representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2021 Bond, including the interest thereon, to the extent of the sum or sums so paid.

So long as the Series 2021 Bonds are held in book-entry form, transfers of the Series 2021 Bonds by Beneficial Owners may only be made as described under “**BOOK-ENTRY ONLY SYSTEM.**” At any other time, any Series 2021 Bond may be transferred or exchanged only upon the books kept for the registration and transfer of Series 2021 Bonds as provided in the related Bond Indenture.

Extraordinary Optional Redemption

The Series 2021 Bonds are subject to redemption and payment prior to the stated maturity thereof, at the option of the Corporation, in whole or in part at any time, at the redemption prices specified below, upon the occurrence of any of the following events:

(i) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, if all or a substantial portion of the Financed Facilities is damaged or destroyed by fire or other casualty, or title to, or the temporary use of, all or a substantial portion of such facilities is condemned or taken for any public or quasi-public use by any authority exercising or threatening the exercise of the power of eminent domain or title thereto is found to be deficient, to such extent that in the determination of the Corporation (A) the Financed Facilities cannot be reasonably restored or replaced to the condition thereof preceding such event, or (B) the Corporation is thereby prevented from carrying on its normal operations of the Financed Facilities, or (C) the cost of restoration or replacement thereof would exceed the net proceeds of any casualty insurance, title insurance, condemnation awards or sale under threat of condemnation with respect thereto; or

(ii) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, if as a result of any changes in the Constitution of the States of Florida or Iowa, as applicable, or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final direction, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Corporation in good faith, the related Bond Indenture or Loan Agreement becomes void or unenforceable or impossible of performance, which determination is made by the Corporation and confirmed by an Opinion of Bond Counsel; or

(iii) at a redemption price equal to 104% of the principal amount thereof plus accrued interest thereon to the redemption date, in the event that (A) a Consultant determines in good faith that continued operation or use of any of the facilities comprising the Financed Facilities or any part thereof is not financially feasible or is otherwise disadvantageous to the Corporation; (B) as a result thereof, the Corporation determines to sell, lease or otherwise dispose of, or permit alternative use of, such facilities comprising any part of the Financed Facilities to an unrelated person or entity; and (C) the redemption (which may be effected prior to, concurrently with, or after the sale, lease, other disposition or alternative use) is undertaken for the purpose of preventing such sale, lease, other disposition or alternative use from adversely affecting the exclusion of interest on the Series 2021 Bonds from gross income for purposes of federal income taxation.

Selection of Series 2021 Bonds to be Redeemed

If less than all Series 2021 Bonds of a series are to be redeemed and paid prior to maturity, such Series 2021 Bonds shall be redeemed from the series and maturity or maturities selected by the Corporation. If less than all Series 2021 Bonds of any maturity of a series are to be redeemed, the particular Series 2021 Bonds to be redeemed shall be selected by the Bond Trustee by lot in \$5,000 units of principal amount.

Notice of Redemption

Unless waived by any Registered Owner of Series 2021 Bonds to be redeemed, official notice of redemption shall be given by the Bond Trustee, on behalf of the related Authority, by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 20 days and not more than 60 days prior to the redemption date to each Registered Owner of such Series 2021 Bonds to be redeemed at the address shown on the related Bond Register.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2021 Bonds, the related Bond Trustee shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. The Authorities, the Bond Trustees and the Obligated Group shall have no responsibility or liability in connection with any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Series 2021 Bond to notify the beneficial owner of the Series 2021 Bond so affected, and such failure shall not affect the validity of the redemption of such Series 2021 Bond. See “**BOOK-ENTRY ONLY SYSTEM**” herein.

Any notice of redemption of any Series 2021 Bonds (other than pursuant to scheduled mandatory redemption of term bonds) may specify that the redemption is contingent upon the deposit of moneys with the related Bond Trustee in an amount sufficient to pay the redemption price of all the Series 2021 Bonds or portions of Series 2021 Bonds that are to be redeemed on that date. Any notice mailed shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Registered Owner receives the notice.

Upon the giving of notice for redemption in accordance with the terms of the Bond Indentures (and the deposit of money with the related Bond Trustee sufficient to pay the redemption price if the redemption is contingent upon that deposit), the principal amount of each Series 2021 Bond or portion thereof called for redemption shall become due and payable on the redemption date at the redemption price and shall cease to bear interest from and after the redemption date (unless a default in the payment of the redemption price occurs) and shall cease to be entitled to any benefit or security under such Bond Indenture and the Registered Owners thereof shall have no rights in respect of such Series 2021 Bonds or a portions thereof except the right to receive payment of the redemption price thereof and interest accrued to the redemption date.

Mandatory Tender for Purchase

The Corporation or its designee has the option to require Series 2021 Bonds of any series to be tendered for purchase, at any time and from time to time on the same dates as Series 2021 Bonds of that series are subject to optional redemption at a purchase price equal to the then applicable optional redemption price for those Series 2021 Bonds. To exercise its option, the Corporation is required to give the related Bond Trustee and Authority a Written Request exercising its option within the time period

specified in the relevant Bond Indenture as though that Written Request was a Written Request for redemption. Such Bond Trustee shall then give the Owners of such Series 2021 Bonds to be purchased notice of the mandatory tender and purchase in the same manner as a notice of redemption, which notice shall contain the same information as a notice of redemption with appropriate changes to reflect that such Series 2021 Bonds are to be purchased rather than redeemed. The purchase of Series 2021 Bonds so required to be tendered shall be mandatory and enforceable against the Bondowners, and the Bondowners will not have the right to retain those Series 2021 Bonds. On the date fixed for purchase pursuant to any exercise of its option, the Corporation is required to pay or cause to be paid an amount equal to the purchase price of the Series 2021 Bonds then being purchased to the Bond Trustee in immediately available funds not later than 3:00 p.m., New York time, on the Business Day preceding the purchase date. On the purchase date, the Bond Trustee shall pay the purchase price to the sellers of those Series 2021 Bonds against delivery thereof. In the case of the purchase of less than all of a series of such Series 2021 Bonds, the particular Series 2021 Bonds to be purchased shall be selected in accordance with the selection process for redemption of such Series 2021 Bonds. No such purchase of the Series 2021 Bonds shall be made unless the Corporation has delivered to the related Bond Trustee and Authority concurrently with that purchase an Opinion of Bond Counsel to the effect that the purchase and any resale of those Series 2021 Bonds will not affect the validity of any Series 2021 Bonds of such series or any exemption from federal income taxation to which the interest on any Series 2021 Bonds of such series would otherwise be entitled.

SECURITY FOR THE SERIES 2021 BONDS

See “**SECURITY FOR THE MASTER NOTES**” for more information with respect to security for the Series 2021 Bonds.

Limited Obligations

The Series 2021A Bonds and the Series 2021B Bonds, any premium thereon and the interest thereon constitute special, limited obligations of the Iowa Authority and, except to such limited extent, do not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Iowa Authority, the State of Iowa or any political subdivision thereof, within the meaning of any constitutional or statutory limitation or provision. The Iowa Authority is obligated to pay the principal of, premium, if any, and interest on the Series 2021A Bonds and the Series 2021B Bonds and other costs incidental thereto only from the sources specified in the Iowa Bond Indentures. Neither the full faith and credit nor the taxing powers of the Iowa Authority, the State of Iowa or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the Series 2021A Bonds and the Series 2021B Bonds. No owner of any Series 2021 Bond shall have the right to compel the taxing power of the State of Iowa or any political subdivision thereof to pay the principal of, premium, if any, or interest on the Series 2021 Bonds. The Iowa Authority does not have the power to levy taxes for any purpose whatsoever. The Iowa Authority is not issuing, and has no liability whatsoever with respect to, the Series 2021C Bonds.

The Series 2021C Bonds, any premium thereon and the interest thereon constitute special, limited obligations of the Florida Authority and, except to such limited extent, do not constitute indebtedness or an obligation, general or moral, or a pledge of the full faith or a loan of credit of the Florida Authority, the State of Florida or any political subdivision thereof, within the meaning of any constitutional or statutory limitation or provision. The Florida Authority is obligated to pay the principal of, premium, if any, and interest on the Series 2021C Bonds and other costs incidental thereto only from the sources specified in the Florida Bond Indenture. Neither the full faith and credit nor the taxing powers of the Florida

Authority, the State of Florida or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, and interest on the Series 2021C Bonds. No owner of any Series 2021 Bond shall have the right to compel the taxing power of the State of Florida or any political subdivision thereof to pay the principal of, premium, if any, or interest on the Series 2021 Bonds. The Florida Authority does not have the power to levy taxes for any purpose whatsoever. The Florida Authority is not issuing, and has no liability whatsoever with respect to, the Series 2021A Bonds and the Series 2021B Bonds.

Bond Indentures

Under the Bond Indentures, the related Authority will pledge and assign to the Bond Trustee as security for the payment of principal of, premium, if any, and interest on the Series 2021 Bonds (i) such Authority's rights under the related Loan Agreement and all payments derived by such Authority from the Corporation thereunder (except for the Unassigned Authority Rights), (ii) the related Series 2021 Master Note, and (iii) all moneys and securities deposited in the funds (except moneys and securities held in the Rebate Fund or, with respect to the Series 2021B Bonds, the Purchase Fund) established thereunder. See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Bond Indenture”** hereto.

Loan Agreements

Under each Loan Agreement, the Corporation agrees to make payments to the related Authority at such times and in such amounts as will be sufficient to pay principal of, premium, if any, and interest on the related Series 2021 Bonds when due in accordance with the terms thereof. The term of each Loan Agreement expires on the last maturity date of the related series of Series 2021 Bonds. A Loan Agreement will also terminate when the related series of Series 2021 Bonds is paid in full or provision is made for payment pursuant to the defeasance provisions of the related Bond Indenture.

The Corporation's obligations under each Loan Agreement will be secured by the related Series 2021 Master Note to be issued and secured under the Master Indenture. The Series 2021 Master Notes will entitle the Bond Trustee, as the holder thereof, to the protection and benefit of the covenants, restrictions and other obligations imposed on the Corporation by the Master Indenture.

SECURITY FOR THE MASTER NOTES

General

The Master Indenture provides that payments on the Series 2021 Master Notes and all other Master Notes issued under the Master Indenture will be the obligations of the Obligated Group. The accounts of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of Additional Debt) are satisfied. See **“RISK FACTORS – Certain Matters Relating to Enforceability of the Master Indenture.”**

Querencia

As described herein, the Corporation intends to add Querencia to the Obligated Group concurrently with the issuance of the Series 2021 Bonds. Simultaneously with Querencia joining the Obligated Group, the Corporation will become a member of the obligated group under the Querencia Master Indenture. There is currently one Obligation issued and outstanding under the Querencia Master

Indenture which evidences and secures the obligations of Querencia with respect to the Querencia 2015 Bonds currently outstanding in the aggregate principal amount of \$44,690,000.

The Corporation will issue its Series 2021E Master Note to secure its obligation to make payments with respect to the Querencia 2015 Bonds and any other Obligations hereafter issued under and in accordance with the Querencia Master Indenture, which will constitute a “Guarantee” for purposes of the Master Indenture. Querencia will issue its Series 2021 Querencia Obligation under the Querencia Master Indenture to secure its obligation to make payments with respect to all Master Notes outstanding under the Master Indenture. The Series 2021 Querencia Obligation will constitute a “Guaranty” for purposes of the Querencia Master Indenture.

Collateral

Pursuant to the Mortgages, as amended, the Obligated Group has granted to the Master Trustee (i) a first mortgage lien (or leasehold mortgage) on the real property on which ten of their Communities are located, including, Querencia, subject to Permitted Encumbrances, and (ii) a security interest in personal property and fixtures of the Corporation located in such Communities, subject to Permitted Encumbrances, to secure the Obligated Group’s obligations under the Master Indenture. See **APPENDIX C – “Definitions and Summaries of Principal Documents.”**

The Corporation has previously delivered to the Master Trustee mortgagee title insurance policies for the Mortgaged Property, in varying amounts by Community, in an aggregate amount equal to \$339,004,154. The Corporation will not increase the amount of title insurance coverage in connection with the issuance of the Series 2021 Bonds. Further, there is no requirement that the amount of mortgagee title insurance be increased in the future. See **“SECURITY FOR THE MASTER NOTES – General”** and **“RISK FACTORS – The Mortgages”** below.

The Series 2021 Master Notes, the Prior Master Notes and any other Master Notes hereafter issued under the Master Indenture, will also be secured by a security interest in the Unrestricted Receivables of the Obligated Group Members, subject to Permitted Encumbrances. See **APPENDIX C – “Definitions and Summaries of Principal Documents – Definitions – Unrestricted Receivables,” “– Permitted Encumbrances”** and **“– Excluded Property.”**

“Unrestricted Receivables” means all income, revenues, receipts and other moneys received by or on behalf of any Member from any source and all rights to receive the same whether in the form of accounts, deposit accounts, investment property, contract rights, chattel paper, instruments, general intangibles or other rights now owned or hereafter acquired by any Member, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code of the applicable state where a Member is located; but excluding (i) gifts, grants, bequests, donations and contributions to any Member made that are specifically restricted by the donor, testator or grantor to a particular purpose that is inconsistent with their use for payments required under the Master Indenture or on the Master Notes, and, if also so restricted, the income and gains derived therefrom, (ii) 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 that payment or deposit have been satisfied, (iii) all deposits and advance payments made in connection with any Residency Agreements or leases respecting independent living units or other areas to be occupied by or leased to residents or tenants and received before receipt of any required certificates of occupancy for those units or other areas, and (iv) all amounts or investment property transferred to the Corporate Headquarters Accounts pursuant to the Master Indenture.

Series 2021 Master Notes Not Secured by Master Reserve Fund

The Series 2021 Master Notes are not being issued as Master DSRF Secured Notes (as defined under the Master Indenture) and, as such, will not be entitled to the security of the Master Reserve Fund. See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Master Reserve Fund”** hereto for additional information regarding the Master Reserve Fund.

Excluded Property

Pursuant to the Master Indenture, certain property of the Obligated Group will be “Excluded Property” which can be transferred by the Corporation without restriction under the provisions of the Master Indenture, is not part of the Mortgaged Property nor are the revenues therefrom pledged as part of the pledged Unrestricted Receivables. Excluded Property includes, but is not limited to, the Corporate Headquarters Accounts described below and the Corporation’s home office building, equipment and furnishings therein and property which the Obligated Group Representative has established in an Officer’s Certificate delivered to the Master Trustee is property upon which none of the primary operations of any Member is conducted and which does not constitute a material or integral part of the primary operations of any Member and is not material in the generation of Net Income Available for Debt Service. For more information, see **“Definitions and Summaries of Principal Documents – Definitions – Excluded Property”** in **APPENDIX C** and **“THE OBLIGATED GROUP – Excluded Property.”**

The “Corporate Headquarters Accounts” are those existing bank and securities accounts of the Corporation that are not used for the deposit of revenues for an individual Community. The Corporate Headquarters Accounts constitute Excluded Property under the Master Indenture and are not included in the Obligated Group’s assets. In addition, the Master Indenture specifically provides that the Corporate Headquarters Accounts are not available to pay the Master Notes. In the future, the Corporation may transfer the Corporate Headquarters Accounts and the home office building, equipment and furnishings therein to an affiliated entity that is not a Member of the Obligated Group. The Master Indenture permits the transfer of Excluded Property without restriction.

Additional Debt

The Master Indenture permits the Obligated Group to incur Additional Debt (including Guarantees) which may, but need not, be evidenced or secured by additional Master Notes issued under the Master Indenture. Under certain conditions specified therein, the Master Indenture permits the Obligated Group to issue additional Master Notes that need not be pledged under either Bond Indenture, but will be equally and ratably secured by the Master Indenture with all other Master Notes, including the Series 2021 Master Notes. In addition, the Master Indenture permits such additional Master Notes to be secured by security (including Permitted Encumbrances on the Property of the Obligated Group and letters and lines of credit and insurance), which additional security or Permitted Encumbrances need not be extended to secure any other Master Notes (including the Series 2021 Master Notes). See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Permitted Debt.”**

In determining compliance with a number of provisions of the Master Indenture, including the provisions governing the incurrence of Additional Debt, the Obligated Group may assume that certain types of Debt, including Balloon Debt, Put Debt and Variable Rate Debt, which bear interest at varying rates and which may not be payable over an extended term will bear interest over time at interest rates approximating current or recent long term fixed rates, will remain outstanding for a long term and will be amortized on a level debt service basis. The actual interest rates and payments on such Debt may vary

from such assumptions, and such variance may be material. See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Permitted Debt”** and **“– Calculation of Debt Service.”**

Master Notes issued to evidence or secure Additional Debt may be designated as Master DSRF Secured Notes for purposes of the Master Indenture and would, upon issuance, be secured by the Master Reserve Fund, subject to any additional required deposit to the Master Reserve Fund in accordance with the terms of the Master Indenture.

Certain Covenants of the Obligated Group

For the definitions of certain words and terms used in this section, see **“Definitions and Summaries of Principal Documents”** in **APPENDIX C**.

Rates and Charges. The Obligated Group Members agree in the Master Indenture to operate their facilities on a revenue producing basis and to charge such rates and charges for their facilities and services such that the Historical Debt Service Coverage Ratio is at least 1.20 for each Fiscal Year. If the foregoing test is not met, the Obligated Group Representative shall engage a Consultant with respect to the rates, fees and charges of the Members and the Obligated Group’s method of operations and other factors affecting its financial condition in order to increase the Historical Debt Service Coverage Ratio for subsequent years to at least 1.20, except as otherwise provided in the Master Indenture. The Obligated Group Representative shall select the Consultant and notify the Master Trustee of the selection within 30 days of the date the accountant’s statement included in the Annual Compliance Certificate specifying the Historical Debt Service Coverage Ratio is filed with the Master Trustee and shall thereafter engage a Consultant in accordance with the Master Indenture. **“SECURITY FOR THE MASTER NOTES – Certain Covenants of the Obligated Group – Approval of Consultants.”** A copy of the Consultant’s report and recommendations, if any, shall be filed with each Required Information Recipient within 60 days of the date such Consultant is engaged. Each Member of the Obligated Group shall follow each recommendation of the Consultant applicable to it to the extent feasible unless compliance with the recommendation is not permitted by law or has been determined by the Governing Board of such Member by resolution not to be feasible. This obligation 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 this paragraph. Failure of the Obligated Group to satisfy the Historical Debt Service Coverage Ratio shall not constitute an event of default under the Master Indenture so long as (i) the Obligated Group Representative retains a Consultant as required, (ii) each Member follows each recommendation contained in the report of the Consultant to the extent required by this paragraph, and (iii) the Historical Debt Service Coverage Ratio for that Fiscal Year was at least 1.00. Failure to achieve a Historical Debt Service Coverage Ratio of at least 1.00 for any two consecutive Fiscal Years shall constitute an Event of Default after giving of notice required by 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 obligated to maintain the Historical Debt Service Coverage Ratio at that level for that Fiscal Year or to retain a Consultant to make recommendations pursuant to the preceding paragraph if: (a) there is filed with the Master Trustee (who shall provide a copy to each Required Information Recipient) a written report addressed to them of a Consultant that contains an opinion of such Consultant to the effect that federal, state or other applicable governmental laws or final regulations placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the Members for the use of

their facilities or the services furnished by the Members have prevented the Obligated Group from generating Net Income Available for Debt Service during such Fiscal Year in an amount sufficient to cause the Historical Debt Service Coverage Ratio to equal or exceed that level and such report is accompanied by a concurring Opinion of 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 Net Income Available for Debt Service reasonably practicable given such laws or regulations; and (c) the Historical Debt Service Coverage Ratio for that Fiscal Year was at least 1.00. 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 Representative provides to the Master Trustee an Opinion of Counsel to the effect that applicable laws or regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

For specific information regarding the process under the Master Indenture for selection of Consultants, see "**Approval of Consultants**" below and **APPENDIX C – "Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Approval of Consultants."**

Also see **APPENDIX C – "Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Rate Covenant."**

Liquidity Covenant. The Obligated Group Members agree in the Master Indenture to conduct their business so that the Obligated Group will have at least 120 Days Cash on Hand on each June 30 and December 31 (each such date being a "Liquidity Testing Date").

If the Obligated Group fails to have at least 120 Days Cash on Hand on any Liquidity Testing Date, the Obligated Group Representative must, within 30 days after delivery of the Officer's Certificate disclosing the deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Board of the Obligated Group Representative to the Required Information Recipients setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to increase the number of Days Cash on Hand to 120 for future Liquidity Testing Dates.

If the Obligated Group does not have at least 120 Days Cash on Hand on the first Liquidity Testing Date occurring after the delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative must engage a Consultant 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 increase the number of Days Cash on Hand to 120 for future Liquidity Testing Dates. The Obligated Group Representative must select the Consultant and notify the Master Trustee of the selection within 30 days of the date the Officer's Certification disclosing the deficiency is filed with the Master Trustee and shall thereafter engage a Consultant. A copy of the report of such Consultant and recommendations, if any, is required to be filed with each Required Information Recipient within 60 days after the Consultant is engaged. Each Member of the Obligated Group agrees to follow each recommendation of the Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Board of the Member) and permitted by law.

Notwithstanding any other provision of this Master Indenture, failure of the Obligated Group to have at least 120 Days Cash on Hand on any Liquidity Testing Date will not constitute an Event of Default if the Obligated Group takes all action necessary to comply with the requirements set forth above for adopting a plan or obtaining a Consultant's report (whichever is required) and follows that plan or each recommendation contained in that plan or Consultant's report (whichever is applicable) to the extent

feasible (as determined by the Governing Board of the Obligated Group Representative) and permitted by law. For specific information regarding the process under the Master Indenture for selection of Consultants, see “**Approval of Consultants**” below and **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Approval of Consultants.”**

Also see **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Liquidity Covenant.”**

Approval of Consultants. If at any time the Obligated Group Representative is required to engage a Consultant under the Master Indenture due to failure to achieve the required Historical Debt Service Coverage Ratio or the Days Cash on Hand, the Consultant shall be engaged in the manner set forth below.

Upon selecting a Consultant as required under the Master Indenture, the Obligated Group Representative will notify the Master Trustee of the selection. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Owners of the Master Notes Outstanding 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 each Owner of a Master Note will be deemed to have consented to the selection of the Consultant named in such notice unless such Owner submits an 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 Owners. No later than two Business Days after the end of 15-day objection period, the Master Trustee shall notify the Obligated Group Representative of the number of objections. If two-thirds or more in aggregate principal amount of the Owners of the Outstanding Master Notes have been deemed to have consented to the selection of the Consultant, the Obligated Group Agent shall engage the Consultant within five days of receiving notice of that consent. If more than one-third in aggregate principal amount of the Owners of the Master Notes Outstanding have objected to the Consultant selected, the Obligated Group Agent shall select another Consultant within 14 days after receiving notice of such objection, which Consultant may be engaged upon compliance with the procedures described in this paragraph.

All Consultant reports required under the Master Indenture shall be prepared in accordance with then-effective industry-appropriate standards.

See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Approval of Consultants.”**

Disposition of Property. The Obligated Group Members agree in the Master Indenture to restrictions on the disposition of their Property, as more fully described under the caption **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Sale or Other Disposition of Property”** hereto. Amounts already on deposit in the Corporate Headquarters Accounts constitute “Excluded Property” under the Master Indenture and are not subject to these transfer restrictions.

Series 2019 Entrance Fees Fund and Series 2021 Entrance Fees Fund. Pursuant to the Master Indenture, the Corporation established the Series 2019 Entrance Fees Fund held by the Master Trustee in conjunction with the issuance of the Series 2019A-2 Bonds. The Corporation is required to transfer all Initial Entrance Fees received by the Corporation for a calendar month to the Master Trustee for deposit into the Series 2019 Entrance Fees Fund held under the Master Indenture on the 15th day of the following

month. Moneys in the Series 2019 Entrance Fees Fund are disbursed by the Master Trustee on the 15th day of each month (i) first to the bond trustee for the Series 2019A-2 Bonds for redemption of the Series 2019A-2 Bonds, until all Series 2019A-2 Bonds have been redeemed in accordance with the terms thereof, whereupon the Series 2019 Entrance Fees Fund will be closed and no further Initial Entrance Fees will be deposited therein. The Series 2019A-2 Bonds were issued in the original principal amount of \$26,850,000, and as of August 1, 2021, \$25,283,007 principal amount of Series 2019A-2 Bonds remain outstanding. The Initial Entrance Fees being deposited in the Series 2019 Entrance Fees Fund are primarily from the new independent living units at Friendship Village of Bloomington financed with proceeds of the Series 2019 Bonds, among other funds, and also from new independent living units at Village on the Green. The Corporation anticipates that the Series 2019A-2 Bonds will be fully redeemed from Initial Entrance Fees on or before December 31, 2021.

In conjunction with the issuance of the Series 2021D Bonds, the Corporation will establish under the Master Indenture the Series 2021 Entrance Fees Fund to be held by the Master Trustee. On and after the date the Series 2019 Entrance Fees Fund is closed as described above, all Oak Trace Initial Entrance Fees received by the Corporation for a calendar month are required to be transferred by the Corporation to the Master Trustee for deposit into the Series 2021 Entrance Fees Fund on or before the 15th day of the following month. Moneys deposited in the Series 2021 Entrance Fees Fund will be disbursed by the Master Trustee on the 15th day of each month to the Series 2021D Bond Trustee for redemption of the Series 2021D Bonds until all Series 2021D Bonds have been redeemed in accordance with the terms thereof. “Oak Trace Initial Entrance Fees” means all Initial Entrance Fees received by the Corporation with respect to the improvements to the Oak Trace community, as described in this Official Statement. A significant portion of the proceeds of the Series 2021A Bonds, Series 2021B Bonds and Series 2021D Bonds are expected to be used to construct a major expansion of the Oak Trace Community as described under “**PLAN OF FINANCE**” and in **APPENDIX A** under “**IMPROVEMENTS TO THE COMMUNITIES – Oak Trace.**”

For information regarding the Series 2019 Entrance Fees Fund and the Series 2021 Entrance Fees Fund, see **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Series 2019 Entrance Fees Fund”** and “– Series 2021 Entrance Fees Fund.”

Amendments to the Master Indenture

Majority Amendments; Deemed Consent. The purchasers of the Series 2021 Bonds, by their purchase, will be deemed to have consented to the amendments to the Master Indenture described below. Such amendments will become effective upon receipt of the consent of the Owners of not less than a majority in principal amount of the Master Notes then Outstanding. The purchasers of the Series 2019 Bonds have previously consented to the following amendments to the Master Indenture. At the time of issuance of the Series 2021 Bonds and the Series 2021D Bonds, approximately 45% of the principal amount of the Outstanding Master Notes will have consented to these amendments:

Entrance Fee Debt. The Obligated Group would be permitted to incur Entrance Fee Debt without limit as to principal amount if (1) prior to the incurrence of such Debt, there is delivered to the Master Trustee an Officer’s Certificate stating that such principal of that Debt is projected to be paid prior to maturity solely from Initial Entrance Fees expected to be received by the Obligated Group, and (2) the Obligated Group was in compliance with the Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements for the Obligated Group are available.

Historical Debt Service Coverage. In calculating Historical Debt Service Coverage Ratio for each Fiscal Year, there shall be excluded from the calculation of Debt Service for Long-Term Debt any Debt Service on Entrance Fee Debt to the extent such Entrance Fee Debt was paid from Initial Entrance Fees.

Balloon Debt. For purposes of incurring Balloon Debt and meeting the debt service coverage tests for incurrence of Long-Term Indebtedness that constitutes Balloon Debt, the Balloon Debt may be deemed to be Long-Term Debt payable on a level annual debt service basis over a period specified by the Obligated Group Representative up to 30 years from the date of issuance or incurrence of such Debt, bearing interest on the unpaid principal balance at the rate equal to the Projected Rate; provided, however, that if the Projected Rate cannot be determined, the rate shall be assumed to be a fixed rate of interest equal to the most recently public Bond Buyer 30-year Revenue Bond Index or a similar index.

Totality Amendments; Deemed Consent. The purchasers of the Series 2021 Bonds, by their purchase, will be deemed to have consented to the amendments to the Master Indenture described below. The following amendment will become effective upon receipt of the consent of the Owners of all Outstanding Master Notes:

Release of Florida Mortgages. The Master Trustee will be authorized to release the Mortgages on the four Florida Communities (and any other Florida properties then subject to a Mortgage in favor of the Master Trustee) if the Obligated Group Representative delivers to the Master Trustee and the Bond Trustee an Officer's Certificate stating that (i) no Event of Default has occurred and is continuing under the Master Indenture, (ii) for the most recent Fiscal Year for which audited financial statements required by the Master Indenture are available the Obligated Group met the Liquidity Requirement and the Historical Debt Service Coverage Ratio as of and for the end of such Fiscal Year, and (iii) the outstanding Bonds are rated in one of the three highest rating categories (without regard to modifiers) by one of the Rating Agencies.

THE SERIES 2021D BONDS AND CONTINUING COVENANTS AGREEMENT

General

It is anticipated that the Iowa Authority will issue its Series 2021D Bonds concurrently with the issuance of the Series 2021 Bonds. The proceeds of the Series 2021D Bonds will be loaned to the Corporation and applied towards financing the portions of the Project related to the expansion and renovation of the Oak Trace Community. See "**ESTIMATED SOURCES AND USES OF FUNDS.**" The Series 2021D Bonds will be purchased by the 2021D Purchaser. The Series 2021D Bonds will be draw-down bonds, that permit the Corporation to request principal advances on the Series 2021D Bonds through December 31, 2023. The Series 2021D Bonds will bear interest at a variable rate, initially based on 30-day LIBOR, and will mature on or about August 25, 2031. The Series 2021D Bonds will be subject to mandatory redemption from certain Initial Entrance Fees as described under the caption "**Mandatory Redemption of Series 2021D Bonds from Entrance Fees**" below. The issuance, purchase and delivery of the Series 2021D Bonds is subject to certain conditions precedent as contained in the Continuing Covenants Agreement. **The sale and delivery of the Series 2021 Bonds is not conditioned upon the issuance of the Series 2021D Bonds and purchasers of the Series 2021 Bonds will not be excused from said purchase if the Series 2021D Bonds are not issued.**

In connection with the Series 2021D Bonds the Corporation and the 2021D Purchaser will enter into the Continuing Covenants Agreement, which sets forth certain covenants and agreements of the Corporation with the 2021D Purchaser. The Corporation's obligations in connection with the Series 2021D Bonds and the Continuing Covenants Agreement will be secured by the Series 2021D Bond Master Note and the Series 2021D CCA Master Note, respectively. It is possible that a default with respect to either such Master Note, including with respect to a breach of the CCA Covenants under the Continuing Covenants Agreement could lead to a default under the Master Indenture and an acceleration of all Outstanding Master Notes thereunder, including the other Series 2021 Master Notes.

If the Series 2021D Bonds are issued it is anticipated that the 2021D Purchaser will consent to the amendments to the Master Indenture described under the caption "**SECURITY FOR THE MASTER NOTES – Amendments to the Master Indenture**" above.

No offer of or solicitation of offers to purchase the Series 2021D Bonds is made by this Official Statement. The Series 2021D Bonds will be offered solely to the 2021D Purchaser.

CCA Covenants

Certain of the CCA Covenants are more restrictive than those set forth in the Master Indenture, including, but not necessarily limited to, a requirement to deliver to the 2021D Purchaser a certificate demonstrating, on a *pro forma* basis, compliance with the covenants summarized under the headings "**SECURITY FOR THE MASTER NOTES – Certain Covenants of the Obligated Group - Rates and Charges**" and "**– Liquidity Covenant**" prior to the incurrence of any indebtedness, including certain refunding and other indebtedness where no such showing would otherwise be required under the Master Indenture.

The CCA Covenants run to the sole and exclusive benefit of the 2021D Purchaser and could be waived or amended without the consent of the Owners of the Series 2021 Bonds or any other third parties.

Mandatory Redemption of Series 2021D Bonds from Entrance Fees

In conjunction with the issuance of the Series 2021D Bonds, the Corporation will establish under the Master Indenture the Series 2021 Entrance Fees Fund to be held by the Master Trustee. The Corporation is required to transfer all Initial Entrance Fees from new independent living units at its Oak Trace Community to the Series 2021 Entrance Fees Fund. Moneys deposited in the Series 2021 Entrance Fees Fund will be disbursed by the Master Trustee on the 15th day of each month to the Series 2021D Bond Trustee for application to the mandatory redemption of the Series 2021D Bonds until all Series 2021D Bonds have been redeemed in accordance with the terms thereof. The Series 2021D Bonds are subject to mandatory redemption on the 15th day of each month, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

For information regarding the Series 2021 Entrance Fees Fund, see **APPENDIX C – "Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Series 2019 Entrance Fees Fund and Series 2021 Entrance Fees Fund."**

While the Corporation anticipates that Initial Entrance Fees expected to be deposited in the Series 2019 Entrance Fees Fund will be sufficient to redeem the Series 2019A-2 Bonds and Series 2021D Bonds from those Initial Entrance Fees on or before December 15, 2021 and December 31, 2025, respectively, there can be no assurance Initial Entrance Fees will be received by the Corporation at the times and in the amounts expected.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as the depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered Series 2021 Bonds 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. The ownership of one fully-registered Series 2021 Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co.

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 received a S&P Global Ratings 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 the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2021 Bond (“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, but Beneficial Owners are 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 2021 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 2021 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 2021 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2021 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 the Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to 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 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the related Authority as soon as possible after the Record Date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Series 2021 Bonds are credited on the Record Date (identified in a listing attached to the "Omnibus Proxy").

Principal and interest payments on the Series 2021 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 Bond Trustee or Authority, on payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in 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, the Bond Trustee or Authority, 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 Bond Trustee or Authority. 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.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITIES, THE OBLIGATED GROUP OR THE UNDERWRITERS AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Series 2021 Bonds are registered in the name of DTC or its nominee, Cede & Co., the related Authority and Bond Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2021 Bonds for all purposes, including payments, notices and voting.

Under the Bond Indentures, payments made by the Bond Trustee to DTC or its nominee will satisfy the related Authority's obligations thereunder and the Corporation's obligations under the related Loan Agreement and Series 2021 Master Note, to the extent of the payments so made.

None of the Authorities, Underwriters, Obligated Group nor the Bond Trustees will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2021 Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Series 2021 Bond including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Series 2021 Bond, (iii) the payment of any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Series 2021 Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the related Authority and Bond Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2021 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Series 2021 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2021 Bonds, (iii) registering transfers with respect to the Series 2021 Bonds and (iv) the selection of Series 2021 Bonds for redemption.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving notice to the related Authority and Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered. The related Authority, with the concurrence or at the direction of the Corporation, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered.

THE IOWA AUTHORITY

The Iowa Authority is a public instrumentality and agency of the State of Iowa. The Iowa Authority is authorized by the Iowa Act to issue the Series 2021A Bonds and the Series 2021B Bonds, lend the proceeds thereof to the Corporation, and to secure the Series 2021A Bonds and the Series 2021B Bonds of a pledge of amounts payable by the Corporation under the Iowa Loan Agreement and the Iowa Bond Indentures. The Iowa Authority is not issuing, and has no liability whatsoever with respect to, the Series 2021C Bonds.

The Series 2021A Bonds and the Series 2021B Bonds are issued under and pursuant to the Act and pursuant to a resolution adopted by the Iowa Authority. The Series 2021A Bonds and the Series 2021B Bonds constitute special, limited obligations of the Iowa Authority, payable solely from proceeds of the Series 2021A Bonds and the Series 2021B Bonds, the revenues pledged to the payment thereof pursuant to the Loan Agreement, and the funds and accounts held under and pursuant to the Iowa Bond Indentures and pledged therefor. The Series 2021A Bonds and the Series 2021B Bonds, the interest thereon and any other payments or costs incident thereto do not constitute an indebtedness or a loan of the Credit of the Iowa Authority, the State of Iowa or any political subdivision thereof within the meaning of any constitutional or statutory provisions. The Iowa Authority does not pledge its faith or credit nor the faith or credit of the State of Iowa nor any political subdivision of the State of Iowa to the payment of the principal of, the interest on or any other payments or costs incident to the Series 2021A Bonds and the Series 2021B Bonds. The issuance of the Series 2021A Bonds and the Series 2021B Bonds and the execution of any documents in relation thereto do not directly, indirectly or contingently obligate the State of Iowa or any political subdivision of the State of Iowa to apply money from or levy or pledge any form of

taxation whatsoever to the payment of the principal of, or interest or premium, if any, on the Series 2021A Bonds and the Series 2021B Bonds or any other payments or costs incident thereto. The Iowa Authority has no taxing power.

EXCEPT FOR INFORMATION CONCERNING THE IOWA AUTHORITY UNDER “THE IOWA AUTHORITY” AND “LITIGATION – THE IOWA AUTHORITY” HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE IOWA AUTHORITY AND THE IOWA AUTHORITY MAKES NO REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE FLORIDA AUTHORITY

The Florida Authority is a public body corporate and politic and was created by resolutions adopted by the Board of County Commissioners of Palm Beach County, Florida on April 12 and 19, 1977, pursuant to the Act in response to need for assistance in the development and maintenance of not for profit health care facilities within Palm Beach County, Florida. The Florida Authority has no taxing power and none of Palm Beach County, the State of Florida nor any political subdivision thereof is in any way liable for any payment of principal, interest or redemption premium on bonds or notes issued by the Florida Authority. Members of the Florida Authority receive no compensation but are reimbursed for necessary expenses.

Pursuant to the Florida Act, the Board of County Commissioners appointed five residents of Palm Beach County as members of the Florida Authority. Upon expiration of their terms, the Board of County Commissioners is to appoint successors for terms of four years each. Members are eligible for reappointment. Members of the Florida Authority continue to serve until a successor is appointed and has qualified. The current members of the Florida Authority are:

<u>Member</u>	<u>Occupation</u>
Gerald N. Robinson, M.D.	Physician and Group Practice Administrator
James T. Howell, M.D.	Physician and University Professor
Eugenia Millender	Clinical Nurse
Joan E. Roude	Retired Businesswoman
James Sugarman	Nonprofit Consultant/Life Coach

As described herein, the Florida Authority has the power to issue bonds for the purpose of financing projects for other obligated groups which are payable from the revenues of the particular project or obligated group. Revenue Bonds issued by the Florida Authority for other projects may be in default as to payments of principal and interest. The source of payment, however, for any such default is separate and distinct from the source of payment of the Series 2021C Bonds and, therefore, any default on such bonds would not, in the judgment of the Florida Authority, be considered material by a reasonable investor. The Florida Authority is not issuing, and has no liability whatsoever with respect to, the Series 2021A Bonds and the Series 2021B Bonds.

EXCEPT FOR INFORMATION CONCERNING THE FLORIDA AUTHORITY UNDER “THE FLORIDA AUTHORITY” AND “LITIGATION – THE FLORIDA AUTHORITY” HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE FLORIDA AUTHORITY AND THE FLORIDA

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REGULATORY ENVIRONMENT

General Overview

Each Community of the Obligated Group is required to maintain numerous licenses and certifications to operate as a continuing care provider, a life care facility, a nursing facility and/or an assisted living facility. See below for a state-by-state description of key state licensure and certification regulatory schemes. In addition, nine of the Communities' nursing facilities participate in the Medicare program and five participate in the Medicaid program. Participation in the Medicare and Medicaid programs subjects the Obligated Group to significant regulatory requirements, including limits on reimbursement, anti-fraud and abuse requirements, certification requirements, restrictions on referrals, and various reporting and transparency requirements. Furthermore, the Obligated Group provides certain home health services in Florida and Minnesota for which it maintains licenses. See "**RISK FACTORS – Regulation of the Health Care Industry**" herein.

The Obligated Group also must comply with certain state certificate of need laws which are designed to curb unnecessary or duplicative construction or modification of health care facilities, and unnecessary medical equipment and capital expenditures, often by requiring approval of construction, modification, bed capacity increase, changes of ownership and capital expenditures. A certificate of need for nursing home beds is required in the states of Florida and Illinois. Florida and Illinois also have provisions which allow for nursing home beds for continuing care providers to be designated as sheltered resident beds or "continuum of care beds" (in Illinois). Minnesota currently has a moratorium on new nursing home beds. In Kansas, a special use permit is required to increase the number of nursing home beds.

Set forth below are state summaries of certain regulatory items relevant to the Obligated Group's Communities. Such state summaries relate only to the Communities located in the specified state. Some states account for more revenue of the overall Obligated Group than other states.

Florida – Abbey Delray, Abbey Delray South, Harbor's Edge, The Waterford, Village on the Green

General. The Florida Continuing Care Law requires every continuing care facility to maintain a certificate of authority from the Office of Insurance Regulation (the "OIR") in order to operate. All of the Obligated Group's Florida Communities are currently licensed to provide continuing care and have each received a final certificate of authority. If any of the Obligated Group's Florida Communities failed to comply with the requirements of the Florida Continuing Care Law it would be subject to sanctions up to and including the revocation of their respective certificate of authority.

In addition, the nursing facility operations of each Community are licensed by the Agency for Healthcare Administration and governed by Chapter 400, Part II, Florida Statutes. The Florida Communities are also licensed as home health agencies under Chapter 400, Part IV, Florida Statutes. Abbey Delray is licensed as an assisted living facility under Chapter 429, Part I, Florida Statutes.

Continuing Care. Florida continuing care facilities, including those of the Obligated Group, are required to file annual reports containing financial and other information about the provider and the facility with the OIR. If a provider fails to correct deficiencies within the time period provided by law, the OIR may institute delinquency proceedings against the provider, as described below.

Required Reserves and Impairment. The Florida Continuing Care Law requires that each continuing care provider maintain: (a) a debt service reserve in an amount equal to the principal and interest payments becoming due during the current fiscal year (12 months' interest on the financing if no principal payments are currently due) on any mortgage loan or other long term financing, including taxes and insurance; (b) an operating reserve in an amount equal to 15% of the total operating expenses identified in the facility's annual report filed pursuant to the Florida Continuing Care Law; and (c) a renewal and replacement reserve in an amount equal to 15% of the total accumulated depreciation based on the audited financial statements included in the facility's annual report filed pursuant to the Florida Continuing Care Law, not to exceed 15% of the facility's average operating expenses for the past three fiscal years based on the audited financial statements for each of such years. These reserves are required to be held in a segregated escrow account meeting the statutory requirement and acceptable to the OIR and, in the case of the operating reserve, must be in an unencumbered account held in escrow for the benefit of the residents. Withdrawals from the operating reserve beyond the minimum balance requirement require the approval of the OIR. All other withdrawals shall require OIR notification and approval, including a withdrawal from the certain debt service reserve funds or, to the extent that it is used to satisfy the requirements of the Florida Continuing Care Law, the Master Reserve Fund. Certain accounts of the bond indentures related solely to the Florida Communities are intended to meet the requirements of the Florida Continuing Care Law for those reserves (the "Florida Required Reserves").

The Florida Continuing Care Law requires the escrow agent holding the Florida Required Reserves to deliver to the OIR quarterly reports on the status of the escrow funds, including balances, deposits and disbursements. Continuing care providers that are members of an Obligated Group, meaning one or more entities that jointly agree to be bound by a financing structure containing security provisions and covenants applicable to the group, must use the debt service coverage ratios and days cash on hand of the obligated group to demonstrate that the provider is not impaired in each of its quarterly reports. The Florida Continuing Care Law provides that withdrawals can be made from the Florida Required Reserves (i) without OIR consent to the extent the amount held in escrow exceeds the statutory requirement or (ii) with the prior written consent of OIR as required under the Florida Continuing Care Law. Fines may be imposed for failure to deliver the quarterly reports or notices of withdrawal within the required time periods.

Continuing Care Agreements and Residents' Rights. The Florida Continuing Care Law contains certain requirements for continuing care agreements and requires the OIR approval of the form of an agreement before it is used and of any changes to the terms of an agreement once it has been approved. In addition to requiring that the agreement state the amounts payable by the resident, the services to be provided and the health and financial conditions for acceptance of a resident, the Florida Continuing Care Law requires that the agreement may be canceled by either party upon at least 30 days' notice. A provider that does not give its residents a transferable membership right or ownership interest in the facility may retain 2% of the entrance fee per month of occupancy prior to cancellation, plus a processing fee not exceeding 5% of the entrance fee, and must pay the refund within 90 days of notice of cancellation. The Florida Continuing Care Law mandates certain disclosures to potential residents including that such prospective residents may wish to consult with attorneys and/or financial advisors before entering into a contract. The Residency Agreements for the Obligated Group's Florida Communities meet the requirements of this provision.

The Florida Continuing Care Law requires that a prospective resident have the right to cancel a continuing care agreement within seven days of signing the continuing care agreement without penalty. During this seven-day period, any entrance fee or deposit must be held in escrow or, at the request of the prospective resident, held by the provider. If the prospective resident rescinds the continuing care contract during the seven-day rescission period, the entrance fee or deposit must be refunded to the

prospective resident without deduction. If cancellation occurs after seven days, but prior to occupancy, the entire entrance fee must be refunded, less a processing fee not exceeding 5%, within 60 days of notice of cancellation. However, if cancellation occurs prior to occupancy due to death, illness, injury or incapacity of the prospective resident, the entire entrance fee must be refunded, less any costs specifically incurred by the provider at the written request of the resident.

The Florida Continuing Care Law requires that no contract for care shall permit dismissal or discharge of a resident from the facility providing care before the expiration of the contract without just cause. Failure to pay monthly fees will not be considered just cause until such time as the amounts paid by the resident, together with amounts received from Medicare or third party insurance for such resident, fall below the cost of care for the resident, based upon the per capita cost of the facility (which cost may be adjusted for amount paid above the minimum charge for above-standard accommodations).

The Florida Continuing Care Law requires that the Florida Communities post, in a prominent position, a notice with contact information for OIR which states that OIR may be contacted with inquires and complaints with respect to potential violations of the Florida Continuing Care Law. The Florida Continuing Care Law also contains provisions giving residents the right to form residents' organizations and choose representatives; to attend quarterly meetings with the provider; to inspect the provider's financial reports to the OIR; and to receive notice of (i) any final examination report or the initiation of any legal or administrative proceeding by the OIR, including a copy of such document or (ii) any change in ownership. Each contract must provide for at least 60 days' advance notice before any change in fees or charges or the scope of care or services can become effective, except for changes required by state or federal assistance programs. Prior to the implementation of any increase in the monthly maintenance fee, the provider must provide, at a quarterly meeting of the residents, the reasons, by department cost centers, for any increase in the fee that exceeds the most recently published Consumer Price Index for all Urban Consumers, all items, Class A Areas of the Southern Region. Residents must also be notified of any planned financing or refinancing or expansion of the facility.

Financial and Operating Requirements. For purposes of the Florida Continuing Care Law, a "regulatory action level event" shall have been deemed to have occurred upon the occurrence of any two of the following:

- the Corporation's, or for providers that are a member of an obligated group the obligated group's, debt service coverage ratio is less than 1.20:1 as of the most recent annual report date;
- the Corporation's, or for providers that are a member of an obligated group the obligated group, has less than 120 days cash on hand as of the most recent annual report date; or
- the occupancy of the relevant facility has averaged less than 80% over the 12-month period preceding the most recent annual report date.

As described below, the occurrence of a regulatory action level event triggers a number of additional restrictions and provisions of the Florida Continuing Care Law including, but not limited to, mandating that the Corporation establish a corrective action plan (or revised corrective action plan) satisfying the applicable statutory requirements, enhancing the Corporation's reporting requirements, granting OIR the right to disapprove or order the removal of a manager or management company and triggering OIR review. If a Florida Community were to be found impaired or insolvent under the Florida Continuing Care Law it would be subject to additional operational restrictions including restrictions on the ability to accept new residents under continuing care contracts.

Examinations and Delinquency Proceedings. The OIR is required to examine the business of each continuing care provider at least once every three years. Inspections may also be requested by any interested party. The OIR is required to notify the provider of any discrepancies and to set a reasonable time for corrective action and compliance by the provider.

The OIR may deny, suspend, revoke or refuse to renew a certificate of authority for various grounds relating to: the insolvent condition of the provider or the provider's being in a condition which renders its conduct of further business hazardous or injurious to the public; lack of one or more of the qualifications for a certificate of authority; material misstatements, misrepresentation, fraud, misappropriation of moneys or demonstrated lack of fitness or untrustworthiness; violations of the Florida Continuing Care Law or any regulation or order of the OIR; or refusal to permit examination or to furnish required information.

Suspension of a certificate of authority may not exceed one year, during which period the provider may continue to operate and must file annual reports, but may not issue new continuing care agreements. At the end of the suspension period, the certificate of authority is to be reinstated, unless the OIR finds that the causes for suspension have not been removed or that the provider is otherwise not in compliance with the Florida Continuing Care Law (in which event the certificate of authority is deemed to have been revoked as of the end of the suspension period). In lieu of suspension, administrative fines may be levied, not exceeding \$1,000 per violation, or \$10,000 for knowing and willful violations.

If the OIR finds that sufficient grounds exist as to a continuing care provider for the rehabilitation (i.e., receivership), liquidation, conservation, reorganization, seizure or summary proceedings of an insurer as provided under Florida law pertaining to insurance companies, the OIR may petition for an appropriate court order or pursue such other relief as is afforded under Part I of Chapter 631, Florida Statutes, as amended (the "Insurers Rehabilitation and Liquidation Act"). Such grounds include, but are not limited to, insolvency or failure or refusal to comply with OIR requirements.

OIR Rights Subordinate to Trustee Rights. The Florida Continuing Care Law provides that the rights of the OIR are subordinate to the rights of a trustee or lender pursuant to an indenture, loan agreement or mortgage securing bonds issued to finance or refinance the facility. However, if the OIR has been appointed as receiver of the facility, the court having jurisdiction over the receivership proceeding is authorized to enjoin a secured creditor from seeking to dispose of the collateral securing its mortgage for up to 12 months, upon a showing of good cause, such as a showing that the collateral should be retained in order to protect the life, health, safety or welfare of the residents or to provide sufficient time for relocation of the residents.

If a trustee or lender becomes the mortgagee under a mortgage pursuant to a foreclosure sale or otherwise through the exercise of remedies upon the default of the mortgagor, the rights of a resident of any portion of the applicable mortgaged property governed by the Florida Continuing Care Law, Florida Statutes, under a continuing care agreement, shall be honored and shall not be disturbed or affected (except as described below) as long as the resident continues to comply with all provisions of the continuing care agreement and has asserted no claim inconsistent with the rights of the trustee or lender. In such event, the OIR shall not exercise its remedial rights provided under the Florida Continuing Care Law with respect to the facility, including its right to enjoin disposal of the facility as described in the preceding paragraph. Upon acquisition of a facility by a trustee or lender pursuant to remedies under a mortgage, the OIR shall issue a 90-day temporary certificate of authority to operate the facility, provided that the trustee or lender will not be required to continue to engage in the marketing or resale of new continuing care agreements, pay any refunds of entrance fees otherwise required to be paid under a resident's continuing care agreement until expiration of such 90-day period, be responsible for acts or

omissions of the operator of the facility arising prior to the acquisition of the facility by the trustee or lender, or provide services to the residents to the extent that the trustee or lender would be required to advance funds that have not been designated or set aside for such purposes.

Expansions and Acquisitions. The Florida Continuing Care Law requires the written approval from the OIR before commencing construction or marketing for any new facilities or for the expansion by more than 20% of any existing certified facility. The requirements are significant and would likely involve substantial additional cost that may inhibit the Corporation's ability to expand within Florida or increase the costs associated therewith and, in any event, may decrease the market value or marketability of the Florida Communities in the event of a foreclosure. The Florida Continuing Care Law also includes a number of restrictions which run to the ability of a private party to acquire a certified facility. These provisions may reduce the pool of parties which would be interested in acquiring the Florida Communities and may further impair the market price and marketability of such Communities in the event of a foreclosure.

Reporting. Within 45 days after the end of each of the first three fiscal quarters, the Corporation must file quarterly unaudited financial statements including days cash on hand, occupancy, debt service coverage ratio, and a detailed listing of the assets maintained in the liquid reserve as required under "**Required Reserves**" above. In certain circumstances, including during the continuation of a regulatory level action event, the Corporation may also be required to file quarterly unaudited financial statements, monthly unaudited financial statements and other information if and as requested by the OIR all as set forth in the Florida Continuing Care Law.

Management. The Florida Continuing Care Law places restrictions on which entities and individuals may provide management services to the Florida Communities, requires that management contracts contain provisions by which the OIR will be able to cancel such contract without penalty and include requirements that the Corporation notify OIR, in writing, of any new contract with a management company or individual manager. If a regulatory action level event is ongoing, the OIR may disapprove or order the removal of such manager or management company. A manager or management company is also subject to immediate removal if they are found guilty of, or plead no contest to, a felony charge or are held liable or have been enjoined in a civil action by final judgment in actions involving fraud, embezzlement, fraudulent conversion or misappropriation of property.

Illinois – Beacon Hill and Oak Trace

General. Beacon Hill and Oak Trace maintain life care permits pursuant to the provisions of the Illinois Life Care Facilities Act under 210 ILCS 40, Illinois Statutes (the "Illinois Life Care Act"). The Obligated Group must annually file an audited financial statement. Beacon Hill's health center is currently licensed by the Illinois Department of Public Health (the "IDPH") for 110 skilled nursing care beds. Oak Trace's health center currently offers 125 skilled nursing care beds and 53 catered living beds. Beacon Hill is currently licensed as Home Services Agency by the IDPH to provide its assistance in living services for its independent living residents.

Continuing Care. Illinois life care facilities require a permit from the IDPH. Residents must execute a life care contract to provide to a person for the duration of such person's life or for a term in excess of one (1) year, nursing services, medical services or personal care services, in addition to maintenance services.

Under Illinois law, a continuing care provider offering life care contracts is required to obtain approval as a Life Care Facility (“Life Care Permit”) from the IDPH pursuant to the Illinois Life Care Act.

The Illinois Life Care Act provides that a prospective resident may rescind his or her life care contract without penalty or forfeiture within 14 days after the first calendar day following the later of: (i) payment of the initial deposit or application fee, (ii) signing the life care contract or (iii) receipt of the financial disclosure statement reflecting the financial condition of the Obligated Group required to be furnished by the Obligated Group pursuant to the Illinois Life Care Act.

Debt Service Reserves. Illinois regulations require the Obligated Group to maintain a debt service reserve escrow, which must be funded in an amount at least equal to aggregate principal and interest payments due during the next six months on account of any first mortgage or other long-term financing for any Illinois continuing care retirement community. If at any time the amount on deposit in any of the debt service reserve funds for the bonds with respect to the Community located in Illinois is less than the amount of principal and interest payable with respect to those bonds during the succeeding six month period, the related bond trustee shall give notice of such event. The debt service reserve funds held under certain bond indentures and the Master Reserve Fund held under the Master Indenture are intended to meet the reserve requirements of the Illinois Life Care Act. Release of these debt service reserve funds is subject to notice to and approval of Director of the IDPH.

Certificate of Need. The Illinois Health Facilities Planning Act, as amended (the “Illinois Planning Act”), has among its purposes the establishment of procedures designed to reverse the trends of increasing costs of health care resulting from unnecessary construction or modification of health care facilities, the orderly and economical development of health care facilities in the State of Illinois, the avoidance of unnecessary duplication of such facilities and the promotion of planning for and development of such facilities. Pursuant to the Planning Act and the accompanying regulations, no health care facility (which, as defined in the Illinois Planning Act, includes hospitals, nursing homes and certain other facilities) may initiate a project that (i) requires a capital expenditure in excess of the capital expenditure minimum, or (ii) substantially changes the scope or functional operation of a health care facility, or (iii) results in the establishment or discontinuation of a health care facility, or (iv) increases or decreases the number of beds or redistributes the bed capacity among various categories of service or physical facilities by more than 20 beds or by more than 10% of the total bed capacity, whichever is less, over a two-year period, or (v) establishes or discontinues a regulated category of service, or (vi) involves the change of ownership of a health care facility unless the applicable approval or exemption has been granted by the Illinois Health Facilities and Services Review Board, the issuance of which is governed by the provisions of the Illinois Planning Act.

Kansas – Claridge Court

General. Claridge Court is subject to the provisions of the Kansas Continuing Care Agreement Act (the “Kansas Continuing Care Act”), which was enacted in 1986. It holds a certificate of registration as a continuing care provider which must be renewed annually. The Kansas Insurance Department is responsible for regulating continuing care providers. The health center is licensed by the Kansas Department of Aging as a nursing facility.

Licensure Requirements. The operations of skilled nursing care portion of Claridge Court are affected on a day-to-day basis by numerous legislative, regulatory and industry-imposed operational and financial requirements, which are administered by a variety of state government agencies. The Obligated Group has current licenses from the State of Kansas to operate Claridge Court.

Licensing Surveys. Claridge Court is subject to periodic inspections by the Kansas Department of Aging, which agency controls, directly or indirectly, licensing under state law as well as the eligibility of facilities to participate in the Medicare and Medicaid programs. A failure to correct cited deficiencies or violations could lead to the suspension or revocation of the applicable licenses for the facility or a determination that the facility may no longer receive reimbursements under the Medicare or Medicaid programs.

Minnesota – Friendship Village of Bloomington

Continuing Care Facility Disclosure And Rehabilitation Act. Friendship Village of Bloomington is registered as a provider of continuing care in the State of Minnesota pursuant to Chapter 80D, Minnesota Statutes Annotated. A provider of continuing care may not enter into a contract in the State of Minnesota that requires payment of an entrance fee in consideration for a promise to provide continuing care (or life-care), unless the provider has filed in the office of the county recorder of the county in which the facility is located, a current disclosure statement, a verified statement of the escrow agent that escrow accounts required under Chapter 80D have been established, and a filing fee has been paid.

Health Center Licensure. Friendship Village of Bloomington’s health center is licensed to provide nursing care and boarding care services pursuant to Chapter 144A, Minnesota Statutes Annotated, and pursuant to rules promulgated by the Minnesota Department of Health. The health center license is renewed annually. Friendship Village of Bloomington is also required to register with the Minnesota Department of Health as an elderly housing with services establishment pursuant to Chapter 144D, Minnesota Statutes Annotated. Under its Certificate of Need law, Minnesota currently has a moratorium on any new nursing home beds.

Other Licensure. Friendship Village of Bloomington is licensed as a “Class A” Home Care Provider.

Entrance Fee Escrow. Entrance fee deposits and, if required, balance payments received from prospective residents are placed in escrow. An escrow account has been established at US Bank, National Association. Monies are released from the escrow account pursuant to the terms of the escrow agreement and the Residency Agreement.

Pennsylvania Department of Health – Friendship Village of South Hills

General. Pennsylvania law 40 P.S. 3202, et. al. requires registration of continuing care facilities pursuant to the Pennsylvania Continuing Care Provider Registration and Disclosure Act (the “Pennsylvania Continuing Care Act”). Friendship Village of South Hills must file certain documents with the Pennsylvania Department of Insurance annually.

In June 1982 a Certificate of Need was received from the Pennsylvania Department of Health for a 60-bed health center at Friendship Village of South Hills. Friendship Village of South Hills received a Certificate of Need to construct 21 additional health center beds on October 2, 1991, and received an extension to the Certificate of Need on September 11, 1992. These 21 health center beds became available on July 1, 1994, which increased the total number of beds in the health center to 81 beds. In October 1995, eight additional beds were added by converting eight private deluxe rooms to semi-private rooms, increasing the total number of health center beds to 89.

Friendship Village of South Hills is also licensed under Act 69 of 2006 as a home care agency by the Commonwealth of Pennsylvania Department of Health, Division of Home Health in order to provide assistance in living services to its residents.

Friendship Village of South Hills is subject to regulation by the Bureau of Facility Licensure and Certification of the Pennsylvania Department of Health (the "PDOH") in connection with the licensure of its skilled nursing facilities at Friendship Village of South Hills.

Friendship Village of South Hills has all such licenses to operate its skilled nursing facilities at the present time. Licenses for skilled nursing facilities must be reissued annually and are not transferable. The Secretary of the PDOH may refuse to renew a license or suspend or revoke an existing license to operate a skilled nursing facility. In addition, the PDOH may seek to appoint a receiver for a nursing home if, among other things, a situation exists which presents an imminent danger of death or serious harm to the residents of such nursing home.

The residents of nursing homes are entitled to numerous rights and protections, which are enforced jointly by the Pennsylvania Department of Aging and the PDOH. The transfer or discharge of a resident of a long term nursing facility is permitted only for limited reasons, including a medical reason, the welfare of the resident or other residents, non-payment for a stay, or the cessation of operations by the facility. Other restrictions on the facility and resident rights exist related to Medicaid residents receiving services in Medicaid-certified facilities.

Pennsylvania Department of Insurance. The operations of the continuing care retirement facilities of the Obligated Group are subject to the requirements of the Pennsylvania Continuing Care Act. The Pennsylvania Continuing Care Act requires, among other things, that any provider of continuing care services such as the Friendship Village of South Hills (i) obtain a Certificate of Authority ("Pennsylvania COA") from the Pennsylvania Insurance Commissioner (the "Pennsylvania Insurance Commissioner"); (ii) provide to each prospective resident a disclosure statement setting forth material information with respect to such provider and the operation of the continuing care facility to be operated by such provider; (iii) include certain provisions in agreements for continuing care; and (iv) set aside reserves in specified amounts to insure that the provider will be able to meet its contractual obligations to residents. The Pennsylvania Continuing Care Act also provides for civil and criminal penalties for violations of the Pennsylvania Continuing Care Act.

The Pennsylvania Continuing Care Act gives the Pennsylvania Insurance Commissioner the right to exercise certain remedies with respect to a continuing care retirement community which, in the judgment of the Pennsylvania Insurance Commissioner, is experiencing financial difficulties or is otherwise unable to meet its obligations under continuing care agreements. The Pennsylvania Continuing Care Act specifically requires that in exercising such remedies, the Pennsylvania Insurance Commissioner give due consideration to the manner in which the welfare of residents (or former residents to whom amounts may be due) may be best served. The Pennsylvania Continuing Care Act empowers the Pennsylvania Insurance Commissioner to take certain actions to protect the interests of residents in a continuing care retirement community, such as (i) filing a lien (subordinate to the lien of any first mortgage) on the real and personal property of the continuing care retirement community to secure the obligations of the continuing care retirement community pursuant to its contracts with its current and future residents; (ii) revoking the Pennsylvania COA of the continuing care retirement community; or (iii) seeking the appointment of a trustee to rehabilitate or liquidate the continuing care retirement community. The sections of the Pennsylvania Continuing Care Act mentioned above provide rights to the residents of Friendship Village of South Hills.

The Obligated Group has a certificate of authority to operate its Pennsylvania continuing care retirement communities.

Entrance Fees Escrow. The entrance fee deposits (10% of the total entrance fee) paid by prospective residents to reserve a living unit are placed in an escrow account held at U.S. Bank National Association. Monies are released from the escrow account pursuant to the terms of the escrow agreement and the statutory requirements imposed upon Friendship Village of South Hills by the Pennsylvania Continuing Care Act. The entrance fee escrow will be maintained to hold entrance fee deposits and payments for the living units as they become available for reoccupancy to the extent required by law.

Texas

General. Nursing facilities in Texas are regulated and inspected by THHSC in accordance with the terms of the Convalescent and Nursing Homes and Related Institutions Act, Chapter 242 of the Texas Health and Safety Code (the "Nursing Home Act") and the regulations promulgated thereunder. Assisted living facilities in Texas are regulated and inspected by THHSC in accordance with the terms of the Assisted Living Facility Licensing Act, Chapter 247 of the Texas Health and Safety Code (the "Assisted Living Act") and the regulations promulgated thereunder. The stated purposes of the Nursing Home Act and the Assisted Living Act are to ensure that institutions in the state deliver the highest possible quality of care. Licensed assisted living facilities are authorized to provide personal care services and medication assistance or administration. Texas law limits the extent to which assisted living facilities may directly furnish skilled nursing care. Due to the higher intensity of nursing and other healthcare provided in licensed nursing facilities, regulations adopted under the Nursing Home Act are broad in scope and establish prescriptive standards for nursing, dietary, pharmacy, rehabilitative and other healthcare services. Both regulatory schemes establish standards for resident rights, prevention and reporting of abuse or neglect, sanitation and infection control, medication, nutrition, record-keeping, use of restraints, staffing, staff education and training, facility construction and fire safety. Licensees are subject to periodic inspections, both announced and unannounced, by THHSC.

Texas assisted living facilities and nursing facilities that care for people with Alzheimer's disease and related disorders may be certified by THHSC. Facilities applying for certification must comply with standards relating to the specialized care and treatment of persons with Alzheimer's and related disorders. While an institution is not required to be certified in order to provide such care and treatment, an institution that is not so certified may not advertise or otherwise communicate that the institution is certified by THHSC to provide specialized care.

In order to maintain its licensure, the Assisted Living Units will be surveyed by THHSC at least bi-annually and more often if there are adverse occurrences at the Community that impact the health and/or safety of the residents. CMS has contracted with THHSC to conduct surveys and inspections of Medicare and Medicaid certified nursing facilities. THHSC also conducts surveys of nursing facilities independent of its role as a CMS contract, to ensure compliance with State licensing laws. If THHSC finds deficiencies at assisted living or nursing facility units it may impose certain licensure penalties, including administrative (money) penalties and suspension or termination of the community's license. In egregious cases THHSC has the authority, through civil court, to install a trustee to conduct nursing facility operations until such operations either come back into compliance or are closed per court order. CMS and THHSC have the authority to impose penalties upon nursing facilities for survey deficiencies, including civil money penalties, denial of Medicare and Medicaid payment, directed in-service training and, in egregious cases, termination of Medicare and Medicaid certification. The imposition of significant money penalties, placement of the Community's nursing facility operations under a trustee, the loss of licensure or Medicare and Medicaid certification, or the imposition of criminal or substantial civil

money penalties or exclusion from the Medicare and Medicaid program may negatively impact revenues of the Obligor and could even limit its ability to continue operations.

Other Regulation of Health Care Industry

General. Participants in the health care industry (such as the Obligated Group Members) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third party reimbursement programs.

Licensing Surveys. As discussed above, the Obligated Group's Communities are subject to regulation and periodic inspections by a variety of state, federal and local authorities, which control, directly or indirectly, the licensing of the Communities under various state laws and the eligibility of the Communities nursing facilities and home health agencies to participate in the Medicare and Medicaid programs.

Health Care Reform. The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010 (collectively referred to herein as the "*Affordable Care Act*") are designed to overhaul the United States health care system and regulate many aspects of health care delivery and financing. Key provisions of the Affordable Care Act include: (1) dramatically increasing health care coverage of individuals through expansion of Medicaid eligibility and the creation of cooperative insurance purchasing pools; (2) modifying payment methodology and practice for health care providers; (3) evaluating health care providers on a variety of quality and efficacy standards to support pay-for-performance systems; (4) increasing regulations to address fraud and abuse; and (5) exploring and evaluating innovative practices in an attempt to reduce health care related costs. Some of the provisions of the Affordable Care Act took effect immediately, while others will take effect or be phased in over time, ranging from a few months to ten years following approval.

Because of the complexity of the Affordable Care Act generally, additional legislation is likely to be considered and enacted over time. In addition, implementation of certain provisions of the Affordable Care Act have been delayed. The Affordable Care Act will also require the promulgation of substantial regulations with significant effects on the health care industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to health care providers are expected to impose new and additional contractual terms and conditions. Thus, the health care industry will be subjected to significant new statutory and regulatory requirements and contractual terms and conditions, and consequently to structural and operational changes and challenges, for a substantial period of time.

Some provisions of the Affordable Care Act may adversely affect some of the Company's operations more significantly than others. Moreover, the Affordable Care Act remains subject to amendment, repeal, lack of implementation, failure to fund and judicial interpretation. Legislation enacted in December 2017 effectively repealed the individual mandate requirement of the Affordable Care Act. The Congressional Budget Office ("CBO") forecast that the repeal of the individual mandate could cause the number of uninsured to grow by approximately 4 million by 2019 and 13 million by 2027. The CBO has previously forecasted that a full repeal of the Affordable Care Act could cause the number of uninsured to grow by approximately 24 million by 2026. At this time it is not clear what long-term impact, if any, the repeal of the individual mandate will have on the health care market or what the outcome or impact will be of any current or future attempts to repeal the Affordable Care Act.

The Affordable Care Act is complex and comprehensive, and includes a myriad of new programs and initiatives and changes to existing programs, policies, practices and laws. To the extent all or some of

the Affordable Care Act's provisions produce their expected result, there could be an increase in health care utilization by those currently avoiding or rationing their health care, which could result in a reduction of bad debt expenses incurred and/or charity care provided. Associated with increased utilization will be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues.

This focus on health care reform may increase the likelihood of significant changes affecting the health care industry. Possible future changes in the Medicare, Medicaid and other state programs, including Medicaid supplemental payments pursuant to upper payment limit programs, may reduce reimbursements to the Company and may also increase its operating expenses.

Medicare and Medicaid Programs

Medicare and Medicaid are the commonly used names for reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, disabled or qualify for the End Stage Renal Disease Program. Generally, Medicare Part A covers hospital care, skilled nursing facility care, nursing home care, hospice, and home health services. Generally, Medicare Part B covers medically necessary physician services, including preventive services, and medical supplies and mental health services, among others. Medicare Part D provides a prescription drug benefit. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and is administered by an agency of the applicable state. The Centers for Medicare & Medicaid Services ("CMS"), an agency of the United States Department of Health & Human Services ("HHS"), administers the Medicare Program and works with the states to administer the Medicaid Program, as well as other health care programs. The Obligated Group participates in the Medicare program and the Medicaid program at certain of its Communities which subjects the Obligated Group to various regulatory requirements relating thereto, including, without limitation, limits on reimbursement, anti-fraud and abuse provisions, restrictions on referrals, and various reporting requirements.

Medicare. The Obligated Group Members receive payments for various services provided to Medicare beneficiaries based upon charges or other reimbursement methodologies, including prospective payment systems, which are then reconciled annually based upon the annual cost reports prepared by the Obligated Group Members and submitted to Medicare. See "**HEALTH CENTER OCCUPANCY AND PAYOR MIX**" in **APPENDIX A** for historical information regarding Medicare payments received by the Corporation. Estimates for the annual cost reports are reflected as amounts due to/from third-party payors and represent several years of open cost reports due to time delays in the fiscal intermediaries audits and the basic complexity of billing and reimbursement regulations. These estimates are adjusted periodically based upon correspondence received from the Medicare fiscal intermediary. Medicare regulations also provide for withholding Medicare payment in certain circumstances if it is determined that an overpayment of Medicare funds has been made. In addition, under certain circumstances, payments may be determined to have been made as a consequence of improper claims subject to the Federal False Claims Act or other federal statutes, subjecting the Obligated Group Members to civil or criminal penalties or administrative sanctions.

Health care providers, including the Obligated Group, may participate in the Medicare program subject to certain conditions of participation and acceptance of a provider agreement from the Secretary of the HHS. Only covered services, upon the satisfaction of certain criteria, are eligible for Medicare reimbursement. Medicare Part A reimburses for certain post-hospital inpatient skilled nursing and

rehabilitation care for up to 100 days during the same spell of illness. For skilled nursing facilities (“SNFs”), the federal government has implemented a Prospective Payment System (“PPS”) for Medicare reimbursement, which utilizes prospective, case-mix adjusted per diem rates applicable to all covered SNF services. Reimbursement under PPS also incorporates adjustments to account for resident specific case-mix using the Resource Utilization Groups (“RUGs”) system. SNF PPS payment rates are adjusted annually based on the skilled nursing facility “market basket” index, or the cost of providing SNF services. Future actions by the federal government relative to limiting or reducing the total amount of funds available under Medicare, or otherwise restructuring Medicare, may decrease or eliminate the amount of reimbursement available to the Obligated Group. No assurance can be given as to the timing, nature or extent of any further changes.

Medicare reimbursement to skilled nursing facilities (“SNFs”) depends on several factors, including the character of the facility, the beneficiary’s circumstances, and the type of items and services provided. Extended care services furnished by SNFs are covered only if the patient spent at least three consecutive days as a hospital inpatient prior to admission to the SNF and if the patient was admitted to the SNF within thirty (30) days of discharge from a qualifying hospital stay. Medicare Part A covers nursing services furnished by or under the supervision of a registered professional nurse, as well as physical, occupational, and speech therapy provided by the SNF. “Ancillary” services furnished to the non-Medicare Part A SNF patients are also covered under Medicare Part B. SNF services for Medicare Part A inpatient stays are reimbursed for up to 100 days for each spell of illness. Medicare payments are subject to coinsurance and deductibles from the patient.

Payments of Medicare patients in SNFs are based on a Prospective Payment System (“PPS”). Under the PPS, SNFs are paid a single per diem rate per resident according to the Resource Utilization Group (“RUG”) to which the patient is assigned. RUG rates are based on the expected resource needs of patients and cover routine services, therapy services, and nursing costs. SNF PPS payment rates are adjusted annually based on the skilled nursing facility “market basket” index, or the cost of providing SNF services. There is no guarantee that the SNF rates, as they may change from time to time, will cover the actual costs of providing care to Medicare SNF patients. The Affordable Care Act required the Secretary of DHHS to develop a “value based” purchasing program (based on performance and quality measures and other factors) for Medicare payments to skilled nursing facilities. DHHS is required to publish the measures selected with respect to fiscal year 2014, including procedures for the public to review such data. The measures, to the extent feasible and practicable, must extend to all dimensions of quality and efficiency in skilled nursing facilities. The Secretary is also required to study the impact of expanding Medicare's healthcare acquired conditions reduced payment policy to skilled nursing facilities. Subsequent laws, regulation and guidance documents with changes to Medicare payments may be issued which may provide additional information.

Medicare has also increased its efforts to recover overpayments. CMS is expanding its use of Recovery Audit Contractors (“RACs”) to further assure accurate payments to providers. RACs search for potentially improper Medicare payments from prior years that may not have been detected through CMS existing program integrity efforts. RACs use their own software and review processes to determine areas for review. Once a RAC identifies a potentially improper claim as a result of an audit, it applies an assessment to the provider’s Medicare reimbursement in an amount estimated to equal the overpayment from the provider pending resolution of the audit. The permanent RAC program has been implemented in all 50 states. Such audits may result in reduced reimbursement for past alleged overpayments and may slow future Medicare payments to providers pending resolution of appeals process with RACs, as well as increase purported Medicare overpayments and associated costs for the Obligated Group.

Medicaid. Medicaid (Title XIX of the federal Social Security Act) is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. When residents of the Communities are not utilizing all of the skilled nursing beds the vacant beds are offered to non-residents. See “**HEALTH CENTER OCCUPANCY AND PAYOR MIX**” in **APPENDIX A** for historical information regarding Medicaid payments received by the Corporation

Certain states in which the Obligated Group operates currently fund a substantial portion of Medicaid payments and exercise considerable discretion in determining payments allowed to care providers. Regulations promulgated by the Centers For Medicaid and Medicare Services (“CMS” or “HCFA” prior to July 1, 2001) provide that states are not required to pay for long-term care services on a cost-related basis, but may do so according to payment rate systems established in each state and identified in a state Medicaid plan. Those payment systems may be implemented after the state provides public notice of its methodologies and justifications and affords providers, beneficiaries and other interested parties a reasonable opportunity to comment on any proposed rates, methodologies and justifications. As a result, the reimbursement payments allowed by states are based less on the actual costs of the nursing services and more on formula rates which the governmental agencies deem acceptable, creating a more competitive environment for nursing facilities. The political emphasis on budget cutting, further changes in the Medicaid funding, and changes in reimbursement patterns of the federal government and the states in which the Communities operate may have a materially adverse effect upon the revenues of the Obligated Group.

Other future legislation, regulation or actions by the federal government are expected to continue to 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 financial performance of the Obligated Group cannot be determined at this time.

Enforcement of Health Care Fraud and Abuse

Medicare and Medicaid Anti-Fraud and Abuse Provisions. The federal Anti-Kickback Statute (“Anti-Kickback Law”) is a criminal statute that prohibits the exchange (or offer to exchange), of anything of value, in an effort to induce (or reward) the referral of federal health care program business. See 42 U.S.C. § 1320a-7b. The Anti-Kickback Law establishes penalties for individuals and entities on both sides of the prohibited transaction. Conviction for a single violation under the Anti-Kickback Law may result in a fine of up to \$100,000 and imprisonment for up to ten (10) years. See 42 U.S.C. § 1320a-7b(b). In addition, conviction results in mandatory exclusion from participation in federal health care programs. 42 U.S.C. § 1320a-7(a). Absent a conviction, individuals who violate the Anti-Kickback Law may still face exclusion from federal health care programs at the discretion of the Secretary of Health and Human Services. 42 U.S.C. § 1320a-7(b). The Secretary of HHS is required to exclude from such programs any providers convicted of a criminal offense relating to the delivery of Medicare or Medicaid services, for not less than five years. Exclusion from these programs would have a material adverse effect on the operations and financial condition of the Obligated Group. The government may also assess civil money penalties, which could result in treble damages plus a civil money penalty of up to \$100,000 per violation for each violation of the Anti-Kickback Law. 42 U.S.C § 1320a-7a(a)(7). Although the Anti-Kickback Law does not afford a private right of action, the False Claims Act provides a vehicle whereby individuals may bring qui tam actions alleging violations of the Anti-Kickback Law. See 31 U.S.C. §§ 3729–3733. When a private citizen sues on behalf of the Federal government and is successful, they receive a percentage of the ultimate recovery for their “whistleblower” efforts. The scope of prohibited payments in the Anti-Kickback Law is broad. Generally, courts have taken a broad interpretation of the scope of the Anti-Kickback Law. Courts have held that the Anti-Kickback Law may be violated if merely

one purpose of a financial arrangement is to induce future referrals of federal or state health care program covered items or services. HHS has published regulations which describe certain arrangements that will not be deemed to constitute violations of the Anti-Kickback Law. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relationships which many hospitals, physicians and other health care providers consider to be legitimate business arrangements not prohibited by the statute. Because the regulations describe safe harbors and do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, health care providers having these arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Law. See “**LITIGATION – The Obligated Group**” below.

Health care providers have exposure under the Anti-Kickback Law. Because of the government’s vigorous enforcement efforts, many health care providers may be subject to some type of government investigation for alleged Anti-Kickback Law violations involving relationships such as those between healthcare providers and physicians, as well as the operations of any nursing homes, home health agencies, hospices and ancillary service providers owned or operated by a healthcare provider. The outcome of any government efforts to enforce the Anti-Kickback Law against health care providers is difficult to predict and defense efforts can be costly. The Obligated Group has established a compliance program to ensure material compliance with the Anti-Kickback Law. In light of the narrowness of the safe harbor regulations and the scarcity of case law interpreting the Anti-Kickback Law, there can be no assurances that the Obligated Group Members will not be found to have violated the Anti-Kickback Law, and, if so, whether any sanction imposed would have a material adverse effect on the operations of facilities owned by the Obligated Group.

Restrictions on Referrals. Current federal law (known as the “Stark” law provisions) prohibits providers of “designated health services” from billing Medicare or Medicaid when the patient is referred by a physician or an immediate family member with a financial relationship with the designated health services provider, with limited exceptions. “Designated health services” include the following: clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services; radiation therapy services and supplies; durable medical equipment and services; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. The sanctions under the Stark law include denial and refund of payments, civil monetary penalties and exclusion from the Medicare and Medicaid programs.

Management of the Obligated Group has established a compliance program to ensure material compliance with the Stark provisions. However, in light of the scarcity of case law interpreting the Stark law provisions, there can be no assurances that the Obligated Group will not be found to have violated the Stark law provisions, and if so, whether any sanction imposed would have a material adverse effect on the operations or the financial condition of the Obligated Group.

False Claims Act/Qui Tam Actions. Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the federal False Claims Act and the Social Security Act may be violated by mere negligence or recklessness in the submission of information to the government even without any specific intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance may all result in liability. The penalties for violation

include criminal or civil liability and may include, for serious or repeated violations, exclusion from participation in the Medicare program.

The False Claims Act provides that an individual may bring a civil action for a violation of the Act. These actions are referred to as *Qui Tam* actions. In this way, an individual would be able to sue on behalf of the U.S. government if he/she believes that the healthcare entity has violated the False Claims Act. If the government proceeds with an action brought by this individual, then he/she could receive as much as 25 percent of any money recovered. If the government chooses to not intervene, the *Qui Tam* plaintiff is entitled to between 25% and 30% of any judgment or settlement. The potential exists that a *Qui Tam* action could be brought against the Obligated Group.

HITECH Act. On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”). Title XIII of the Recovery Act, otherwise known as the Health Information Technology for Economic and Clinical Health Act (the “HITECH Act”), provides for an investment of almost \$20 billion in public monies for the development of a nationwide health information technology (“HIT”) infrastructure. The HIT infrastructure is intended to improve health care quality, reduce health care costs and facilitate access to necessary information. Among other things, the HITECH Act provides financial incentives, through the Medicaid and Medicare programs, loans and grants to encourage practitioners and providers to adopt and use qualified electronic health records. Eventually, Medicare payments are reduced for providers and practitioners who do not use electronic health records.

The HITECH Act, and final regulations that were issued in January, 2013 and became effective in September, 2013, also expand the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulations. Among other things, the HITECH Act and final regulations impose a written notice obligation upon covered entities for security breaches involving “unsecured” protected health information, expands the scope of an electronic health record provider’s disclosure tracking obligations, and substantially limits the ability of health care providers to sell protected health information without patient authorization. The HITECH Act also increases penalties for violations of HIPAA, and provides for enforcement of HIPAA violations by State attorneys general.

In addition to the HITECH Act, the federal government has budgeted for and established reserves to finance fundamental reform of America’s healthcare system in an effort to reduce costs and expand healthcare coverage. Such amounts will be paid for by a combination of tax revenue and reductions in Medicare and Medicaid spending.

While the effect of the aforementioned actions cannot be predicted at this time, the obligations imposed by thereunder could have a material adverse effect on the financial condition of the Obligated Group. In addition, there is no guarantee that the financial incentives for adopting qualified electronic health records system will be sufficient to offset the Obligated Group’s costs for development and implementation of such a system.

RISK FACTORS

Set forth below are certain risk factors which should be considered before any investment in the Series 2021 Bonds is made. These risk factors should not be considered definitive or exhaustive.

General

As described herein under the caption, “**INTRODUCTION – Security for the Series 2021 Bonds,**” the principal of, premium, if any, and interest on the Series 2021 Bonds, except to the extent that the Series 2021 Bonds will be payable from the proceeds thereof or investment income thereon, under certain circumstances, proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Mortgages, are payable solely from amounts payable by the Corporation under the Loan Agreements or the Obligated Group under the Series 2021 Master Notes. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay debt service on the Master Notes, including the Series 2021 Master Notes, when due and other payments necessary to meet the obligations of the Obligated Group. The bondholders’ risks discussed below should be considered in evaluating the ability of the Obligated Group to make payments in amounts sufficient to provide for the payment of the principal of, the premium, if any, and interest on the Series 2021 Bonds.

The receipt of future revenues by the Obligated Group, and the ability of the Obligated Group to access the credit market or obtain tax-advantaged financing, will be subject to, among other factors, federal and state policies affecting the senior housing and health care industries (including changes in reimbursement rates and policies), increased competition from other senior housing and health care providers, the capability of the management of the Obligated Group and future economic and other conditions that are impossible to predict. The extent of the ability of the Obligated Group to generate future revenues has a direct effect upon the payment of, principal of, premium, if any, and interest on the Series 2021 Bonds. Neither the Underwriters nor either Authority has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group.

Economic Stability

In recent years there have been many challenges to global and national economic stability which have, at times, resulted in substantial disruption to the financial markets and losses to investment portfolios resulting in reduced availability for credit, aggressive fluctuations in interest rates, reduced economic activities and general financial strain. Any future market turmoil could affect the market and demand for the Series 2021 Bonds in addition to adversely affecting the value of any investments of the Obligated Group and the market value of homes in the market area of the Obligated Group.

Sale of Personal Residences

From time to time it is anticipated that prospective residents of the Communities will be required to sell their existing 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 existing 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 financial obligations under their residency agreements, thereby causing a delay in remarketing of vacated units which would have an adverse impact on the revenues of the Obligated Group.

Changes in Members of the Obligated Group

At the time of issuance of the Series 2021 Bonds, the Corporation and Querencia will be the only Members of the Obligated Group. Upon satisfaction of certain conditions in the Master Indenture, other entities can become Members of the Obligated Group or certain members of the Obligated Group can exit the Obligated Group. See **APPENDIX C – “Definitions and Summaries of Principal Documents –**

Summary of the Master Indenture – Entrance Into the Obligated Group.” Management of the Obligated Group currently has no plans to add additional Members to the Obligated Group. However, if and when new Members are added, the Obligated Group’s financial situation and operations will likely be altered from that of just the Corporation and Querencia.

Adequacy of Remedies

There can be no assurance that upon an acceleration the amount of money or foreclosure receipts available will be adequate to repay the Obligated Group’s Master Notes and other indebtedness. Furthermore, whatever is realized, subject to Excluded Property and Permitted Encumbrances, will be distributed pro rata to all holders of Master Notes under the Master Indenture.

Uncertainty of Revenues

As noted elsewhere, except to the extent that the Series 2021 Bonds will be payable from the proceeds thereof or investment income thereon or, under certain circumstances, proceeds of insurance, sale or condemnation awards, the Series 2021 Bonds will be payable solely from payments or prepayments to be made by the Corporation under the related Loan Agreement and by the Obligated Group on the related Series 2021 Master Note. The ability of the Corporation to make payments under such Loan Agreement and the Obligated Group to make payments under such Series 2021 Master Notes and the other Master Notes heretofore or hereafter issued is dependent upon the generation by the Obligated Group of sufficient revenues to pay such amounts and other operating and capital expenses. The realization of future revenues and expenses are subject to, among other things, the capabilities of the management of the Obligated Group, government regulation and future economic and other conditions that are unpredictable and that may affect revenues and payment of principal of and interest on the Series 2021 Bonds. No representation or assurance can be made that revenues will be realized by the Obligated Group in amounts sufficient to make the required payments with respect to debt service on the Series 2021 Bonds.

Failure to Achieve or Maintain Turnover or Occupancy

The economic feasibility of the Communities depends in large part upon the ability of the Obligated Group to attract sufficient numbers of residents to the Communities and to achieve and maintain substantial occupancy throughout the term of the Series 2021 Bonds. This depends to some extent on factors outside management’s control, such as the residents’ right to terminate their residency agreements, subject to the conditions provided in the residency agreements or determined by state law. Moreover, if a substantial number of residents live beyond the anticipated life expectancies assumed by the Obligated Group or if the permanent transfers to the nursing component of the Communities are substantially less than assumed by the Obligated Group, or if market changes require a reduction in the amount of the Entrance Fees payable by new residents, the receipt of additional Entrance Fees would be curtailed, with a consequent impairment of the revenues of the Communities. Such impairment would also result if the Obligated Group Members are unable to remarket units becoming available when residents die, withdraw, or are permanently transferred to a health care facility or any other facility. If the Communities fail to maintain occupancy levels, there may be insufficient funds to pay the debt service on the Series 2021 Bonds.

Utilization Demand

Several factors could, if implemented, affect demand for services of the Communities including: (i) efforts by insurers and governmental agencies to reduce utilization of nursing home and long-term care

facilities by such means as preventive medicine and home health care programs; (ii) advances in scientific and medical technology; (iii) a decline in the population, a change in the age composition of the population or a decline in the economic conditions of the service area of the Communities; and (iv) increased or more effective competition from nursing home, assisted living facilities and long-term care facilities now or hereafter located in the service area of the Communities.

Impact of COVID-19; Future Pandemics

From the outset of the COVID-19 public health crisis, the Corporation's top priority has been the health and safety of its residents and employees, and by extension the Communities. COVID-19 is impacting each of the Communities in the Obligated Group at different levels which change on a daily basis. At any point in time, a given community can experience a resident or team member with a positive COVID-19 test. The Corporation has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. All Communities have seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. Where cases have been identified, there have also been additional compensation plans for team members put in place. The number of COVID-19 positive results across the Obligated Group has ranged from zero to 77 at any single Community on a given day.

No Credit Enhancement or Liquidity Support for the Series 2021B Bonds

The Series 2021B Bonds are being issued initially in the Index Rate Mode, as described herein, bearing interest at variable rates determined weekly in accordance with the Series 2021B Bond Indenture. There is no credit enhancement for the Series 2021B Bonds, as there frequently is with many tax-exempt variable rate bond issues.

The Series 2021B Bonds are also subject to mandatory purchase for tender at the end of each Index Rate Period. The first Mandatory Tender Date is May 15, 2026, which is the end of the Initial Index Rate Period. There is no liquidity support provided for the Series 2021B Bonds if the proceeds of the remarketing thereof on each Mandatory Tender Date are not sufficient (together with funds provided by the Corporation) to pay the full Tender Price of the Series 2021B Bonds on such date.

Mandatory Tender and Purchase of Series 2021B Bonds

Series 2021B Bonds bearing interest at the Index Rate are subject to mandatory purchase on each Index Rate Purchase Date for the current Index Rate Period at the Tender Price. The Tender Price on each Mandatory Tender Date is payable solely from (i) the proceeds of remarketing of the Series 2021B Bonds, and (ii) to the extent such remarketing proceeds are not sufficient to pay the full Tender Price, payments by the Corporation to the Bond Trustee under the Series 2021B Loan Agreement for such purpose.

If the full Tender Price is not paid from such sources, it will constitute an Event of Default under the Series 2021B Bond Indenture, and the Series 2021B Bonds will thereafter bear interest at the Maximum Bond Interest Rate. An Event of Default with respect to the Series 2021B Bonds may result in the acceleration of the Series 2021B Master Note and, as a result, an acceleration of the amounts due and payable on the Series 2021 Bonds.

Competition

The Obligated Group Members provide services in areas where other competitive facilities exist and may face additional competition in the future as a result of the construction or renovation of competitive facilities in the primary or secondary market areas of the Communities. There may also arise in the future competition from other continuing care facilities, some of which may offer similar facilities, but not necessarily similar services, at lower prices. See **APPENDIX A**.

Malpractice Claims and Losses

The operations of the Obligated Group may be affected by increases in the incidence of malpractice lawsuits against physicians, elder care facilities and care providers in general and by increases in the dollar amount of client damage recoveries. These may result in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. It is not possible at this time to determine either the extent to which malpractice coverage will continue to be available to the Obligated Group or the premiums at which such coverage can be obtained.

Increases in Medical Costs

Because the Obligated Group Members are obligated to provide a majority of its residents with certain medical care, a deviation from the anticipated mortality rate or medical care requirements of the resident population or substantial unanticipated increases in the cost of medical care could have a negative impact on the operations thereof. The undertaking to provide such medical care is a contractual obligation of such Obligated Group Members, and no assurance can be given that Obligated Group Members will have sufficient funds to meet their obligations. Residents are required to obtain Medicare Part A, Medicare Part B and supplemental insurance satisfactory to the Corporation; however, Medicare does not cover the cost of nursing home care except under certain limited circumstances (including up to 100 days of skilled nursing care following a 3-day hospital stay). In addition, the cost of providing healthcare services may increase due to increases in salaries paid to nurses and other healthcare personnel and due to shortages in such personnel which may require use of employment agencies.

Climate Change and Natural Disasters; Damage and Destruction Risk; Weather Events and Hurricanes

Natural disasters, including hurricanes, tornadoes, floods, subsidence, earthquakes and other weather events or acts of God, may occur which may damage the facilities of the Obligated Group, interrupt utility service, water supply, or transportation to the facilities, or otherwise impair the operation and generation of revenues from the damaged facilities. The Obligated Group has five Communities in Florida and four of them are in Palm Beach County, located on the Atlantic coast of Florida. The State of Florida is naturally susceptible to the effects of extreme weather events including floods and hurricanes, which could result in negative economic impacts on coastal communities where certain facilities of Lifespace are located. Such effect can be exacerbated by a longer-term shift in the climate over several decades (commonly known as climate change), including increasing global temperatures, significant increased rainfall events, and rising sea levels. The occurrence of extreme weather events during the term the Bonds are outstanding could significantly reduce property values of facilities of the Obligated Group. In certain instances, this damage could have a significant effect on the future operations and financial condition of the Obligated Group. The Obligated Group has insured against these risks to the extent commercially reasonable. While the Corporation maintains insurance there can be no assurance that insurance coverage would be adequate to cover all the damages and losses resulting from severe weather events, including the loss of revenues during repairs and reconstruction resulting from any such weather

events. For more information, see **APPENDIX A – “INSURANCE”** Also, under certain circumstances, if the proceeds of damage and destruction insurance exceed certain levels, provisions of the Master Indenture govern how such proceeds can be used by the Obligated Group. For more information, see **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Damage, Destruction and Condemnation.”**

Uncertainty of Investment Income

The investment earnings of, and accumulations in, certain funds established pursuant to the Bond Indentures have been estimated and are based on assumed interest rates as indicated. While these assumptions are believed to be reasonable in view of the rates of return presently and previously available on the types of securities in which each Bond Trustee is permitted to invest under the related Bond Indenture there can be no assurance that similar interest rates will be available on such securities in the future, nor can there be any assurance that the estimated funds will actually be realized.

Nursing Shortage

From time to time, the healthcare industry has experienced a shortage of nursing and other technical staff, which has resulted in increased costs due to the need to hire agency nursing personnel at higher rates and increased compensation levels. If such shortages occur, it could adversely affect the Obligated Group’s operations or financial condition.

Amendments to the Documents

Certain amendments to the Bond Indentures and Loan Agreements may be made with the consent of the owners of a majority of the principal amount of the outstanding Series 2021 Bonds and certain amendments to the Master Indenture and the Mortgages may be made with the consent of the holders of a majority of the principal amount of outstanding Master Notes. Such amendments may adversely affect the security of the Bondowners and, with respect to the Master Indenture and the Mortgages, such percentage may be composed wholly or partially of the holders of additional Master Notes. See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Supplemental Master Indentures”** and **“– Supplemental Mortgages,” “Summary of the Bond Indenture – Supplemental Bond Indentures,”** and **“– Supplemental Loan Agreements.”**

Regulation of Health Care Industry

General. The health care industry is highly dependent on a number of factors which may limit the ability of the Obligated Group to meet their obligations under the Loan Agreements, the Master Indenture and the Series 2021 Master Notes, as well as the Prior Master Notes. Among other things, participants in the health care industry (such as the Obligated Group Members) are subject to significant regulatory requirements of federal, state and local governmental agencies and independent professional organizations and accrediting bodies, technological advances and changes in treatment modes, various competitive factors and changes in third party reimbursement programs. Certain of these factors which could have a significant effect on the future operations and financial condition of the Obligated Group. See **“REGULATORY ENVIRONMENT”** herein for a more detailed discussion of federal and state regulation applicable to the Obligated Group’s Communities.

The operations of the Communities, like other health care facilities throughout the country, will be affected on a day-to-day basis by numerous legislative, regulatory and industry-imposed operations and financial requirements which are administered by a variety of federal and state governmental agencies as well as by self-regulatory associations and commercial medical insurance reimbursement programs. It

is impossible, however, to predict the effect of any such legislation and regulation on the operations or financial condition of the Obligated Group's Communities.

Nursing care facilities, including those of the Obligated Group, are subject to numerous licensing, certification, accreditation, and other governmental requirements. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, requirements relating to state licensing agencies, private payors and accreditation organizations and certificate of need approval by state agencies of certain capital expenditures. The home health agencies operated by the Obligated Group are also subject to licensure, Medicare and/or Medicaid payments and other regulations, as well as private payor requirements. Continuing care, life care and assisted living facilities, including those of the Obligated Group, are also subject to licensing requirements and oversight by various authorities, including state insurance and health authorities. See "**REGULATORY ENVIRONMENT**" herein for a discussion of specific federal and state regulations. Renewal and continuance of certain of these licenses, certifications, approvals and accreditations are based upon inspections, surveys, audits, investigations or other review, some of which may require or include affirmative action or response by the Obligated Group. An adverse determination or the failure or inability to correct cited deficiencies in a timely manner could have a material adverse effect on the Obligated Group. Potential consequences include a loss, fine or reduction in the Obligated Group Members' scope of licensure, certification or accreditation, the inability to participate in or receive reimbursement from Medicare or Medicaid, the inability to undertake certain expenditures, a reduction in the payment received or requiring the repayment of the amounts previously remitted.

Third-Party Payment Programs. A portion of the net resident service revenues of the Obligated Group will be from third party payors that reimburse or pay for the services and items provided to residents covered by such third parties for such services, including the federal Medicare program, state Medicaid program and private health plans and insurers. These third-party payors may make payments to the Obligated Group Members at rates other than the direct charges of such Obligated Group Members, which rates may be determined other than on the basis of the actual costs incurred in providing services and items to residents. Accordingly, there can be no assurance that payments made under these programs will be adequate to cover the actual costs incurred by the Obligated Group in furnishing health care services and items. In addition, the financial performance of the Obligated Group could be adversely affected by the insolvency of, or other delay in receipt of payments from, third-party payors, which provide coverage for services to their residents. Changes to reimbursement rates or reimbursement methodologies or cost containment measures imposed by third-party payors in the future are likely to directly affect the Obligated Group and those effects could be material and adverse.

State Laws. States are increasingly regulating the delivery of health care services. State legislatures have cited their right and obligation to regulate and oversee health care and insurance and have enacted sweeping measures that aim to protect consumers and, in some cases, providers. See "**REGULATORY ENVIRONMENT**" herein.

Certificates of Need. The Obligated Group also must comply with certain state certificate of need laws which are designed to curb unnecessary or duplicative construction or modification of health care facilities, and unnecessary medical equipment and capital expenditures, often by requiring approval of construction, modification, bed capacity increase, changes of ownership and capital expenditures. See "**REGULATORY ENVIRONMENT – General Overview**" herein. Certificate of Need laws may limit the Obligated Group's ability to construct new or modify existing facilities, change bed capacity, or make major capital expenditures without government approval at the need to do so. Failure to comply with certification procedures in the states in which it operates could have a material adverse effect on the Obligated Group.

Debt Service Reserves; Escrows. Illinois, Florida, Minnesota and Pennsylvania require the Obligated Group Members to maintain certain reserves or to escrow funds with respect to Communities in those states. Fines may be imposed for failure to deliver the reports or notices of withdrawal within the time periods required by law. See “**REGULATORY ENVIRONMENT**” herein for a discussion of specific state regulations. Failure of the Obligated Group Members to maintain proper reserves could result in penalties and could have a material adverse effect on the operations of the Obligated Group.

Licensure and Surveys. The Obligated Group’s Communities are subject to regulation and periodic inspections by a variety of state, federal and local authorities, which control, directly or indirectly, the licensing of the Communities under various state laws and the eligibility of the Communities nursing facilities and home health agencies to participate in the Medicare and Medicaid programs. As a result of such surveys, the Obligated Group’s Communities have been cited from time to time for certain deficiencies or violations of applicable regulations, all of which have, to the knowledge of management, been corrected or are in the process of being corrected. A failure to correct cited deficiencies or violations could lead to the suspension or revocation of the applicable licenses for one or more Communities or a determination that the Community or Communities may no longer receive reimbursements under the Medicare or Medicaid programs. No assurance can be given as to the effect on future operations of the Obligated Group of existing laws, regulations and standards for certification or accreditation or of any future changes in such laws, regulations and standards. The Obligated Group’s continuing care, life care, assisted living units, memory support units and nursing facility and its home health agencies are subject to various licensing requirements. See “**REGULATORY ENVIRONMENT**” for a description of state licensure laws applicable to the Obligated Group Members.

Resident Rights. State law typically governs the terms of continuing care and life care contracts that the Obligated Group Members enter into with their residents, and may include a variety of residents rights, including as to fee increases and facility expansions or financings. See “**REGULATORY ENVIRONMENT**” herein.

State Insurance Regulation. State insurance or other regulatory authorities oversee the financial stability of continuing care and life care facilities and may perform audits and require the facility to take corrective action, or institute proceedings to revoke the facility’s certificate of authority or institute proceedings for rehabilitation, liquidation, reorganization, seizure, or other proceedings. See “**REGULATORY ENVIRONMENT**” herein. Failure or inability to adhere to financial standards or to take appropriate corrective action in a timely manner could lead to the institution of delinquency proceedings and could have a material adverse effect on the Obligated Group.

Imputed Interest on Certain Refundable Entrance Fees

Section 7872 of the Code (Treatment of Loans with Below-Market Interest Rates), provides for, in certain circumstances, the imputation of interest income to a lender when the rate of interest charged by the lender is below prevailing market rates (as determined under a formula) or, even if the below market interest rate loan would otherwise be exempt from the provisions of Section 7872, when one of the principal purposes for such below-market rate loan is the avoidance of federal income taxation.

A refundable entrance fee payment made by a resident to certain continuing care facilities has been determined under Section 7872 to constitute a below market interest rate loan by the resident to the facility to the extent that the resident is not receiving a market rate of interest on the refundable portion of the entrance fee. Section 7872(h) provides a “safe harbor” exemption for certain types of refundable entrance fees. The statutory language of Section 7872 does not permit a conclusive determination as to whether the Residency Agreements come within the scope of the continuing care facility safe harbor or

within the statute itself. Provided any Residency Agreement falls within the scope of Section 7872, the safe harbor exemption under Section 7872(h) is applicable (i) if such loan was made pursuant to a continuing care contract, (ii) if the resident (or the resident's spouse) has attained age 62 before the close of the year and (iii) irrespective of the amount of the "loan" by the resident (or the resident's spouse) to the continuing care facility. Section 425 of the Tax Relief and Health Care Act of 2006 amended Section 7872(h) to make the exemption for loans to qualifying care facilities permanent. Any determination of applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Communities.

Passive Income Received from Health System Subsidiary

Section 512(b)(13) of the Code provides that rents, royalties, annuities and interest income received from controlled subsidiaries are subject to the unrelated business income tax ("UBIT") by the tax-exempt parent to the extent the payment reduces the net unrelated income (or increases any unrelated loss) of the controlled entity. Under this tax law, such income is subject to UBIT if the parent organization owns more than 50 percent of the subsidiary, based on voting power or value. In addition, a parent exempt organization will be deemed to control any subsidiary which it controls either directly or indirectly (e.g., as a second-tier subsidiary). This provision may force some multi-member health care systems to choose between maintaining control and incurring UBIT liability where business considerations dictate the use of intra-system loans, leases, and licensing arrangements. It is not clear at this time how this provision will affect the Obligated Group.

Intermediate Sanctions

On July 31, 1996, the Taxpayers Bill of Rights 2 (the "Taxpayers Act") was signed into law. The Taxpayers Act provides the IRS with an "intermediate" tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Previous to the "intermediate sanctions law," the IRS could punish such violations only through revocation of an entity's tax-exempt status.

Intermediate sanctions may be imposed where there is an "excess benefit transaction," defined to include a disqualified person (i.e., an insider) (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving unreasonable compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription.

A disqualified person who benefits from an excess benefit transaction will be subject to a "first tier" penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of \$10,000. A "second tier" penalty excise tax of 200% of the amount of the excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

Tax-Exempt Status Rulings

The IRS has issued Revenue Rulings dealing specifically with the manner in which a facility providing residential services to the elderly must operate in order to maintain its exemption under Section 501(c)(3) of the Code. Revenue Rulings 61-72 and 72-124 state that, if otherwise qualified, a facility providing residential services to the elderly is exempt under Section 501(c)(3) if the organization: (1) is dedicated to providing, and in fact provides or otherwise makes available services for, care and housing to

aged individuals who otherwise would be unable to provide for themselves without hardship; (2) to the extent of its financial ability, renders services to all or a reasonable proportion of its residents at substantially below actual cost; and (3) rendered services that minister to the needs of the elderly and relieve hardship or distress. Revenue Ruling 79-18 states that a facility providing residential services to the elderly may admit only those tenants who are able to pay full rental charges, provided that those charges are set at a level that is within the financial reach of a significant segment of the community's elderly persons. The Revenue Ruling also states that the facility must be committed, by established policy, to maintain persons as residents, even if they become unable to pay their monthly charges after being admitted to the facility.

The IRS has audit guidelines which implement a policy to scrutinize more closely the activities of health care providers to ensure that they satisfy the requirements for tax-exempt status. Given these audit guidelines and other related pronouncements by the IRS, it may be more difficult for health care providers to maintain their tax-exempt status. Health-care providers, such as the Obligated Group Members, may be forced to forego otherwise favorable opportunities for certain joint ventures, recruitment and other arrangements to maintain their tax-exempt status or to avoid other sanctions.

Possible Changes in Tax Status

General. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Obligated Group Members of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the and thereby the revenues of the Obligated Group Members. Failure of the Corporation or the related Authority 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 those being financed or refinanced with Series 2021 Bond proceeds, could cause interest on the related series of Series 2021 Bonds to be included in the gross income of Bondowners or former Bondowners for federal income tax purposes. In such event, neither Bond Indenture contains any specific provision for acceleration of such Series 2021 Bonds nor provides that any additional interest will be paid to the owners of such Series 2021 Bonds. See **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Bond Indenture – Events of Default.”**

The Corporation is a nonprofit corporation, exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (referred to as the Code). As a nonprofit tax-exempt organization, the Corporation is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, the Corporation conducts large-scale complex business transactions and is a major employer in the geographic areas in which its Communities are located. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

Over the past several years, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. These challenges are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and in many cases are examinations of core business practices of the healthcare organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption from state real property or state sales taxation, the amount and nature of the community benefit provided by the organization and others. These challenges and questions have come from a variety of sources, including state Attorneys General, the Internal

Revenue Service (referred to as the IRS), labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others:

IRS Examination of Compensation Practices. In February 2009, the IRS issued its Hospital Compliance Project Final Report (the “IRS Final Report”) based on its examination of such tax-exempt organizations. The IRS Final Report indicates that the IRS (i) will continue to heavily scrutinize executive compensation arrangements, practices and procedures and (ii) in certain circumstances, may conduct further investigations or impose fines on tax-exempt organizations.

In light of the above background, there can be no guaranty that the standards for exemption from federal, state and/or local taxes applicable to entities such as the Obligated Group Members will not materially change, or that the Obligated Group Members will be able to satisfy any such future standards.

Revision of IRS Form 990 for Tax-Exempt Organization. The IRS Form 990 is used by most 501(c)(3) nonprofit organizations exempt from federal income taxation to submit information required by the IRS. Form 990 requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. Form 990 also requires the disclosure of a significantly greater amount of information on community benefit and establishes uniform standards for reporting of information relating to tax-exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make detailed information on compliance risk areas available to the IRS and other stakeholders.

Changing Capabilities of Home Health Care Technology; Impact on Demand for Facility

New and changing methods of care delivery, such as web-based home monitoring, telemedicine, mobile health and smartphone technology will likely change the way in which providers of health services to the elderly deliver home health, hospice and other community-based services. These developments will further the ability of the home health and hospice industry to care for patients in their homes. Proliferation and availability of technological changes are expected to increase the ability of the elderly to remain in their homes longer into their lives than has historically been feasible, which could result in reduced demand for the Obligated Group’s Communities. Efforts to reduce costs in the overall care continuum will further the use of these new and changing technologies. The Obligated Group Members may encounter increased competition in the future that could negatively impact patient referrals to it, limit its ability to maintain or increase its market position or otherwise adversely affect the Obligated Group Member’s profitability.

Senior Management Turnover and Succession Planning

Nonprofit senior living providers nationwide are expecting senior management turnover in the next three-to-ten years which may make it more difficult to retain members of the Obligated Group’s senior management team or to recruit replacements should any members of the Obligated Group’s management team retire or otherwise cease employment with the Obligated Group. A lack of qualified professionals for its senior management team could adversely affect the operating results of the Obligated Group. See “**Management Discussion and Analysis**” in **APPENDIX A** hereto.

Organized Resident Activity

The Obligated Group Members may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain or reduce the level of monthly service fees or other charges. Moreover, the Obligated Group Members may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly service fees and other charges. No assurance can be given that the Obligated Group Members will be able satisfactorily to meet the needs of any or all such resident groups. As described under “RESIDENCY AGREEMENTS” in APPENDIX A hereto, each community has a residents association.

Litigation

The Corporation, like any other senior living and community service organization, is subject to a variety of suits and proceedings that could arise in the ordinary course of business. Several matters are pending or threatened, wherein an unfavorable decision could have a material adverse impact on the financial condition of the organization. See “LITIGATION – The Obligated Group” below.

Additional Debt

The Master Indenture permits the Obligated Group to incur Additional Debt which may be equally and ratably secured by a Master Note on a parity with the Series 2021 Master Notes and the Prior Master Notes. Any such additional parity Debt would be entitled to share ratably in security interest with the owners of the Series 2021 Master Notes and the Prior Master Notes. Payments necessary to service such Additional Debt could impair the ability of the Obligated Group to maintain its compliance with certain covenants described in APPENDIX C under the caption “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Rate Covenant.” There is no assurance that, despite compliance with the conditions upon which Additional Debt may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Series 2021 Master Notes may not be materially, adversely affected upon the incurrence of Additional Debt.

Bankruptcy

If an Obligated Group Member were to file a petition for relief under Chapter 11 of the Federal Bankruptcy Code, its revenues and certain of its accounts receivable and other property acquired after the filing (and under certain conditions some or all thereof acquired within 120 days prior to the filing) would not be subject to the security interests created under the Master Indenture. The filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group and their property and as an automatic stay of any act or proceeding to enforce a lien upon its property. If the bankruptcy court so ordered, the Obligated Group’s property, including their accounts receivable and proceeds thereof, could be used for the benefit of the Obligated Group despite the security interest of the Master Trustee therein, provided that “adequate protection” is given to the lienholder.

In a bankruptcy proceeding, the petitioner could file a plan for the adjustment of its debts which modifies the rights of creditors generally, or any class of creditors, secured or unsecured. 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.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Obligated Group under the Prior Master Notes and the Series 2021 Master Notes, will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

The accounts of the Obligated Group will be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the incurrence of Additional Debt) are met, notwithstanding the uncertainties as to the enforceability of certain obligations of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Obligated Group to pay debt service on Master Notes, including the Series 2021 Master Note or Notes pledged under the Bond Indenture as security for the Series 2021 Bonds. The obligations described herein of the Obligated Group to make payments of debt service on Master Notes issued under the Master Indenture (including transfers in connection with voluntary dissolution or liquidation) may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization or similar laws affecting the enforcement of creditors' rights and by general equitable principles and (2) such payments (i) are requested with respect to payments on any Master Notes issued by a Member other than the Member from which such payment is requested, issued for a purpose which is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or issued for the benefit of a Member of the Obligated Group which is not a Tax-Exempt Organization; (ii) are requested to be made from any moneys or assets which are donor-restricted or which are subject to a direct or express trust which does not permit the use of such moneys or assets for such a payment; (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (iv) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the assets of any future Member of the Obligated Group may fall within the categories (ii) and (iii) above with respect to the Prior Master Notes and the Series 2021 Master Notes cannot now be determined. The amount of such assets which could fall within such categories could be substantial.

A Member of the Obligated Group may not be required to make any payment on any Master Note, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group to the extent that such payment would render such Member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a member of the Obligated Group in order to pay debt service on the Prior Master Notes and the Series 2021 Master Notes may be voided by a trustee in bankruptcy in the event of bankruptcy of a member of the Obligated Group, or by third-party creditors in an action brought pursuant to Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska or Pennsylvania fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska or Pennsylvania fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or

reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska or Pennsylvania fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency,” “reasonably equivalent value” and “fair consideration” has resulted in a conflicting body of case law. It is possible that, in an action to force a Member of the Obligated Group to pay debt service on a Master Note for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the Member of the Obligated Group is analogous to a guarantor of the debt of the Member of the Obligated Group who directly benefited from the borrowing and that sufficient consideration for such Member’s guaranty was not received and that the incurrence of such Master Note has rendered or will render the Member of the Obligated Group insolvent.

The effectiveness of the security interest in the Obligated Group’s Unrestricted Receivables granted in the Master Indenture may be limited by a number of factors, including: (i) present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of any member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid, General Assistance and other governmental programs; (iii) commingling of the proceeds of Unrestricted Receivables with other moneys of a member of the Obligated Group not subject to the security interest in Unrestricted Receivables; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws which may affect the enforceability of the Mortgages or the security interest in the Unrestricted Receivables of the Obligated Group which are earned by the Obligated Group within 90 days preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a member of the Obligated Group; (viii) rights of third parties in Unrestricted Receivables converted to cash and not in the possession of the Master Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Iowa Uniform Commercial Code as from time to time in effect.

Pursuant to the Master Indenture, each member of the Obligated Group who pledges its Unrestricted Receivables under the Master Indenture covenants and agrees that, if an Event of Default should occur and be continuing, it will upon the direction of the Master Trustee deposit the proceeds of its Unrestricted Receivables with the Master Trustee or a depository designated by the Master Trustee.

There exists, in addition to the foregoing, common law authority and authority under Florida, Illinois, Iowa, Kansas, Minnesota, Nebraska and Pennsylvania statutes pursuant to which the related state courts may terminate the existence of a not for profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court’s own motion pursuant to a petition of the related State Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

The Mortgages

The Corporation has delivered the Mortgages pursuant to which they have granted to the Master Trustee a first mortgage lien (or leasehold mortgage) on the Mortgaged Property as security for their

obligations pursuant to the Master Indenture. In the event that there is a default under the Master Indenture, the Master Trustee has the right to foreclose on the Mortgaged Property under certain circumstances.

The Corporation has previously delivered to the Master Trustee mortgagee title insurance policies for the Mortgaged Property, in varying amounts by Community, in an aggregate amount equal to \$339,004,154. The Corporation will not increase the amount of mortgage title insurance coverage in connection with the issuance of the Series 2021 Bonds. Further, there is no requirement that the amount of mortgagee title insurance be increased in the future.

The Communities are not and will not be comprised of general purpose buildings and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for such facilities.

All amounts collected upon foreclosure of the Mortgaged Property pursuant to the Mortgages will be used to pay certain costs and expenses incurred by, or otherwise related to, the foreclosure, the performance of the Master Trustee and/or the beneficiary under the Mortgages, and then to pay amounts owing under the Master Indenture in accordance with the provisions of the Master Indenture. All such moneys shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the then outstanding Master Notes without preference or priority of principal, premium or interest over the others, or of any installment of interest over any other installment of interest, or of any Master Note over any other Master Note, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the persons entitled thereto without any discrimination or privilege, pursuant to the Master Indenture.

In the event that one or more of the Mortgages is actually foreclosed, then, in addition to the customary costs and expenses of operating and maintaining the Mortgaged Property, the party or parties succeeding to the interest of the Corporation in the Mortgaged Property (including the Master Trustee, if such party was to acquire the interest of the Corporation in the Mortgaged Property) could be required to bear certain associated costs and expenses, which could include: the cost of complying with Federal, state or other laws, ordinances and regulations related to the removal or remediation of certain hazardous or toxic substances; the cost of complying with laws, ordinances and regulations related to health and safety, and the continued use and occupancy of the Mortgaged Property such as the Americans with Disabilities Act; and costs associated with the potential reconstruction or repair of the Mortgaged Property in the event of any casualty or condemnation.

In the event of foreclosure, a prospective purchaser of the Mortgaged Property may assign less value to the Mortgaged Property than the value of the Mortgaged Property while owned by the Corporation since such purchaser may not enjoy the favorable financing rates associated with the Series 2021 Bonds and other benefits. To the extent that buyers whose income is not tax-exempt may be willing to pay less for the Mortgaged Property than nonprofit buyers, then the resale of the Mortgaged Property after foreclosure may require more time to solicit nonprofit buyers interested in assuming the financing now applicable to the Mortgaged Property. In addition, there can be no assurance that the Mortgaged Property could be sold at 100% of its fair market value in the event of foreclosure. Although the Master Trustee will have available the remedy of foreclosure of some or all of the Mortgages upon the occurrence and continuance of an Event of Default (after giving effect to any applicable grace periods, and subject to any legal rights which may operate to delay or stay such foreclosure, such as may be applicable in the event of the Corporation's bankruptcy), there are substantial risks that the exercise of such a remedy will not result in recovery of sufficient funds to satisfy all the Obligated Group's obligations. Under Florida and Pennsylvania law, that state's insurance department has certain rights to

intervene on behalf of residents if a lender forecloses on a Mortgage with respect to a continuing care community located in that state. Although these statutory rights are subordinate to the rights of the Master Trustee under Mortgages on the Florida and Pennsylvania Communities, the exercise of such statutory rights could delay any foreclosure proceedings.

As described under “**SECURITY FOR THE MASTER NOTES – Amendments to the Master Indenture - Totality Amendments; Deemed Consent**” above, there are pending amendments to the Master Indenture which would permit the release of the Mortgages on the Florida Communities.

Limitation of Foreclosure Rights Under Texas Law

In Texas, foreclosure of a deed of trust is generally accomplished by a non-judicial trustee’s sale in accordance with the terms thereof. In Texas, a sale of real property under a power of sale conferred by a deed of trust or other contract lien must be a public sale at auction held on the first Tuesday of a month (unless such Tuesday is a holiday in which case the sale will be the following business day) at the county courthouse in the county in which the land is located. Notice of the sale must be given at least 21 days before the date of the sale. The debtor, any successor in interest to the debtor, or any beneficiary under a junior deed of trust or any other person having a subordinate lien or encumbrance, may pay, prior to the proposed sale, the entire principal due as a result of the acceleration of the indebtedness secured by the prior lien, with interest and the costs and expenses actually incurred in enforcing the obligation. In both a judicial and non-judicial foreclosure of a deed of trust, the beneficiary of the deed of trust under foreclosure need not bid cash at the sale, but may instead make a “credit bid” up to the extent of the amount due under the deed of trust, including legally cognizable costs and expenses incurred in enforcing the deed of trust.

A sale conducted in accordance with the terms of the power of sale contained in a deed of trust and Texas law is generally presumed to be conducted regularly and fairly, and a conveyance of the real property by the trustee confers legal title to the real property to the purchaser, but the purchaser takes the foreclosed property “as is” without any expressed or implied warranties, except as to warranties of title, and at purchaser's own risk. The foreclosure, though, would eliminate all junior mortgages or deeds of trust and all other liens and claims subordinate to the deed of trust under which the sale is made (with the exception of certain governmental liens).

Because of the difficulty a potential buyer at the sale would have in undertaking any due diligence regarding the mortgaged property (e.g., determining any liens or other encumbrances that may run with the property after foreclosure, assessing the physical condition of the property, etc.) a third party may not be likely to purchase such property at a foreclosure sale, whether that sale is a judicial sale or a trustee’s sale. If a third-party or the beneficiary does purchase the property at a foreclosure sale, it may be for a purchase price or credit bid less than the unpaid principal balance of the indebtedness secured thereby, in which case the debtor would remain liable for any deficiency remaining after the application of the proceeds of foreclosure to the outstanding debt; provided, however, recovery of any such deficiency is governed by § 51.003 of the Texas Property Code, as amended.

Rights of Residents

The Obligated Group Members enter into residency agreements with its residents. For more information about the residency agreements, see **APPENDIX A – “RESIDENCY AGREEMENTS.”** Although these agreements give to each resident a contractual right to use space and not any ownership rights in the Community, in the event that a Bond Trustee or the Owners of the Series 2021 Bonds seek to enforce any of the remedies provided by a Bond Indenture upon the occurrence of a default or the Master

Trustee seeks to enforce remedies under the Mortgage or the Master Indenture, it is impossible to predict the resolution that a court might make of competing claims among the Master Trustee, the Bond Trustees, the Authorities or the Owners of the Series 2021 Bonds and a resident of the Communities who has fully complied with all the terms and conditions of his or her Residency Agreement.

Environmental Matters

In its role as the owner and operator of properties or facilities, the Obligated Group may be subject to liability and practical, financial and legal risks for investigating and remedying any hazardous substances that exist on its property or that may have migrated off of its property. Such risks may (a) result in damage to individuals, property or the environment, (b) interrupt operations and increase their cost, (c) result in legal liability, damages, injunctions or fines and (d) result in investigations, administrative proceedings, penalties or other governmental agency actions. There is no assurance that the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

Management of the Obligated Group is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Obligated Group, would have a material adverse effect on its operations or financial condition.

Interest Rate Swap and Other Hedge Risk

Currently, the Obligated Group Members are not party to any interest rate swaps or other hedge agreements. However, the Obligated Group Members may enter into such an agreement in the future. Any interest rate swap or other hedge agreement to which the Obligated Group Members are a party may, at any time, have a negative value to the Obligated Group. If either a swap or other hedge counterparty or an Obligated Group Member terminates such an agreement when the agreement has a negative value to the Obligated Group, the Obligated Group would be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the financial condition of the Obligated Group. A counterparty generally may only terminate such an agreement upon the occurrence of defined termination events such as nonpayment by the Obligated Group, a bankruptcy type event, cross default to specified indebtedness or other swaps, other breaches of covenants in such agreements or the withdrawal of the ratings assigned to the Obligated Group's indebtedness, if applicable, or a downgrade of such ratings below specified levels.

Many swap agreements require each party to provide additional security for its obligations in certain circumstances including without limitation a downgrade of the rating assigned to the long-term Indebtedness issued on its behalf and the occurrence of certain other events. The Master Indenture permits the Obligated Group to grant a security interest and lien on collateral for this purpose.

The Corporation intends to enter into an interest rate cap (the "2021 Interest Rate Cap") to manage and hedge interest rate risk related to a portion of the Series 2021B Bonds. The 2021 Interest Rate Cap will be entered into with an approved counterparty acceptable to the Corporation. It is expected that the 2021 Interest Rate Cap will have a notional amount of \$15,000,000 and have a stated maturity date of August 1, 2025. On or about the date of issuance of the Series 2021B Bonds, the Corporation will pay an upfront payment amount (the "2021 Interest Rate Cap Premium") for the 2021 Interest Rate Cap which is estimated to be approximately \$82,600. The Corporation will have no further payment obligations under the 2021 Interest Rate Cap beyond the 2021 Interest Rate Cap Premium. The 2021 Interest Rate Cap will not require additional security or collateral requirements from the Corporation.

Labor Shortage

The Members of the Obligated Group have historically experienced regular turnover in certain health care and dietary personnel, particularly, nurses' aides, dietary staff and certain housekeeping positions. Shortages of these personnel, particularly of nurses or nurses' aides, have had an adverse impact on the overall labor costs of Members of the Obligated Group, which cannot always be recovered from increased charges, and may continue to adversely affect the expenses of the Members of the Obligated Group. Although the Members of the Obligated Group have not had any meaningful levels of agency (or temporary) staffing at the Communities in the last five Fiscal Years, there can be no assurance that the Members of the Obligated Group will be able to continue to attract sufficient numbers of full and part-time employees to meet its staffing needs. While the impacts of COVID-19 have not resulted in increased use of agency staffing in the past Fiscal Year, the future impacts of the public health crisis or similar health issues could affect the staffing needs of the Obligated Group and the availability of experienced personnel.

Strategic Positioning

The Corporation is continuously requested to review potential acquisitions or affiliations with providers of long-term care throughout the country. In addition, the Corporation continuously considers the need to reposition by adding or divesting the Corporation of certain facilities. Other than with respect to Querencia, the Corporation has no present intent to add any additional communities to the Obligated Group at the present time.

Cybersecurity Risks

In the past several years a number of entities have sought to gain unauthorized access to digital systems of large organizations with the intent to misappropriate assets or information, to cause operational disruptions or for other malicious purposes. The Corporation maintains and implements network security measures with respect to its information technology. Despite these protective measures, the Corporation's information technology systems may be vulnerable to breaches, attacks by hackers, computer viruses, physical or electronic break-ins and other similar negative technology events. Such events could lead to the disruption of services to residents, inadvertent disclosure of protected health or financial information of residents or the Corporation or the release of other confidential information. Any such events may have adverse financial impacts on the Corporation's revenues and may have an adverse financial impact on the ability of the Corporation to pay debt service on the Bonds.

State and local authorities are also increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and often, unlike HIPAA, authorize a private right of action.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the Obligated Group:

- 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;
- Unionization, employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without a corresponding increase in revenues;
- Adoption of other federal, state or local legislation or regulations having an adverse effect on the future operating or financial performance of the Obligated Group;
- A decline in the population, a change in the age composition of the population or a decline in the economic conditions of the markets area of the Communities;
- The cost and availability of energy;
- Increased unemployment or other adverse economic conditions in the service areas of the Obligated Group which would increase the proportion of patients who are unable to pay fully for the cost of their care;
- Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the community in order to maintain the charitable status or exemption from federal income tax or, to the extent currently exempt, the exemption from state or local taxes, of the Obligated Group;
- Inflation or other adverse economic conditions;
- Changes in tax, pension, social security or other laws and regulations affecting the provisions of health care, retirement benefits and other services to the elderly;
- Inability to control the diminution of patients' assets or insurance coverage with the result that the patients' charges are reimbursed from government reimbursement programs rather than private payments or funded from assets of the Obligated Group; or
- Cost and availability of any insurance, such as malpractice, fire, flood, automobile and general comprehensive liability, that organizations such as the Obligated Group Members generally carry.
- Scientific and technological advances that could reduce demand for services offered by the Obligated Group Members.

Nature of Management Projections

Included in **APPENDIX A** are certain projections prepared by management of the Corporation as of June 30, 2021 ("Management's Projections"). Management's Projections were prepared by management of the Corporation and have not been reviewed by the Corporation's independent certified public accountants. These projections are based solely on management's assumptions as described in

APPENDIX A and constitute “forward-looking statements.” The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from that which is described below. There will usually be differences between projected or forecasted financial results and actual financial results because events and circumstances frequently do not occur as projected, and those differences may be material. Management’s Projections are provided only for the period December 31, 2021 through December 31, 2026, and consequently, such projections do not cover the entire period during which the Series 2021 Bonds will be outstanding.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY MANAGEMENT OF THE CORPORATION IN CONNECTION WITH THE PREPARATION OF MANAGEMENT’S PROJECTIONS, NO ASSURANCES CAN BE GIVEN THAT MANAGEMENT’S PROJECTIONS WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS DESCRIBED IN THIS OFFICIAL STATEMENT, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES, INABILITY TO COMPLETE THE PROJECTS IN A TIMELY MANNER, IF AT ALL, DEMOGRAPHIC TRENDS AND GENERAL ECONOMIC CONDITIONS WHICH ARE NOT KNOWN BY THE CORPORATION AT THIS TIME. MANAGEMENT’S PROJECTIONS HAVE NOT BEEN REVIEWED BY THE CORPORATION’S INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.

FINANCIAL REPORTING AND CONTINUING DISCLOSURE

Financial Reporting under the Master Indenture

The Obligated Group Representative will provide, or cause to be provided, to the Master Trustee, the Underwriters, the Bond Trustee, EMMA (as described below), the registered owners or beneficial owners of at least \$500,000 in aggregate principal amount of any Series 2021 Bonds that request the information in writing with the Obligated Group Representative and the Master Trustee and any other Person specified in any Supplemental Master Indenture (the “Required Information Recipients”):

(i) The following information, as soon as practicable after it is available but in no event more than 45 days after the completion of each month, until such time as the Plan (as defined in “**IMPROVEMENTS TO THE COMMUNITIES**” in **APPENDIX A** hereto), as the same shall be modified or extended from time to time, has been completed, a report setting forth (A) an update to the permitting, guaranteed maximum price and liquidated damages information of the same general nature as that contained in **APPENDIX A** under the heading “**IMPROVEMENTS TO THE COMMUNITIES – Permitting and Construction Status,**” (B) a description of any new material variances to the construction or renovation budget or timetable together with a brief explanation of the cause of such variance and copies of the revised budget and construction timetable, if applicable, (C) the anticipated remaining costs of the Plan as well as the amount of bond proceeds and initial entrance fees remaining available for the payment thereof, and (D) prior to the receipt of an occupancy certificate in connection therewith, marketing and pre-sale information for any independent living units being constructed as part of the Plan.

(ii) The following information as soon as practicable after it is available but in no event more than 45 days after the completion of each fiscal quarter: (A) quarterly unaudited financial statements of the Obligated Group (including a report with respect to the fourth quarter

each Fiscal Year), which shall include a statement of revenues and expenses together with a comparison to the operating budget for such period, a statement of cash flow and a balance sheet as of the end of each such fiscal quarter in each case on either a combined or combining basis for the Obligated Group; (B) a calculation of the Days Cash on Hand and of the Historical Debt Service Coverage Ratio of the Obligated Group as of the end of such fiscal quarter, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative; and (C) a management's discussion and analysis;

(iii) Within 150 days after the last day of each Fiscal Year, the audit report of the Obligated Group's independent certified public accountants and audited combined financial statements of the Obligated Group for that Fiscal Year, including a balance sheet as of the end of that Fiscal Year and a statement of revenues and expenses and a statement of cash flows for that Fiscal Year, in each case on audited combined basis, and showing in each case in comparative form the financial figures for or as of the end of the preceding Fiscal Year as appropriate;

(iv) On or before the date of delivery of each audit report and each financial statement referred to in subsection (ii) above, an Officer's Certificate of the chief executive officer or chief financial officer of the Obligated Group Representative (A) stating that the signer has reviewed the Obligated Group's activities during the last completed Fiscal Year and of the performance of the Obligated Group under the Master Indenture and all related Bond Documents and to the best of the signer's knowledge, the Obligated Group and the Members have fulfilled their obligations under the Master Indenture and all related Bond Documents throughout that Fiscal Year or if not, specify all such defaults and the nature and status thereof, (B) calculating and certifying the Days Cash on Hand and the Historical Debt Service Coverage Ratio as of the end of the Fiscal Year, and (C) attaching a copy or summary of the Obligated Group's annual operating and capital budget for the current Fiscal Year;

(v) Promptly, copies of (A) any board-approved revisions to the annual budget provided pursuant to paragraph (iii) above, (B) any actuarial study (or a summary thereof) relating to the business of any Member, or (C) 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 the Series 2021 Bonds;

(vi) A copy of each report of a Consultant required under the Master Indenture within 10 days of receipt of such report; and

(vii) Notice of (i) the incurrence of any material privately placed financial obligation secured on a parity with the Series 2021 Bonds, including the debt service schedule with respect thereto and a summary of any covenants that are in addition to or more restrictive than those contained in the Master Indenture and to which any Obligated Group Member has agreed to be bound in connection with the incurrence of such indebtedness, within ten (10) business days after incurrence thereof, and (ii) any event of default under or termination of any material privately placed financial obligation within ten (10) business days after the occurrence thereof.

Continuing Disclosure

General. Offerings of municipal securities must comply with the provisions of Rule 15c2-12 of the Securities and Exchange Commission (as amended from time to time, the "Rule"). Inasmuch as each series of Series 2021 Bonds is a limited obligation of the related Authority, the Authorities have determined that no financial or operating data concerning them is material to any decision to purchase,

hold or sell the Series 2021 Bonds, and they will not provide any such information. The Corporation, on behalf of the Obligated Group, has undertaken all responsibilities for any continuing disclosure to Owners of the Series 2021 Bonds as described below, and the Authorities have not made and will not make any provision to provide any financial statements or other credit information to investors on a periodic basis, and shall have no liability to the Owners or any other person with respect to such disclosures.

The Obligated Group has covenanted for the benefit of the Bondowners, and the Beneficial Owners (as hereinafter defined under this caption), pursuant to a Master Continuing Disclosure Agreement dated as of November 1, 2010 (as amended and supplemented to date, the “Disclosure Agreement”), to provide or cause to be provided (i) until such time as the Plan, as the same shall be modified or extended from time to time, has been completed, on a monthly basis, certain information relating to the marketing, pre-sales and construction status of the Plan (the “Monthly Report”) by not later than the date 45 days after the last day of each month; (ii) on a quarterly basis, certain financial information for the Obligated Group (the “Quarterly Report”) by not later than the date 45 days after the last day of the fiscal quarter of the Obligated Group; (iii) each year, certain financial information for the Obligated Group and operating data relating to the Obligated Group (the “Annual Report”) by not later than the date 150 days after the last day of the fiscal year of the Obligated Group; provided, however, that if the audited financial statements of the Obligated Group are not available by such date, unaudited financial statements for such party will be included in the Annual Report, and audited financial statements will be provided when and if available; and (iv) timely notices of the occurrence of certain enumerated events. Currently the fiscal year of the Obligated Group commences on January 1. “Beneficial Owners” means, under this caption only, any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2021 Bonds (including persons holding Series 2021 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2021 Bonds for federal income tax purposes.

If not otherwise provided previously, the Obligated Group will also provide, as soon as practicable after the information described in **APPENDIX C – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Financial Statements and Other Information”** is requested by and actually provided to the Required Information Recipients, but in any case not later than 30 days after such information is provided to Required Information Recipients and to EMMA (as hereinafter defined) the information described therein.

The information will be made available to Owners of the Series 2021 Bonds through EMMA (<http://emma.msrb.org>) (“EMMA”), the information repository of the Municipal Securities Rulemaking Board, to comply with the Rule. The quarterly and annual reports described above under “Financial Reporting Under the Master Indenture” will be filed by or on behalf of the Obligated Group with EMMA, as designated from time to time by the SEC for so long as such monthly, quarterly and annual reports are required to be delivered under the Master Indenture. In addition, any notice of the following events will be filed with EMMA:

- Any principal and interest payment delinquencies;
- Material non-payment related defaults;
- Any unscheduled draws on debt service reserves reflecting financial difficulties;
- Any unscheduled draws on credit enhancements reflecting financing difficulties;
- Any substitution of credit or liquidity providers, or their failure to perform;

- 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 security, or other material events affecting the tax status of the Series 2021 Bonds;
- Material modifications to rights of the Bondowners;
- Material bond calls;
- Any defeasances;
- Material release, substitution, or sale of property securing repayment of the Series 2021 Bonds;
- Any rating changes;
- Any tender offer;
- Any bankruptcy, insolvency, receivership, or similar proceedings of an Obligated Person (as defined in the Rule);
- Consummation of a merger, consolidation or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- Appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- Any other enumerated events that are added to the Rule after the date of the Disclosure Agreement;
- Incurrence of a Financial Obligation (as defined in the Rule) of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

Annual Report. The Annual Report will contain or incorporate by reference at least the following items:

(a) The audited financial statements of the Corporation for the fiscal year ending immediately preceding the due date of the Annual Report; provided, however, that if such audited financial statements are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report. The financial statements shall be audited and prepared pursuant to accounting and reporting policies conforming in all material respects to generally accepted accounting principles.

(b) An update of the material financial information including but not limited to the data of the same general nature as that contained in **APPENDIX A** under the headings “**THE COMMUNITIES – Summary of Units Operated per Community,**” “**AVERAGE**

OCCUPANCY OF THE COMMUNITIES,” “HEALTH CENTER OCCUPANCY AND PAYOR MIX – Health Center Payor Mix and Occupancy,” “MANAGEMENT DISCUSSION AND ANALYSIS,” and “PRO FORMA AND HISTORICAL MASTER NOTE DEBT SERVICE – Lifespace Communities, Inc. Obligated Group Selected Historical and Pro Forma Financial Information” (excluding the *pro forma* columns) as well as material operating data, including marketing, occupancy and turnover information.

Quarterly Report. The Quarterly Report will contain or incorporate by reference at least the following items:

- (a) Quarterly unaudited financial statements of the Obligated Group (including a report with respect to the fourth quarter each Fiscal Year), which shall include a statement of revenues and expenses, together with a comparison to the operating budget for such period, a statement of cash flow and a balance sheet as of the end of each such fiscal quarter in each case on either a combined or combining basis for the Obligated Group;
- (b) A calculation of the Days Cash on Hand and of the Historical Debt Service Coverage Ratio of the Obligated Group as of the end of such fiscal quarter, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Representative; and
- (c) a management’s discussion and analysis.

Monthly Report. Until such time as the Plan, as the same shall be modified or extended from time to time, has been completed, the Monthly Report will contain or incorporate by reference at least the following items:

- (a) an update to the permitting, guaranteed maximum price and liquidated damages information of the same general nature as that contained in **APPENDIX A** under the heading **“IMPROVEMENTS TO THE COMMUNITIES – Permitting and Construction Status;”**
- (b) a description of any new material variances to the construction or renovation budget or timetable together with a brief explanation of the cause of such variance and copies of the revised budget and construction timetable, if applicable;
- (c) the anticipated remaining costs of the Plan as well as the amount of bond proceeds and initial entrance fees remaining available for the payment thereof; and
- (d) prior to the receipt of an occupancy certificate in connection therewith, marketing and pre-sale information for any independent living units being constructed as part of the Plan.

Any or all of the items listed above may be included by specific reference to other documents which previously have been provided to EMMA or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Corporation shall clearly identify each such other document as included by reference.

Failure to Comply. In the event of a failure of the Obligated Group to comply with any provision of the Disclosure Agreement, any Bondowner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Obligated Group to comply with the obligations under the Disclosure Agreement. A failure to comply with the Disclosure Agreement shall not be deemed an Event of Default under either Bond Indenture or

Loan Agreement. The sole remedy under the Disclosure Agreement in the event of any failure of the Obligated Group to comply with the Disclosure Agreement shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damage thereunder under any circumstances.

Prior Continuing Disclosure Statements. The Corporation failed to comply, in all material respects, with certain continuing disclosure obligations as it did not file its fiscal year 2017 budget in a timely manner. The Corporation has not otherwise failed to comply, in any material respect, for the previous five years, with its prior disclosure agreements entered into in connection with the Rule.

Amendment of the Disclosure Agreement. The Obligated Group and the Dissemination Agent may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived by the Dissemination Agent, provided that (a) the amendment may only be 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 Obligated Group or the type of activities conducted thereby, (b) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the bonds relating thereto, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of the holders of the bonds relating thereto, as determined by parties unaffiliated with the Obligated Group (such as independent legal counsel).

LITIGATION

The Iowa Authority

There is not now pending (as to which the Iowa Authority has received service of process) or, to the actual knowledge of the Iowa Authority, threatened, any litigation against the Iowa Authority restraining or enjoining the issuance or delivery of the Series 2021A Bonds and the Series 2021B Bonds or questioning or affecting the validity of the Series 2021A Bonds and the Series 2021B Bonds or the proceedings or Iowa Authority under which the Series 2021A Bonds and the Series 2021B Bonds are to be issued. Neither the creation, organization or existence of the Iowa Authority nor the title of the present members or other officers of the Iowa Authority to their respective offices is being contested. There is no litigation against the Iowa Authority pending (as to which the Iowa Authority has received service of process) or, to the actual knowledge of the Iowa Authority, threatened which in any manner questions the right of the Iowa Authority to enter into the Iowa Bond Indentures, the Iowa Loan Agreement or the Iowa Purchase Contract, or to secure the Series 2021A Bonds and the Series 2021B Bonds in the manner provided in the Iowa Bond Indentures, the Iowa Resolution and the Iowa Act.

The Florida Authority

There is not now pending (as to which the Florida Authority has received service of process) or, to the actual knowledge of the Florida Authority, threatened, any litigation against the Florida Authority restraining or enjoining the issuance or delivery of the Series 2021C Bonds or questioning or affecting the validity of the Series 2021C Bonds or the proceedings or Florida Authority under which the Series 2021C Bonds are to be issued. Neither the creation, organization or existence of the Florida Authority nor the title of the present members or other officers of the Florida Authority to their respective offices is being contested. There is no litigation against the Florida Authority pending (as to which the Florida Authority has received service of process) or, to the actual knowledge of the Florida Authority, threatened which in any manner questions the right of the Florida Authority to enter into the Florida Bond Indenture, the

Florida Loan Agreement or the Florida Purchase Contract, or to secure the Series 2021C Bonds in the manner provided in the Florida Bond Indenture, the Florida Resolution and the Florida Act.

The Obligated Group

The Corporation has advised that no litigation, proceedings or investigations are pending or, to its knowledge, threatened against it except (i) litigation, proceedings or investigations in which the probable ultimate recoveries and the estimated costs and expenses of defense, in the opinion of management, will be entirely within the applicable insurance policy limits (subject to applicable deductibles) or are not in excess of the total reserves held under the applicable self-insurance program, (ii) litigation, proceedings or investigations which if adversely determined will not, in the opinion of management, have a material adverse effect on the operations or condition, financial or otherwise, of the Obligated Group, or (iii) litigation, proceedings or investigations which are otherwise described in this Official Statement. See **“REGULATORY ENVIRONMENT”** in **APPENDIX A** hereto. The Corporation also has advised that there is no litigation pending or, to the knowledge of the Corporation, threatened, which in any manner questions the right of the Obligated Group to enter into the financing described herein.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2021 Bonds by the Authorities are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters with respect to the Series 2021 Bonds will be passed upon for the Iowa Authority by its special counsel, Dorsey & Whitney LLP, Des Moines, Iowa, for the Florida Authority by its counsel Nason, Yeager, Gerson, Harris & Fumero, P.A., Palm Beach Gardens, Florida, for the Obligated Group by its counsel, Dorsey & Whitney, LLP, Des Moines, Iowa; and for the Underwriters by their counsel, Katten Muchin Rosenman LLP, Chicago, Illinois.

In rendering its approving legal opinions, Bond Counsel will rely upon certifications and representations of fact to be contained in the transcript of proceedings for the Series 2021 Bonds, which Bond Counsel will not have independently verified.

The scope of Bond Counsel’s engagement does not include responsibility for this Official Statement, and Bond Counsel has not assumed responsibility for its preparation or review, except for the following portions thereof to the extent they describe the Series 2021 Bonds, the Bond Indentures, the Loan Agreements, the Master Indenture, the Mortgages and the opinions to be delivered by Bond Counsel: (1) the Cover Page hereof (other than yields or prices), (2) the sections entitled **“INTRODUCTION – The Series 2021 Bonds,” “THE FIXED RATE SERIES 2021 BONDS,” “THE SERIES 2021B BONDS,” “CERTAIN PROVISIONS APPLICABLE TO ALL SERIES 2021 BONDS,” “SECURITY FOR THE SERIES 2021 BONDS,” “SECURITY FOR THE MASTER NOTES,” “FINANCIAL REPORTING AND CONTINUING DISCLOSURE – Financial Reporting under the Master Indenture”** and **“TAX MATTERS,”** (3) **APPENDIX C – “Definitions and Summaries of Principal Documents”** and (4) **APPENDIX D – “Forms of Opinions of Bond Counsel,”** and except for such portions Bond Counsel has not participated in the preparation of this Official Statement.

Bond Counsel represents the Underwriters and the Corporation from time to time in transactions unrelated to the issuance of the Series 2021 Bonds but is not representing the Underwriters or the Corporation in connection with the issuance of the Series 2021 Bonds.

TAX MATTERS

The following is a summary of the material federal and States of Florida and Iowa income tax consequences of holding and disposing of the Series 2021 Bonds, as applicable. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2021 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the States of Florida and Iowa, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2021 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2021 Bonds.

Tax Status

Opinion of Bond Counsel. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Series 2021 Bonds: (i) the interest on the Series 2021 Bonds is excludable from gross income for federal income tax purposes; (ii) the interest on the Series 2021 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax; and (iii) the Series 2021 Bonds are *not* “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Bond Counsel’s opinion is provided as of the date of the original issue of the Series 2021 Bonds, subject to the condition that the related Authority and the Obligated Group comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. Each of the Authorities and the Corporation, on behalf of the Obligated Group, has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2021 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2021 Bonds.

No Iowa State Tax Exemption. The interest on the Series 2021A Bonds is *not* exempt from present Iowa income taxes.

State of Florida Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Series 2021C Bonds, the interest on the Series 2021C Bonds is exempt from State of Florida taxes except estate taxes and taxes imposed by Chapter 220, Florida Statutes, as amended, with respect to interest, income or profits on obligations owned by corporations.

Other Tax Consequences

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2021 Bond over its stated redemption price at maturity. The issue price of a Series 2021 Bond is generally the first price at which a substantial amount of the Series 2021 Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2021 Bond using constant yield principles, based on the purchaser’s yield to

maturity. As premium is amortized, the owner's basis in the Series 2021 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2021 Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Series 2021 Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2021 Bond, an owner of the Series 2021 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2021 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2021 Bond. To the extent a Series 2021 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2021 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2021 Bonds, and to the proceeds paid on the sale of the Series 2021 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2021 Bonds should be aware that ownership of the Series 2021 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2021 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2021 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2021 Bonds, including the possible application of state, local, foreign and other tax laws.

INDEPENDENT AUDITORS

The financial statements of the Corporation as of December 31, 2020 and 2019 appearing in **APPENDIX B** to this Official Statement, have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their reports appearing therein. The financial statements of Querencia as of December 31, 2020 and 2019 appearing in **APPENDIX B** to this Official Statement, have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their reports appearing therein.

RATING

The Series 2021 Bonds have received a long-term rating of “BBB” from Fitch, Inc. with a stable outlook.

The rating and an explanation of their significance may be obtained from the rating agencies furnishing such ratings. Such ratings reflect only the view of the rating agency. The Corporation has furnished the rating agency with certain information and materials relating to the Series 2021 Bonds and its affiliated organizations that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Except as set forth below under “**FINANCIAL REPORTING AND CONTINUING DISCLOSURE,**” none of the Authorities, the Underwriters, nor the Obligated Group has undertaken any responsibility to bring to the attention of the Owners of the Series 2021 Bonds any proposed revision or withdrawal of the rating of the Series 2021 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2021 Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051(1), Florida Statutes, as amended, provides for the exemption from registration of certain governmental securities, provided that if an issuer or guarantor of governmental securities has been in default at any time after December 31, 1975 as to principal and interest on any obligation, its securities may not be offered or sold in Florida pursuant to the exemption except by means of an offering circular containing full and fair disclosure, as prescribed by rules of the Florida Office of Financial Regulation.

Under such rules, the prescribed disclosure is not required if the information is not an appropriate disclosure because the information would not be considered material by a reasonable investor. The Florida Authority has not been in default at any time after December 31, 1975, as to principal or interest with respect to any obligation issued or guaranteed by the Florida Authority for the benefit of the Obligated Group. The Obligated Group has not been in default at any time after December 31, 1975 as to principal or interest with respect to any obligation issued or guaranteed thereby.

The Florida Authority has the power to issue, and has issued, bonds for the purpose of financing projects for other facilities. Series 2021 Bonds issued by the Florida Authority for parties other than the Obligated Group may have been, or may be, in default as to principal and interest. However, disclosure with respect to any default on such bonds is not deemed appropriate or material with respect to the Series 2021C Bonds, because the source of payment for any such defaulted bonds, if any, is separate and distinct from the source of payment for the Series 2021C Bonds.

UNDERWRITING

Pursuant to a Bond Purchase Agreement (the “Iowa Purchase Contract”) by and among the Iowa Authority, the Corporation, and B.C. Ziegler and Company, as representative of itself and Herbert J. Sims & Co. Inc. (together, the “Underwriters”), the Underwriters will purchase the Series 2021A Bonds at a purchase price of \$82,092,817.55, which purchase price reflects \$714,405.00 of underwriters’ discount

and \$9,157,222.55 of original issue premium and the Series 2021B Bonds at a purchase price of \$29,709,000.00, which purchase price reflects \$291,000.00 of underwriters' discount. Pursuant to a Bond Purchase Agreement (the "Florida Purchase Contract" and, together with the Iowa Purchase Contract, the "Purchase Contracts") by and among the Florida Authority, the Corporation, and the Underwriters, the Underwriters will purchase the Series 2021C Bonds at a purchase price of \$19,036,380.75, which purchase price reflects \$162,135.50 of underwriters' discount and \$2,483,516.25 of original issue premium. Each Purchase Contract will provide that the Underwriters will purchase all of the related series of Series 2021 Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2021 Bonds to the public. The Purchase Contracts will provide for the Corporation to indemnify the Underwriters and the related Authority against certain liabilities. The obligation of the Underwriters to accept delivery of the Series 2021 Bonds will be subject to various conditions set forth in the respective Purchase Contracts.

MISCELLANEOUS

The references herein to the Florida Act, the Iowa Act, the Master Indenture, the Series 2021 Master Notes, the Bond Indentures, the Loan Agreements, the Mortgages, the Prior Master Notes and the Disclosure Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and for full and complete statements of the provisions thereof reference is made to the Florida Act, the Iowa Act, the Master Indenture, the Series 2021 Master Notes, the Bond Indentures, the Loan Agreements, the Mortgages, the Prior Master Notes and the Disclosure Agreement. Following the delivery of the Series 2021 Bonds, copies of such documents, as applicable, will be on file at the office of the related Bond Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Series 2021 Bonds, but neither the failure to print such numbers on any Series 2021 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 and pay for any Series 2021 Bonds.

The attached **APPENDICES** are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The Corporation has reviewed the information contained herein which relates to it, its affiliates, its Property and operations, and has approved all such information for use within this Official Statement.

This Official Statement is approved on behalf of:

LIFESPACE COMMUNITIES, INC.

By: /s/ Nicholas A. Harshfield
Nicholas A. Harshfield
Chief Financial Officer

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APPENDIX A
LIFESPACE COMMUNITIES, INC.
OBLIGATED GROUP

[The information contained in this Appendix A has been obtained from Lifespace Communities, Inc.]

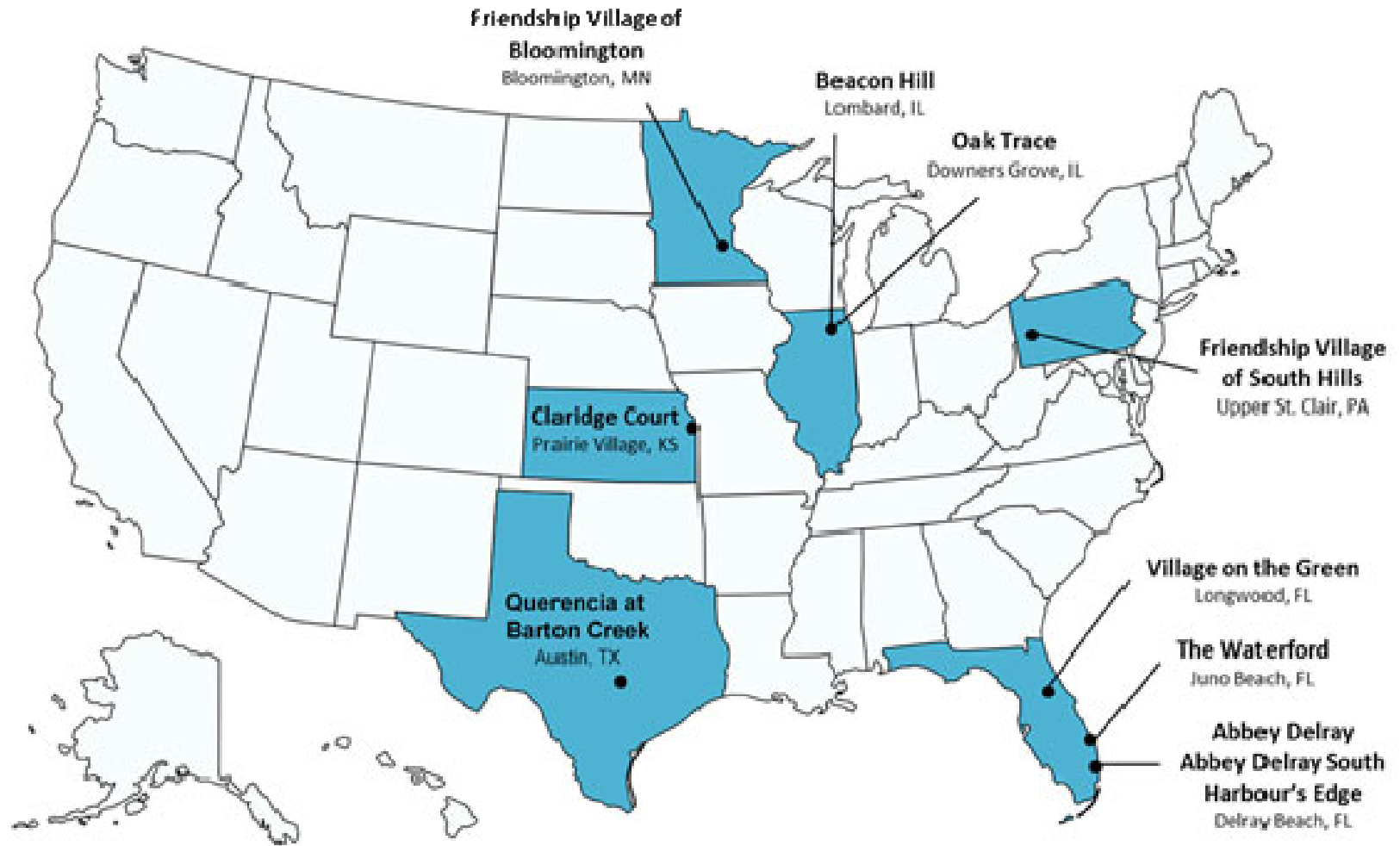
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Obligated Group Communities



GENERAL

Lifespace Communities, Inc. (“*Lifespace*” or the “*Corporation*”) is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities (“*CCRCs*”). Currently, the Corporation owns eleven CCRCs in six states that make up the Obligated Group.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia (“*Querencia*”) located in Austin, Texas. Querencia currently maintains a long-term unenhanced credit rating of “BBB-” from Fitch Ratings. Concurrent with the issuance of the Series 2021 Bonds, Querencia will be joining the Obligated Group.

Newcastle Place, LLC (“*Newcastle*”) located in Mequon, Wisconsin is a limited liability company held by Lifespace and acquired on July 1, 2021. While Newcastle is not part of the Obligated Group, Lifespace has provided limited financial support to Newcastle, as described below.

On August 1, 2021, Grand Lodge at the Preserve, located in Lincoln, Nebraska, was sold to a third party, and is no longer part of the Obligated Group.

On August 1, 2021, Deerfield Retirement Community, Inc. (“*Deerfield*”) was sold to the same third party as Grand Lodge. While outside of the Obligated Group, Lifespace had previously guaranteed certain outstanding long-term indebtedness of Deerfield. Said guarantees were discharged in connection with the sale of Deerfield and the Corporation has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield.

The Corporation is also the sole member of Northwest Senior Housing Corporation, d/b/a Edgemere (“*Edgemere*”) located in Dallas, Texas and Tarrant County Senior Living Center, Inc., d/b/a The Stayton at Museum Way (“*The Stayton*”) located in Ft. Worth, Texas. Edgemere and The Stayton are separately financed and are not part of the Obligated Group. The Corporation has provided a limited liquidity support agreement for The Stayton, as described below.

The financial information and financial covenants presented herein set forth the financial results and ratios after giving effect to the acquisition of Newcastle and the sale of Grand Lodge and Deerfield.

After the disposition of Grand Lodge and Deerfield, and including Edgemere, Newcastle and The Stayton, the Corporation and its affiliates will operate 14 CCRCs in eight states from corporate offices located in West Des Moines, Iowa and Addison, Texas. References to the “Communities” herein are to the 11 CCRCs owned or leased and operated by the Corporation that will make up the Obligated Group.

The Corporation is not presently affiliated with any religious or other charitable or nonprofit organizations other than (i) The Lifespace Foundation (the “*Foundation*”), an Iowa nonprofit corporation, which serves as the fundraising arm for the corporation (ii) Senior Quality Lifestyles Corporation, a Texas nonprofit corporation (“*SQLC*”), which prior to the acquisition on June 20, 2019, was the sole member of Edgemere, Querencia and The Stayton and (iii) Edgemere, Newcastle, and The Stayton.

The Corporation has received a determination letter from the Internal Revenue Service that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), exempt from income taxation in accordance with Section 501(a) of the Code.

The Corporation and Querencia are the only Members of the Obligated Group under the Master Indenture. DEERFIELD, EDGEMERE, NEWCASTLE, THE STAYTON, SQLC AND THE FOUNDATION ARE NOT MEMBERS OF THE OBLIGATED GROUP AND HAVE NO OBLIGATIONS WITH RESPECT TO THE MASTER INDENTURE, THE SERIES 2021 BONDS OR THE SERIES 2021 MASTER NOTES.

See “**LIQUIDITY SUPPORT AND OTHER COMMUNITIES**” below for additional information relating to Lifespace’s financial commitments with respect to The Stayton and Newcastle.

MISSION; PROMISE AND STATEMENTS OF VALUE

The mission of the Corporation is creating communities celebrating the lives of seniors.

The Lifespace promise identifies team members as its most important asset in providing exceptional service and memorable experiences to its residents. The Corporation’s statements of value are as follows:

- Commitment to excellence and innovation.
- Anticipating needs and exceeding expectations.
- Passionate attention to detail; and
- Responsible stewardship.

Consistent with the Corporation’s nonprofit status the Corporation is also guided by and maintains a hardship policy for those residents unable to pay full fees for the Corporation’s services. In addition, the Corporation adheres to a strict non-discrimination policy as part of the Corporation’s admissions policy.

STRATEGIC INITIATIVES

The Corporation has engaged in extensive strategic planning for its future over the last several years. As a result of that strategic planning, the Corporation has embarked on a capital reinvestment plan in its Communities, completed the acquisition of Edgemere, Querencia, and The Stayton in June 2019, completed an acquisition of Newcastle on July 1, 2021, divested Grand Lodge and Deerfield in August 2021, continues to actively explore additional acquisitions and continues the thorough review of operations for efficiency and best practice improvements. At this time, other than the addition of Querencia to the Obligated Group, the Corporation does not intend to add additional communities to the Obligated Group. These strategic initiatives are discussed in more detail in the following sections in this **APPENDIX A – “IMPROVEMENTS**

TO THE COMMUNITIES,” “DEVELOPMENT CONSULTANT,” and “OPERATIONAL INITIATIVES.”

GOVERNANCE

Board of Directors

All powers of the Corporation are exercised by the Board of Directors (the “*Board*”) which consists of no more than 15 members (a “*Member*”), subject to revision as set forth in the Corporation’s bylaws. The Board size is based on the Corporation’s needs, and each Member must sign a conflict of interest and ethics policy upon becoming a Member and annually thereafter. In July 2016 the Board approved a change to the policy where each Member, excluding the Chief Executive Officer (the “*CEO*”), may serve no more than three four-year terms. Upon implementation of this policy a retirement plan for the then current Members who have served more than three four-year terms was established. A majority of the Board shall constitute a quorum except that action by two-thirds of the Board shall be required to (1) amend the articles or bylaws of the Corporation; (2) terminate the federal income tax exemption of the Corporation, (3) merge, consolidate, dissolve or liquidate the Corporation, or (4) sell all or substantially all of the assets of the Corporation. The following table sets forth the names, positions and terms for the current Members:

<u>Name/Location</u>	<u>Current or Former Position</u>	<u>Term Began</u>
Scott T. Collier Dallas, TX	Retired Managing Director, JLL – Dallas	2019
Joyce Darkey-Hrinya Kansas City, MO	Consultant, A&R Strategy Partners LLC	2017
Sue Delvaux Lombard, IL	Retired BMO Harris Bank, Vice President and Operations Manager	2021
Laurie L. Dotter Dallas, TX	Advisory Board, Texas Safekeeping Trust and the Investment Advisory Committee, Employees Retirement System of Texas	2019
Ana Dutra Vero Beach, FL	CEO, Mandala Global Advisors	2016
E. Laverne Epp Lawrence, KS	Executive Chair, Bioscience & Technology Business Center at University of Kansas	2009
Venita Fields Evanston, IL	Private Equity Investor, Partner, Pelham S2k Managers, LLC	2018
Robert C. Kehm Prairie Village, KS	Retired Partner for KPMG LLP	2009
Paula J. Shives Lexington, KY (summer) Winter Park, FL (winter)	Retired Senior Vice President, Secretary and General Counsel for Darden Restaurants, Inc.	2005
Patrick D. Spangler Golden Valley, MN	Chief Financial Officer, On Target Laboratories	2016
Neal Yanofsky (Chair) Dallas, TX	Independent strategy consultant, restaurant companies and private equity firms that invest in them	2016

Committees

The Corporation has created several committees consisting of Members to assist with specific review and responsibilities. The committees include the Executive Committee, the Compensation Committee, the Finance and Investment Committee, the Governance and Nominating Committee and the Risk Management and Audit Committee. Each of these committees are standing committees of the Board.

Executive Committee. The primary purpose of the Executive Committee is to exercise the powers of the Board as to the oversight of the business and affairs of the Corporation when the Board is not in session and when an assembly of a quorum of the Board would be impracticable or impossible. The Executive Committee exists essentially for emergent or urgent matters, and its powers are specifically limited under Article VIII, Section 2 of the Bylaws. The Executive Committee shall not have the powers of the Board with respect to authorizing distributions; approving or recommending dissolution, merger, or the sale, pledge or transfer of all or substantially all of the Company’s assets; electing, appointing, or removing Members or filling vacancies on the Board or on any of its committees; adopting, amending, or repealing the Articles of Incorporation or the Bylaws or appointing or removing the President and CEO.

Compensation Committee. The primary function of the Compensation Committee is to assist the Board in fulfilling its oversight responsibilities for the compensation and evaluation of the President and CEO, key executives and the overall compensation philosophy of the Corporation.

Finance and Investment Committee. The primary function of the Finance and Investment Committee is to review financial policies, performance, and budgets of the Corporation, review the financial aspects of major transactions and new programs, and oversee the investment and safekeeping of corporate and community investment funds.

Governance and Nominating Committee. The primary function of the Governance and Nominating Committee is to provide for the Board’s effectiveness and continuing development.

Risk Management and Audit Committee. The primary function of the Risk Management and Audit Committee is to oversee the external audit of the financial statements, monitor the internal control environment and oversee the corporate compliance and risk programs.

Querencia Board of Directors

The Members of the Querencia Board of Directors are Jesse Jantzen (President and CEO), Nick Harshfield (Treasurer) and Eddie Fenoglio (Secretary). See further information regarding these Members in “**Management of the Corporation**” below.

Management of the Corporation

Operations at the Communities are directed by the corporate staff (“*Management*”) as identified below.

Jesse Jantzen, President & Chief Executive Officer

Jesse joined Lifespace Communities in April 2020 to serve as President and Chief Executive Officer. Steeped in senior living for nearly three decades, and more recently as CEO of Lutheran Life Communities and Ascension Living, Jesse is a highly regarded strategic leader with a demonstrated passion for transforming the field of aging. Earlier career positions include roles in senior living administration, operations, and development, resulting in quality improvements, financial turnarounds, and improved resident satisfaction and employee

engagement. Jesse earned his bachelor's degree and MBA, with a certificate of professional study in Health Organization Management, from Texas Tech University.

Eddie Fenoglio, Chief Operations Officer

Eddie joined Lifespace Communities in October 2020 to serve as Chief Operations Officer. Eddie has over 25 years of operational leadership experience in Senior Housing for both public and privately held companies. He formerly served as President of the Central Division for Brookdale Senior Living, operating over 230 communities. Eddie held various Executive Leadership positions within Brookdale and American Retirement Corporation. During his time with the previous companies, Eddie provided oversight of leading strategy, turnarounds, large scale acquisitions, and integrations across a broad multi-state area, which led to the nation's largest senior housing provider. Eddie holds a Bachelor of Arts from Midwestern State University in Management and Finance. He has served on various Boards, including school board trustee, Meals on Wheels, YMCA, healthcare committees, and Argentum COO round table.

Dr. Sara Hamm, DNP, RN, Chief Clinical and Public Health Officer

Dr. Sara joined Lifespace Communities in March 2015 with more than three decades of service in senior living and post-acute care. Prior to joining Lifespace, Dr. Sara served as the executive vice president of care and compliance at Enlivant and as the senior vice president of quality services and risk management at Emeritus, two of the nation's largest senior living companies. She has extensive and progressive expertise in the health care continuum including acute care, hospital-based transitional care, independent living, assisted living, skilled nursing, as well as sub-acute rehabilitation, home health, behavioral health and memory care. Throughout her career, Dr. Sara has served as a director of nursing education, assistant director of nursing, director of nursing services, nursing home administrator, corporate nurse consultant, divisional vice president of clinical services and senior vice president of quality services and risk management. She graduated with honors from Marquette University with a bachelor of science in nursing degree, and holds a master's of science degree in educational psychology and community counseling from the University of Wisconsin. In May 2018, Dr. Sara graduated from Loyola University with a Doctor of Nursing Practice (DNP) Degree with specialization in Executive Leadership. She also holds a certificate in nursing home administration from the University of Wisconsin.

Nick Harshfield, Chief Financial Officer

Nick joined Lifespace Communities as Chief Financial Officer in June 2020. He has over 30 years of experience in corporate finance and accounting in a wide range of industries, including publicly traded and privately held for-profit and non-profit companies. His work spans several industries including the airline and manufacturing industries and has served more than 18 years in health and human services organizations. Nick received the CFO of the Year Award for Large Non-Profit Organizations from Business First of Louisville, Kentucky. He holds a Bachelor's degree in Business Administration-Accounting from the University of Louisville, and is a Certified Management Accountant as well as Certified in Financial Management. Nick also serves as a board member/officer for various not for profit organizations.

Nikki Kresse, Chief People Officer

Nikki joined Lifespace Communities as Chief People Officer in April 2021, bringing with her more than 20 years of extensive operations and human resource experience. Prior to joining Lifespace, Nikki worked in Human Resources for G6 Hospitality. Her work at G6 included leading the strategy and management of human resources, talent management, diversity and inclusion, compensation, benefits, workers compensation, human capital analytics, HRIS, payroll and shared services. Nikki earned her Bachelor of Science degree in Business Management from Colorado State University, and is a Certified Benefits Professional and a Certified Compensation Professional

Heidi Leavengood, Senior Vice President, Finance and Accounting

Heidi joined Lifespace Communities in April 2013 as Controller and now serves as the Senior Vice President of Finance and Accounting. Prior to Lifespace, Heidi served as a senior manager in the audit practice of KPMG, LLP. She worked on a variety of public and private clients across many industries and countries. She has served on a variety of community and professional boards currently serving as the president of the Iowa Chapter of Financial Executives International. Heidi is also a member of the Iowa Society of Certified Public Accountants and is a graduate of the Greater Des Moines Leadership Institute. She has a bachelor's degree from Simpson College and is a non-practicing certified public accountant.

Russell Mauk, Vice President of Design, Development, and Construction

Russell joined Lifespace Communities in December 2018 bringing 35 years and over \$1 billion of commercial real estate development experience. Russell was previously part of the development and construction department of the California-based company of HumanGood. He managed eight CCRC redevelopments; one new CCRC development project and numerous community upgrade projects. He also partnered with organizations in China and the Philippines to develop CCRC-type communities appropriate to those markets. Additionally, Russell has experience in creating design standards in CCRC, assisted living and memory support environments. He also has developed and managed corporate purchasing agreements for interior design and construction products. Russell is a licensed architect with a Bachelor of Arts degree in Architecture from the University of California, Berkeley and a Master of Architecture from Columbia University.

Sandra Parker, General Counsel

Sandra joined Lifespace Communities in June 2021. Sandra's passion for serving others is evident in her keen ability to listen and truly get to the heart of the issue at hand. Sandra brings more than 25 years of experience and extensive knowledge that spans many aspects of the health care industry, including hospital administration, federal health care regulations, and health data information.

Ken Poinsette, Chief Information Officer

Ken joined Lifespace Communities in February 2021. Ken is a highly accomplished information technology leader with more than 25 years of extensive experience. Ken's corporate

career in information technology began in the Army after successful completion of his company command at Fort Campbell Kentucky. His technology career has crossed industry giants such as GE, Aflac, and Wyndham Worldwide. Poinsette earned his Bachelor of Science degree from the United States Military Academy at West Point and served in the U.S. Army. He also earned his MBA from Emory University and a Master of Science from Bowie State University.

Greg Sieman, Chief Revenue and Communications Officer

Greg joined Lifespace Communities in February 2020 with 20 years of healthcare and financial services marketing leadership experience. He spent much of his early career with Bank of America in various executive sales, marketing, and merger integration roles before joining Vi Senior Living (formerly known as Classic Residence by Hyatt) as the Vice President of Marketing. While at Vi, Greg was responsible for the end-to-end marketing operations, building a hyper-local, channel-specific, and data-centric approach to marketing to increase leads and decrease inefficient marketing spend. Prior to joining Lifespace, Greg held the role of Senior Vice President of Marketing for Oak Street Health in Chicago, an organization dedicated to offering value-based health care for Medicare-eligible patients. During his time with Oak Street, Greg focused on diversifying the marketing channel mix, including creating a sophisticated digital acquisition strategy, while also building a robust internal marketing infrastructure to aggressively and cost-effectively grow patient acquisition. These initiatives contributed to quadrupling the number of centers serving patients while also maintaining a full pipeline of future patients as the company completed fundraising rounds prior to going public earlier this year. Greg holds a bachelor's and Masters of Science from Florida State University.

SERVICES

Independent Living

Residents of the Independent Living Units at the Communities generally receive one meal a day, lawn and landscaping care (if applicable), snow removal (if applicable), trash removal, basic cable television, 24-hour emergency response system, pest control, regularly scheduled transportation and recreational activities as part of their monthly fee. Most of the Communities also offer other services such as personal laundry, beauty and barber services, licensed nursing visits, extra meals and meal delivery, and housekeeping services, for an extra charge.

Assisted Living

Residents of any of the Assisted Living Units of the Communities generally receive room accommodations, weekly housekeeping and linen services, three meals a day plus snacks, special dietary food items, assistance with medications, assistance with bathing and dressing, scheduled transportation to shopping, physician appointments and activities, and chaplaincy services, as part of their daily rate. Most of the Communities also offer other services, such as personal laundry, beauty and barber services, unscheduled transportation, cable television, personal telephone, outside activities admissions, and guest meals, for an extra charge.

Abbey Delray, Friendship Village of Bloomington, Friendship Village of South Hills, Oak Trace, Querencia and Village on the Green offer assisted living through a distinct setting.

The type of care offered in each location is categorized by the license held in the specific state. In most of the Communities residents needing limited assistance are provided those services in their Independent Living Unit. Limited assistance is provided for by the Corporation, for an additional fee, or can be contracted for individually.

Memory Support

Memory care is a specialty assisted living program for individuals impacted by the early to mid-stages of Alzheimer's disease or other forms of dementia. Care and services are provided in a secure environment with entry and exit controlled by an electronic keypad system to provide a secure environment that reduces the likelihood of resident elopements. Lifestyle activities are designed to meet the needs of individuals who have memory loss, and a focus is placed on retaining the individual's physical and cognitive abilities. Residents of any of the memory care programs at Lifespace generally receive room accommodations, weekly housekeeping and linen services, three meals a day plus snacks, special dietary food items, assistance with medications, assistance with bathing and dressing, scheduled transportation to shopping, physician appointments, activity programming, and chaplaincy services, as part of their daily rate. Most of the Communities also offer other services, such as personal laundry, beauty and barber services, unscheduled transportation, cable television, personal telephone, outside activities admissions, and guest meals, for an extra charge. Team members working on the memory care program also receive additional education and training on caring for individuals impacted by Alzheimer's disease and dementia. Abbey Delray, Friendship Village of Bloomington, Friendship Village of South, Oak Trace, Querencia and Village on the Green offer memory support.

Skilled Nursing

Residents of any of the Health Centers of the Communities generally receive room accommodations, activities and social events, housekeeping, linens, personal hygiene supplies, routine nursing supplies and dressings and three meals a day as part of their daily rate. Most Communities also offer other services, such as personal laundry, beauty and barber services, personal safety devices and guest meals, for an extra charge. All communities offer skilled nursing in the Health Centers.

THE COMMUNITIES

General

The following Communities are part of the Obligated Group upon the issuance of the Series 2021 bonds:

- Abbey Delray in Delray Beach, Florida
- Abbey Delray South in Delray Beach, Florida
- Beacon Hill in Lombard, Illinois
- Claridge Court in Prairie Village, Kansas

- Friendship Village of Bloomington in Bloomington, Minnesota
- Friendship Village of South Hills, in Upper St. Clair, Pennsylvania
- Harbour’s Edge in Delray Beach, Florida
- Oak Trace in Downers Gove, Illinois
- Querencia in Austin, Texas (joining with the issuance of the Series 2021 Bonds)
- The Waterford in Juno Beach, Florida
- Village on the Green in Longwood, Florida

The Corporation owns Abbey Delray South, Beacon Hill, Claridge Court, Friendship Village of Bloomington, Friendship Village of South Hills, Harbour’s Edge, Oak Trace, Querencia, The Waterford and Village on the Green. In order to avail itself of tax-exempt bond financings, the Corporation conveyed Abbey Delray to the Palm Beach County Health Facilities Authority in the early 1990’s and leases this facility back pending repayment of the related bond financing. The Abbey Delray bonds subject to the lease/purchase financing mature on November 15, 2022, and upon such maturity (or earlier redemption), the Palm Beach County Health Facilities Authority will convey title to Abbey Delray back to the Corporation, and the Mortgage relating to that Community will be amended to confirm the Mortgage extends to the title held by the Corporation.

The Communities

The Corporation offers a variety of unit types and levels of care at each Community including independent living apartments, carriage homes, villas and townhomes (hereinafter collectively referred to as “*Independent Living Units*”), assisted living apartments (“*Assisted Living Units*”), memory support apartments (“*Memory Support Units*”) and a number of health centers (each a “*Health Center*”) offering skilled nursing care and, at certain Communities, memory support beds. The following is a brief description of each Community.

Abbey Delray. The Abbey Delray Community opened for occupancy in 1979. Abbey Delray is positioned on 27 landscaped acres in a neighborhood environment and is comprised of 342 Independent Living Units, 28 of which are villas, 48 Assisted Living Units, 30 Memory Support Units and a Health Center with 100 skilled nursing care beds for both a long term stay and a rehabilitation stay. The common areas include an outdoor heated pool and whirlpool spa, exercise room, game room, card rooms, computer room, library, gathering place, auditorium, and dining room. Additional amenity areas include a salon and art studio. The Assisted Living Units and Memory Support Units have their own common areas. The Health Center provides private rooms, a physical therapy room, arts and crafts therapy area, dining rooms and lounges. The Corporation completed a major repositioning project for Abbey Delray at a cost of approximately \$39.8 million that added 48 Assisted Living Units and 30 Memory Support Units. First occupancy for these units occurred in February 2020.

Abbey Delray South. Abbey Delray South opened for occupancy in 1981. Abbey Delray South is located on 32 acres, approximately one mile from Abbey Delray, and is comprised of 284 Independent Living Units, 44 of which are villas, and a Health Center with 90 skilled nursing care beds. Its balconies, verandas and colonnade open on the wooded landscape and border a canal. The foliage extends into the central court of the Community adjacent to which community spaces, including dining rooms, lounges, library and game rooms, are located. The buildings, constructed in a multi-leveled fashion, are organized around the central court. The flexible design of the main common facilities provides many options for large and small meeting areas as well as multiple options for dining. There are also lounges, a library, a fitness center, an activities center, indoor pickle ball court and administrative offices. Also included are personal laundry facilities, a convenience shop with pharmacy coordination and a beauty/barber shop. A heated outdoor swimming pool, a nine-hole putting green and outdoor areas for other activities are available.

Beacon Hill. Beacon Hill opened for occupancy in 1984. Beacon Hill is located on 19.5 acres and is comprised of 374 Independent Living Units and a Health Center with 110 skilled nursing care beds. The design of the main common facilities provides many options for large and small meeting areas as well as multiple options for dining, as well as lounges, two libraries, game rooms, a swimming pool, and a heated parking garage. Also included are personal laundry facilities, guest apartments, beauty/barber shop, an art studio, crafts and woodworking areas, a pantry and banking facilities. Outdoor areas for gardening, walking paths, two putting greens and other activities are available. The Corporation completed a major repositioning project for Beacon Hill in 2017 at a cost of approximately \$24.5 million that added an auditorium, fitness center and administrative office space.

Claridge Court. Claridge Court opened in January 1995. Claridge Court is located on 4.7 acres and consists of 129 Independent Living Units, a Health Center with 45 skilled nursing care beds, an underground parking garage and common spaces. The Health Center provides both private and semi-private rooms, a physical therapy room, arts and crafts therapy area, dining rooms banking access and lounges. Common spaces include an auditorium, formal dining room, private dining room, bistro, pub, guest suites, library, lounge/card room, a computer room, exercise room, and beauty shop. All buildings are connected by common corridors and elevators providing residents access throughout the Community without the necessity of going outdoors.

Friendship Village of Bloomington. Friendship Village of Bloomington opened in July 1979. It is located on 25 acres and consists of 293 Independent Living Units, 12 of which are town homes, 42 Assisted Living Units, 32 Memory Support Units and a Health Center with 66 skilled nursing care beds. Friendship Village of Bloomington was the first CCRC in Minnesota to offer a Type A contract (defined below). The Community design provides many options for large and small meetings as well as multiple options for dining. Common areas include lounges, library, cafe, billiards room, auditorium, administrative offices, personal laundry facilities, beauty/barber shop, bank, fitness center with an indoor swimming pool, computer room and crafts and woodworking areas. Outdoor areas for gardening, putting green, decks, patios and other activities are also available. The Corporation is currently completing the construction on a major repositioning project for Friendship Village of Bloomington that replaced a 53-bed licensed boarding care center with 42 Assisted Living Units and 32 Memory Support Units, constructed a new building with 90 Independent Living Units, three additional

Independent Living Units in the current building, and a replacement of the 66-bed health center. The new Assisted Living Units and Memory Support Units opened in February 2021. First occupancy in the new Independent Living Units will occur during the third quarter of 2021. The replacement of the health center is expected to open in second quarter 2022. The total cost for the projected is estimated at \$114.9 million. See “**IMPROVEMENTS TO THE COMMUNITIES**” below.

Friendship Village of South Hills. Friendship Village of South Hills opened for occupancy in 1984. It is located on 73 acres and consists of 291 Independent Living Units, 18 of which are carriage homes, 50 Assisted Living Units, 32 Memory Support Units and a Health Center with 89 skilled nursing care beds. The design of the main common facilities provides many options for large and small meeting areas as well as multiple options for dining. The common area includes lounges, library, billiards room, assembly room, performing arts center, cinema, administrative offices, personal laundry facilities, sports bar, bank, the village store, storage lockers, beauty/barber shop, fitness center, art studio, computer lab and crafts and woodworking areas. Outdoor areas for gardening, a bocce court, a horseshoe court and other activities are available. The Corporation completed construction on a major repositioning project for Friendship Village of South Hills at a cost of approximately \$42.0 million that added 50 Assisted Living Units and 32 Memory Support Units. First occupancy for these units occurred in November 2019.

Harbour’s Edge. Harbour’s Edge opened for occupancy in 1987. The Community is located on a 20-acre site along the Intracoastal Waterway with over 1,000 feet of waterfront. Harbour’s Edge is located approximately two miles from Abbey Delray and Abbey Delray South. Harbour’s Edge is comprised of 266 Independent Living Units and a Health Center with 54 skilled nursing care beds. The Community features a fine dining restaurant, a casual Bistro styled restaurant, and private dining for more intimate groups. Wellness programming includes exercise and health maintenance equipment, fitness programming, an outdoor whirlpool, sauna, putting green, bocce court, polo field, skeet shooting range and a heated/cooled swimming pool overlooking the Intracoastal Waterway. Common areas include meeting rooms, bar, piano lounge, card rooms, theater, salon, art studio and an extensive library equipped with Dakim brain fitness units. Two suites and one apartment are available for guests of residents. Building entries and access points are equipped with a television monitor observed by security personnel. Entrances to enclosed parking areas are gated with access card readers. Campus entrances are restricted and staffed 24 hours a day. The Corporation completed a major repositioning project for Harbour’s Edge in 2017 at a cost of approximately \$23.4 million that included the addition of a wellness center, renovation of the existing dining area, addition of alternative dining and renovation of the exterior façade.

Oak Trace. Oak Trace was acquired by the Corporation in 2011. The Community is located on a 40-acre tree filled site. Oak Trace is comprised of 234 Independent Living Units, 15 of which are townhomes, 66 Assisted Living Units, 28 Memory Support Units and a Health Center with 104 skilled nursing care beds. The Community features a fine dining restaurant for club-type dining, casual dining as well as private dining for more intimate groups. Wellness programming includes exercise and health maintenance equipment. Common areas include meeting rooms, bar, piano lounge, card rooms, theater, salon, art room and an extensive library equipped with Dakim brain fitness units. Enclosed parking areas include controlled access. The

Corporation completed a major repositioning project for Oak Trace in June 2019 that consisted of an addition of 66 Assisted Living Units, 28 Memory Support Units, and the replacement of 104 beds in the health center along with an expanded rehabilitation space. See “**IMPROVEMENTS TO THE COMMUNITIES**” below.

Querencia. Querencia was acquired by the Corporation in 2019. Querencia is constructed on approximately 38 acres in the Barton Creek neighborhood in southwest Austin, Texas. Querencia includes 167 Independent Living Units, 40 Assisted Living Units, 23 Memory Support Units, and a Health Center with 42 skilled nursing care beds. The common areas consist of dining areas, recreation and social areas, activities and creative arts studio, fitness and wellness center, media room, living room and lounge areas, library, game/card room, beauty salon and covered swimming pool and spa.

The Waterford. The Waterford opened for occupancy in 1981. The Waterford is located on 15 acres and is comprised of 273 Independent Living Units, 25 of which are villas, and a Health Center with 60 skilled nursing care beds. The buildings are arranged in a “campus” plan. Each of the pavilions leading into the main common area contains a plaza that is open to the lagoons and the sun from the south and shielded from the wind on the north, east and west sides. Each plaza provides opportunities to dine outside and serves as a focal point for the campus activities. The flexible design of the main common facilities provides large areas for dining and meetings. Other common areas include lounges, library, billiards room, auditorium, computer lab, fitness center, art studio, woodworking shop, spa and administrative offices. Also included are housekeeping, personal laundry facilities, beauty salon and a crafts area. Outdoor areas include a heated swimming pool, a resistance pool and space for other activities. In 2018 The Waterford entered into an agreement with a third party assisted living community to provide assisted living when needed.

Village on the Green. The Village opened for occupancy in 1986. It is located in Seminole County, which is five miles from the historic City of Longwood, Florida and northwest of Orlando’s cultural and entertainment attractions. Village on the Green is located on 76 acres and is surrounded by 3,000 wooded acres, including 2,000 acres protected as wildlife preserve. It consists of 262 Independent Living Units, 58 of which are villas, 36 Assisted Living Units and 18 Memory Support Units a Health Center with 48 skilled nursing beds for both long term-stay and rehabilitation stays, and a clubhouse. Each Independent Living Units has its own exterior entrance, a Florida room for entertaining, a fully equipped kitchen and laundry room. Common areas include large areas for dining and meetings, lounges, a library, a game room, an all-purpose room, an exercise room, an outdoor swimming pool, a whirlpool, administrative offices, beauty salons and crafts and woodworking areas. The clubhouse accommodates dining, a fitness room, library, bar, private dining room, auditorium, crafts room, woodworking shop and game room. Other common area features include a swimming pool, whirlpool, beauty salon and administrative offices. The Corporation is in the process of completing construction on a major repositioning project for Village on the Green at a cost of approximately \$56.4 million that added 20 townhomes, 36 Assisted Living Units, 18 Memory Support Units, and a 48-bed replacement health center. First occupancy of the Assisted Living occurred in the first quarter of 2021. First occupancy of the new townhomes, memory support units and the replacement health center occurred in the second quarter of 2021.

Summary of Units Operated per Community as of June 30, 2021

	Independent Living Apartments	Villas, Carriage or Town Homes	Assisted Living	Health Center Private Room	Health Center Semi-Private Room	Memory Support	Total	CMS 5-Star Rating *
Abbey Delray	314	28	48	30	70	30	520	4
Abbey Delray South	240	44		12	78		374	4
Beacon Hill	374			26	84		484	5
Claridge Court	129			17	28		174	5
Friendship Village of Bloomington	281	12	42	36	30	32	433	5
Friendship Village of South Hills	273	18	50	35	54	32	462	5
Harbour's Edge	266			50	4		320	5
Oak Trace	219	15	66	54	50	28	432	5
Querencia	157	10	40	38	4	23	272	5
The Waterford	248	25		30	30		333	3 **
Village on the Green	204	58	36	44	4	18	364	5
Total	2,705	210	282	372	436	163	4,168	

* The CMS 5-Star ratings are as of June 28, 2021.

** Litespace expects these ratings to go up when the next survey results are released.

AVERAGE OCCUPANCY OF THE COMMUNITIES

The following table sets forth information concerning average occupancy levels at the Communities.

<u>Community</u>	<u>2018</u>				<u>2019</u>				<u>2020</u>				<u>Twelve months ended March 31, 2021</u>			
	Living	Health	Memory		Living	Health	Memory		Living	Health	Memory		Living	Health	Memory	
	Units	Center	ALUs	Support	Units	Center	ALUs	Support	Units	Center	ALUs	Support	Units	Center	ALUs	Support
Abbey Delray, FL (a)	72.8%	91.2%	85.7%	N/A	71.6%	88.1%	85.7%	N/A	67.6%	92.5%	58.9%	36.0%	65.1%	92.3%	63.7%	40.8%
Abbey Delray South, FL	85.6%	88.7%	N/A	N/A	80.6%	82.9%	N/A	N/A	76.0%	73.4%	NA	NA	73.2%	68.2%	NA	NA
Beacon Hill, IL	94.4%	93.4%	N/A	N/A	94.1%	92.7%	N/A	N/A	92.4%	91.5%	NA	NA	90.9%	90.2%	NA	NA
Claridge Court, KS	90.0%	87.6%	N/A	N/A	89.2%	89.6%	N/A	N/A	87.3%	82.0%	NA	NA	85.5%	79.2%	NA	NA
Friendship Village of Bloomington, MN (b)	98.0%	89.4%	88.7%	N/A	96.3%	85.6%	86.8%	N/A	93.3%	82.0%	89.5%	NA	91.1%	78.9%	81.5%	86.4%
Friendship Village of South Hills, PA (c)	95.5%	95.8%	N/A	N/A	95.5%	94.4%	12.5%	20.0%	87.6%	81.2%	44.7%	63.8%	85.6%	79.3%	49.8%	75.3%
Harbour's Edge, FL	91.4%	93.3%	N/A	N/A	89.8%	91.7%	N/A	N/A	86.8%	92.4%	NA	NA	85.4%	91.8%	NA	NA
Oak Trace, IL (d)	91.2%	63.5%	66.0%	N/A	88.6%	78.9%	72.1%	43.8%	83.6%	92.8%	83.2%	57.5%	84.7%	93.2%	74.8%	62.7%
Querencia, TX	97.8%	96.6%	95.4%	89.9%	98.0%	94.4%	97.5%	97.8%	98.0%	83.0%	96.2%	83.3%	97.6%	79.2%	95.5%	79.3%
The Waterford, FL	87.1%	94.0%	N/A	N/A	90.0%	96.3%	N/A	N/A	86.8%	86.2%	NA	NA	85.1%	82.2%	NA	NA
Village on the Green, FL (e)	86.1%	88.5%	N/A	N/A	83.9%	93.3%	N/A	N/A	82.4%	80.0%	NA	NA	81.5%	73.0%	0.2%	NA
Obligated Group	89.5%	87.7%	82.6%	89.8%	88.4%	89.0%	80.7%	69.3%	85.0%	85.8%	74.8%	59.7%	83.4%	83.4%	71.8%	64.7%

- (a) The new assisted living and memory support opened in February 2020.
- (b) The new assisted living and memory support opened in February 2021.
- (c) The new assisted living and memory support opened in November 2019.
- (d) The new health center, assisted living and memory support opened in June 2019.
- (e) The new assisted living opened in March 2021.

	<u>Three months ended March 31, 2020</u>				<u>Three months ended March 31, 2021</u>			
	Living	Health	Memory		Living	Health	Memory	
	Units	Center	ALUs	Support	Units	Center	ALUs	Support
Abbey Delray, FL	71.8%	93.9%	42.8%	20.0%	61.5%	93.5%	67.9%	47.4%
Abbey Delray South, FL	79.7%	88.4%	NA	NA	68.2%	67.3%	NA	NA
Beacon Hill, IL	94.2%	95.9%	NA	NA	88.2%	90.8%	NA	NA
Claridge Court, KS	88.9%	90.4%	NA	NA	81.5%	78.9%	NA	NA
Friendship Village of Bloomington, MN	97.3%	90.6%	87.9%	NA	88.1%	78.4%	57.8%	86.4%
Friendship Village of South Hills, PA	92.1%	87.0%	36.1%	38.6%	83.8%	79.2%	56.4%	84.8%
Harbour's Edge, FL	89.8%	95.7%	NA	NA	84.2%	93.4%	NA	NA
Oak Trace, IL	82.5%	90.7%	96.8%	51.4%	87.0%	92.3%	62.9%	72.4%
Querencia, TX	99.2%	92.9%	99.6%	94.2%	97.7%	78.0%	96.7%	77.8%
The Waterford, FL	89.9%	97.1%	NA	NA	83.1%	81.0%	NA	NA
Village on the Green, FL	83.0%	94.0%	NA	NA	79.5%	65.6%	0.2%	NA
Obligated Group	87.6%	92.3%	75.7%	52.6%	81.2%	82.8%	63.9%	72.6%

RESIDENCY AGREEMENTS

Below is a summary of the contract types, entrance fees and monthly service fees for each Community.

Community Name	Contract Type	Range of Entrance Fees (\$000's) (a)	Range of Monthly Fees (b)
Abbey Delray (FL)	Type A	Traditional: \$102 - \$332	\$2,360 - \$3,910
Abbey Delray South (FL)	Type A	Traditional: \$129 - \$437	\$2,620 - \$4,520
Beacon Hill (IL)	Type A	Traditional: \$96 - \$386	\$2,900 - \$5,960
		90% ROC: \$133 - \$589	\$2,900 - \$5,960
		50% ROC: \$96 - \$428	\$2,900 - \$5,960
Claridge Court (KS)	Type A	90% ROC: \$212 - \$717	\$3,980 - \$4,850
Friendship Village of Bloomington (MN)	Type A	Traditional: \$135 - \$611	\$2,950 - \$4,980
		90% ROC: \$208 - \$941	\$2,950 - \$4,980
Friendship Village of South Hills (PA)	Type A	Traditional: \$57 - \$534	\$2,520 - \$6,400
		90% ROC: \$88 - \$817	\$2,520 - \$6,400
		50% ROC: \$66 - \$614	\$2,520 - \$6,400
Harbour's Edge (FL)	Type A	Traditional: \$271 - \$1,083	\$5,260 - \$9,060
		75% ROC: \$375 - \$1,503	\$5,260 - \$9,060
Oak Trace (IL)	Type A & Type B	Type A - Traditional: \$98 - \$354	\$2,930 - \$5,130
		Type A - 50% ROC: \$122 - \$441	\$2,930 - \$5,130
		Type A&B - 90% ROC: \$150 - \$541	\$2,540 - \$4,400
Querencia (TX)	Type A	90% ROC: \$414 - \$1,492	\$4,020 - \$9,010
The Waterford (FL)	Type A	Traditional: \$88 - \$602	\$2,290 - \$4,850
Village on the Green (FL)	Type A	Traditional: \$144 - \$486	\$3,180 - \$4,770
		75% ROC: \$192 - \$647	\$3,180 - \$4,770

(a) Second person entrance fees at all communities except Querencia range from \$20,000 - \$26,265. Querencia does not have second person entrance fees.

(b) Does not include the second person fee. Second person fees range from \$1,330 - \$1,990.

Entrance fees and monthly fees are reviewed each fiscal year. These fees are adjusted on an individual community basis. Monthly fees have increased approximately 1.0% to 4.5% annually in each of the last five fiscal years. Entrance fees have ranged between a decrease of 10.8% to an increase of 13.3% each of the last five fiscal years.

The type A extensive contract (the “*Type A Contract*”) is a full-service contract in which residents (each a “*Life Care Resident*”) agree to pay an entrance fee and an ongoing monthly fee in exchange for living accommodations and a range of services and amenities. The Type A Contract provides for unlimited nursing care in that Community’s Health Center, Assisted Living Units and Memory Support Units (if provided at the Community) while the Life Care Resident continues to pay the ongoing monthly fee for their Independent Living Unit, plus charges for additional meals and services.

Under the type B modified contract (the “*Type B Contract*”), the residents (each a “*Limited Life Care Resident*”) pay an entrance fee and an ongoing monthly fee in exchange for living accommodations and receive certain services and amenities, including limited health services. The Oak Trace community provides a Type B Contract. Under this contract, the Community will provide nursing care in Health Centers, Assisted Living Units and Memory Support Units, if needed, at a discounted market rate.

Refund obligations for the Type A and Type B Contracts follow two forms – a return of capital contract (a “ROC”) or a traditional contract. Under the ROC, a refund of either 100%, 90%, 75% or 50% is paid to the Life Care Resident or the Limited Life Care Resident when the contract is terminated or to the Life Care Resident’s or the Limited Life Care Resident’s estate upon the Life Care Resident’s or the Limited Life Care Resident’s death. Most often the refund is paid upon the occurrence of two conditions which are: (i) the Independent Living Unit is reoccupied; and (ii) the existing residency agreement has been terminated. Under the traditional contract, the entrance fee amortizes over a period of months (typically, 50 months) for refund purposes (the “*amortization period*”). The refund amount declines over the amortization period with the refund being reduced to zero at the end of the amortization period. The Florida communities are required to refund the unamortized portion of the contract within 120 days from the date of notice or 90 days from the time the resident exits the community.

The entrance fees and monthly fees vary based on the location of the Community, the size and features of the Independent Living Unit and whether one or two individuals receive services. The residency agreements relative to the Florida Communities contain a number of provisions dictated by Chapter 651 of the Florida Statutes.

The Communities have varying provisions in their residency agreements; however, all the Communities provide for certain uniform provisions including the following:

1. Required payment of an entrance fee.
2. Required monthly fee which increases for dual occupancy.
3. Certain items and services are available for an extra charge such as additional meals, use of the beauty/barber shop, etc.

4. Each residency agreement governs the terms of the applicable Health Center if a Life Care Resident or Limited Life Care Resident chooses to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage.

5. The Life Care Resident or Limited Life Care Resident may purchase additional services through personal service providers. A personal service provider is any person with whom the resident (or someone on the resident's behalf) contracts to provide services to the resident. The personal service provider's contract for services may be as an employee of the resident, through a contract the resident develops where the personal service provider is designated as an independent contractor, or through a licensed agency. Examples of personal service providers include registered nurses, nurse practitioners, licensed practical nurses, certified nursing assistants, certified medication assistants, sitters, companions, secretaries and housekeepers.

6. All residents of each Community are members of that Community's resident's association. Each resident's association is a self-governing board called the residents council. Through the residents' council, individual residents are kept informed concerning the operation of each Community. Each Community's administration representative meets monthly with the resident's association.

The Corporation has authorized ten rental contracts (the "*Rental Contract*") at Abbey Delray and Abbey Delray South. Each Rental Contract is for an initial term of 12 months and will renew automatically for successive periods. The Rental Contract requires residents to pay a security deposit and a monthly rental fee which differs from the monthly fee paid by Life Care Residents or Limited Life Care Residents under the Type A and Type B contract. The Rental Contract provides the same amenities as the Type A and Type B contract, with the exception of health services provided in the Health Center. Any services in the Health Centers under the Rental Contract are provided at the market rate.

HEALTH CENTER OCCUPANCY AND PAYOR MIX

The Health Centers meet and fulfill requirements of the residency agreements. Residents of all Communities, other than those Limited Life Care Residents at Oak Trace, have executed residency agreements that provide for unlimited days of skilled nursing care. Life Care Residents pay a similar fee in the Health Center as they do in the Independent Living Units, Assisted Living Units and Memory Support Units. After meeting the needs of residents with residency agreements, the Corporation attempts to fill vacant beds in their Health Centers with people who are not residents of the related Community. The payor categories in the following table break down sources of revenue which include revenues for Life Care Residents and Limited Life Care Residents, private pay, other for non-Life Care Residents/non-Limited Life Care Residents, Medicare and Medicaid. The amount for Medicare and Medicaid consist primarily of non-Life Care Residents/non-Limited Life Care Residents but may include Life Care Residents/Limited Life Care Residents to the extent that they are eligible for such programs.

Historical resident days and occupancy trends for the Corporation’s Health Centers, in the aggregate, are as follows:

Health Center Payor Mix and Occupancy

Payor	Year-ended			Three Months Ended March 31,	
	2018	2019	2020	2020	2021
Lifecare	18.5%	15.1%	13.9%	13.2%	12.2%
Private Pay	21.4%	25.9%	24.5%	25.7%	23.2%
Medicare	43.7%	42.5%	44.6%	45.1%	48.1%
Medicaid	10.2%	10.9%	10.1%	9.9%	9.4%
Other	6.2%	5.6%	6.9%	6.1%	7.1%
Total Patient Mix	100%	100%	100%	100%	100%
Year-To-Date Average Service Units Available	841	828	818	818	820
Year-To-Date Average Occupancy Percentage	87.7%	89.0%	85.8%	92.3%	82.8%

IMPROVEMENTS TO THE COMMUNITIES

The Corporation has embarked on a capital reinvestment plan (the “*Plan*”) for the Communities in order to increase the quality of the physical plants of the Communities, expand the range of service and levels of care offered in certain communities and remain competitive in each of the markets in which the Corporation operates. Major repositioning projects for five communities were included in the Plan:

- Abbey Delray
- Friendship Village of Bloomington
- Friendship Village of South Hills
- Oak Trace
- Village on the Green

The total estimated cost of the Plan is currently anticipated to be approximately \$441.5 million, funded as follows:

	(000's)
Series 2016 bond proceeds	\$60,000
Series 2018 bond proceeds	141,000
Series 2019 bond proceeds	101,200
Anticipated Series 2021 bond proceeds	<u>139,300</u>
Total	<u><u>\$441,500</u></u>

As summarized below, two of the Corporation's Communities will undergo improvements with a portion of the proceeds of the Series 2021 Bonds. The amounts in the following paragraphs are based on current expectations but are subject to change.

Friendship Village of Bloomington: The Friendship Village of Bloomington portion of the Plan is anticipated to cost approximately \$114.9 million, of which approximately \$32.5 million will be funded with proceeds of the Series 2021 Bonds. The Friendship Village of Bloomington campus repositioning includes the addition of 42 Assisted Living Units and 32 Memory Support Units which had first occupancy in February 2021 and 93 new Independent Living Units which are expected to have first occupancy in third quarter 2021. The repositioning also includes the replacement of a Health Center which will include 66 skilled nursing beds. The development will also expand campus parking to include an underground garage for the independent living expansion, expanded administrative and support spaces for assisted living and memory support, enhanced campus entry views, and additional open space overlooking the pond.

Oak Trace: The Oak Trace portion of the Plan is budgeted for approximately \$118.6 million, of which approximately \$106.8 million will be funded with proceeds of the Series 2021 Bonds. This repositioning project includes 145 new Independent Living Units, a new clubhouse and renovated commons. The Corporation is currently in the 10% deposit phase.

The Bond Indentures and Loan Agreements permit the Corporation to reallocate Series 2021 Series A Bond proceeds between Friendship Village of Bloomington and Oak Trace. This flexibility permits the Corporation to utilize the Series 2021 Bond proceeds efficiently for the Plan in a manner that takes into account the inherent timing uncertainties associated with managing projects of this magnitude. The above estimates of uses of Series 2021 Bond proceeds at each of these Communities is the current expectation of the Corporation based on current permitting, expected construction schedules, and status of construction contracts for each Community, as described below.

The Corporation, using proceeds of the Series 2016 Bonds, Series 2018 Bonds and Series 2019 Bonds as well as other available monies, has completed certain portions of the Plan involving major repositioning projects at Abbey Delray, Friendship Village of South Hills, Oak Trace and Village on the Green. See "**The Communities – Abbey Delray,**" "**– Friendship Village of South Hills,**" "**– Oak Trace**" and "**– Village on the Green.**"

The Waterford redevelopment project is being redesigned to better suit the local market. It is expected that a revised concept and capital budget will be reviewed by the Board in 2022.

In addition to the repositioning projects described above, the Series 2021 are anticipated to fund approximately \$15 million in common area refurbishment projects across eight different communities:

Community	Description	Total Project Cost
Abbey Delray	Common Area Refurbishment; Corridors	\$495,000
Abbey Delray South	Health Center Common Area Refurbishment; Three Villa Renovation; Corridors	4,192,000
Claridge Court	Common Area Refurbishment; Corridors	2,177,000
Friendship Village of Bloomington	Common Area Refurbishment	1,731,000
Friendship Village of South Hills	Door and Windows	840,000
Harbour's Edge	Porte-cochere; Health Center Room Renovation; Cooling Tower & Water Chiller; Parking Lot Refurbishment	2,970,000
Oak Trace	Common Area Refurbishment	650,000
Village on the Green	Clubhouse Remodel	1,945,000
Total:		<u>\$15,000,000</u>

General Contractors. The Corporation has engaged Kraus-Anderson Construction Company (“*Kraus-Anderson*”), a Minnesota corporation, to serve as the General Contractor for Friendship Village of Bloomington. Kraus-Anderson has locations in Duluth, MN, Rochester, MN, Madison, WI, Bemidji, MN and a corporate office located in Minneapolis, MN. Kraus-Anderson was founded in 1897. Kraus-Anderson provides a variety of services to clients including (i) pre-project planning, (ii) environmental life safety planning, (iii) LEAN construction, (iv) MEP coordination, (v) preconstruction, (vi) quality management, (vii) safety management, (viii) self-perform work and (ix) virtual design and construction.

The Corporation has engaged Pepper Construction Company (“*Pepper*”), a Delaware corporation, to serve as the General Contractor for Oak Trace. Pepper has locations in Illinois, Indiana, Ohio, Wisconsin and a corporate office located in Chicago, IL. Pepper was founded in 1972. Pepper provides a variety of services to clients including (i) environmental technologies, (ii) high performance & sustainability, (iii) LEAN construction, (iv) MEP coordination, (v) preconstruction, (vi) quality management, (vii) safety management, (viii) self-perform work and (ix) virtual design and construction.

Permitting and Construction Status

<u>Community</u>	<u>Construction Started</u>	<u>Permits Obtained</u>	<u>Guaranteed Maximum Price Contract</u>	<u>Liquidated Damages</u>
Friendship Village of Bloomington	Yes	Yes	\$86,490,530	\$3,400 starting on day 16, increasing to \$10,200 after day 75 (a)
Oak Trace	No	No	(b)	(b)

(a) Liquidated dates commence 16 days after the agreed upon substantial completion date, which is May 23, 2022.

(b) Design process is ongoing for this project so no final guaranteed maximum price contract has been signed.

Impact of Redevelopment Plan on Unit Count

	Abbey Delray (3)			Friendship Village of Bloomington			Friendship Village of South Hills (3)			Oak Trace (4)			Village on the Green (3)			Total		Other Existing Units (5)	Total Obligated Group		
	Prior	Redev	Total	Prior	Redev	Total	Prior	Redev	Total	Prior	Redev	Total	Prior	Redev	Total	Prior	Redev		Total		
RL - Apartments	342	-	342	281	93	374	273	-	273	219	145	364	204	-	204	1,319	238	1,414	2,733	238	2,971
RL - Other (1)	-	-	-	12	-	12	18	-	18	15	-	15	38	20	58	83	20	79	162	20	182
Assisted Living (2)	14	34	48	53	(11)	42	-	50	50	53	13	66	-	36	36	120	122	40	160	122	282
Memory Support	-	30	30		32	32	-	32	32	-	28	28	-	18	18	-	140	23	23	140	163
Skilled Nursing	100	-	100	66	-	66	89	-	89	125	(21)	104	60	(12)	48	440	(33)	401	841	(33)	808
	<u>456</u>	<u>64</u>	<u>520</u>	<u>412</u>	<u>114</u>	<u>526</u>	<u>380</u>	<u>82</u>	<u>462</u>	<u>412</u>	<u>165</u>	<u>577</u>	<u>302</u>	<u>62</u>	<u>364</u>	<u>1,962</u>	<u>487</u>	<u>1,957</u>	<u>3,919</u>	<u>487</u>	<u>4,406</u>

Prior = Units/beds prior to the redevelopment plan

Redev = Impact of the redevelopment projects

(1) Includes villas, carriage and town homes.

(2) Includes assisted living and boarding care.

(3) All funds were financed through Series 2016, 2018 and 2019 bond issuances.

(4) Oak Trace Phase I opened in June 2019 and is not part of the Series 2021 financing. Oak Trace's Phase II is part of the Series 2021 financing.

(5) This column represents unit counts for campuses not currently in the redevelopment plan.

ANTICIPATED APPLICATION OF INITIAL ENTRANCE FEES FROM REDEVELOPMENT PROJECTS

Approximately \$153 million of Initial Entrance Fees are anticipated to be received in connection with the redevelopment projects described in this section. Of this, approximately \$26.9 million will be applied by the Corporation to the redemption of the Series 2019A-2 Bonds, which were issued as Entrance Fee Debt, with full redemption of such Series 2019A-2 Bonds anticipated to occur by December 31, 2021. The Corporation intends to apply a portion of the remaining Initial Entrance Fees as follows: (i) all Initial Entrance Fees from the Oak Trace project are required to be applied to the optional prepayment of the Series 2021D Bonds in the estimated principal amount of \$55,000,000, and (ii) approximately \$15 million will be applied to the optional prepayment of the Series 2021B Bonds. **While the foregoing represents the current intention of Management of the Corporation, the Corporation is only contractually obligated to repay the Series 2019A-2 Bonds and Series 2021D Bonds from such Initial Entrance Fees.**

Assuming (i) the issuance of the Series 2021 Bonds, and (iii) the receipt and application of the Initial Entrance Fees from the redevelopment projects in accordance with the immediately preceding paragraph, the Corporation's Pro Forma Maximum Annual Debt Service would drop to approximately \$35.1 million.

DEVELOPMENT CONSULTANTS

In support of the redevelopment initiatives for the Friendship Village of Bloomington community described under the caption "**IMPROVEMENTS TO THE COMMUNITIES**" above, the Corporation has engaged Greystone Communities, LLC ("*Greystone*") as development consultant. Greystone is located in Dallas, Texas, has been in the senior living consulting business for more than 35 years, and has worked with more than 500 owners and sponsors in more than 46 states. As part of the engagement, Greystone is assisting with the design, engineering, review of architectural plans, assistance relating to construction including the entitlement processing, and marketing to initial residents for the new Independent Living Units. For this project the base fee is approximately 4.05% of the project costs with additional fees for marketing services.

In support of the redevelopment initiatives for the Oak Trace community described under the caption "**IMPROVEMENT TO THE COMMUNITIES**" above, the Corporation has engaged Greenbrier Development, LLC ("*Greenbrier*") as a development consultant. Greenbrier is located in Dallas, Texas, has a staff of approximately 37 persons, and the senior leadership has more than 150 years of combined experience in senior housing development. Greenbrier is currently responsible for the development of approximately 24 senior living community development and expansion projects around the country. Greenbrier has provided strategic development consulting services to more than 100 senior living communities and providers since its founding in 2006. As part of the engagement Greenbrier is assisting with the design, engineering, review of architectural plans, assistance related to construction including the entitlement processing, and providing financial analysis and development accounting. For the Oak Trace project, the development consulting fee is approximately 2.25% of project costs with additional incentives payable depending on construction and occupancy performance.

OPERATIONAL INITIATIVES

In addition to the significant capital projects at the Communities, Management is continuously reviewing operations for efficiency and best practice improvements. In recent years, Management began standardizing the process and procedures at each of the Communities which is expected to enhance revenue and reduce operational expenses and risk, along with enhancing the care provided to the residents. Examples of recent operational initiatives are:

- In 2020 Management created a formalized Financial Planning and Analysis Group which concentrates on providing more robust, real-time reporting and forecasting to the sales and operations teams.
- In 2020 Management implemented a new customer relationship management (CRM) system and an enhanced sales methodology, which is driven around the prospect center sale.
- In 2021 Lifespace hired a Director of Culinary Excellence. This individual is responsible for the oversight of the food and beverage programs at all the communities, along with the implementation of a flexible dining program to provide residents additional options.
- In 2021 Lifespace hired a Director of Resident Engagement, whose role is to enhance life programming in memory care, assisted living and the health centers.
- In 2021 Management is in the process of implementing a new point of sale system and a new procurement system, both of which will provide additional data analytics.

MARKET AREA AND COMPETITION

Each Community has competition in its local market. There is always at least one major competitor and as many as six competitors in a given marketplace. Most new residents come from within a 25-mile radius of the Community. The Communities are located in areas where there is a high population of persons over 75 years of age with annual incomes that could qualify them for residency. The three Communities in Delray Beach, Florida are close in proximity, and many potential residents will seek information from two or more of them, in addition to other competitors, before making a decision to move to a specific Community.

In the markets served by the Corporation, the Communities tend to be well known, which influences the advertising and marketing strategies. Many times, a Community will have a function (such as Medicare funded post-surgery rehabilitation) which also serves as a referral opportunity. Referrals obtained from current residents are also a source of new residents.

Each Community performs an annual competitive analysis of its primary competitors. The competitive analysis is utilized as a gauge to ensure entrance fees and monthly fees stay competitive in each marketplace. The current occupancy level in comparison to the expected occupancy level will influence the upcoming year's budget for marketing and advertising costs.

Each Community has a dedicated sales director who has overall responsibility for the sales efforts. The Chief Revenue and Communication Officer, along with the VP of Marketing and VP of Sales develops strategies for incentive programs, designs marketing advantage programs, provides training as needed, and monitors the overall sales function from initial potential resident contact to final closing of a sale.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected financial information for the Communities for the three fiscal years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020, and 2021. The annual financial information was derived from the 2020 and 2019 audited financial statements of the Corporation and Querencia whereas the interim period ended March 31, 2020, and 2021 financial information was obtained from the Corporation's and Querencia's unaudited financial statements. Such unaudited financial statements include all adjustments that the Corporation considers necessary for a fair presentation.

Copies of the audited financial statements of (i) the Lifespace Obligated Group for fiscal year ended December 31, 2020, (ii) the Corporation for the fiscal year ended December 31, 2019, and (iii) Querencia for the fiscal years ending December 31, 2020 and 2019 are included in **APPENDIX B** to this Official Statement. **THE DATA SET FORTH IN THE FOLLOWING TABLES SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND RELATED NOTES INCLUDED IN APPENDIX B.**

IT SHOULD BE NOTED GRAND LODGE WAS SOLD TO A THIRD PARTY ON AUGUST 1, 2021 AND QUERENCIA IS EXPECTED TO BECOME A MEMBER OF THE OBLIGATED GROUP UPON THE ISSUANCE OF THE SERIES 2021 BONDS. THE FOLLOWING INTERIM FINANCIAL STATEMENTS, ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS REFLECT THESE CHANGES. THE AUDITED FINANCIAL STATEMENTS ATTACHED AS APPENDIX B TO THIS OFFICIAL STATEMENT DO NOT REFLECT THESE CHANGES.

INTERIM FINANCIAL STATEMENTS

Lifespace Communities, Inc. Consolidating Balance Sheets (In Thousands) As of March 31, 2021

ASSETS	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 11,286	\$ 413	\$ 3,523	\$ 14,396
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	149,508	10,746	21,313	160,075
Accounts and Other Receivables	11,268	18	462	11,712
Receivable from Lifespace Communities, Inc.	518	3	1	516
Inventories	1,040	19	118	1,139
Prepaid Insurance and Other	2,286	11	308	2,583
Assets Whose Use is Limited - Current	49,126	1	4,678	53,803
Total Current Assets	<u>225,032</u>	<u>11,211</u>	<u>30,403</u>	<u>244,224</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent				
	81,145	-	5,301	86,446
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	63,098	2,605	8,243	68,736
Buildings and Improvements	1,021,420	32,525	64,374	1,053,269
Furniture and Equipment	79,720	1,298	1,628	80,050
	<u>1,164,238</u>	<u>36,428</u>	<u>74,245</u>	<u>1,202,055</u>
Less: Accumulated Depreciation and Amortization	504,574	13,815	2,451	493,210
Net Property and Equipment	<u>659,664</u>	<u>22,613</u>	<u>71,794</u>	<u>708,845</u>
GOODWILL	40,938	-	5,458	46,396
DEFERRED EXPENSES , Net of Accumulated Amortization	1,109	55	51	1,105
INTANGIBLE ASSETS , Net of Accumulated Amortization	<u>2,755</u>	<u>-</u>	<u>9,187</u>	<u>11,942</u>
Total Assets	<u>\$ 1,010,643</u>	<u>\$ 33,879</u>	<u>\$ 122,194</u>	<u>\$ 1,098,958</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets (continued)
(In Thousands)
As of March 31, 2021

	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 9,797	\$ 138	\$ 297	\$ 9,956
Lifespace Communities, Inc.	2,092	52	292	2,332
Accrued Liabilities:				
Employee Compensation Expense	9,070	188	440	9,322
Interest	7,580	-	1,020	8,600
Property Taxes	2,253	136	84	2,201
Other	3,066	28	134	3,172
Entrance Fee Refunds	3,475	-	1,420	4,895
Reserve for Health Center Refunds	28,003	302	-	27,701
Long-Term Debt Due within One Year	9,828	768	1,390	10,450
Obligations under Capital Lease	732	6	63	789
Total Current Liabilities	<u>75,896</u>	<u>1,618</u>	<u>5,140</u>	<u>79,418</u>
LONG-TERM LIABILITIES				
Entrance Fee Deposits	12,065	47	10	12,028
Wait List Deposits	1,511	7	791	2,295
Long-Term Debt Due After One Year	467,172	13,274	43,300	497,198
Obligations under Capital Lease	958	17	127	1,068
Deferred Entrance Fees	141,226	1,367	4,933	144,792
Refundable Entrance and Membership Fees	398,528	19,260	78,692	457,960
Total Long-Term Liabilities	<u>1,021,460</u>	<u>33,972</u>	<u>127,853</u>	<u>1,115,341</u>
Total Liabilities	1,097,356	35,590	132,993	1,194,759
NET ASSETS	<u>(86,713)</u>	<u>(1,711)</u>	<u>(10,799)</u>	<u>(95,801)</u>
Total Liabilities and Net Assets	<u>\$ 1,010,643</u>	<u>\$ 33,879</u>	<u>\$ 122,194</u>	<u>\$ 1,098,958</u>

Lifespace Communities, Inc.
Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)
Three Months Ended March 31, 2021

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
REVENUES				
Independent Living Fees	\$ 29,881	\$ 1,260	\$ 2,922	\$ 31,543
Entrance Fees Earned and Nonrefundable Fees	6,957	56	247	7,148
Skilled Nursing, Assisted Living Fees and Memory Support	25,102	140	2,144	27,106
Other	985	-	53	1,038
Total Revenues	<u>62,925</u>	<u>1,456</u>	<u>5,366</u>	<u>66,835</u>
EXPENSES				
Operating Expenses:				
Salaries and Benefits	26,705	409	2,256	28,552
General and Administrative	14,612	340	1,210	15,482
Plant Operations	3,675	81	345	3,939
Housekeeping	271	4	30	297
Dietary	4,166	146	408	4,428
Medical and Other Resident Care	2,148	9	143	2,282
Depreciation	11,968	332	559	12,195
Amortization	1,381	2	572	1,951
Interest	2,883	119	742	3,506
Loss on Disposal of Property and Equipment	55	-	6	61
Total Expenses	<u>67,864</u>	<u>1,442</u>	<u>6,271</u>	<u>72,693</u>
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	<u>10,223</u>	<u>833</u>	<u>201</u>	<u>9,591</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES				
	<u>5,284</u>	<u>847</u>	<u>(704)</u>	<u>3,733</u>
OTHER CHANGES IN NET ASSETS				
Contributions (to) from Lifespace Communities, Inc.	<u>(346)</u>	<u>(9)</u>	<u>(30)</u>	<u>(367)</u>
CHANGE IN NET ASSETS				
	<u>4,938</u>	<u>838</u>	<u>(734)</u>	<u>3,366</u>
Net Assets at Beginning of Year	<u>(91,651)</u>	<u>(2,549)</u>	<u>(10,065)</u>	<u>(99,167)</u>
NET ASSETS AT END OF YEAR				
	<u>\$ (86,713)</u>	<u>\$ (1,711)</u>	<u>\$ (10,799)</u>	<u>\$ (95,801)</u>

Lifespace Communities, Inc.
Statement of Cash Flows
(In Thousands)
Three Months Ended March 31, 2021

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in Net Assets	\$ 4,938	\$ 838	\$ (734)	\$ 3,366
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Entrance Fees Earned	(6,955)	(56)	(247)	(7,146)
Proceeds from Nonrefundable Entrance Fees and Deposits	4,365	22	137	4,480
Refunds of Entrance Fees	(1,655)	-	-	(1,655)
Depreciation and Amortization	13,349	333	1,131	14,147
Amortization of Financing Costs	170	3	-	167
Net Accretion of Original Issue Premium and Discounts	(301)	-	-	(301)
Change in Unrealized (Depreciation) Appreciation of Investments	(9,066)	(778)	(62)	(8,350)
Net (Purchases) Sales of Trading Investments	13,359	365	659	13,653
Change in Entrance Fee and Wait List Deposits	594	47	41	588
Loss on Disposal of Property and Equipment	55	-	6	61
Contributions to Lifespace Communities, Inc.	346	9	30	367
Changes in Operating Assets and Liabilities:				
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	1,942	(3)	297	2,242
Accounts Payable and Accrued Liabilities	(4,620)	(129)	609	(3,882)
Net Cash Provided (Used) by Operating Activities	<u>\$ 16,521</u>	<u>\$ 651</u>	<u>\$ 1,867</u>	<u>\$ 17,737</u>

Lifespace Communities, Inc.
Statement of Cash Flows (continued)
(In Thousands)
Three Months Ended March 31, 2021

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	\$ (14,271)	\$ (109)	\$ (271)	\$ (14,433)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Other Long-Term Debt	(1,155)	(183)	-	(972)
Payments on Leases	(97)	-	-	(97)
Proceeds from Refundable Entrance Fees and Deposits	4,458	188	1,496	5,766
Refunds of Refundable Entrance Fees	(8,188)	(213)	(3,224)	(11,199)
Contributions to Lifespace Communities, Inc.	(346)	(9)	(30)	(367)
Net Cash Provided (Used) by Financing Activities	<u>(4,472)</u>	<u>(217)</u>	<u>(1,758)</u>	<u>(6,013)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,222)	325	(162)	(2,709)
Cash and Cash Equivalents - Beginning of Year	<u>13,508</u>	<u>88</u>	<u>3,685</u>	<u>17,105</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 11,286</u>	<u>\$ 413</u>	<u>\$ 3,523</u>	<u>\$ 14,396</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets
(In Thousands)
As of March 31, 2020

ASSETS	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,304	\$ 160	\$ 3,839	\$ 7,983
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	116,603	8,429	15,946	124,120
Accounts and Other Receivables	14,972	30	316	15,258
Receivable from Lifespace Communities, Inc.	875	3	257	1,129
Inventories	1,082	23	43	1,102
Prepaid Insurance and Other	2,965	43	432	3,354
Assets Whose Use is Limited - Current	140,442	1	4,541	144,982
Total Current Assets	<u>281,243</u>	<u>8,689</u>	<u>25,374</u>	<u>297,928</u>
ASSETS WHOSE USE IS LIMITED -				
Noncurrent	83,417	-	5,250	88,667
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	60,912	2,603	8,222	66,531
Buildings and Improvements	924,754	31,836	64,681	957,599
Furniture and Equipment	69,337	1,279	2,551	70,609
	<u>1,055,003</u>	<u>35,718</u>	<u>75,454</u>	<u>1,094,739</u>
Less: Accumulated Depreciation and Amortization	459,631	12,590	2,609	449,650
Net Property and Equipment	<u>595,372</u>	<u>23,128</u>	<u>72,845</u>	<u>645,089</u>
GOODWILL	46,220	-	6,270	52,490
DEFERRED EXPENSES , Net of Accumulated Amortization	989	39	29	979
INTANGIBLE ASSETS , Net of Accumulated Amortization	2,755	-	10,657	13,412
Total Assets	<u>\$ 1,009,996</u>	<u>\$ 31,856</u>	<u>\$ 120,425</u>	<u>\$ 1,098,565</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets (continued)
(In Thousands)
As of March 31, 2020

LIABILITIES AND NET ASSETS	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 7,424	\$ 182	\$ 397	\$ 7,639
Lifespace Communities, Inc.	1,847	53	383	2,177
Accrued Liabilities:				
Employee Compensation Expense	8,905	166	385	9,124
Interest	7,775	-	860	8,635
Property Taxes	2,783	209	122	2,696
Other	2,522	34	10	2,498
Entrance Fee Refunds	5,398	-	-	5,398
Reserve for Health Center Refunds	32,684	526	-	32,158
Long-Term Debt Due within One Year	6,912	842	1,325	7,395
Obligations under Capital Lease	646	6	61	701
Total Current Liabilities	<u>76,896</u>	<u>2,018</u>	<u>3,543</u>	<u>78,421</u>
LONG-TERM LIABILITIES				
Entrance Fee Deposits	12,479	93	810	13,196
Wait List Deposits	1,807	5	-	1,802
Long-Term Debt Due After One Year	473,302	14,002	44,690	503,990
Obligations under Capital Lease	1,230	25	221	1,426
Deferred Entrance Fees	155,647	1,468	4,583	158,762
Refundable Entrance and Membership Fees	398,230	18,451	70,831	450,610
Total Long-Term Liabilities	<u>1,042,695</u>	<u>34,044</u>	<u>121,135</u>	<u>1,129,786</u>
Total Liabilities	1,119,591	36,062	124,678	1,208,207
NET ASSETS	<u>(109,595)</u>	<u>(4,206)</u>	<u>(4,253)</u>	<u>(109,642)</u>
Total Liabilities and Net Assets	<u>\$ 1,009,996</u>	<u>\$ 31,856</u>	<u>\$ 120,425</u>	<u>\$ 1,098,565</u>

Lifespace Communities, Inc.
Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)
Three Months Ended March 31, 2020

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
REVENUES				
Independent Living Fees	\$ 31,671	\$ 1,263	\$ 2,914	\$ 33,322
Entrance Fees Earned and Nonrefundable Fees	7,410	58	199	7,551
Skilled Nursing, Assisted Living Fees and Memory Support	24,155	131	2,404	26,428
Total Revenues	<u>63,236</u>	<u>1,452</u>	<u>5,517</u>	<u>67,301</u>
EXPENSES				
Operating Expenses:				
Salaries and Benefits	28,541	434	2,534	30,641
General and Administrative	12,720	408	914	13,226
Plant Operations	3,512	85	384	3,811
Housekeeping	381	2	27	406
Dietary	6,063	200	653	6,516
Medical and Other Resident Care	2,336	23	229	2,542
Depreciation	10,440	297	909	11,052
Amortization	1,375	1	572	1,946
Interest	3,114	81	573	3,606
Loss on Disposal of Property and Equipment	125	4	-	121
Total Expenses	<u>68,607</u>	<u>1,535</u>	<u>6,795</u>	<u>73,867</u>
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	<u>(12,089)</u>	<u>(756)</u>	<u>(1,807)</u>	<u>(13,140)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES				
	(17,460)	(839)	(3,085)	(19,706)
OTHER CHANGES IN NET ASSETS				
Contributions (to) from Lifespace Communities, Inc.	<u>(136)</u>	<u>(4)</u>	<u>-</u>	<u>(132)</u>
CHANGE IN NET ASSETS				
	(17,596)	(843)	(3,085)	(19,838)
Net Assets at Beginning of Year	<u>(91,999)</u>	<u>(3,363)</u>	<u>(1,168)</u>	<u>(89,804)</u>
NET ASSETS AT END OF YEAR				
	<u>\$ (109,595)</u>	<u>\$ (4,206)</u>	<u>\$ (4,253)</u>	<u>\$ (109,642)</u>

Lifespace Communities, Inc.
Statement of Cash Flows
(In Thousands)
Three Months Ended March 31, 2020

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in Net Assets	\$ (17,596)	\$ (843)	\$ (3,085)	\$ (19,838)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Entrance Fees Earned	(7,406)	(58)	(199)	(7,547)
Proceeds from Nonrefundable Entrance Fees and Deposits	4,316	119	86	4,283
Refunds of Entrance Fees	(1,030)	-	-	(1,030)
Depreciation and Amortization	11,815	298	1,481	12,998
Amortization of Financing Costs	103	5	-	98
Net Accretion of Original Issue Premium and Discounts	(329)	-	-	(329)
Change in Unrealized (Depreciation) Appreciation of Investments	13,083	755	3,403	15,731
Net (Purchases) Sales of Trading Investments	9,256	262	(1,683)	7,311
Change in Entrance Fee and Wait List Deposits	-	-	(816)	(816)
Loss on Disposal of Property and Equipment	125	4	-	121
Contributions to Lifespace Communities, Inc.	136	4	-	132
Changes in Operating Assets and Liabilities:				
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	(2,579)	3	19	(2,563)
Accounts Payable and Accrued Liabilities	(767)	(80)	114	(573)
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,127</u>	<u>\$ 469</u>	<u>\$ (680)</u>	<u>\$ 7,978</u>

Lifespace Communities, Inc.
Statement of Cash Flows (continued)
(In Thousands)
Three Months Ended March 31, 2020

	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	\$ (13,194)	\$ (206)	\$ (85)	\$ (13,073)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Other Long-Term Debt	(1,053)	(128)	-	(925)
Payments on Leases	(27)	-	-	(27)
Proceeds from Refundable Entrance Fees and Deposits	6,928	188	770	7,510
Refunds of Refundable Entrance Fees	(9,062)	(199)	(450)	(9,313)
Contributions to Lifespace Communities, Inc.	(136)	(4)	-	(132)
Net Cash Provided (Used) by Financing Activities	<u>(3,350)</u>	<u>(143)</u>	<u>320</u>	<u>(2,887)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,417)	120	(445)	(7,982)
Cash and Cash Equivalents - Beginning of Year	<u>11,721</u>	<u>40</u>	<u>4,284</u>	<u>15,965</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 4,304</u>	<u>\$ 160</u>	<u>\$ 3,839</u>	<u>\$ 7,983</u>

ANNUAL FINANCIAL STATEMENTS

Lifespace Communities, Inc. Consolidating Balance Sheets (In Thousands) As of December 31, 2020

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 13,508	\$ 88	\$ 3,685	\$ 17,105
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	139,795	10,333	21,113	150,575
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	12,347	10	672	13,009
Inventories	1,011	21	405	1,395
Prepaid Insurance and Other	1,034	19	113	1,128
Assets Whose Use is Limited - Current	3,123	14	256	3,365
	61,507	1	3,747	65,253
Total Current Assets	<u>232,325</u>	<u>10,486</u>	<u>29,991</u>	<u>251,830</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	82,770	-	7,029	89,799
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	63,074	2,605	8,241	68,710
Buildings and Improvements	876,846	31,374	64,162	909,634
Furniture and Equipment	79,055	1,299	1,611	79,367
Construction-in-Progress	131,758	1,041	8	130,725
	<u>1,150,733</u>	<u>36,319</u>	<u>74,022</u>	<u>1,188,436</u>
Less: Accumulated Depreciation and Amortization	493,229	13,482	1,918	481,665
Net Property and Equipment	<u>657,504</u>	<u>22,837</u>	<u>72,104</u>	<u>706,771</u>
GOODWILL	42,259	-	5,660	47,919
DEFERRED EXPENSES, Net of Accumulated Amortization	1,135	56	51	1,130
INTANGIBLE ASSETS, Net of Accumulated Amortization	2,755	-	9,554	12,309
Total Assets	<u>\$ 1,018,748</u>	<u>\$ 33,379</u>	<u>\$ 124,389</u>	<u>\$ 1,109,758</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets (continued)
(In Thousands)
As of December 31, 2020

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 23,588	\$ 317	\$ 412	\$ 23,683
Lifespace Communities, Inc.	25	-	161	186
Accrued Liabilities:				
Employee Compensation Expense	7,402	155	317	7,564
Interest	2,787	-	278	3,065
Property Taxes	1,392	183	336	1,545
Other	3,284	31	154	3,407
Entrance Fee Refunds	6,297	-	3,010	9,307
Reserve for Health Center Refunds	28,774	302	-	28,472
Long-Term Debt Due within One Year	9,986	810	1,390	10,566
Obligations under Capital Lease	727	6	63	784
Total Current Liabilities	84,262	1,804	6,121	88,579
 LONG-TERM LIABILITIES				
Entrance Fee Deposits	11,424	-	-	11,424
Wait List Deposits	1,558	7	760	2,311
Long-Term Debt Due After One Year	467,443	13,412	43,300	497,331
Obligations under Capital Lease	1,151	18	142	1,275
Deferred Entrance Fees	145,051	1,402	5,043	148,692
Refundable Entrance and Membership Fees	399,510	19,285	79,088	459,313
Total Long-Term Liabilities	1,026,137	34,124	128,333	1,120,346
Total Liabilities	1,110,399	35,928	134,454	1,208,925
 NET ASSETS				
	(91,651)	(2,549)	(10,065)	(99,167)
Total Liabilities and Net Assets	\$ 1,018,748	\$ 33,379	\$ 124,389	\$ 1,109,758

Lifespace Communities, Inc.
Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)
Year Ended December 31, 2020

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
REVENUES				
Independent Living Fees	\$ 122,443	\$ 5,018	\$ 11,422	\$ 128,847
Entrance Fees Earned and Nonrefundable Fees	30,764	285	940	31,419
Skilled Nursing, Assisted Living Fees and Memory Support	95,596	500	8,857	103,953
Other	8,241	101	644	8,784
Total Revenues	<u>257,044</u>	<u>5,904</u>	<u>21,863</u>	<u>273,003</u>
EXPENSES				
Operating Expenses:				
Salaries and Benefits	111,107	1,731	10,123	119,499
General and Administrative	48,994	1,439	3,580	51,135
Plant Operations	14,550	371	1,495	15,674
Housekeeping	1,524	15	99	1,608
Dietary	22,429	787	2,137	23,779
Medical and Other Resident Care	10,974	77	858	11,755
Depreciation	46,129	1,207	2,106	47,028
Amortization	5,553	6	10,326	15,873
Interest	12,969	472	2,284	14,781
Loss on Disposal of Property and Equipment	597	27	46	616
Total Expenses	<u>274,826</u>	<u>6,132</u>	<u>33,054</u>	<u>301,748</u>
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	<u>20,409</u>	<u>1,053</u>	<u>2,318</u>	<u>21,674</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES				
	2,627	825	(8,873)	(7,071)
OTHER CHANGES IN NET ASSETS				
Contributions (to) from Lifespace Communities, Inc.	<u>(2,279)</u>	<u>(11)</u>	<u>(24)</u>	<u>(2,292)</u>
CHANGE IN NET ASSETS				
Net Assets at Beginning of Year	<u>(91,999)</u>	<u>(3,363)</u>	<u>(1,168)</u>	<u>(89,804)</u>
NET ASSETS AT END OF YEAR	<u>\$ (91,651)</u>	<u>\$ (2,549)</u>	<u>\$ (10,065)</u>	<u>\$ (99,167)</u>

Lifespace Communities, Inc.
Statement of Cash Flows
(In Thousands)
Year Ended December 31, 2020

	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in Net Assets	\$ 348	\$ 814	\$ (8,897)	\$ (9,363)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Entrance Fees Earned	(30,754)	(284)	(940)	(31,410)
Proceeds from Nonrefundable Entrance Fees and Deposits	23,360	187	1,286	24,459
Refunds of Entrance Fees	(5,647)	-	-	(5,647)
Depreciation and Amortization	51,682	1,213	12,432	62,901
Amortization of Financing Costs	471	20	-	451
Net Accretion of Original Issue Premium and Discounts	(1,334)	-	-	(1,334)
Change in Unrealized (Depreciation) Appreciation of Investments	(4,713)	(264)	1,149	(3,300)
Net (Purchases) Sales of Trading Investments	43,572	(940)	(6,450)	38,062
Change in Entrance Fee and Wait List Deposits	-	-	(866)	(866)
Loss on Disposal of Property and Equipment	597	27	46	616
Contributions to Lifespace Communities, Inc.	2,279	11	24	2,292
Changes in Operating Assets and Liabilities:				
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	(1,311)	13	(179)	(1,503)
Accounts Payable and Accrued Liabilities	6,682	(38)	(385)	6,335
Net Cash Provided (Used) by Operating Activities	<u>\$ 85,232</u>	<u>\$ 759</u>	<u>\$ (2,780)</u>	<u>\$ 81,693</u>

Lifespace Communities, Inc.
Statement of Cash Flows (continued)
(In Thousands)
Year Ended December 31, 2020

	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	\$ (111,115)	\$ (853)	\$ (662)	\$ (110,924)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from Line of Credit	3,589	-	-	3,589
Repayment of Other Long-Term Debt	(6,790)	(765)	(1,325)	(7,350)
Payments on Leases	(401)	(2)	(2)	(401)
Proceeds from Refundable Entrance Fees and Deposits	34,614	1,544	11,352	44,422
Refunds of Refundable Entrance Fees	(40,933)	(941)	(8,027)	(48,019)
Contributions to Lifespace Communities, Inc.	(2,279)	(11)	(24)	(2,292)
Net Cash Provided (Used) by Financing Activities	<u>(12,200)</u>	<u>(175)</u>	<u>1,974</u>	<u>(10,051)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(38,083)	(269)	(1,468)	(39,282)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>88,536</u>	<u>358</u>	<u>9,727</u>	<u>97,905</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 50,453</u>	<u>\$ 89</u>	<u>\$ 8,259</u>	<u>\$ 58,623</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets
(In Thousands)
As of December 31, 2019

	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 11,721	\$ 40	\$ 4,284	\$ 15,965
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	129,453	9,446	17,842	137,849
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	11,704	19	391	12,076
	406	10	250	646
Inventories	1,029	23	42	1,048
Prepaid Insurance and Other	3,289	48	409	3,650
Assets Whose Use is Limited - Current	150,690	1	3,548	154,237
Total Current Assets	<u>308,292</u>	<u>9,587</u>	<u>26,766</u>	<u>325,471</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	82,658	-	6,067	88,725
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	60,889	2,603	8,222	66,508
Buildings and Improvements	785,494	30,851	64,621	819,264
Furniture and Equipment	69,030	1,275	2,510	70,265
Construction-in-Progress	126,926	797	-	126,129
	<u>1,042,339</u>	<u>35,526</u>	<u>75,353</u>	<u>1,082,166</u>
Less: Accumulated Depreciation and Amortization	449,572	12,304	1,699	438,967
Net Property and Equipment	<u>592,767</u>	<u>23,222</u>	<u>73,654</u>	<u>643,199</u>
GOODWILL	47,541	-	6,449	53,990
DEFERRED EXPENSES, Net of Accumulated Amortization	1,011	39	30	1,002
INTANGIBLE ASSETS, Net of Accumulated Amortization	2,755	-	11,024	13,779
Total Assets	<u>\$ 1,035,024</u>	<u>\$ 32,848</u>	<u>\$ 123,990</u>	<u>\$ 1,126,166</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets (continued)
(In Thousands)
As of December 31, 2019

LIABILITIES AND NET ASSETS	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 16,415	\$ 332	\$ 681	\$ 16,764
Lifespace Communities, Inc.	1,893	54	201	2,040
Accrued Liabilities:				
Employee Compensation Expense	6,438	128	538	6,848
Interest	2,592	-	287	2,879
Property Taxes	1,326	167	336	1,495
Other	3,359	43	-	3,316
Entrance Fee Refunds	4,713	198	450	4,965
Reserve for Health Center Refunds	34,571	526	-	34,045
Long-Term Debt Due within One Year	6,794	769	1,325	7,350
Obligations under Capital Lease	649	6	61	704
Total Current Liabilities	<u>78,750</u>	<u>2,223</u>	<u>3,879</u>	<u>80,406</u>
LONG-TERM LIABILITIES				
Entrance Fee Deposits	12,368	-	1,626	13,994
Wait List Deposits	1,782	5	-	1,777
Long-Term Debt Due After One Year	474,699	14,198	44,690	505,191
Obligations under Capital Lease	1,282	24	206	1,464
Deferred Entrance Fees	160,189	1,498	4,698	163,389
Refundable Entrance and Membership Fees	397,953	18,263	70,059	449,749
Total Long-Term Liabilities	<u>1,048,273</u>	<u>33,988</u>	<u>121,279</u>	<u>1,135,564</u>
Total Liabilities	1,127,023	36,211	125,158	1,215,970
NET ASSETS	<u>(91,999)</u>	<u>(3,363)</u>	<u>(1,168)</u>	<u>(89,804)</u>
Total Liabilities and Net Assets	<u>\$ 1,035,024</u>	<u>\$ 32,848</u>	<u>\$ 123,990</u>	<u>\$ 1,126,166</u>

Lifespace Communities, Inc.
Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)
Year Ended December 31, 2019

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
REVENUES				
Independent Living Fees	\$ 125,779	\$ 5,184	\$ 5,566	\$ 126,161
Entrance Fees Earned and Nonrefundable Fees	29,675	389	804	30,090
Skilled Nursing, Assisted Living Fees and Memory Support	82,180	511	4,845	86,514
Other	784	-	-	784
Total Revenues	<u>238,418</u>	<u>6,084</u>	<u>11,215</u>	<u>243,549</u>
EXPENSES				
Operating Expenses:				
Salaries and Benefits	106,728	1,611	5,009	110,126
General and Administrative	47,154	1,208	2,144	48,090
Plant Operations	14,535	356	908	15,087
Housekeeping	1,583	34	64	1,613
Dietary	22,811	827	1,121	23,105
Medical and Other Resident Care	11,248	113	539	11,674
Depreciation	42,081	1,204	1,697	42,574
Amortization	5,443	59	1,166	6,550
Interest	6,428	492	1,167	7,103
Loss on Disposal of Property and Equipment	2,917	46	6	2,877
Total Expenses	<u>260,928</u>	<u>5,950</u>	<u>13,821</u>	<u>268,799</u>
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	<u>23,621</u>	<u>1,317</u>	<u>1,438</u>	<u>23,742</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES				
	1,111	1,451	(1,168)	(1,508)
OTHER CHANGES IN NET ASSETS				
Contributions (to) from Lifespace Communities, Inc.	<u>(2,897)</u>	<u>(17)</u>	<u>-</u>	<u>(2,880)</u>
CHANGE IN NET ASSETS				
Net Assets at Beginning of Year	<u>(90,213)</u>	<u>(4,797)</u>	<u>-</u>	<u>(85,416)</u>
NET ASSETS AT END OF YEAR	<u><u>\$ (91,999)</u></u>	<u><u>\$ (3,363)</u></u>	<u><u>\$ (1,168)</u></u>	<u><u>\$ (89,804)</u></u>

Lifespace Communities, Inc.
Statement of Cash Flows
(In Thousands)
Year Ended December 31, 2019

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in Net Assets	\$ (1,786)	\$ 1,434	\$ (1,168)	\$ (4,388)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:				
Entrance Fees Earned	(29,664)	(389)	(804)	(30,079)
Proceeds from Nonrefundable Entrance Fees and Deposits	34,255	217	634	34,672
Refunds of Entrance Fees	(4,770)	-	-	(4,770)
Depreciation and Amortization	47,524	1,263	2,863	49,124
Amortization of Financing Costs	422	21	-	401
Net Accretion of Original Issue Premium and Discounts	(1,230)	-	-	(1,230)
Change in Unrealized (Depreciation) Appreciation of Investments	(14,377)	(815)	(866)	(14,428)
Net (Purchases) Sales of Trading Investments	(12,035)	(241)	274	(11,520)
Change in Entrance Fee and Wait List Deposits	-	-	826	826
Loss on Disposal of Property and Equipment	2,917	46	6	2,877
Contributions to Lifespace Communities, Inc.	2,897	17	-	2,880
Changes in Operating Assets and Liabilities:				
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	615	4	99	710
Accounts Payable and Accrued Liabilities	(12,712)	(54)	391	(12,267)
Net Cash Provided by Operating Activities	<u>\$ 12,056</u>	<u>\$ 1,503</u>	<u>\$ 2,255</u>	<u>\$ 12,808</u>

Lifespace Communities, Inc.
Statement of Cash Flows (continued)
(In Thousands)
Year Ended December 31, 2019

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post- Financing)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	\$ (102,839)	\$ (1,259)	\$ (642)	\$ (102,222)
CASH FLOWS FROM FINANCING ACTIVITIES				
Financing Costs Incurred	(1,862)	-	-	(1,862)
Issuance of New Debt	110,170	-	-	110,170
Repayment of Other Long-Term Debt	(6,489)	(734)	(1,260)	(7,015)
Payments on Leases	(408)	(2)	-	(406)
Proceeds from Refundable Entrance Fees and Deposits	60,640	2,027	6,988	65,601
Refunds of Refundable Entrance Fees	(45,203)	(1,693)	(4,191)	(47,701)
Contributions to Lifespace Communities, Inc.	(2,897)	(17)	-	(2,880)
Net Cash Provided (Used) by Financing Activities	<u>113,951</u>	<u>(419)</u>	<u>1,537</u>	<u>115,907</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	23,168	(175)	3,150	26,493
	<u>65,368</u>	<u>533</u>	<u>6,577</u>	<u>71,412</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 88,536</u></u>	<u><u>\$ 358</u></u>	<u><u>\$ 9,727</u></u>	<u><u>\$ 97,905</u></u>

Lifespace Communities, Inc.
Consolidating Balance Sheets
(In Thousands)
As of December 31, 2018

ASSETS	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,897	\$ 225	\$ -	\$ 5,672
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	124,380	8,380	-	116,000
Accounts and Other Receivables	14,754	56	-	14,698
Receivable from Lifespace Communities, Inc.	371	4	-	367
Inventories	1,094	23	-	1,071
Prepaid Insurance and Other	3,282	35	-	3,247
Assets Whose Use is Limited - Current	121,272	1	-	121,271
Total Current Assets	<u>271,050</u>	<u>8,724</u>	<u>-</u>	<u>262,326</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	73,393	-	-	73,393
PROPERTY AND EQUIPMENT, AT COST				
Land and Improvements	56,910	2,594	-	54,316
Buildings and Improvements	707,624	30,384	-	677,240
Furniture and Equipment	66,690	1,226	-	65,464
Construction-in-Progress	128,010	135	-	127,875
	<u>959,234</u>	<u>34,339</u>	<u>-</u>	<u>924,895</u>
Less: Accumulated Depreciation and Amortization	425,038	11,146	-	413,892
Net Property and Equipment	<u>534,196</u>	<u>23,193</u>	<u>-</u>	<u>511,003</u>
GOODWILL	52,823	-	-	52,823
DEFERRED EXPENSES, Net of Accumulated Amortization	597	84	-	513
INTANGIBLE ASSETS, Net of Accumulated Amortization	2,755	-	-	2,755
Total Assets	<u>\$ 934,814</u>	<u>\$ 32,001</u>	<u>\$ -</u>	<u>\$ 902,813</u>

Lifespace Communities, Inc.
Consolidating Balance Sheets (continued)
(In Thousands)
As of December 31, 2018

LIABILITIES AND NET ASSETS	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CURRENT LIABILITIES				
Accounts Payable:				
Trade	\$ 26,548	\$ 315	\$ -	\$ 26,233
Lifespace Communities, Inc.	1,930	51	-	1,879
Accrued Liabilities:				
Employee Compensation Expense	9,871	167	-	9,704
Interest	2,148	-	-	2,148
Property Taxes	1,173	165	-	1,008
Other	3,306	80	-	3,226
Entrance Fee Refunds	7,424	189	-	7,235
Reserve for Health Center Refunds	36,575	1,199	-	35,376
Long-Term Debt Due within One Year	6,489	734	-	5,755
Obligations under Capital Lease	391	2	-	389
Total Current Liabilities	<u>95,855</u>	<u>2,902</u>	<u>-</u>	<u>92,953</u>
LONG-TERM LIABILITIES				
Entrance Fee Deposits	5,554	57	-	5,497
Wait List Deposits	2,268	4	-	2,264
Long-Term Debt Due After One Year	373,993	14,946	-	359,047
Obligations under Capital Lease	1,218	10	-	1,208
Deferred Entrance Fees	159,403	1,614	-	157,789
Refundable Entrance and Membership Fees	386,736	17,265	-	369,471
Total Long-Term Liabilities	<u>929,172</u>	<u>33,896</u>	<u>-</u>	<u>895,276</u>
Total Liabilities	1,025,027	36,798	-	988,229
NET ASSETS	<u>(90,213)</u>	<u>(4,797)</u>	<u>-</u>	<u>(85,416)</u>
Total Liabilities and Net Assets	<u>\$ 934,814</u>	<u>\$ 32,001</u>	<u>\$ -</u>	<u>\$ 902,813</u>

Lifespace Communities, Inc.
Consolidating Statement of Operations and Changes in Net Assets
(In Thousands)
Year Ended December 31, 2018

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
REVENUES				
Independent Living Fees	\$ 123,164	\$ 5,123	\$ -	\$ 118,041
Entrance Fees Earned and Nonrefundable Fees	32,439	244	-	32,195
Skilled Nursing, Assisted Living Fees and Memory Support	76,714	513	-	76,201
Total Revenues	<u>232,317</u>	<u>5,880</u>	<u>-</u>	<u>226,437</u>
EXPENSES				
Operating Expenses:				
Salaries and Benefits	100,452	1,546	-	98,906
General and Administrative	45,637	1,204	-	44,433
Plant Operations	13,913	322	-	13,591
Housekeeping	1,557	48	-	1,509
Dietary	21,920	770	-	21,150
Medical and Other Resident Care	11,102	112	-	10,990
Depreciation	38,983	1,169	-	37,814
Amortization	116	44	-	72
Interest	5,507	464	-	5,043
Loss on Disposal of Property and Equipment	941	58	-	883
Total Expenses	<u>240,128</u>	<u>5,737</u>	<u>-</u>	<u>234,391</u>
NONOPERATING INCOME (EXPENSE)				
Investment Income (Expense)	<u>(4,510)</u>	<u>(299)</u>	<u>-</u>	<u>(4,211)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES				
	(12,321)	(156)	-	(12,165)
OTHER CHANGES IN NET ASSETS				
Contributions (to) from Lifespace Communities, Inc.	<u>(2,182)</u>	<u>(19)</u>	<u>-</u>	<u>(2,163)</u>
CHANGE IN NET ASSETS				
	(14,503)	(175)	-	(14,328)
Net Assets at Beginning of Year	<u>(75,710)</u>	<u>(4,622)</u>	<u>-</u>	<u>(71,088)</u>
NET ASSETS AT END OF YEAR				
	<u>\$ (90,213)</u>	<u>\$ (4,797)</u>	<u>\$ -</u>	<u>\$ (85,416)</u>

Lifespace Communities, Inc.
Statement of Cash Flows
(In Thousands)
Year Ended December 31, 2018

	Obligated Group (Pre-Financing)	Less: Grand Lodge	Add: Querencia	Obligated Group (Post-Financing)
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in Net Assets	\$ (14,503)	\$ (175)	\$ -	\$ (14,328)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Entrance Fees Earned	(32,400)	(244)	-	(32,156)
Proceeds from Nonrefundable Entrance Fees and Deposits	40,905	483	-	40,422
Refunds of Entrance Fees	(2,720)	-	-	(2,720)
Depreciation and Amortization	39,099	1,213	-	37,886
Amortization of Financing Costs	340	23	-	317
Net Accretion of Original Issue Premium and Discounts	(970)	-	-	(970)
Change in Unrealized (Depreciation) Appreciation of Investments	15,104	972	-	14,132
Net Purchases of Trading Investments	(73,460)	(1,545)	-	(71,915)
Loss on Disposal of Property and Equipment	941	58	-	883
Contributions to Lifespace Communities, Inc.	2,182	19	-	2,163
Changes in Operating Assets and Liabilities:				
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	2,533	38	-	2,495
Accounts Payable and Accrued Liabilities	18,108	216	-	17,892
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,841)</u>	<u>\$ 1,058</u>	<u>-</u>	<u>\$ (5,899)</u>

Lifespace Communities, Inc.
Statement of Cash Flows (continued)
(In Thousands)
Year Ended December 31, 2018

	<u>Obligated Group (Pre-Financing)</u>	<u>Less: Grand Lodge</u>	<u>Add: Querencia</u>	<u>Obligated Group (Post-Financing)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment	\$ (127,490)	\$ (1,224)	\$ -	\$ (126,266)
CASH FLOWS FROM FINANCING ACTIVITIES				
Financing Costs Incurred	(3,323)	-	-	(3,323)
Issuance of New Debt	174,087	-	-	174,087
Repayment of Other Long-Term Debt	(6,209)	(699)	-	(5,510)
Payments on Leases	(444)	(3)	-	(441)
Proceeds from Refundable Entrance Fees and Deposits	52,377	3,901	-	48,476
Refunds of Refundable Entrance Fees	(52,138)	(3,177)	-	(48,961)
Contributions to Lifespace Communities, Inc.	(2,182)	(19)	-	(2,163)
Net Cash Provided by Financing Activities	<u>162,168</u>	<u>3</u>	<u>-</u>	<u>162,165</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH				
	29,837	(163)	-	30,000
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>32,289</u>	<u>696</u>	<u>-</u>	<u>31,593</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 62,126</u></u>	<u><u>\$ 533</u></u>	<u><u>-</u></u>	<u><u>\$ 61,593</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Discussion – Three Months Ended March 31, 2021, versus Three Months Ended March 31, 2020 (Unaudited). The average year-to-date independent living occupancy at March 31, 2021, was 2,351 independent living homes (81.2% of the 2,895 average available homes). The average year-to-date occupancy at March 31, 2020, was 2,542 independent living homes (87.6% of the 2,901 average available homes). The decrease in average available homes from March 31, 2020, to the same period in 2021 is due primarily to taking apartments out of service at two communities to support the redevelopment efforts discussed under “**Liquidity and Capital Requirements.**”

Revenues from independent living monthly fees and related charges amounted to \$31,543,000 in 2021, a 5.3% decrease over the \$33,322,000 from the same revenue sources in 2020. Monthly fees increased in the range of 2.0% to 4.0% on January 1, 2021. The increase in monthly fees is offset by lower occupancy levels and taking apartments out of service due to redevelopment.

Revenues from the health center, assisted living, and memory support fees were \$27,106,000 in 2021 compared to \$26,428,000 in 2020, an increase of 2.6%. This increase is the result of the monthly fee increases effective January 1, 2021, and the occupancies related to the completion and openings of the redevelopment projects. The Friendship Village of Bloomington redevelopment project opened in February of 2021. This added assisted living and memory support rooms while eliminating boarding care. The Village on the Green redevelopment project opened at the end of March of 2021 which added assisted living.

During the first quarter in 2021, the Obligated Group received \$1,038,000 in infection quality control payments from the Department of Health and Human Services, which has been recorded as other revenue. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds. Based on this guidance, the Obligated Group expects to be able to retain all funds.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were \$54,980,000 in 2021, a decrease of \$2,162,000 or 3.8% from comparable expenses of \$57,142,000 in 2020. Salaries and benefits decreased \$2,089,000 or 6.8% as a result of adjusting staffing to lower census. General and administrative expense increased \$2,256,000 or 17.1% as a result of financial statement reclassifications. The reclassification moves general and administrative costs that were previously in the medical and other resident care expenses from higher levels of living into the general and administrative expenses. Dietary costs decreased \$2,088,000 or 32.0% due to lower occupancy. Medical and other resident care decreased \$260,000 or 10.2%. The financial reclassification mentioned earlier is impacting medical and other resident care. Offsetting that is higher expenses due to the opening of the redevelopment projects.

During 2020, The World Health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

COVID-19 is impacting each of the communities in the Obligated Group at different levels which change on a daily basis. At any point in time, a given community can experience a resident or team member with a positive COVID-19 test. Lifespace has established protocols to comply with all federal, state and local requirements. Any suspected COVID-19 cases are subject to self-isolation and monitored. All communities have seen an increase in costs for personal protection equipment and inventories of these supplies have been increased in anticipation of their continued need. Where cases have been identified, there have also been additional compensation plans for team members put in place.

The Maximum Annual Debt Service Coverage Ratio decreased to 0.5 for the three months ended March 31, 2021, from 1.0 for the three months ended March 31, 2020. The Debt Service Coverage Ratios are impacted by the decrease in net entrance fees, which is due to reoccupancies in the three months ended March 31, 2021, of 26 compared to the reoccupancies in the three months ended March 31, 2020, of 43 and the refunds with no associated closing within the same year. Investment income increased significantly for the three months ended March 31, 2021, compared to the same period in 2020. However, the investment income excluding the unrealized loss represents a decrease which impacts the debt service coverage ratio in a negative manner. The following chart shows the components of investment income in thousands of dollars:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Interest and Dividend Income	\$1,007	\$1,259
Realized Gain/(Loss)	234	1,332
Unrealized Gain/(Loss)	<u>8,350</u>	<u>(15,731)</u>
Total	<u>\$9,591</u>	<u>(\$13,140)</u>

Liquidity and Capital Requirements – Three Months Ended March 31, 2021, versus Three Months Ended March 31, 2020 (Unaudited). Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were (\$2,608,000) in 2021 compared to \$1,450,000 for 2020. The decrease is driven by reoccupancies of 26 in the three months ended March 31, 2021, versus 43 reoccupancies in the three months ended March 31, 2020. In addition, approximately \$11,473,000 in refunds have been issued with no corresponding entrance fee as of March 31, 2021, and \$6,076,000 as of March 31, 2020.

Daily operating expenses for 2021 decreased to \$647,000 from \$662,000 in 2020, a change of 2.3%. The overall unrestricted cash and investments position increased from \$164,315,000 at March 31, 2020 to \$208,182,000 at March 31, 2021, a change of 26.7%. The Days Cash on Hand Ratio increased from 248 days at March 31, 2020, to 322 days at March 31, 2021.

Capital expenditures for the communities for the three months ended March 31, 2021, were \$14,433,000, while depreciation expense for the same period was \$12,195,000. The repositioning projects described under the caption “**IMPROVEMENTS TO THE COMMUNITIES**” account for \$9,477,000 of this year-to-date 2021 expenditure balance. Capital expenditures for the communities for the three months ended March 31, 2020, were \$13,073,000, while depreciation expense for the same period was \$11,052,000. The repositioning projects discussed under “**IMPROVEMENTS TO THE COMMUNITIES**”

account for \$6,510,000 of this year-to-date 2020 expenditure balance. To evaluate the financial aspect of the needed re-investment in the communities, Management targets capital expenditures as a percentage of depreciation in the range of 70% to 130%. This ratio is monitored on a 5-year historical view and a 10-year forecast period to assist with the annual capital expenditure decisions. The 5-year historical ratio for the Obligated Group at December 31, 2020, is 219% which is higher than the range as a result of the redevelopment projects. The redevelopment projects are mostly funded with long-term debt and internal cash. Routine capital projects are expected to be funded from internal cash flows.

Operation Discussion – Fiscal year 2020 versus fiscal year 2019. The average annual independent living occupancy at December 31, 2020, was 2,463 independent living homes (85.0% of the 2,898 average available homes). The average annual occupancy at December 31, 2019, was 2,572 independent living homes (88.4% of the 2,908 average available homes). The decrease in average available homes from December 31, 2019, to the same period in 2020 is due primarily to taking apartments out of service at two communities to support the redevelopment efforts discussed under “**Liquidity and Capital Requirements.**” In addition, two communities have combined smaller apartments.

Revenues from independent living monthly fees and related charges amounted to \$128,847,000 in 2020, a 2.1% increase over the \$126,161,000 from the same revenue sources in 2019. Monthly fees increased in the range of 3.5% to 4.0% on January 1, 2020. The increase in monthly fees between years is offset by the decline in occupancy. In addition, as mentioned above, taking apartments out of service due to redevelopment efforts has a negative impact on monthly fees.

Revenues from the health center, assisted living, and memory support were \$103,953,000 in 2020 compared to \$86,514,000 in 2019, an increase of 20.2%. With the affiliation that took place in June of 2019, Querencia’s revenues are included starting July 2019 which is resulting in an increase when comparing periods. In addition, this increase is the result of the monthly fee increases effective January 1, 2020, and the occupancies related to the completion and openings of the redevelopment projects. The Oak Trace Phase I redevelopment project opened in June of 2019. This added assisted living and memory support rooms while decreasing the health center and catered living rooms available. Friendship Village of South Hills redevelopment project opened in November of 2019. This added assisted living and memory support rooms. Abbey Delray opened in February of 2020. This added assisted living and memory support rooms.

Throughout 2020 the Obligated Group has received approximately \$8,784,000 in stimulus funds. The majority has been received through the Cares Act and Infection Control Nursing Home Quality Incentive Programs. A small portion has been received through state and local governments.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were \$223,450,000 in 2020, an increase of \$13,755,000 or 6.6% from comparable expenses of \$209,695,000 in 2019. As mentioned previously, the affiliation of Querencia is impacting all expense line items as 2019 had six months of expenses due to the affiliation in June of 2019. Salaries and benefits increased 8.5% as a result of annual merit and market adjustments, filling positions that are necessary as the redevelopment projects have

opened for several communities and increased staffing for home health. General and administrative expense increased 6.3% due to higher auditing services, consulting and outsourcing services, legal services, property insurance, real estate taxes, IT service providers, network, data center and internet access, and application software and licenses. Plant operations and dietary expense increases are due primarily to Querencia's different time periods when comparing periods as mentioned earlier.

Liquidity and Capital Requirements – Fiscal year 2020 versus fiscal year 2019. Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were \$15,215,000 in 2020 compared to \$47,802,000 for 2019, a decrease of \$32,587,000 or 68.2%. The decrease is driven by reoccupancies of 191 in the year ended December 31, 2020, versus 273 reoccupancies in the year ended December 31, 2019. For the year ended December 31, 2019, there were redevelopment deposits of \$7,653,000 collected on independent living apartments at two redevelopment communities. For the year ended December 31, 2020, Lifespace has given redevelopment refunds of deposits of \$1,290,000. In the year ended December 31, 2020, approximately \$23,516,000 in refunds had been issued with no corresponding entrance fee and \$18,434,000 for the same period in 2019. In addition, entrance fees deferrals given were \$620,000 for the year ended December 31, 2020, and entrance fee deferrals collected of \$1,607,000 for the same period in 2019. The deferrals given had a negative impact on net entrance fees in 2020 versus 2019 when Lifespace received entrance fees deferrals which had a positive impact on net entrance fees.

Capital expenditures for the communities at December 31, 2020, were \$110,924,000, while depreciation expense for the year ended December 31, 2020, was \$47,028,000. The five repositioning projects described under “**IMPROVEMENTS TO THE COMMUNITIES**” account for \$88,194,000 of this total 2020 expenditure balance. Capital expenditures for the communities at December 31, 2019, were \$102,222,000, while depreciation expense for the year ended December 31, 2019, was \$42,574,000. The five repositioning projects described under “**IMPROVEMENTS TO THE COMMUNITIES**” account for \$72,508,000 of this total 2019 expenditure balance.

Operation Discussion – Fiscal year 2019 versus fiscal year 2018. The average annual independent living occupancy at December 31, 2019, was 2,572 independent living homes (88.4% of the 2,908 average available homes). The average annual occupancy at December 31, 2018, was 2,619 independent living homes (89.5% of the 2,925 average available homes). The decrease in average available homes from December 31, 2018, to the same period in 2019 is due primarily to taking apartments out of service at three communities to support the redevelopment efforts discussed under “**Liquidity and Capital Requirements.**” There was one community that added back a townhome after redevelopment plans were revised. In addition, one community has combined smaller apartments.

Revenues from independent living for monthly fees and related charges amounted to \$126,161,000 in 2019, a 6.9% increase over the \$118,041,000 from the same revenue sources in 2018. This increase is driven by the affiliation that took place in June of 2019 when Querencia become affiliated with Lifespace. Revenues began July 1, 2019. In addition, monthly fees increased in the range of 3.8% to 4.5% on January 1, 2019, for all other Obligated Group communities.

Revenues from the health center, assisted living, and memory support were \$86,514,000 in 2019 compared to \$76,201,000 in 2018, an increase of 13.5%. This increase is driven by the affiliation that took place in June of 2019 when Querencia become affiliated with Lifespace. In addition, there were monthly fee increases effective January 1, 2019, and increased occupancies in the Health Centers. The Oak Trace Phase I redevelopment project opened in June of 2019. This added assisted living and memory support rooms while decreasing the health center and catered living rooms available. Friendship Village of South Hills redevelopment project opened in November 2019. This added assisted living and memory support rooms.

Total operating expenses, excluding depreciation, amortization, interest expense and loss on disposal of property were \$209,695,000 in 2019, an increase of 10.0% from comparable expenses of \$190,579,000 in 2018. As mentioned previously, the affiliation with Querencia is driving an increase in all expense line items as 2019 would have six months of expenses recorded. Salaries and benefits increased \$11,220,000, or 11.3% as a result of annual merit and market adjustments, filling positions that were open in 2018, and higher benefit and tax costs. General and administrative expense increased \$3,657,000, or 8.2% as a result of higher redevelopment marketing costs, hurricane costs, additional marketing costs, and financing related costs. Plant expense increased \$1,496,000, or 11.0% as a result of higher outsourcing services. Dietary expense increased \$1,955,999, or 9.2% which is in line with the budget when excluding the affiliation. Medical and other resident care expense increased \$684,000, or 6.2% due to higher occupancy in the health centers and the opening of the two redevelopment projects in 2019.

Liquidity and Capital Requirements – Fiscal year 2019 versus fiscal year 2018. Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds, were \$47,802,000 in 2019 compared to \$37,217,000 for 2018, a 28.4% increase. Part of the increase is due to Querencia’s net entrance fees for the period of June of 2019 through December of 2019. Secondly, there were deposits collected on independent living apartments at two redevelopment communities. The redevelopment deposits received as of year ended December 31, 2019, were \$7,653,000 compared to \$4,367,000 for the same period in 2018. In addition, net deferral entrance fees received from the year ended December 31, 2019, was \$1,607,000 compared to the same period in 2018 that had given deferral of entrance fees of \$2,631,000. The deferrals had a negative impact on net entrance fees in 2018 versus 2019 when Lifespace received entrance fees which had a positive impact on net entrance fees.

Capital expenditures for the Communities at December 31, 2019, were \$102,222,000, while depreciation expense for the year ended December 31, 2019, was \$42,574,000. The five repositioning projects described under “**IMPROVEMENTS TO THE COMMUNITIES**” account for \$72,508,000 of this total 2019 expenditure balance. Capital expenditures for the communities at December 31, 2018, were \$126,266,000, while depreciation expense for the year ended December 31, 2018, was \$37,814,000. The five repositioning projects described under “**IMPROVEMENTS TO THE COMMUNITIES**” account for \$89,118,000 of this total 2018 expenditure.

LIQUIDITY SUPPORT AND OTHER COMMUNITIES

The Stayton. The Stayton is not part of the Obligated Group and has its own indebtedness pursuant to which its property and revenues are pledged. In conjunction with the

acquisition of The Stayton in June 2019, Lifespace provided a Liquidity Support Agreement (the “*Stayton LSA*”) to the trustee (the “*Stayton Trustee*”) for the Stayton long-term indebtedness (the “*Stayton Bonds*”), which is currently outstanding in the aggregate principal amount of approximately \$112 million. The aggregate exposure for Lifespace under the Stayton LSA is \$6,000,000, consisting of a deposit of \$3,000,000 held by the Stayton Trustee in a liquidity support account (the “*Stayton Liquidity Support Account*”), and an additional unfunded liquidity support commitment in the amount of up to \$3,000,000 (the “*Unfunded Liquidity Support*”). No draws have occurred under the Stayton LSA.

Under certain circumstances specified in the Stayton LSA, the Stayton Trustee has the right to withdraw money from the Stayton Liquidity Support Account or to call upon the Unfunded Liquidity Support to the extent necessary to pay debt service related to the Stayton Bonds. Stayton also has the right to request a draw from the Liquidity Support Account or Unfunded Liquidity Support to pay operating expenses. Stayton is required to repay to Lifespace any amounts drawn on the Stayton Liquidity Support Account or the Unfunded Liquidity Support, with interest thereon, in accordance with the Stayton LSA. Stayton’s repayment obligation to Lifespace under the Stayton LSA is subordinated to the Stayton Bonds.

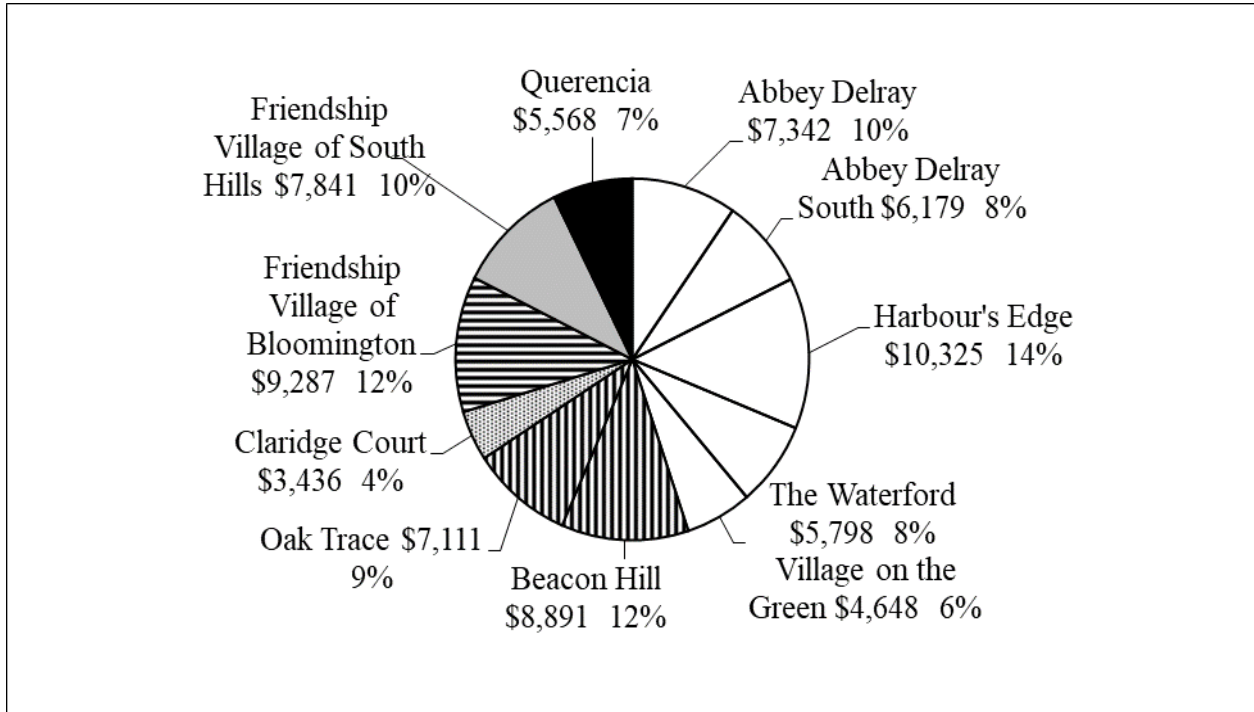
Lifespace is not otherwise obligated to make any other payments with respect to the outstanding Stayton Bonds.

Newcastle. Newcastle has issued its own indebtedness pursuant to which its property and revenues are pledged. In conjunction with the acquisition of Newcastle on July 1, 2021 the Corporation made an \$8,000,000 equity contribution and provided a Liquidity Support Agreement (the “*Newcastle LSA*”) for the Newcastle long-term indebtedness which is currently outstanding in the aggregate principal amount of approximately \$5,000,000. Lifespace also holds approximately \$8,000,000 million of subordinated bonds issued by Newcastle.

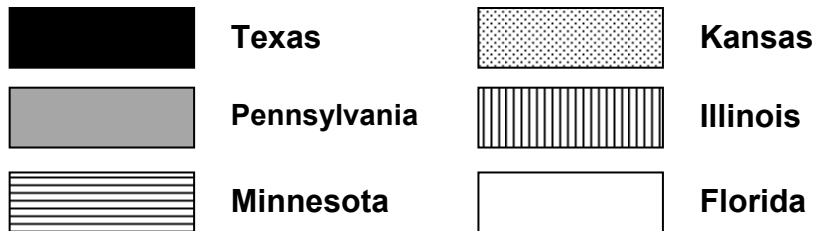
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SOURCES OF REVENUE BY COMMUNITY

**Lifespace Communities, Inc.
Comparative Analysis of Gross Revenues
Three Months Ended March 31, 2021
(\$000's)**



Gross revenues include Independent living fees, skilled nursing and assisted living fees, entrance fees earned, and investment income.



REAL PROPERTY TAXES

The Communities pay local real estate taxes in the jurisdictions they are located. In many states the health centers are exempt from property taxes. Some jurisdictions also allow an exemption from real estate taxes on certain common areas and homestead exemptions for the residents if residents qualify for such exemption under the applicable state law.

INVESTMENT POLICY

The Corporation's investment policy and guidelines are reviewed annually and all material changes to it are approved by the Board. Separately, the Corporation may also have portfolios whose use and investments are restricted under the terms and conditions of outstanding bond indentures. Investment of these portfolios are limited to securities deemed eligible under the provisions of the indenture.

The Finance and Investment Committee provides oversight of investments while responsibility for oversight of the day-to-day investment activity is delegated to the Corporation's Chief Financial Officer, who acts as a liaison for communications between the Board and professionals retained. The Corporation has an independent firm to serve as the Corporation's independent third-party manager with respect to Corporation investments. The Corporation expects the manager to forward to the Chief Financial Officer, on a timely basis, no less frequently than monthly, reports containing portfolio activity, valuations at market, and strategy updates.

The Corporation recognizes that risk and volatility are present to some degree with all types of investments. However, high levels of risk are to be avoided at the total fund level. This is to be accomplished through diversification by asset class, sector and industry limits. The asset allocation target and ranges are as follows:

Asset Class	Target	Range
Enhanced Cash	0%	0% to 10%
Domestic Large-Cap Equity	35%	25% to 45%
Domestic Small-Cap Equity	5%	0% to 10%
Developed International	2.5%	0% to 5%
Emerging Markets	2.5%	0% to 5%
Intermediate Term Domestic Fixed income*	<u>55%</u>	50% to 70%
	100%	

*Including up to 10% in non-investment grade securities.

Comparative market benchmarks are established to gauge a manager's value added. Return requirements (annualized basis) are over a full market cycle (three to five years). The intermediate term fixed benchmark is Barclays Int G/C Index. The enhanced cash benchmark is the 90-day T-bill index. The benchmark for equity assets is the S&P 500 Index and the Russell

2000 Index. The developed international equities benchmark is the MSCIEAFE Index and the emerging market equities benchmark is the FTSE Emerging Market Index.

The pooled common trust funds managed under this investment policy were \$148,400,000 at March 31, 2021. The asset mix is as follows:

<u>Asset Description</u>	<u>Percentage</u>
Money Market Funds	2.95%
U.S. Government Obligations	12.47%
Asset Backed Securities	4.45%
Fixed Income Mutual Funds	7.11%
Commercial Mtg Backed Securities/CMOs	5.44%
Corporate Bonds	19.28%
Common Stock	41.09%
Exchange Traded Funds Equity	4.42%
Foreign Domiciled U.S. Equity Securities	1.79%
RE Investment Trusts	<u>1.00%</u>
Total	<u>100%</u>

INSURANCE

The Corporation maintains real and personal property, auto liability, professional liability, executive lines (D&O, EPL, Fiduciary, Employed Lawyers), workers compensation, blanket business interruption, environmental, flood, cyber and general liability insurance. The combined limits for the professional liability and general liability are \$16,000,000 per occurrence and \$18,000,000 per policy year aggregate. The combined single limit for auto liability is \$1,000,000 per accident. Total insured values, including business income, for the non-Florida Communities are \$901,694,610 (*Northern Communities: \$552,886,000; Texas Communities: \$348,808,610*). The total policy limits for the Northern Properties is \$300,000,000 and \$200,000,000 for the Texas Properties (consisting of Querencia, Edgemere and The Stayton). The total insured values of the Florida Communities, including business income, are \$550,850,462. The policy limit for the Florida property insurance is the total insured values. All property insurance is written on an all risk of direct physical loss or damage basis, except as excluded, with sub-limits for the perils of flood and earth movement of \$25,000,000 each per occurrence and annual aggregate for the non-Florida locations, and \$50,000,000 per occurrence and annual aggregate and \$200,000,000 per occurrence and annual aggregate for the Florida locations. All property insurance is on a replacement cost basis for the buildings, equipment and personal property and actual loss sustained for business income.

INTEREST RATE AGREEMENTS

Currently, the Corporation does not have any outstanding interest rate agreements. The Corporation intends to enter into an interest rate cap (the “2021 Interest Rate Cap”) to manage and hedge interest rate risk related to a portion of the Series 2021B Bonds. The 2021 Interest Rate Cap will be entered into with an approved counterparty acceptable to the Corporation. It is

expected that the 2021 Interest Rate Cap will have a notional amount of \$15,000,000 and have a stated maturity date of August 1, 2025. On or about the date of issuance of the Series 2021B Bonds, the Corporation will pay an upfront payment amount (the “2021 Interest Rate Cap Premium”) for the 2021 Interest Rate Cap which is estimated to be approximately \$82,600. The Corporation will have no further payment obligations under the 2021 Interest Rate Cap beyond the 2021 Interest Rate Cap Premium. The 2021 Interest Rate Cap will not require additional security or collateral requirements from the Corporation.

REGULATORY ENVIRONMENT

Licensure. Each Community is required to maintain numerous licenses and certifications to operate as an independent living, assisted living, memory support and/or skilled nursing facility. The licensure and regulation at the Communities varies from state to state depending on the services provided and location of each Community. Presently the Corporation is in material compliance with respect to licensure and operation for each of the Communities.

See “**REGULATORY ENVIRONMENT**” in the forepart of this Official Statement for additional information.

LITIGATION

The Corporation, like any other senior living and community service organization, is subject, from time to time, to a variety of suits and proceedings that arise in the ordinary course of business. Management of the Corporation is not aware of any litigation or administrative proceeding of any nature, pending or threatened, wherein an unfavorable decision would have a material adverse impact on the financial condition of the Obligated Group.

ADDITIONAL OPERATIONS INFORMATION

Employees and Labor Relations

The Corporation has more than 3,600 employees working at the various Communities. The Corporation endeavors to provide a comprehensive wage and benefit package that is competitive with other comparable organizations in its industry. The Corporation’s employee benefit package includes employer-sponsored health insurance, defined contribution retirement plans, paid time off and long-term disability insurance. A small number of specific employees at the Oak Trace community are represented by a union. All other employees of the Corporation are not represented by a union, and Management is not aware of any present organizational efforts by any union within the Communities.

Pensions; Healthcare Plan

The Corporation has a tax deferred annuity (“*TDA*”) employee benefit plan covering substantially all employees of the Corporation. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from the Corporation. All employee contributions to the TDA are fully vested, while contributions made by the Corporation vest over a 6-year period.

Full-time employees can elect to participate in health benefit plans by the Corporation. The plans include a medical plan, dental plan and vision plan. Employees can participate on an employee only basis or obtain coverage for themselves and dependents. Costs under the health benefit plans are shared between the employee and the Corporation. Recently enacted health care legislation is expected to have a minimal impact on the Corporation's plan.

The Corporation also sponsors a short-term disability plan (salary continuation) for all employees. Non-exempt hourly employees receive 50% of their normal compensation while disabled, up to a maximum of \$500 per week. Exempt-salaried employees receive 60% of their weekly salary to a maximum benefit of \$1,000 per week. The benefit period is 180 days. Employees have the option to purchase additional voluntary short-term benefits at the employee's cost. Exempt-salaried employees are also eligible for a long-term disability plan through which salary is continued at 60% to a maximum of \$10,000 per month. There is a 180-day elimination period before this benefit ends at age 65.

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PRO FORMA AND HISTORICAL MASTER NOTE DEBT SERVICE

Year ending December 31,	2001B ⁽¹⁾		2004A		2004B ⁽¹⁾		2005B ⁽¹⁾		2010S ⁽²⁾		2014 ⁽³⁾	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$910,000	\$33,728	\$175,000	\$45,900		\$106,200	\$970,000	\$46,406		\$1,005,996	\$665,000	\$28,663
2022	82,000	2,788	185,000	35,400		106,200	890,000	15,019			661,972	14,299
2023			195,000	24,300		106,200						
2024			210,000	12,600		106,200						
2025					\$220,000	106,200						
2026					240,000	97,400						
2027					245,000	87,800						
2028					260,000	78,000						
2029					275,000	67,600						
2030					290,000	56,600						
2031					310,000	45,000						
2032					325,000	32,600						
2033					345,000	19,600						
2034					145,000	5,800						
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Total	<u>\$992,000</u>	<u>\$36,516</u>	<u>\$765,000</u>	<u>\$118,200</u>	<u>\$2,655,000</u>	<u>\$1,021,400</u>	<u>\$1,860,000</u>	<u>\$61,425</u>	<u>\$0</u>	<u>\$1,005,996</u>	<u>\$1,326,972</u>	<u>\$42,961</u>

Excludes Series 2021 Master Notes and the Line of Credit. For aggregate debt service information see “ANNUAL DEBT SERVICE REQUIREMENTS” in the forepart of this Official Statement.

(1) The Series 2001B, 2004B and 2005B Bonds were all issued as Extendable Rate Adjustable Securities but have fixed rates to maturity of 3.40%, 4.00%, and 3.375% per annum, respectively.

(2) Includes interest on the Series 2010S Bonds through the estimated closing date of 8/25/2021; the Series 2010S Bonds are planned to be refunded with proceeds of the Series 2021 Bonds.

(3) Represents variable rate privately placed debt with an assumed interest rate of 2.16% per annum.

Year ending December 31,	2015AB (IA)		2015C (FL)		2015 (Querencia)		2016A (IA)		2015B (FL)		2018A (IA)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$1,190,000	\$1,467,463	\$1,675,000	\$1,738,625	\$1,390,000	\$2,225,794		\$2,369,750		\$1,107,500		\$6,677,569
2022	1,245,000	1,406,588	1,755,000	1,652,875	1,460,000	2,156,294		2,369,750		1,107,500		6,677,569
2023	3,205,000	1,304,244	1,840,000	1,563,000	1,530,000	2,083,294		2,369,750		1,107,500		6,677,569
2024	3,350,000	1,158,575	1,935,000	1,468,625	1,610,000	2,006,794		2,369,750		1,107,500		6,677,569
2025	915,000	1,062,250	2,030,000	1,369,500	1,690,000	1,926,294		2,369,750		1,107,500		6,677,569
2026	955,000	1,016,500	2,135,000	1,265,375	1,775,000	1,841,794		2,369,750		1,107,500		6,677,569
2027	1,005,000	967,500	2,240,000	1,156,000	1,860,000	1,753,044		2,369,750		1,107,500		6,677,569
2028	1,060,000	915,875	2,355,000	1,041,125	1,955,000	1,660,044		2,369,750		1,107,500		6,677,569
2029	1,110,000	861,625	2,470,000	920,500	2,050,000	1,562,294		2,369,750		1,107,500		6,677,569
2030	1,170,000	804,625	2,595,000	793,875	2,155,000	1,459,794		2,369,750		1,107,500		6,677,569
2031	1,225,000	747,000	2,725,000	663,625	2,260,000	1,354,500	\$1,835,000	2,323,875	\$860,000	1,086,000		6,677,569
2032	1,280,000	688,875	2,855,000	529,625	2,370,000	1,242,638	1,925,000	2,229,875	900,000	1,042,000		6,677,569
2033	1,345,000	627,750	1,415,000	428,375	2,490,000	1,125,325	2,020,000	2,131,250	945,000	995,875		6,677,569
2034	1,405,000	563,500	1,480,000	361,500	2,610,000	1,002,088	2,125,000	2,027,625	995,000	947,375		6,677,569
2035	1,470,000	496,125	1,550,000	291,250	2,740,000	872,888	2,230,000	1,918,750	1,040,000	896,500		6,677,569
2036	735,000	443,250	1,620,000	214,750	2,670,000	737,250	2,340,000	1,804,500	1,095,000	843,125		6,677,569
2037	775,000	405,500	1,700,000	131,750	2,800,000	603,750	2,460,000	1,684,500	1,150,000	787,000		6,677,569
2038	810,000	365,875	1,785,000	44,625	2,940,000	463,750	2,580,000	1,558,500	1,205,000	728,125	\$6,535,000	6,542,784
2039	850,000	324,375			3,090,000	316,750	2,710,000	1,426,250	1,265,000	666,375	9,400,000	6,173,000
2040	895,000	280,750			3,245,000	162,250	2,845,000	1,287,375	1,330,000	601,500	9,870,000	5,691,250
2041	940,000	234,875					2,985,000	1,141,625	1,395,000	533,375	10,365,000	5,185,375
2042	985,000	186,750					3,135,000	988,625	1,465,000	461,875	10,885,000	4,654,125
2043	1,035,000	136,250					3,295,000	827,875	1,540,000	386,750	11,420,000	4,096,500
2044	1,090,000	83,125					3,460,000	659,000	1,615,000	307,875	11,990,000	3,511,250
2045	1,140,000	27,938					3,630,000	481,750	1,700,000	225,000	12,595,000	2,896,625
2046							3,815,000	295,625	1,780,000	138,000	14,420,000	2,221,250
2047							4,005,000	100,125	1,870,000	46,750	15,145,000	1,482,125
2048											22,070,000	551,750
2049												
2050												
2051												
2052												
2053												
2054												
2055												
Total	\$31,185,000	\$16,577,181	\$36,160,000	\$15,635,000	\$44,690,000	\$26,556,629	\$47,395,000	\$46,584,625	\$22,150,000	\$21,768,500	\$134,695,000	\$156,524,703

Excludes Series 2021 Master Notes and the Line of Credit. For aggregate debt service information see "ANNUAL DEBT SERVICE REQUIREMENTS" in the forepart of this Official Statement.

Year ending December 31,	2018B (FL)		2019A-1 (IA)		2019A-2 ⁽⁴⁾ (IA)		2019B (FL)		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021		\$1,505,419		\$1,211,200	\$26,850,000	\$771,938		\$2,357,400	\$56,524,549
2022		1,505,419		1,211,200				2,357,400	26,897,271
2023		1,505,419		1,211,200				2,357,400	27,079,875
2024		1,505,419		1,211,200				2,357,400	27,086,632
2025		1,505,419		1,211,200				2,357,400	24,548,082
2026		1,505,419		1,211,200				2,357,400	24,554,907
2027		1,505,419		1,211,200				2,357,400	24,543,182
2028		1,505,419		1,211,200				2,357,400	24,553,882
2029		1,505,419		1,211,200				2,357,400	24,545,857
2030		1,505,419		1,211,200				2,357,400	24,553,732
2031	\$1,630,000	1,464,669		1,211,200				2,357,400	28,775,838
2032	1,955,000	1,375,044		1,211,200				2,357,400	28,996,826
2033	3,955,000	1,227,294		1,211,200				2,357,400	29,316,638
2034	4,340,000	1,019,919		1,211,200				2,357,400	29,273,976
2035	4,695,000	794,044		1,211,200				2,357,400	29,240,726
2036	6,085,000	524,544		1,211,200				2,357,400	29,358,588
2037	6,875,000	200,544		1,211,200				2,357,400	29,819,213
2038	695,000	14,334		1,211,200				2,357,400	29,836,594
2039				1,211,200				2,357,400	29,790,350
2040				1,211,200				2,357,400	29,776,725
2041				1,211,200				2,357,400	26,348,850
2042				1,211,200				2,357,400	26,329,975
2043				1,211,200				2,357,400	26,305,975
2044				1,211,200				2,357,400	26,284,850
2045				1,211,200				2,357,400	26,264,913
2046				1,211,200				2,357,400	26,238,475
2047				1,211,200				2,357,400	26,217,600
2048				1,211,200				2,357,400	26,190,350
2049				1,211,200			\$9,930,000	2,158,800	13,300,000
2050				1,211,200			10,330,000	1,753,600	13,294,800
2051				1,211,200			10,745,000	1,307,100	13,263,300
2052				1,211,200			11,220,000	792,800	13,224,000
2053			\$1,310,000	1,185,000			10,460,000	259,200	13,214,200
2054			12,340,000	887,000					13,227,000
2055			12,880,000	307,600					13,187,600
Total	<u>\$30,230,000</u>	<u>\$21,674,578</u>	<u>\$26,530,000</u>	<u>\$41,138,000</u>	<u>\$26,850,000</u>	<u>\$771,938</u>	<u>\$52,685,000</u>	<u>\$72,278,700</u>	<u>\$881,965,324</u>

Excludes Series 2021 Master Notes and the Line of Credit. For aggregate debt service information see “ANNUAL DEBT SERVICE REQUIREMENTS” in the forepart of this Official Statement.

(4) The Series 2019A-2 Bonds are anticipated to be redeemed from initial entrance fees from the Friendship Village of Bloomington project by December 31, 2021.

The pro forma ratios set forth on the following pages are calculated assuming the issuance of approximately \$90.4 million of Series 2021A and Series 2021C Bonds, \$30 million of Series 2021B Bonds and \$55 million of Series 2021D Bonds, as well as other assumptions set forth in more detail in the footnotes thereto. The pro forma ratios are reflected for each year assuming the additional Series 2021 Bonds were outstanding for the entire year of operations.

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Lifespace Communities, Inc. Obligated Group
Selected Historical and Pro Forma Financial Information

(000's)

	Year Ending December 31, 2018		Year Ending December 31, 2019		Year Ending December 31, 2020		Three Months Ended March 31, 2020		Three Months Ended March 31, 2021	
	Historical	Proforma	Historical	Proforma	Historical	Proforma	Historical	Proforma	Historical	Proforma
Historical Debt Service Coverage										
Revenues over (under) expenses	\$(12,165)	\$(14,486)	\$(1,508)	\$(3,829)	\$(7,071)	\$(9,392)	\$(19,706)	\$(20,286)	\$3,733	\$3,153
Less:										
Entrance fees earned	(32,156)	(32,156)	(30,079)	(30,079)	(31,410)	(31,410)	(7,547)	(7,547)	(7,146)	(7,146)
First time entrance fees received	(4,367)	(4,367)	(7,653)	(7,653)	1,290	1,290	170	170	178	178
Add:										
Depreciation	37,814	37,814	42,574	42,574	47,028	47,028	11,052	11,052	12,195	12,195
Amortization	72	72	6,550	6,550	15,873	15,873	1,946	1,946	1,951	1,951
Interest Expense	5,043	7,364	7,103	9,424	14,781	17,102	3,606	4,186	3,506	4,086
Expenses paid by long-term issuances	2,036	2,036	2,305	2,305	1,273	1,273	525	525	291	291
Unrealized (gain) loss on securities	14,132	14,132	(14,428)	(14,428)	(3,300)	(3,300)	15,731	15,731	(8,350)	(8,350)
Realized loss on sale of assets	883	883	2,877	2,877	616	616	121	121	61	61
Loss on extinguishment of debt	0	0	0	0	0	0	0	0	0	0
Entrance fee proceeds (less refunds)	37,217	37,217	47,802	47,802	15,215	15,215	1,450	1,450	(2,608)	(2,608)
Income available for debt service	\$48,509	\$48,509	\$55,543	\$55,543	\$54,295	\$54,295	\$7,348	\$7,348	\$3,811	\$3,811
Annual debt service payment (d)	\$11,238		\$18,086		\$22,832		\$22,832		\$27,005	
Annual debt service coverage (c)(d)	4.3		3.1		2.4		1.3		0.6	
Maximum annual debt service payment (d)(e)	26,268	34,748	29,837	34,748	29,837	34,748	29,837	34,748	29,837	34,748
Maximum annual debt service coverage (c)(d)(e)	1.8	1.4	1.9	1.6	1.8	1.6	1.0	0.8	0.5	0.4
Cash to Debt										
Unrestricted cash and investments (a)	\$151,450	\$151,450	\$185,421	\$185,421	\$202,035	\$202,035	\$164,315	\$164,315	\$208,182	\$208,182
Debt service reserve fund	37,585	37,585	37,867	37,867	37,847	37,847	38,525	38,525	36,649	36,649
	\$189,035	\$189,035	\$223,288	\$223,288	\$239,882	\$239,882	\$202,840	\$202,840	\$244,831	\$244,831
Bonds outstanding long-term	\$359,047	\$508,727	\$505,191	\$654,871	\$497,331	\$647,011	\$503,990	\$653,670	\$497,198	\$646,878
Maximum annual debt service	26,268	35,143	29,565	35,143	29,565	35,143	29,565	35,143	29,565	35,143
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.5	0.4	0.4	0.3	0.5	0.4	0.4	0.3	0.5	0.4
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	7.2	5.4	7.5	6.4	8.0	6.9	6.8	5.8	8.2	7.0
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	\$193,586	\$195,907	\$214,493	\$216,814	\$236,958	\$239,279	\$60,223	\$60,803	\$58,195	\$58,775
Daily expenses	530	537	588	594	647	654	662	668	647	653
Days of unrestricted cash & investments on hand (b)(c)	286	282	316	312	312	309	248	246	322	319

	Year Ending December 31, 2018		Year Ending December 31, 2019		Year Ending December 31, 2020		Three Months Ended March 31, 2020		Three Months Ended March 31, 2021	
	Historical	Proforma	Historical	Proforma	Historical	Proforma	Historical	Proforma	Historical	Proforma
Other Ratios										
Net operating margin (b)(c)	1.9%	-	1.8%	-	7.5%	-	4.4%	-	7.9%	-
Net operating margin, adjusted (b)(c)	16.1%	-	17.3%	-	13.4%	-	6.9%	-	3.7%	-
Adjusted debt to capitalization (b)(c)	83.4%	-	87.4%	-	91.1%	-	91.2%	-	91.2%	-

(a) The balances include the Cash & Cash Equivalents, Investments, and the Florida operating and renewal and replacement reserve funds.

(b) The financial ratios above include those monitored monthly by Litespace and two other ratios included in the financing documents.

(c) Latest FITCH for Investment Grade medians used as benchmarks are as follows: net operating margin of 6.5%, net operating margin, adjusted of 22.5%, maximum annual debt service of 2.5 times, days cash on hand of 528 and adjusted debt to capitalization of 54.0%. The latest "BBB" ratings are as follows: net operating margin of 6.7%, net operating margin, adjusted of 23.0%, maximum annual debt service of 2.2 times, days cash on hand of 496 and adjusted debt to capitalization of 61.1%.

(d) At June 30, 2019, without the inclusion of the Deerfield 2019 guarantee payments of \$2,426, ratios would be annual debt service coverage of 2.3 times and maximum annual debt service would 1.5 times.

(e) Pro Forma Maximum Annual Debt Service is calculated assuming the Series 2019A-2 Bonds, Series 2021D Bonds and \$15,000,000 principal amount of the Series 2021B Bonds are repaid with initial entrance fees on or prior to December 31, 2026 in line with management of the Corporation's expectations. There can be no assurance that such repayment will occur by such time. See "IMPROVEMENTS TO THE COMMUNITIES – Anticipated Application of Initial Entrance Fees from Redevelopment Projects" above.

Management Projections:

The tables below set forth certain financial projects prepared by Management of the Corporation as of August 19, 2021. These projections include the sale of Grand Lodge on August 1, 2021, the inclusion of Querencia in the Obligated Group, as well as the cash distribution from the Obligated Group for the purchase of Newcastle. These projections were prepared solely by the Corporation and have not been reviewed by the Corporation’s independent certified public accountants. These projections are based solely on Management’s assumptions as described below and constitute “forward-looking statements.” The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from that which is described below. There will usually be differences between the projected and actual results and those differences may be material. The Corporation does not intend to issue any updates or revisions to these projections. See “**RISK FACTORS – Management Projections**” in the forepart of this Official Statement.

Forecast Assumptions

Obligated Group - All Communities and Redevelopments

	2021	2022	2023	2024	2025	2026
Apartments	79.6%	82.1%	79.7%	83.2%	86.2%	87.9%
ALU	81.6%	89.1%	92.3%	92.9%	93.3%	93.6%
HC	88.0%	90.2%	91.1%	91.7%	92.2%	92.8%
MS	72.8%	84.3%	87.0%	87.9%	88.8%	89.6%
Apartments Available	2,962	3,008	3,153	3,153	3,153	3,153
Apartments Occupied	2,358	2,468	2,514	2,624	2,719	2,770
Double Occupants	542	572	582	592	601	612
Assisted Living Units Available	277	282	282	282	282	282
Assisted Living Units Occupied	226	251	260	262	263	264
Health Center Beds Available	799	796	796	796	796	796
Health Center Beds Occupied	703	718	725	730	734	739
Memory Support Units Available	157	163	163	163	163	163
Memory Support Units Occupied	115	137	142	143	145	146
Operating Fees Increases - Apartments	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Overall Average Inflation Increases	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Operating Fees Increases - HC	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Operating Fees Increases - ALU	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Operating Fees Increases - MS	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Operating Fees Increases - RCF	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Lifespace Communities Obligated Group

Management Projections

Prepared on August 19, 2021

Fiscal Years Ending December 31,

	2021	2022	2023	2024	2025	2026
Operating Revenue	\$258,056,990	\$279,278,859	\$292,614,347	\$307,610,448	\$321,817,890	\$331,439,937
Entrance Fees Received	41,765,340	51,118,160	54,282,733	57,616,372	68,283,535	70,332,041
	\$299,822,331	\$330,397,019	\$346,897,080	\$365,226,820	\$390,101,424	\$401,771,978
Operating Expenses	247,520,477	259,333,173	270,322,412	279,202,199	285,900,645	294,752,526
	\$52,301,853	\$71,063,846	\$76,574,668	\$86,024,620	\$104,200,779	\$107,019,452
Net Operating Margin	3.4%	6.5%	7.0%	8.6%	10.6%	10.5%
Net Operating Margin Adjusted (excluding Initial Entrance Fees)	17.4%	21.5%	22.1%	23.6%	26.7%	26.6%
Daily Operating Expenses	\$750,960	\$782,766	\$814,174	\$836,712	\$852,886	\$876,175
Cash and Cash Equivalents	\$200,455,466	\$257,888,507	\$289,990,086	\$327,663,622	\$389,723,568	\$433,306,607
Days Cash on Hand	267	329	356	392	457	495
Net Operating Margin	\$8,794,076	\$18,150,976	\$20,443,383	\$26,504,240	\$33,956,116	\$34,667,448
Investment Income	6,933,869	6,838,101	7,029,759	7,195,562	7,367,009	11,487,890
Redevelopment marketing expenses add back	2,334,489	-	1,875,000	1,875,000	-	-
Less "Initial" Entrance Fees on New Projects	(45,196,915)	(36,059,044)	(13,979,947)	(42,867,940)	(14,070,490)	(933,706)
Plus net entrance fees received	86,962,255	87,177,204	68,262,680	100,484,311	82,354,024	71,265,748
Net available for debt service	\$59,827,774	\$76,107,237	\$83,630,875	\$93,191,174	\$109,606,660	\$116,487,380

Lifespace Communities Obligated Group

Management Projections

Prepared on August 19, 2021

Fiscal Years Ending December 31,

	2021	2022	2023	2024	2025	2026
<u>Annual Debt Service</u>						
Principal Payments	\$34,991,108	\$6,278,972	\$16,131,668	\$49,099,280	\$12,514,052	\$23,365,000
Less: Principal on "Temporary Debt" and Application of Associated Debt Service Reserve Funds	(26,850,000)	-	-	-	-	-
Less: Debt Paid by "Initial" Entrance Fees on New Projects	-	-	(9,011,668)	(41,424,280)	(4,564,052)	(15,000,000)
Funded Interest	(4,049,264)	(3,151,641)	(2,906,470)	-	-	-
Interest	24,837,528	24,581,741	25,002,683	24,293,723	23,441,588	23,031,207
Annual Debt Service	\$28,929,372	\$27,709,071	\$29,216,213	\$31,968,723	\$31,391,588	\$31,396,207
Debt Service Coverage Ratio (DSCR)	2.07x	2.75x	2.86x	2.92x	3.49x	3.71x
DSCR – Excluding net entrance fees	0.30x	0.66x	0.70x	0.83x	1.08x	1.10x
Unrestricted cash to debt	32.3%	42.6%	49.2%	60.7%	74.4%	84.7%

APPENDIX B

AUDITED FINANCIAL STATEMENTS

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LIFESPACE OBLIGATED GROUP
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**LIFESPACE OBLIGATED GROUP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifespace Obligated Group
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lifespace Obligated Group, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Master Trust Indenture dated as of November 1, 2010, amended November 1, 2016; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lifespace Obligated Group as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance the Master Trust Indenture dated as of November 1, 2010, amended November 1, 2016.

Report on Supplementary Information


Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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.

Basis of Accounting

We draw attention to Note 2 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the basis of the financial reporting provisions specified in the Master Trust Indenture dated as of November 1, 2010, amended November 1, 2016, as discussed in Note 2, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the agreement referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of the Lifespace Obligated Group, and the and the holders of the Series 2001, Series 2003, Series 2004, Series 2005, Series 2010, Series 2014, Series 2015, Series 2016, Series 2018 and Series 2019 bondholders and their bond trustee, U.S. Bank National Association, and Ziegler Capital Markets, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2021

LIFESPACE OBLIGATED GROUP
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	December 31	
	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,508	\$ 11,721
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	139,795	129,453
Accounts and Other Receivables	12,347	11,704
Receivable from Lifespace Communities, Inc.	1,011	406
Inventories	1,034	1,029
Prepaid Insurance and Other	3,123	3,289
Assets Whose Use is Limited - Current	61,507	150,690
Total Current Assets	232,325	308,292
ASSETS WHOSE USE IS LIMITED - Noncurrent	82,770	82,658
PROPERTY AND EQUIPMENT, AT COST		
Land and Improvements	63,074	60,889
Buildings and Improvements	876,846	785,494
Furniture and Equipment	79,055	69,030
Construction-in-Progress	131,758	126,926
Subtotal	1,150,733	1,042,339
Less: Accumulated Depreciation	493,229	449,572
Net Property and Equipment	657,504	592,767
GOODWILL , Net of Accumulated Amortization	42,259	47,541
DEFERRED EXPENSES , Net of Accumulated Amortization	1,135	1,011
INTANGIBLE ASSET , Net of Accumulated Amortization	2,755	2,755
Total Assets	\$ 1,018,748	\$ 1,035,024

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(IN THOUSANDS)

LIABILITIES AND NET ASSETS	December 31	
	2020	2019
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 23,588	\$ 16,415
Lifespace Communities, Inc.	25	1,893
Accrued Liabilities:		
Employee Compensation Expense	7,402	6,438
Interest	2,787	2,592
Property Taxes	1,392	1,326
Other	3,284	3,359
Total Accrued Liabilities	14,865	13,715
Entrance Fee Refunds	6,297	4,713
Reserve for Health Center Refunds	28,774	34,571
Long-Term Debt Due within One Year	9,986	6,794
Obligation under Leases Due within One Year	727	649
Total Current Liabilities	84,262	78,750
LONG-TERM LIABILITIES		
Entrance Fee Deposits	11,424	12,368
Wait List Deposits	1,558	1,782
Long-Term Debt Due after One Year	467,443	474,699
Obligation under Leases Due after One Year	1,151	1,282
Deferred Entrance Fees	145,051	160,189
Refundable Entrance and Membership Fees	399,510	397,953
Total Long-Term Liabilities	1,026,137	1,048,273
Total Liabilities	1,110,399	1,127,023
NET ASSETS WITHOUT DONOR RESTRICTIONS		
	(91,651)	(91,999)
Total Liabilities and Net Assets without Donor Restrictions	\$ 1,018,748	\$ 1,035,024

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(IN THOUSANDS)

	Year Ended December 31	
	2020	2019
REVENUES		
Independent Living Fees	\$ 122,443	\$ 125,779
Entrance Fees Earned and Nonrefundable Fees	30,764	29,675
Skilled Nursing and Assisted Living Fees	95,596	82,180
Other	8,241	784
Total Revenues	257,044	238,418
EXPENSES		
Operating Expenses:		
Salaries and Benefits	111,107	106,728
General and Administrative	48,994	47,154
Plant Operations	14,550	14,535
Housekeeping	1,524	1,583
Dietary	22,429	22,811
Medical and Other Resident Care	10,974	11,248
Depreciation	46,129	42,081
Amortization	5,553	5,443
Interest	12,969	6,428
Loss on Disposal of Property and Equipment	597	2,917
Total Expenses	274,826	260,928
NONOPERATING INCOME		
Investment Income	20,409	23,621
EXCESS OF REVENUES OVER EXPENSES	2,627	1,111
OTHER CHANGES IN NET ASSETS		
Contributions to Lifespace Communities, Inc.	(2,279)	(2,897)
CHANGES IN NET ASSETS	348	(1,786)
Net Assets - Beginning of Year	(91,999)	(90,213)
NET ASSETS - END OF YEAR	\$ (91,651)	\$ (91,999)

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 348	\$ (1,786)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Entrance Fees Earned	(30,754)	(29,664)
Proceeds from Nonrefundable Entrance Fees and Deposits	23,360	34,255
Refunds of Entrance Fees	(5,647)	(4,770)
Depreciation and Amortization	51,682	47,524
Amortization of Financing Costs	471	422
Net Accretion of Original Issue Premium and Discounts on Bonds	(1,334)	(1,230)
Change in Unrealized Appreciation of Investments	(4,713)	(14,377)
Net (Purchases) Sales of Trading Investments	43,572	(12,035)
Loss on Disposal of Property and Equipment	597	2,917
Contributions to Lifespace Communities, Inc.	2,279	2,897
Changes in Operating Assets and Liabilities:		
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	(1,311)	615
Trade Accounts Payable and Accrued Liabilities	6,682	(12,712)
Net Cash Provided by Operating Activities	85,232	12,056
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(111,115)	(102,839)

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(IN THOUSANDS)

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing Costs Incurred	\$ -	\$ (1,862)
Proceeds from New Financings	-	110,170
Advances from Line of Credit	3,589	-
Repayment of Long-Term Debt	(6,790)	(6,489)
Payments on Leases	(401)	(408)
Proceeds from Refundable Entrance Fees and Deposits	34,614	60,640
Refunds of Refundable Entrance Fees	(40,933)	(45,203)
Contributions to Lifespace Communities, Inc.	(2,279)	(2,897)
Net Cash Provided (Used) by Financing Activities	<u>(12,200)</u>	<u>113,951</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(38,083)	23,168
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>88,536</u>	<u>65,368</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 50,453</u>	<u>\$ 88,536</u>

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND FUNCTION

Lifespace Communities, Inc. (Lifespace) was incorporated in 1976 as an Iowa nonprofit corporation. Lifespace provides housing, health care, and other related services to the elderly through operation of retirement communities. These communities operate under the “life care” concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the communities for life.

Lifespace owns and operates 15 communities. Eleven communities and the home office are separate divisions. Four communities are a legal entity of which Lifespace is the sole member.

Lifespace established an Obligated Group with 11 communities (Lifespace Obligated Group) under the Master Trust Indenture Agreement dated November 1, 2010, amended November 1, 2016. The Obligated Group is a financial reporting entity only and was created to facilitate financings of the respective Lifespace communities. Under this concept, each of the Obligated Group members is jointly liable for the debt outstanding for the group. The Lifespace Obligated Group is solely responsible for the payment of the long-term debt described in Note 8. The 11 communities creating the Lifespace Obligated Group are:

Operating Name	Location
Abbey Delray	Delray Beach, Florida
Abbey Delray South	Delray Beach, Florida
Harbour’s Edge	Delray Beach, Florida
Friendship Village of Bloomington	Bloomington, Minnesota
The Waterford	Juno Beach, Florida
Friendship Village of South Hills	Upper St. Clair, Pennsylvania
Beacon Hill	Lombard, Illinois
Oak Trace	Downers Grove, Illinois
Village on the Green	Orlando, Florida
Grand Lodge at the Preserve	Lincoln, Nebraska
Claridge Court	Prairie Village, Kansas

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND FUNCTION (CONTINUED)

The following division and entities of Lifespace are not members of the Obligated Group. As these entities have no obligation for the payment of long-term debt in Note 8, they are not included in these consolidated financial statements:

<u>Legal/ Operating Entity</u>	<u>Location</u>
Home Office	West Des Moines, Iowa
Deerfield	Urbandale, Iowa
Edgemere	Dallas, Texas
The Stayton	Ft. Worth, Texas
Querencia	Austin, Texas
Prairie View Club	Prairie Village, Kansas
Lifespace Foundation	West Des Moines, Iowa
Lifespace Services, Inc.	West Des Moines, Iowa
Lifespace Management, Inc.	West Des Moines, Iowa
Seniority, Inc.	Addison, Texas
SQLC	Addison, Texas
Augustine Home Health Texas, LLC (50%)	Dallas, Texas

Lifespace provides multiple services to the Lifespace Obligated Group, including accounting, compliance, construction management, corporate governance, financing, human resources, information technology, insurance, legal, management, marketing, risk management, and treasury. Lifespace allocates home office expenses to all communities it operates. Lifespac Obligated Group’s portion of the home office allocation was \$16,078 and \$21,450 for the years ended December 31, 2020 and 2019, respectively.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Lifespace Obligated Group consolidated financial statements are not intended to represent the consolidated financial position and activities of Lifespace and all of its subsidiaries. The Master Indenture requires the preparation of the Lifespace Obligated Group consolidated financial statements which present the consolidated balance sheet, consolidated statement of operations and changes in net assets without donor restrictions, and consolidated cash flows of the Lifespace Obligated Group. Group consolidated financial statements present the financial position and activities of the Lifespace Obligated Group only and omit any other entities affiliated with the Lifespace Obligated Group, which would otherwise be required to be consolidated with the Lifespace Obligated Group under accounting principles generally accepted in the United States of America (“GAAP”).

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The assets and liabilities and net assets of the Lifespace Obligated Group are reported as follows:

Without donor restrictions – Those resources over which the Board of Directors has discretionary control. “Board Designated” amounts represent those resources which the board has set aside for a particular purpose.

With donor restrictions – Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

As December 31, 2020 and 2019, no net assets with donor restrictions were held by the Lifespace Obligated Group.

Investments

The majority of investments are held in two pooled common trust funds. One pooled common trust fund consists of a money market investment, fixed income securities, and equity securities while the second consists of a money market investment and fixed income securities. Each participant in the pooled common trust funds own shares of the fund. All pooled common trust fund shares are valued on a daily basis, based on the fair market value of each individual investment comprising the fund. Fair values are determined based on readily determinable market values. See Note 4 on the determination of fair value.

The Lifespace Obligated Group's investment portfolio, including the underlying investments of the pooled common trust fund, is designated as trading. Changes in unrealized gains and losses on investments designated as trading are reported within the investment income. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. The Lifespace Obligated Group provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables over 90 days. Past-due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was \$873 and \$747 at December 31, 2020 and 2019, respectively.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Reserve Fund

The Lifespace Obligated Group has established a common reserve fund under policy guidelines adopted by Lifespace for the mutual support, assistance, and protection of eligible Lifespace communities. At December 31, 2020 and 2019, the Lifespace Obligated Group's common reserve fund of \$48,553 and \$42,531, respectively, is reflected as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest, when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets. During the years ended December 31, 2020 and 2019, the Lifespace Obligated Group capitalized interest charges of \$5,070 and \$7,652, respectively.

Credit Risk

The Lifespace Obligated Group maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. The Lifespace Obligated Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Lifespace Obligated Group grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	December 31	
	2020	2019
Medicare	24 %	26 %
Medicaid	5	8
Residents and Other Third-Party Payors	71	66
Total	100 %	100 %

Inventory

Inventory consists principally of food, plant supplies, medical supplies, and housekeeping supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of employee, resident and future resident funds held in trust by the Lifespace Obligated Group as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that may be used for obligations classified as current liabilities or that may be used to pay construction costs are reported as current assets.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired. In May 2019, the accounting standards were updated allowing the Lifespace Obligated Group to elect to amortize goodwill. The Lifespace Obligated Group made this election, which applies to all existing and future goodwill.

Goodwill of \$52,823 was recorded as part of the Oak Trace acquisition. Starting January 1, 2019, this goodwill is amortized on a straight-line basis over 10 years. The accumulated amortization was \$10,564 and \$5,282 at December 31, 2020 and 2019, respectively.

Deferred Expenses

Net deferred expenses of \$1,135 and \$1,011 at December 31, 2020 and 2019, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The accumulated amortization was \$287 and \$17 in 2020 and 2019, respectively.

Intangible Assets

Intangible assets were recognized in the Oak Trace acquisition pertaining to health care bed licenses in the amount of \$2,755. The value associated with the health care bed licenses are not amortized. Oak Trace intangible assets are evaluated for impairment on an annual basis or more frequently if impairment indicators arise.

Entrance and Membership Fees

Entrance and membership fees represent payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. However, under the terms of the residency agreements, refunds of these fees will generally be paid from the proceeds of fees received from a successor resident. Therefore, these amounts are similar to a “permanent funding” arrangement except that the residents do not acquire an interest in the real estate and property of the community.

The Lifespace Obligated Group presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred entrance fees. This deferred entrance fee is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the deferred entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance and Membership Fees (Continued)

Under the return-of-capital plan, a portion of the entrance fee (0% to 50%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident upon termination of occupancy after receipt of a new entrance fee from a successor resident. This refundable portion is recorded as a liability until the time of payment.

The initial residents of Village on the Green and Harbour's Edge were required to pay an entrance fee consisting of an admission fee and a membership fee at the time of occupancy of an independent living home in the community. The membership entitles the holder to occupy a particular independent living home as well as access to the skilled nursing center and common areas of the community. The membership fees collected on sales to initial residents are recorded as a liability. Upon death or termination of occupancy, the community purchases the membership contract to sell as a return-of-capital contract.

The following is a summary of deferred entrance fees and refundable entrance and membership fees:

	December 31	
	2020	2019
Deferred Entrance Fees	\$ 145,051	\$ 160,189
Refundable Entrance and Membership Fees	399,510	397,953
Total	\$ 544,561	\$ 558,142

In addition, residents have the option at the time of initial occupancy to upgrade from the Lifespace Obligated Group's standard model of the independent living home they have selected at an additional cost to the resident. The additional amount received from the resident are in the nonrefundable entrance fees and are amortized consistent as the traditional contracts above.

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which the Lifespace Obligated Group expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, the Lifespace Obligated Group bills independent living and assisted living fees at the beginning of the month. The Lifespace Obligated Group bills skilled nursing residents and third-party payors in the month following the services being performed. Revenue for all communities is recognized as performance obligations are satisfied.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Performance obligations are determined based on the nature of the services provided by the Lifespace Obligated Group. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Lifespace Obligated Group believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in an independent or assisted living apartment, or receiving skilled nursing services over a period of time. The Lifespace Obligated Group measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of the Lifespace Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, the Lifespace Obligated Group has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Lifespace Obligated Group determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. The Lifespace Obligated Group determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Lifespace Obligated Group's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2020 or 2019.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Lifespace Obligated Group estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

The Lifespace Obligated Group has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The composition of Resident care service revenue by primary payor for the years ended December 31 are as follows:

	2020	2019
Residency Plan Agreement	\$ 150,572	\$ 149,961
Private Pay	26,295	21,762
Medicare	27,080	23,366
Medicaid	8,432	8,469
HMO/Managed Care	4,781	3,770
Hospice	709	519
Other	170	112
Total	\$ 218,039	\$ 207,959

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based on the lines of business for the years ended December 31 are as follows:

	2020	2019
Service Lines:		
Independent Living	\$ 122,443	\$ 125,779
Skilled Nursing Facility	70,689	66,478
Assisted Living and Memory Care	13,638	7,342
Home Health	11,269	8,360
Total	\$ 218,039	\$ 207,959

The Lifespace Obligated Group has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Lifespace Obligated Group's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payor pays for that service will be one year or less. However, the Lifespace Obligated Group does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The Lifespace Obligated Group has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that the Lifespace Obligated Group otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that the Lifespace Obligated Group otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. The Lifespace Obligated Group regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2020, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2020 and 2019, the customer contract acquisition costs are \$1,422 and \$1,181, respectively. During the years ended December 31, 2020 and 2019, the Lifespace Obligated Group recognized amortization expense of \$244 and \$161, respectively. The net is presented in deferred expenses on the accompanying consolidated balance sheets.

Reserve for Health Center Refunds

The reserve for health center refunds relates to residents with a return-of-capital plan who have been permanently assigned to a higher level of a care, who have given up their independent living home, and it has been reoccupied by a successor resident. The refundable portion of the entrance fee will be paid to the original resident or their estate upon termination of occupancy.

Hardship Discounts

Residents accepted into residency may from time to time, through no fault of their own, run out of financial resources and request financial assistance with their monthly fee and other living expenses. The Lifespace Obligated Group provides such financial assistance (hardship discounts and living expense assistance) to its residents when they have used up their financial resources judiciously, and the community can provide the hardship discount or assistance without jeopardizing the financial well-being of the entire community. The amount of hardship discounts recognized in the consolidated statements of operations and changes in net assets were \$1,383 and \$1,013 for the years ended December 31, 2020 and 2019, respectively.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Net Assets

The consolidated statements of operations has a line entitled “Change in Net Assets” which is an important performance indicator for the Lifespace Obligated Group. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include grant proceeds for capital purposes, assets released from restriction for capital purposes, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

The Lifespace Obligated Group has been granted exemptions from federal income tax under Section 501(c)(3) of the IRC and have been designated as publicly supported organizations (rather than private foundations).

The Lifespace Obligated Group evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is “more likely than not” that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. As of or during the years ended December 31, 2020 and 2019, the Lifespace Obligated Group has not recorded any such tax benefit or expense in the accompanying consolidated financial statements. No examinations are in progress or anticipated at this time. The Lifespace Obligated Group’s federal income tax returns are open to examination for the years ended December 31, 2017 through December 31, 2019.

Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash represent investments routinely used in operations with original maturities of three months or less.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Statements of Cash Flows (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	December 31,	
	2020	2019
Cash and Cash Equivalents	\$ 13,508	\$ 11,721
Restricted Cash included in Assets Whose Use is Limited - Current	22,906	59,514
Restricted Cash included in Assets Whose Use Is Limited - Noncurrent	14,039	17,301
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	<u>\$ 50,453</u>	<u>\$ 88,536</u>

During the years ended December 31, 2020 and 2019, the Lifespace Obligated Group received interest income of \$4,840 and \$6,989, respectively, and paid interest charges of \$21,396 and \$17,582, respectively.

Use of Estimates

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

Future Service Obligation

The Lifespace Obligated Group is obligated to provide future services to residents based upon the resident contracts in place. A liability recognizing an obligation to provide future services to residents is recorded if the present value of future cash outflows, adjusted for certain noncash items, exceeds the present value of future cash inflows, adjusted for unamortized deferred revenue. The comparison between the estimated future costs to serve residents and the revenues from those residents who were parties to a resident agreement resulted in no future service obligations at December 31, 2020 and 2019.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Coronavirus Relief Funds

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Due to the Coronavirus pandemic, there were certain relief funds issued to the Lifespace Obligated Group from the U.S. Department of Health and Human Services (HHS), State of Pennsylvania and the State of Nebraska. The government made available emergency relief grant funds to health care providers through the Coronavirus Aid, Relief and Economic Security Act Provider Relief Fund and other related programs. The relief funds are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. Lifespace Obligated Group considers the relief funds conditional, and therefore the funds are not recognized as revenue until conditions on which they depend are met. The Lifespace Obligated Group received \$8,242 in relief funds, has determined the conditions on which they depend were met, and therefore recognized the relief funds as revenue for the year ended December 31, 2020.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by the Lifespace Obligated Group in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 5).

Fair value is defined as the price the Lifespace Obligated Group Obligated Group would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Lifespace Obligated Group. Unobservable inputs are inputs that reflect the Lifespace Obligated Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date. The type of securities included in Level 1 is listed equities and commercial paper, as applicable.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including the Lifespace Obligated Group's assumptions in determining the fair value of investments). Included in this category is an investment in a charitable remainder trust.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Lifespace Obligated Group in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market-observable inputs. The following is a summary of the inputs used:

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS

A summary of the investments is as follows:

	December 31	
	2020	2019
Money Market Funds	\$ 37,215	\$ 68,815
Pooled Common Trust Fund	175,756	163,013
Corporate Bonds	33,183	84,295
U.S. Government and Federal Agency Bonds	17,284	24,350
Foreign Domiciled U.S. Equity Securities	20,602	22,204
Municipal Bonds	32	124
Total	\$ 284,072	\$ 362,801

The investments noted above are represented in the consolidated balance sheets in the following line items:

	December 31	
	2020	2019
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	\$ 139,795	\$ 129,453
Assets Whose Use is Limited – Current	61,507	150,690
Assets Whose Use is Limited – Noncurrent	82,770	82,658
Total	\$ 284,072	\$ 362,801

A majority of the Lifespace Obligated Group's investments are held in two pooled common trust funds, which are administered by an outside investment advisor. The asset allocation of the pooled common trust funds is as follows:

	December 31	
	2020	2019
Money Market Funds	4 %	2 %
U.S. Government Obligations	12	22
Corporate Bonds	28	23
Asset-Backed Securities	5	5
Common Stock	46	46
Mortgage Backed Securities	5	2
Total	100 %	100 %

The Lifespace Board of Directors is responsible for determining asset allocations through an investment policy governing the outside investment advisor. The Finance and Investment Committee meets periodically with the outside investment advisor to review targeted allocations, discuss specific investments, and, if necessary, adjust targeted asset allocations.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS (CONTINUED)

Investment income is comprised of the following:

	December 31	
	2020	2019
Dividend and Interest Income	\$ 4,840	\$ 6,989
Net Realized Gains on Investments	10,856	2,255
Change in Unrealized Appreciation of Investments	4,713	14,377
Total Investment Income	<u>\$ 20,409</u>	<u>\$ 23,621</u>

Investment management and custodial fees amounted to \$543 and \$443 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, the Lifespace Obligated Group has a working capital surplus of \$148,063 and \$229,542 and days cash on hand of 310 and 303, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	December 31,	
	2020	2019
Cash and Cash Equivalents	\$ 13,508	\$ 11,721
Investments in Trading Portfolio, at Fair Value	139,795	129,453
Accounts and Other Receivables	13,826	12,351
Assets Whose Use is Limited	144,277	233,348
Total Financial Assets	<u>311,406</u>	<u>386,873</u>
Less Amounts Unavailable to be Used		
Within One Year:		
Operating and Renewal and Replacement Funds	34,407	31,659
Funds Held by Trustee	95,715	184,821
Entrance Fee and Wait List Deposits	14,061	16,834
Team Member Appreciation Funds	94	34
Total Unavailable Within One Year	<u>144,277</u>	<u>233,348</u>
Financial Expenditures Available to Meet Cash Needs		
Within One Year	<u>\$ 167,129</u>	<u>\$ 153,525</u>

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of generally 10% of the entrance fee is collected. The balance of the fee is payable prior to occupancy, but generally no later than 90 days from the date of the agreement. Generally, depositors may cancel their residency agreements at any time prior to admission and receive at least a partial refund of their deposit.

At December 31, 2020 and 2019, deposits of \$11,424 and \$12,368, respectively, had been received from future residents who have signed residency agreements and an approximate additional \$102,816 and \$111,312, respectively, is due upon occupancy by the future residents. Funds on deposit are generally classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2020 and 2019, the Lifespace Obligated Group had nine and eight residents on the deferred entrance fee contract, respectively, and will pay the final portion of \$1,386 and \$989, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

NOTE 7 CONSTRUCTION IN PROGRESS

The Lifespace Obligated Group has construction in progress of \$131,758 and \$126,926 at December 31, 2020 and 2019, respectively. A portion of this represents updates to common areas at various communities. For the years ended December 31, 2020 and 2019, \$7,717 and \$5,612 of construction payables are recorded in accounts payable, respectively.

Three of the communities are in the process of significant construction at December 31, 2020. During 2019, there were five construction projects of which two construction projects were completed and opened in 2020. The construction in progress is \$121,881 and \$115,333 at December 31, 2020 and 2019, respectively. As with any construction project, the timing of expenditures and project budget can change through the passage of time or as the project advances in development. The table below reflects what has occurred through December 31, 2020 regarding the five community projects along with future construction expectations through 2021 which are subject to change.

Approved Project Costs	\$ 421,781
Costs Already Paid	(258,667)
Project Funds Available	(53,967)
Future Financing and Internal Cash Sources	<u>\$ 109,147</u>

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 FINANCING AGREEMENTS

Long-term debt for the consolidated entity consisted of the following:

	December 31	
	2020	2019
Revenue Bonds:		
Series 2019, 2.875% - 5.0%	\$ 106,065	\$ 106,065
Series 2018, 4.125% - 5.0%	164,925	164,925
Series 2016, 5.00%	69,544	69,544
Series 2015, 1.5% - 5%	67,346	70,785
Series 2014, adjustable monthly	1,327	1,962
Series 2010, 5.00%	25,686	25,686
Series 2005, 3.375%	1,860	2,785
Series 2005, 2.71%, adjustable December 31, 2020	9,034	9,431
Series 2004, 6.00%	765	930
Series 2004, 4.00%	2,655	2,655
Series 2003, 3.56%, adjustable December 31, 2023	5,321	5,693
Series 2001, 3.40%	992	1,852
Other:		
Line of Credit	3,589	-
Unsecured debt with Lifespace	2,675	2,675
	<u>461,784</u>	<u>464,988</u>
Plus: Net unamortized Original Issue Premium/Discounts on Bonds	23,155	24,490
Less: Unamortized Financing Costs	(7,510)	(7,985)
	<u>477,429</u>	<u>481,493</u>
Less: Amounts Due within One Year	9,986	6,794
Long-Term Debt Due after One Year	<u>\$ 467,443</u>	<u>\$ 474,699</u>

The Lifespace Obligated Group line of credit has a variable interest rate and a maturity date in August 2022.

The Lifespace Obligated Group has unsecured debt with Lifespace, Inc. for operational needs as they occur.

Revenue Bonds

The Lifespace Obligated Group enters into loan or lease agreements with government entities to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of the Lifespace Obligated Group through the issuer. Payments under a loan or lease agreement between the Lifespace Obligated Group and the issuer become the vehicle for servicing the debt on behalf of the Lifespace Obligated Group. The bonds, loan agreements, and lease agreements are reflected in the accompanying consolidated financial statements as financing arrangements and related obligations of the Lifespace Obligated Group.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Revenue Bonds (Continued)

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense.

Long-term debt includes deferred financing costs of \$11,075 as of December 31, 2020 and 2019 which are being amortized over the life of the bonds issued in relation to the debt outstanding. The Lifespace Obligated Group added \$1,862 in new financing costs from the 2019 financing. The accumulated amortization was \$3,565 and \$3,090 in 2020 and 2019, respectively. The annual expense which is included in interest expense was \$472 and \$421 in 2020 and 2019, respectively.

Under the borrowing arrangements, the Lifespace Obligated Group has mortgaged the real property and has granted a security interest to the trustees in the equipment, accounts receivable, and contract rights of its communities; however, the secured interest provides that the liabilities of the Lifespace Obligated Group and Grand Lodge are limited to the revenues and collateral of the respective communities and that, upon litigation thereunder, the amount of any recovery from the Lifespace Obligated Group shall be limited to such assets and shall not extend to any other assets of the Lifespace Obligated Group. The debt arrangements contain various covenants with which the Lifespace Obligated Group must comply.

Lifespace has issued a guarantee on a portion of the Deerfield Retirement Community, Inc.'s outstanding bonds. As this is a related party guarantee, the Deerfield Retirement Community, Inc. debt is not included in the Lifespace Obligated Group balance sheet. Payments under this guarantee were \$2,259 and \$2,457 in 2019 and 2020, respectively. Scheduled maturities of the guaranteed debt are as follows:

<u>Year Ending December 31,</u>	<u>Total Principal and Interest Amount</u>	<u>Portion Payable to Lifespace</u>
2021	\$ 2,777	\$ 1,162
2022	2,382	766
2023	2,382	766
2024	2,382	766
2025	2,382	766
2026	2,382	766
2027	2,382	766
2028	2,382	766
Thereafter	49,698	20,625
Total	<u>\$ 69,149</u>	<u>\$ 27,149</u>

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Revenue Bonds (Continued)

Most of the bonds have level debt service with increasing annual principal payments as interest payments decrease. The term for principal repayment on each series bonds are shown in the table below:

	Principal Payments	
	Next Payment	Final Payment
Revenue Bonds:		
Series 2019	2022	2055
Series 2018	2031	2048
Series 2016	2021	2047
Series 2015	2021	2045
Series 2014	2021	2022
Series 2010	2024	2030
Series 2005	2021	2035
Series 2004	2021	2034
Series 2003	2021	2031
Series 2001	2021	2022

Most of the revenue bonds contain optional prepayment provisions that allow the Lifespace Obligated Group to repay certain bonds prior to maturity at par or various premium rates over defined timeframes. Mandatory repayment of all revenue bonds is without premium.

Scheduled Maturities

At December 31, 2020, scheduled maturities (including mandatory sinking fund requirements) are as follows:

Year Ending December 31,	Amount
2021	\$ 9,986
2022	23,789
2023	14,845
2024	7,650
2025	7,753
Thereafter	397,761
Total	\$ 461,784

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Restricted Assets

Under the terms of the Lifespace Obligated Group's various financing arrangements, wait list agreements, residency agreements, and state statutes, the use of certain funds has been restricted and shown as assets whose use is limited, as detailed below:

	December 31	
	2020	2019
Operating and Renewal and Replacement Reserve Funds	\$ 34,354	\$ 31,607
Debt Service Reserve Funds	34,302	34,165
Principal and Interest Funds	7,391	16,178
Pennsylvania Liquid Reserve	53	52
Project Funds	54,022	134,322
Cost of Issuance Fund	-	156
Entrance Fee Deposits	12,023	14,518
Wait List Deposits	2,038	2,316
Team Member Appreciation Funds	94	34
Total	144,277	233,348
Less: Current Portion	61,507	150,690
Long-Term Portion	\$ 82,770	\$ 82,658

Fund amounts are classified as current to the extent that they may be used to pay construction costs or liabilities classified as current.

Operating and Renewal and Replacement Reserve Funds

Abbey Delray, Abbey Delray South, Harbour's Edge, The Waterford, and Village on the Green are required by the state of Florida to maintain operating and renewal and replacement reserve funds in amounts sufficient to satisfy certain minimum reserve requirements.

Debt Service Reserve Funds

Under the terms of the Lifespace Obligated Group's various financing arrangements, various series of bonds are required to maintain either a debt service reserve fund equal to the maximum annual principal and interest coming due in any succeeding fiscal year or a balance specified in the trust indenture for the specified series of bonds.

Principal and Interest Funds

Each series of bonds require monthly principal and interest payments or monthly deposits to their debt service funds in an amount sufficient to make periodic principal and interest payments on the respective underlying debt. The Series 2018 and Series 2019 bond financings included approximately 24 months of funded interest that is included in this amount.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 FINANCING AGREEMENTS (CONTINUED)

Pennsylvania Liquid Reserve

South Hills is required by the state of Pennsylvania to maintain reserves calculated from debt service and operating costs. Based on a December 31, 2020 calculation, South Hills is required to maintain \$3,470 in reserves. South Hills has \$6,675 in restricted accounts at December 31, 2020 that meet this requirement.

A majority of the reserves are held in the debt service and debt service reserve funds. When the balance in the debt service and debt service reserve funds is not adequate to meet the Pennsylvania requirement, deposits are made into the Pennsylvania Liquid Reserve account.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Cost of Issuance Fund

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the financing costs that are due.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific independent living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the independent living home and the community requests the funds be disbursed in accordance with the escrow agreement.

Wait List Deposits

Wait list deposits represent deposits collected to secure a position on the waiting list for residency in the respective community.

Team Member Appreciation Funds

Residents at each community may voluntarily establish a fund to provide team member appreciation disbursements.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, the Lifespace Obligated Group provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following for the years ended December 31:

	Year Ended December 31, 2020						
	Program Services					Supporting Services	
	Independent Living	Home Health	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 42,538	\$ 9,978	\$ 42,279	\$ 5,678	\$ 100,473	\$ 10,634	\$ 111,107
General and Administrative	29,748	-	6,315	2,596	38,659	10,335	48,994
Plant Operations	10,501	-	2,869	1,180	14,550	-	14,550
Housekeeping	1,099	-	301	124	1,524	-	1,524
Dietary	16,188	-	4,423	1,818	22,429	-	22,429
Medical and Other Resident Care	922	618	8,736	698	10,974	-	10,974
Depreciation	31,628	-	8,642	3,553	43,823	2,306	46,129
Amortization	4,008	-	1,095	450	5,553	-	5,553
Interest	9,360	-	2,558	1,051	12,969	-	12,969
Total Expense	<u>\$ 145,992</u>	<u>\$ 10,596</u>	<u>\$ 77,218</u>	<u>\$ 17,148</u>	<u>\$ 250,954</u>	<u>\$ 23,275</u>	<u>\$ 274,229</u>

	Year Ended December 31, 2019						
	Program Services					Supporting Services	
	Independent Living	Home Health	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 41,411	\$ 8,320	\$ 43,119	\$ 3,525	\$ 96,375	\$ 10,353	\$ 106,728
General and Administrative	30,375	-	6,658	1,403	38,436	8,718	47,154
Plant Operations	10,897	-	3,005	633	14,535	-	14,535
Housekeeping	1,187	-	327	69	1,583	-	1,583
Dietary	17,101	-	4,716	994	22,811	-	22,811
Medical and Other Resident Care	1,348	162	9,342	396	11,248	-	11,248
Depreciation	29,971	-	8,265	1,741	39,977	2,104	42,081
Amortization	4,081	-	1,125	237	5,443	-	5,443
Interest	4,819	-	1,329	280	6,428	-	6,428
Total Expense	<u>\$ 141,190</u>	<u>\$ 8,482</u>	<u>\$ 77,886</u>	<u>\$ 9,278</u>	<u>\$ 236,836</u>	<u>\$ 21,175</u>	<u>\$ 258,011</u>

The loss on the disposal of property and equipment is excluded for the years ending December 31, 2020 and 2019.

LIFESPACE OBLIGATED GROUP
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NOTE 10 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, the Lifespace Obligated Group elected the practical expedients allowed under the accounting standard and has implemented this standard effective January 1, 2019.

The Lifespace Obligated Group has entered into operating lease agreements for office equipment. The right-of-use asset for these agreements is \$883 and \$526 at December 31, 2020 and 2019, respectively. Payment and the related expenses for these leases is \$272 and \$232 in 2020 and 2019, respectively. The leases have a weighted-average discount rate of 3% and a weighted-average remaining lease term of under three years.

The Lifespace Obligated Group entered into capital leases to finance the purchase of community vehicles in 2017, which upon implementation of the new standard in 2019 are referred to as financing leases. The asset recorded within furniture and equipment on the balance sheet for these agreements is \$826 and \$1,337 at December 13, 2020 and 2019, respectively. The leases have a weighted-average discount rate of 5% and a weighted-average remaining lease term of under two years.

The maturity of operating leases and financing leases are as follows:

<u>Year Ending December 31,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2021	\$ 487	\$ 340
2022	323	226
2023	192	146
2024	43	135
2025	-	81
Thereafter	-	-
PV Discount	(50)	(45)
Total	<u>\$ 995</u>	<u>\$ 883</u>

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 11 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

General and Professional Liability

General and professional liability claims have been asserted against the Lifespace Obligated Group by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of the Lifespace Obligated Group. Incidents occurring through December 31, 2020 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position or operations.

Construction in Progress

As of December 31, 2020, the Lifespace Obligated Group had a number of capital projects ongoing. The Lifespace Obligated Group has entered into various contracts in relation to these capital projects. The total commitments as of December 31, 2020 and 2019 were approximately \$128,658 and \$121,632, respectively.

COVID-19

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Lifespace Obligated Group, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Lifespace Obligated Group is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 22, 2021.

LIFESPACE OBLIGATED GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 EMPLOYEE BENEFIT PLAN

The Lifespace Obligated Group has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from the Lifespace Obligated Group. All employee contributions to the TDA are fully vested, while contributions made by the Lifespace Obligated Group vest over a five-year period. Total expense under this plan was approximately \$1,118 and \$1,034 for the years ended December 31, 2020 and 2019, respectively.

NOTE 13 SUBSEQUENT EVENTS

The Lifespace Obligated Group has evaluated events or transactions that may have occurred since December 31, 2020, that would merit recognition or disclosure in the consolidated financial statements. This evaluation was completed through April 22, 2021, the date the consolidated financial statements were available to be issued. No material recognized or nonrecognized subsequent events were identified for recognition or disclosure in the consolidated financial statements or the accompanying notes to the consolidated financial statements, except for those disclosed above.

**LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
ASSETS														
CURRENT ASSETS														
Cash and Cash Equivalents	\$ 619	\$ 204	\$ 232	\$ 158	\$ 49	\$ 336	\$ 88	\$ 271	\$ 1,661	\$ 656	\$ 582	\$ 4,856	\$ 8,652	\$ 13,508
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	(3,264)	11,105	20,426	8,700	51,391	15,687	10,333	31,725	(6,544)	7,323	1,565	148,447	(8,652)	139,795
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	1,987	1,137	1,000	480	1,007	1,440	10	1,583	1,193	1,225	1,285	12,347	-	12,347
Inventories	203	157	95	287	101	115	21	186	153	89	92	1,499	(488)	1,011
Prepaid Insurance and Other	121	90	64	33	60	252	19	162	74	105	54	1,034	-	1,034
Assets Whose Use is Limited - Current	436	310	188	71	117	850	14	455	93	296	293	3,123	-	3,123
Total Current Assets	<u>1,830</u>	<u>203</u>	<u>1,343</u>	<u>54</u>	<u>34,230</u>	<u>3,143</u>	<u>1</u>	<u>338</u>	<u>658</u>	<u>686</u>	<u>19,021</u>	<u>61,507</u>	<u>-</u>	<u>61,507</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	1,932	13,206	23,348	9,783	86,955	21,823	10,486	34,720	(2,712)	10,380	22,892	232,813	(488)	232,325
PROPERTY AND EQUIPMENT, AT COST	11,556	7,065	2,736	711	13,303	6,175	-	10,365	13,555	9,293	8,011	82,770	-	82,770
Land and Improvements	5,808	2,140	5,828	2,400	3,888	7,598	2,605	11,553	9,721	7,101	4,432	63,074	-	63,074
Buildings and Improvements	110,042	70,201	83,493	40,709	93,243	110,461	31,374	125,620	82,792	78,669	50,242	876,846	-	876,846
Furniture and Equipment	9,988	7,453	7,581	6,136	7,411	15,809	1,299	7,906	7,100	4,518	3,854	79,055	-	79,055
Construction-in-Progress	960	908	140	721	63,275	1,006	1,041	716	10,968	3,812	48,211	131,758	-	131,758
Subtotal	126,798	80,702	97,042	49,966	167,817	134,874	36,319	145,795	110,581	94,100	106,739	1,150,733	-	1,150,733
Less: Accumulated Depreciation	57,620	48,715	56,385	27,817	64,140	57,022	13,482	71,260	17,069	45,505	34,214	493,229	-	493,229
Net Property and Equipment	69,178	31,987	40,657	22,149	103,677	77,852	22,837	74,535	93,512	48,595	72,525	657,504	-	657,504
GOODWILL, Net of Accumulated Amortization	-	-	-	-	-	-	-	-	42,259	-	-	42,259	-	42,259
DEFERRED EXPENSES, Net of Accumulated Amortization	141	56	156	47	112	104	56	108	131	121	103	1,135	-	1,135
INTANGIBLE ASSET, Net of Accumulated Amortization	-	-	-	-	-	-	-	-	2,755	-	-	2,755	-	2,755
Total Assets	<u>\$ 82,807</u>	<u>\$ 52,314</u>	<u>\$ 66,897</u>	<u>\$ 32,690</u>	<u>\$ 204,047</u>	<u>\$ 105,954</u>	<u>\$ 33,379</u>	<u>\$ 119,728</u>	<u>\$ 149,500</u>	<u>\$ 68,389</u>	<u>\$ 103,531</u>	<u>\$ 1,019,236</u>	<u>\$ (488)</u>	<u>\$ 1,018,748</u>

LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2020
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
LIABILITIES AND NET ASSETS														
CURRENT LIABILITIES														
Accounts Payable:														
Trade	\$ 912	\$ 856	\$ 975	\$ 266	\$ 10,716	\$ 979	\$ 317	\$ 994	\$ 923	\$ 360	\$ 6,290	\$ 23,588	\$ -	\$ 23,588
Lifespace Communities, Inc.	39	57	28	334	-	-	-	29	3	23	-	513	(488)	25
Accrued Liabilities:														
Employee Compensation Expense	786	665	860	426	696	692	155	891	1,047	616	568	7,402	-	7,402
Interest	273	40	313	40	552	381	-	67	567	135	419	2,787	-	2,787
Property Taxes	2	-	192	139	698	-	183	33	97	48	-	1,392	-	1,392
Other	280	337	328	187	247	465	31	341	473	345	250	3,284	-	3,284
Entrance Fee Refunds	552	271	518	-	375	522	-	2,309	558	543	649	6,297	-	6,297
Reserve for Health Center Refunds	-	-	5,562	2,354	7,894	5,208	302	1,088	5,806	-	560	28,774	-	28,774
Long-Term Debt Due within One Year	910	300	1,698	696	-	431	810	537	-	4,604	-	9,986	-	9,986
Obligations under Leases	86	83	50	33	49	91	6	85	127	87	30	727	-	727
Total Current Liabilities	3,840	2,609	10,524	4,475	21,227	8,769	1,804	6,374	9,601	6,761	8,766	84,750	(488)	84,262
LONG-TERM LIABILITIES														
Entrance Fee Deposits	6	48	64	-	6,066	-	-	305	4,815	4	116	11,424	-	11,424
Wait List Deposits	-	1	25	50	1,341	65	7	29	26	6	8	1,558	-	1,558
Long-Term Debt Due After One Year	45,153	6,565	20,926	7,142	104,386	63,616	13,412	10,957	97,810	22,100	75,376	467,443	-	467,443
Obligations under Leases	193	115	34	82	57	236	18	132	111	142	31	1,151	-	1,151
Deferred Entrance Fees	17,361	17,503	13,878	2,975	14,088	12,332	1,402	22,526	3,531	25,159	14,296	145,051	-	145,051
Refundable Entrance and Membership Fees	-	-	45,534	41,977	69,766	50,640	19,285	88,927	49,125	-	34,256	399,510	-	399,510
Total Long-Term Liabilities	62,713	24,232	80,461	52,226	195,704	126,889	34,124	122,876	155,418	47,411	124,083	1,026,137	-	1,026,137
Total Liabilities	66,553	26,841	90,985	56,701	216,931	135,658	35,928	129,250	165,019	54,172	132,849	1,110,887	(488)	1,110,399
NET ASSETS														
Without Donor Restrictions	16,254	25,473	(24,088)	(24,011)	(12,884)	(29,704)	(2,549)	(9,522)	(15,519)	14,217	(29,318)	(91,651)	-	(91,651)
Total Net Assets	16,254	25,473	(24,088)	(24,011)	(12,884)	(29,704)	(2,549)	(9,522)	(15,519)	14,217	(29,318)	(91,651)	-	(91,651)
Total Liabilities and Net Assets	\$ 82,807	\$ 52,314	\$ 66,897	\$ 32,690	\$ 204,047	\$ 105,954	\$ 33,379	\$ 119,728	\$ 149,500	\$ 68,389	\$ 103,531	\$ 1,019,236	\$ (488)	\$ 1,018,748

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group
REVENUES												
Independent Living Fees	\$ 9,748	\$ 9,954	\$ 17,610	\$ 6,480	\$ 12,309	\$ 14,249	\$ 5,018	\$ 17,655	\$ 8,508	\$ 10,363	\$ 10,549	\$ 122,443
Entrance Fees Earned and Nonrefundable Fees	4,256	4,604	2,661	771	2,474	1,994	285	5,149	712	5,540	2,318	30,764
Skilled Nursing and Assisted Living Fees	13,323	9,517	7,391	3,886	9,018	9,286	500	9,728	18,452	8,112	6,383	95,596
Other	1,041	950	671	460	720	825	101	1,071	957	792	653	8,241
Total Revenues	28,368	25,025	28,333	11,597	24,521	26,354	5,904	33,603	28,629	24,807	19,903	257,044
EXPENSES												
Operating Expenses:												
Salaries and Benefits	13,013	10,504	12,718	5,651	10,988	11,384	1,731	12,280	15,303	9,090	8,445	111,107
General and Administrative	5,784	4,911	4,722	1,910	4,529	5,031	1,439	6,907	5,197	4,222	4,342	48,994
Plant Operations	1,798	1,455	1,574	621	1,253	1,713	371	1,462	1,380	1,475	1,448	14,550
Housekeeping	92	130	119	53	126	197	15	144	187	99	362	1,524
Dietary	2,449	1,999	2,609	1,074	2,287	2,576	787	2,156	2,592	2,033	1,867	22,429
Medical and Other Resident Care	1,338	1,202	1,088	394	744	1,243	77	1,465	1,506	1,116	801	10,974
Depreciation	4,990	3,579	4,759	1,901	4,531	5,592	1,207	6,792	5,347	3,942	3,489	46,129
Amortization	27	34	27	9	27	23	6	43	5,297	38	22	5,553
Interest	1,938	282	1,107	400	338	2,924	472	524	3,606	948	430	12,969
Loss on Disposal of Property and Equipment	81	129	46	4	51	51	27	72	67	57	12	597
Total Expenses	31,510	24,225	28,769	12,017	24,874	30,734	6,132	31,845	40,482	23,020	21,218	274,826
NONOPERATING INCOME												
Investment Income	1,593	1,708	2,148	887	4,905	1,923	1,053	3,628	392	1,483	689	20,409
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(1,549)	2,508	1,712	467	4,552	(2,457)	825	5,386	(11,461)	3,270	(626)	2,627
OTHER CHANGES IN NET ASSETS												
Contributions to Lifespace Communities, Inc.	(41)	(38)	(43)	(19)	(1,917)	(43)	(11)	(53)	(47)	(35)	(32)	(2,279)
CHANGES IN NET ASSETS	(1,590)	2,470	1,669	448	2,635	(2,500)	814	5,333	(11,508)	3,235	(658)	348
Net Assets - Beginning of Year	17,844	23,003	(25,757)	(24,459)	(15,519)	(27,204)	(3,363)	(14,855)	(4,011)	10,982	(28,660)	(91,999)
NET ASSETS - END OF YEAR	<u>\$ 16,254</u>	<u>\$ 25,473</u>	<u>\$ (24,088)</u>	<u>\$ (24,011)</u>	<u>\$ (12,884)</u>	<u>\$ (29,704)</u>	<u>\$ (2,549)</u>	<u>\$ (9,522)</u>	<u>\$ (15,519)</u>	<u>\$ 14,217</u>	<u>\$ (29,318)</u>	<u>\$ (91,651)</u>

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
CASH FLOWS FROM OPERATING ACTIVITIES														
Changes in Net Assets	\$ (1,590)	\$ 2,470	\$ 1,669	\$ 448	\$ 2,635	\$ (2,500)	\$ 814	\$ 5,333	\$ (11,508)	\$ 3,235	\$ (658)	\$ 348	\$ -	\$ 348
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:														
Entrance Fees Earned	(4,255)	(4,604)	(2,657)	(771)	(2,471)	(1,994)	(284)	(5,149)	(711)	(5,540)	(2,318)	(30,754)	-	(30,754)
Proceeds from Nonrefundable Entrance Fees and Deposits	3,409	3,011	1,389	232	2,219	1,602	187	4,766	1,000	2,799	2,746	23,360	-	23,360
Refunds of Entrance Fees	(1,551)	(1,549)	(117)	-	(42)	(5)	-	(536)	(105)	(1,292)	(450)	(5,647)	-	(5,647)
Depreciation and Amortization	5,017	3,613	4,786	1,910	4,558	5,615	1,213	6,835	10,644	3,980	3,511	51,682	-	51,682
Amortization of Financing Costs	45	10	40	13	70	57	20	33	75	32	76	471	-	471
Net Accretion of Original Issue Premium and Discounts	(135)	(51)	(148)	(3)	(143)	(195)	-	(61)	(253)	(173)	(172)	(1,334)	-	(1,334)
Change in Unrealized Appreciation of Investments	(337)	(473)	(522)	(223)	(1,065)	(349)	(264)	(926)	(7)	(377)	(170)	(4,713)	-	(4,713)
Net (Purchases) Sales of Trading Investments	6,091	(940)	(1,723)	761	(8,860)	2,304	(940)	(5,729)	29,755	(1,090)	23,291	42,920	652	43,572
Loss on Disposal of Property and Equipment	81	129	46	4	51	51	27	72	67	57	12	597	-	597
Contributions to Lifespace Communities, Inc.	41	38	43	19	1,917	43	11	53	47	35	32	2,279	-	2,279
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	12	198	(143)	(207)	173	(1,031)	13	(52)	-	59	(333)	(1,311)	-	(1,311)
Accounts Payable and Accrued Liabilities	(3,237)	(499)	237	274	8,265	(1,504)	(38)	(54)	(566)	158	3,646	6,682	-	6,682
Net Cash Provided by Operating Activities	3,591	1,353	2,900	2,457	7,307	2,094	759	4,585	28,438	1,883	29,213	84,580	652	85,232

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchases of Property and Equipment	\$ (4,424)	\$ (1,831)	\$ (1,438)	\$ (748)	\$ (48,913)	\$ (2,958)	\$ (853)	\$ (3,047)	\$ (3,102)	\$ (4,073)	\$ (39,728)	\$ (111,115)	\$ -	\$ (111,115)
CASH FLOWS FROM FINANCING ACTIVITIES														
Transfer of Financing Costs	-	-	-	-	(595)	-	-	-	595	-	-	-	-	-
Transfer of Bond Funds	-	-	-	-	36,680	-	-	-	(36,680)	-	-	-	-	-
Advances from Line of Credit	-	-	-	-	-	-	-	-	-	3,589	-	3,589	-	3,589
Repayment of Other Long-Term Debt	(860)	(290)	(2,035)	(682)	-	(658)	(765)	(516)	-	(984)	-	(6,790)	-	(6,790)
Payments on Leases	(42)	(52)	(15)	(23)	(32)	(37)	(2)	(58)	(63)	(56)	(21)	(401)	-	(401)
Proceeds from Refundable Entrance Fees and Deposits	-	-	3,962	1,649	6,620	3,002	1,544	7,274	7,683	-	2,880	34,614	-	34,614
Refunds of Refundable Entrance Fees	-	-	(3,982)	(3,028)	(8,203)	(3,741)	(941)	(8,998)	(7,873)	-	(4,167)	(40,933)	-	(40,933)
Contributions to Lifespace Communities, Inc.	(41)	(38)	(43)	(19)	(1,917)	(43)	(11)	(53)	(47)	(35)	(32)	(2,279)	-	(2,279)
Net Cash Provided (Used) by Financing Activities	(943)	(380)	(2,113)	(2,103)	32,553	(1,477)	(175)	(2,351)	(36,385)	2,514	(1,340)	(12,200)	-	(12,200)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,776)	(858)	(651)	(394)	(9,053)	(2,341)	(269)	(813)	(11,049)	324	(11,855)	(38,735)	652	(38,083)
Cash and Cash Equivalents and Restricted Cash Beginning of Year	3,330	1,354	3,280	627	27,615	4,819	358	2,131	18,252	1,105	17,665	80,536	8,000	88,536
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,554</u>	<u>\$ 496</u>	<u>\$ 2,629</u>	<u>\$ 233</u>	<u>\$ 18,562</u>	<u>\$ 2,478</u>	<u>\$ 89</u>	<u>\$ 1,318</u>	<u>\$ 7,203</u>	<u>\$ 1,429</u>	<u>\$ 5,810</u>	<u>\$ 41,801</u>	<u>\$ 8,652</u>	<u>\$ 50,453</u>

**LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019
(IN THOUSANDS)**

ASSETS	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
CURRENT ASSETS														
Cash and Cash Equivalents	\$ 462	\$ 24	\$ 9	\$ 203	\$ 139	\$ 190	\$ 40	\$ 64	\$ 1,783	\$ 227	\$ 580	\$ 3,721	\$ 8,000	\$ 11,721
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	655	10,404	18,621	9,563	43,303	16,886	9,446	26,405	(6,130)	6,536	1,764	137,453	(8,000)	129,453
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	2,201	1,345	809	411	1,091	883	19	1,766	976	1,059	1,144	11,704	-	11,704
Inventories	81	77	38	117	43	37	10	112	47	53	32	647	(241)	406
Prepaid Insurance and Other	133	107	54	27	53	249	23	143	68	119	53	1,029	-	1,029
Assets Whose Use is Limited - Current	472	385	372	127	299	259	48	472	241	305	309	3,289	-	3,289
Total Current Assets	<u>5,684</u>	<u>199</u>	<u>1,720</u>	<u>101</u>	<u>40,736</u>	<u>6,363</u>	<u>1</u>	<u>273</u>	<u>40,567</u>	<u>664</u>	<u>54,382</u>	<u>150,690</u>	<u>-</u>	<u>150,690</u>
ASSETS WHOSE USE IS LIMITED														
- Noncurrent	11,470	7,395	2,793	688	13,923	6,198	-	10,115	13,907	8,740	7,429	82,658	-	82,658
PROPERTY AND EQUIPMENT, AT COST														
Land and Improvements	5,101	2,099	5,790	2,400	3,726	6,579	2,603	11,439	9,721	6,999	4,432	60,889	-	60,889
Buildings and Improvements	72,567	68,990	81,017	40,122	91,256	70,710	30,851	122,607	81,696	76,896	48,782	785,494	-	785,494
Furniture and Equipment	6,373	7,363	7,510	6,065	5,220	12,591	1,275	7,687	7,119	4,395	3,432	69,030	-	69,030
Construction-in-Progress	38,976	829	1,535	643	19,039	41,983	797	1,576	9,231	1,684	10,633	126,926	-	126,926
Subtotal	<u>123,017</u>	<u>79,281</u>	<u>95,852</u>	<u>49,230</u>	<u>119,241</u>	<u>131,863</u>	<u>35,526</u>	<u>143,309</u>	<u>107,767</u>	<u>89,974</u>	<u>67,279</u>	<u>1,042,339</u>	<u>-</u>	<u>1,042,339</u>
Less: Accumulated Depreciation	<u>53,348</u>	<u>45,388</u>	<u>51,796</u>	<u>25,914</u>	<u>59,879</u>	<u>51,529</u>	<u>12,304</u>	<u>64,931</u>	<u>11,915</u>	<u>41,603</u>	<u>30,965</u>	<u>449,572</u>	<u>-</u>	<u>449,572</u>
Net Property and Equipment	<u>69,669</u>	<u>33,893</u>	<u>44,056</u>	<u>23,316</u>	<u>59,362</u>	<u>80,334</u>	<u>23,222</u>	<u>78,378</u>	<u>95,852</u>	<u>48,371</u>	<u>36,314</u>	<u>592,767</u>	<u>-</u>	<u>592,767</u>
GOODWILL	-	-	-	-	-	-	-	-	47,541	-	-	47,541	-	47,541
DEFERRED EXPENSES, Net of Accumulated Amortization	127	69	139	38	111	103	39	111	77	122	75	1,011	-	1,011
INTANGIBLE ASSET, Net of Accumulated Amortization	-	-	-	-	-	-	-	-	2,755	-	-	2,755	-	2,755
Total Assets	<u>\$ 90,954</u>	<u>\$ 53,898</u>	<u>\$ 68,611</u>	<u>\$ 34,591</u>	<u>\$ 159,060</u>	<u>\$ 111,502</u>	<u>\$ 32,848</u>	<u>\$ 117,839</u>	<u>\$ 197,684</u>	<u>\$ 66,196</u>	<u>\$ 102,082</u>	<u>\$ 1,035,265</u>	<u>\$ (241)</u>	<u>\$ 1,035,024</u>

LIFESPACE OBLIGATED GROUP
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019
(IN THOUSANDS)

LIABILITIES AND NET ASSETS	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
CURRENT LIABILITIES														
Accounts Payable:														
Trade	\$ 4,140	\$ 1,123	\$ 737	\$ 245	\$ 2,508	\$ 2,365	\$ 332	\$ 914	\$ 1,365	\$ 270	\$ 2,416	\$ 16,415	\$ -	\$ 16,415
Lifespace Communities, Inc.	207	234	199	182	198	182	54	289	229	176	184	2,134	(241)	1,893
Accrued Liabilities:														
Employee Compensation Expense	620	638	794	356	637	585	128	823	834	556	467	6,438	-	6,438
Interest	275	41	162	41	378	385	-	70	713	139	388	2,592	-	2,592
Property Taxes	-	-	200	118	687	96	167	-	48	-	10	1,326	-	1,326
Other	287	419	346	176	236	408	43	313	487	228	416	3,359	-	3,359
Entrance Fee Refunds	337	383	1,108	22	790	617	198	-	590	-	668	4,713	-	4,713
Reserve for Health Center Refunds	-	-	6,512	4,057	8,246	6,580	526	2,053	5,606	-	991	34,571	-	34,571
Long-Term Debt Due within One Year	860	290	2,035	682	-	658	769	516	-	984	-	6,794	-	6,794
Obligations under Leases	61	82	48	35	48	59	6	86	130	56	38	649	-	649
Total Current Liabilities	6,787	3,210	12,141	5,914	13,728	11,935	2,223	5,064	10,002	2,409	5,578	78,991	(241)	78,750
LONG-TERM LIABILITIES														
Entrance Fee Deposits	47	110	59	(69)	6,849	52	-	39	5,246	-	35	12,368	-	12,368
Wait List Deposits	-	1	26	50	1,561	68	5	29	27	6	9	1,782	-	1,782
Long-Term Debt Due After One Year	46,153	6,906	22,732	7,828	68,374	64,185	14,198	11,522	134,073	23,256	75,472	474,699	-	474,699
Obligations under Leases	104	197	83	113	106	102	24	215	199	79	60	1,282	-	1,282
Deferred Entrance Fees	20,019	20,471	15,347	3,515	14,590	12,859	1,498	24,672	3,340	29,464	14,414	160,189	-	160,189
Refundable Entrance and Membership Fees	-	-	43,980	41,699	69,371	49,505	18,263	91,153	48,808	-	35,174	397,953	-	397,953
Total Long-Term Liabilities	66,323	27,685	82,227	53,136	160,851	126,771	33,988	127,630	191,693	52,805	125,164	1,048,273	-	1,048,273
Total Liabilities	73,110	30,895	94,368	59,050	174,579	138,706	36,211	132,694	201,695	55,214	130,742	1,127,264	(241)	1,127,023
NET ASSETS														
Without Donor Restrictions	17,844	23,003	(25,757)	(24,459)	(15,519)	(27,204)	(3,363)	(14,855)	(4,011)	10,982	(28,660)	(91,999)	-	(91,999)
Total Liabilities and Net Assets	\$ 90,954	\$ 53,898	\$ 68,611	\$ 34,591	\$ 159,060	\$ 111,502	\$ 32,848	\$ 117,839	\$ 197,684	\$ 66,196	\$ 102,082	\$ 1,035,265	\$ (241)	\$ 1,035,024

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group
REVENUES												
Independent Living Fees	\$ 10,083	\$ 10,303	\$ 17,582	\$ 6,635	\$ 12,526	\$ 15,256	\$ 5,184	\$ 18,275	\$ 8,535	\$ 10,721	\$ 10,679	\$ 125,779
Entrance Fees Earned and Nonrefundable Fees	3,822	4,115	2,611	802	2,798	1,627	389	5,152	822	5,063	2,474	29,675
Skilled Nursing and Assisted Living Fees	9,982	10,105	5,940	4,039	8,931	6,062	511	8,909	14,083	7,455	6,163	82,180
Other	-	-	-	-	784	-	-	-	-	-	-	784
Total Revenues	23,887	24,523	26,133	11,476	25,039	22,945	6,084	32,336	23,440	23,239	19,316	238,418
EXPENSES												
Operating Expenses:												
Salaries and Benefits	11,205	10,758	12,341	5,651	11,002	10,007	1,611	12,550	14,098	8,805	8,700	106,728
General and Administrative	5,322	5,062	4,301	1,709	4,535	4,679	1,208	6,306	5,947	4,139	3,946	47,154
Plant Operations	1,826	1,671	1,515	663	1,275	1,316	356	1,671	1,237	1,545	1,460	14,535
Housekeeping	93	85	121	59	163	305	34	103	172	98	350	1,583
Dietary	2,283	2,158	2,714	1,193	2,333	2,522	827	2,353	2,373	2,076	1,979	22,811
Medical and Other Resident Care	1,610	1,384	679	444	701	1,123	113	1,557	1,484	1,192	961	11,248
Depreciation	3,751	3,535	4,669	1,935	4,538	4,192	1,204	6,946	4,070	3,689	3,552	42,081
Amortization	12	6	15	5	13	9	59	11	5,292	10	11	5,443
Interest	6	290	1,031	432	354	818	492	541	810	974	680	6,428
Loss on Disposal of Property and Equipment	37	87	131	93	147	124	46	191	1,903	109	49	2,917
Total Expenses	26,145	25,036	27,517	12,184	25,061	25,095	5,950	32,229	37,386	22,637	21,688	260,928
NONOPERATING INCOME												
Investment Income	1,501	2,013	2,588	1,323	6,020	2,588	1,317	3,723	439	1,477	632	23,621
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(757)	1,500	1,204	615	5,998	438	1,451	3,830	(13,507)	2,079	(1,740)	1,111
OTHER CHANGES IN NET ASSETS												
Contributions to Lifespace Communities, Inc.	(63)	(60)	(67)	(30)	(2,328)	(63)	(17)	(87)	(76)	(56)	(50)	(2,897)
CHANGES IN NET ASSETS	(820)	1,440	1,137	585	3,670	375	1,434	3,743	(13,583)	2,023	(1,790)	(1,786)
Net Assets - Beginning of Year	18,664	21,563	(26,894)	(25,044)	(19,189)	(27,579)	(4,797)	(18,598)	9,572	8,959	(26,870)	(90,213)
NET ASSETS - END OF YEAR	\$ 17,844	\$ 23,003	\$ (25,757)	\$ (24,459)	\$ (15,519)	\$ (27,204)	\$ (3,363)	\$ (14,855)	\$ (4,011)	\$ 10,982	\$ (28,660)	\$ (91,999)

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
CASH FLOWS FROM OPERATING ACTIVITIES														
Changes in Net Assets	\$ (820)	\$ 1,440	\$ 1,137	\$ 585	\$ 3,670	\$ 375	\$ 1,434	\$ 3,743	\$ (13,583)	\$ 2,023	\$ (1,790)	\$ (1,786)	\$ -	\$ (1,786)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Entrance Fees Earned	(3,822)	(4,115)	(2,608)	(802)	(2,793)	(1,627)	(389)	(5,152)	(819)	(5,063)	(2,474)	(29,664)	-	(29,664)
Proceeds from Nonrefundable Entrance Fees and Deposits	4,972	3,866	3,490	626	3,745	2,870	217	4,847	731	6,026	2,865	34,255	-	34,255
Refunds of Entrance Fees	(890)	(696)	(230)	-	(2)	(74)	-	(1,474)	(42)	(944)	(418)	(4,770)	-	(4,770)
Depreciation and Amortization	3,763	3,541	4,684	1,940	4,551	4,201	1,263	6,957	9,362	3,699	3,563	47,524	-	47,524
Amortization of Financing Costs	47	10	40	15	42	59	21	35	75	34	44	422	-	422
Net Accretion of Original Issue Premium and Discounts	(131)	(53)	(133)	(4)	(99)	(199)	-	(64)	(260)	(182)	(105)	(1,230)	-	(1,230)
Change in Unrealized Appreciation of Investments	(878)	(1,183)	(1,584)	(824)	(3,746)	(1,534)	(815)	(2,198)	(298)	(828)	(489)	(14,377)	-	(14,377)
Net (Purchases) Sales of Trading Investments	10,360	688	235	389	(2,625)	12,076	(241)	(6,539)	(3)	220	(31,353)	(16,793)	4,758	(12,035)
Loss on Disposal of Property and Equipment	37	87	131	93	147	124	46	191	1,903	109	49	2,917	-	2,917
Contributions to Lifespace Communities, Inc.	63	60	67	30	2,328	63	17	87	76	56	50	2,897	-	2,897
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	(253)	221	(42)	(21)	411	(113)	4	(112)	508	113	(101)	615	-	615
Accounts Payable and Accrued Liabilities	842	(652)	(1,017)	(404)	692	(2,919)	(54)	(535)	(9,815)	(388)	1,538	(12,712)	-	(12,712)
Net Cash Provided (Used) by Operating Activities	13,290	3,214	4,170	1,623	6,321	13,302	1,503	(214)	(12,165)	4,875	(28,621)	7,298	4,758	12,056

LIFESPACE OBLIGATED GROUP
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Eliminations	Adjusted Obligated Group
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchases of Property and Equipment	\$ (27,559)	\$ (2,878)	\$ (3,297)	\$ (1,526)	\$ (15,090)	\$ (16,541)	\$ (1,259)	\$ (3,889)	\$ (19,040)	\$ (4,058)	\$ (7,702)	\$ (102,839)	\$ -	\$ (102,839)
CASH FLOWS FROM FINANCING ACTIVITIES														
Financing Costs Incurred	(59)	-	-	-	(280)	-	-	-	(595)	-	(928)	(1,862)	-	(1,862)
Proceeds from New Financings	8,457	-	-	-	17,578	-	-	-	37,313	-	46,822	110,170	-	110,170
Repayment of Long-Term Debt	(815)	(278)	(1,944)	(650)	-	(631)	(734)	(492)	-	(945)	-	(6,489)	-	(6,489)
Payments on Leases	(42)	(52)	(17)	(20)	(31)	(37)	(2)	(47)	(80)	(55)	(25)	(408)	-	(408)
Proceeds from Refundable Entrance Fees and Deposits	-	-	7,037	5,678	16,860	6,258	2,027	11,078	6,898	-	4,804	60,640	-	60,640
Refunds of Refundable Entrance Fees	-	-	(5,924)	(5,277)	(7,363)	(5,988)	(1,693)	(7,002)	(8,176)	-	(3,780)	(45,203)	-	(45,203)
Contributions to Lifespace Communities, Inc. Net Cash Provided (Used) by Financing Activities	(63)	(60)	(67)	(30)	(2,328)	(63)	(17)	(87)	(76)	(56)	(50)	(2,897)	-	(2,897)
	7,478	(390)	(915)	(299)	24,436	(461)	(419)	3,450	35,284	(1,056)	46,843	113,951	-	113,951
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(6,791)	(54)	(42)	(202)	15,667	(3,700)	(175)	(653)	4,079	(239)	10,520	18,410	4,758	23,168
Cash, Cash Equivalents and Restricted Cash Beginning of Year	10,121	1,408	3,322	829	11,948	8,519	533	2,784	14,173	1,344	7,145	62,126	3,242	65,368
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 3,330</u>	<u>\$ 1,354</u>	<u>\$ 3,280</u>	<u>\$ 627</u>	<u>\$ 27,615</u>	<u>\$ 4,819</u>	<u>\$ 358</u>	<u>\$ 2,131</u>	<u>\$ 18,252</u>	<u>\$ 1,105</u>	<u>\$ 17,665</u>	<u>\$ 80,536</u>	<u>\$ 8,000</u>	<u>\$ 88,536</u>

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LIFESPACE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

LIFESPACE, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lifespace, Inc.
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lifespace, Inc., which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Lifespace, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lifespace, Inc. as of December 31, 2019 and 2018, and the results of its operations and its 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2020

LIFESPACE, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

ASSETS	December 31	
	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 46,245	\$ 20,027
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	163,924	111,366
Accounts and Other Receivables	15,704	15,543
Inventories	1,179	1,125
Prepaid Insurance and Other	5,239	4,329
Assets Whose Use is Limited - Current	158,538	123,020
Total Current Assets	390,829	275,410
 ASSETS WHOSE USE IS LIMITED - Noncurrent	 113,653	 79,566
 PROPERTY AND EQUIPMENT, AT COST		
Land Lease	89,526	-
Land and Improvements	81,824	63,143
Buildings and Improvements	1,177,094	791,265
Furniture and Equipment	88,252	76,873
Construction-in-Progress	131,307	129,576
Subtotal	1,568,003	1,060,857
Less: Accumulated Depreciation	496,115	460,609
Net Property and Equipment	1,071,888	600,248
 GOODWILL, Net of Accumulated Amortization	 120,463	 52,823
 DEFERRED EXPENSES, Net of Accumulated Amortization	 1,180	 622
 INTANGIBLE ASSET, Net of Accumulated Amortization	 39,314	 2,755
Total Assets	\$ 1,737,327	\$ 1,011,424

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(IN THOUSANDS)

LIABILITIES AND NET ASSETS	December 31	
	2019	2018
CURRENT LIABILITIES		
Accounts Payable	\$ 23,246	\$ 31,616
Accrued Liabilities:		
Employee Compensation Expense	11,407	12,608
Interest	11,141	4,253
Property Taxes	4,395	1,947
Other	8,582	7,486
Total Accrued Liabilities	35,525	26,294
Entrance Fee Refunds	5,575	7,698
Reserve for Health Center Refunds	38,927	40,297
Long-Term Debt Due within One Year	13,850	7,410
Obligation under Land Lease Due within One Year	3,728	-
Obligation under Leases Due within One Year	924	425
Total Current Liabilities	121,775	113,740
LONG-TERM LIABILITIES		
Entrance Fee Deposits	14,621	5,554
Wait List Deposits	1,782	2,268
Long-Term Debt Due after One Year	771,929	415,616
Obligation under Land Lease Due after One Year	86,921	-
Obligation under Leases Due after One Year	2,264	1,307
Deferred Entrance Fees	187,390	166,852
Refundable Entrance and Membership Fees	673,220	417,193
Estimated Obligation to Provide Future Services in Excess of Amounts Received or to be Received	2,628	1,194
Total Long-Term Liabilities	1,740,755	1,009,984
Total Liabilities	1,862,530	1,123,724
NET ASSETS		
Non-Controlling Interest (Note 2)	265	-
Without Donor Restrictions (Note 2)	(132,378)	(118,193)
With Donor Restrictions (Note 2)	6,910	5,893
Total Net Assets	(125,203)	(112,300)
Total Liabilities and Net Assets	\$ 1,737,327	\$ 1,011,424

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(IN THOUSANDS)

	Year Ended December 31	
	2019	2018
REVENUES		
Residential Living Fees	\$ 156,196	\$ 129,047
Entrance Fees Earned and Nonrefundable Fees	35,129	33,788
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$56,139 and \$47,395 in 2019 and 2018, Respectively, and Pass-Through Therapy Expenses of \$9,028 and \$9,048 in 2019 and 2018, Respectively	107,320	81,740
Other	1,876	1,273
Total Revenues	300,521	245,848
EXPENSES		
Operating Expenses:		
Salaries and Benefits	145,263	117,544
General and Administrative	51,497	40,348
Plant Operations	19,043	15,217
Housekeeping	1,991	1,601
Dietary	28,420	23,335
Medical and Other Resident Care	15,045	12,031
Depreciation	54,210	43,073
Amortization of Deferred Expenses	12,248	252
Interest	16,877	8,031
Loss on Disposal of Property and Equipment	2,963	988
Decrease in Obligation to Provide Future Services	(4,164)	(1,462)
Total Expenses	343,393	260,958
NONOPERATING INCOME (EXPENSE)		
Investment Income (Expense)	29,969	(4,968)
CHANGES IN NET ASSETS		
	(12,903)	(20,078)
Net Assets - Beginning of Year	(112,300)	(92,222)
NET ASSETS - END OF YEAR	\$ (125,203)	\$ (112,300)

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (12,903)	\$ (20,078)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Entrance Fees Earned	(35,116)	(33,744)
Interest Applied to Long-Term Debt	98	97
Restructured Debt Amortization	(587)	(597)
Proceeds from Nonrefundable Entrance Fees and Deposits	38,061	42,624
Refunds of Entrance Fees	(4,797)	(2,954)
Depreciation and Amortization	66,458	43,325
Amortization of Financing Costs	463	383
Net Accretion of Original Issue Premium and Discounts on Bonds	(1,256)	(996)
Change in Unrealized (Appreciation) Depreciation of Investments	(17,506)	17,031
Net Sales of Trading Investments	(10,272)	(71,575)
Decrease in Obligation to Provide Future Service	(4,164)	(1,462)
Loss on Disposal of Property and Equipment	2,963	988
Change in Entrance Fee Deposits	446	-
Non-Cash Rent Expense	1,123	-
Changes in Operating Assets and Liabilities:		
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	3,338	2,346
Trade Accounts Payable and Accrued Liabilities	(13,305)	21,079
Net Cash Provided by Operating Activities	13,044	(3,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(107,289)	(130,368)

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(IN THOUSANDS)

	Year Ended December 31	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing Costs Incurred	\$ (1,862)	\$ (3,323)
Net Withdrawals from Assets Limited as to Use	767	-
Proceeds from New Financings	110,170	174,087
Repayment of Long-Term Debt	(10,182)	(6,771)
Payments on Leases	(442)	(485)
Cash through Affiliation	29,872	-
Proceeds from Refundable Entrance Fees and Deposits	85,141	57,172
Refunds of Refundable Entrance Fees	(60,975)	(55,623)
Net Cash Provided by Financing Activities	<u>152,489</u>	<u>165,057</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	58,244	31,156
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>75,320</u>	<u>44,164</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 133,564</u>	<u>\$ 75,320</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest Applied to Long-Term Debt	<u>\$ 98</u>	<u>\$ 97</u>

See accompanying Notes to Consolidated Financial Statements.

LIFESPACE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND FUNCTION

Lifespace, Inc. is an Iowa nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC), and is the sole corporate member of Lifespace Communities, Inc. ("Lifespace"), the Lifespace Foundation ("Foundation"), Lifespace Services, Inc. and Lifespace Management, Inc., all of which are also incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa and are tax exempt under Section 501(c)(3) of the IRC. Lifespace Services, Inc. and Lifespace Management, Inc. have no assets or operations for 2019 and 2018.

Lifespace was incorporated in 1976 as an Iowa nonprofit corporation. Lifespace provides housing, health care, and other related services to the elderly through operation of retirement communities. These communities operate under the "life care" concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fees. Generally, these payments entitle residents to the use and privileges of the communities for life.

Prior to January 30, 2018, Lifespace was the sole member of Lifespace DG, LLC d/b/a Oak Trace. On January 30, 2018, Lifespace DG, LLC and Lifespace effectuated a merger pursuant to an Agreement and Plan of Merger (the Plan) dated as of January 30, 2018. Pursuant to the Plan, Lifespace is the survivor of the merger.

Lifespace is the sole member of Deerfield Retirement Community, Inc. ("Deerfield") (Urbandale, IA), which is also a state nonprofit corporation and tax exempt under 501(c)(3). Lifespace is also the sole member of Prairie View Club, Inc. (Prairie Village, Kansas).

On June 20, 2019, Lifespace completed an affiliation with Senior Quality Lifestyles Corporation ("SQLC") and as a result Lifespace is now the sole member of Northwest Senior Housing Corporation, d/b/a Edgemere ("Edgemere"), Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek ("Querencia"), and Tarrant County Senior Living Center, Inc. d/b/a The Stayton at Museum Way ("The Stayton"), as well as a member substitution in SQLC's management company, Seniority, Inc. The consolidated financial statements present the balances of the affiliated entities as of December 31, 2019 on the balance sheet and for the period from June 20, 2019 to December 31, 2019 for the consolidated statements of operations and changes in net assets, and cash flows.

Edgemere and Augustine Management Texas, Inc. ("AMT") formed Augustine Home Health Texas, LLC ("AHHT"), a Texas limited liability company. The purpose of AHHT is to operate as a licensed home and community support services agency that offering personal assistance services to the residents of the Community. Edgemere is the controlling member of AHHT.

The accompanying financial statements include the financial results of divisions and entities of the Lifespace, Inc. companies, which are required to be consolidated in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions eliminate within the consolidation.

LIFESPACE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND FUNCTION (CONTINUED)

Lifespace owns and operates 15 communities. Eleven communities and the home office are separate divisions. Four communities are a legal entity of which Lifespace is the sole member. See listing of entities below.

Generally, each operating community consists of a health care center, residential living homes, and common areas. At Grand Lodge, the health care center is provided off-campus through contractual agreements with an independent third party.

Lifespace established an Obligated Group with 11 of the 15 communities. The Obligated Group is a financial reporting entity only and was created to facilitate financings of the respective Lifespace communities. Under this concept, each of the Obligated Group members is jointly liable for the debt outstanding for the group. The 11 communities of Lifespace creating the Obligated Group are:

Operating Name	Location
Abbey Delray	Delray Beach, Florida
Abbey Delray South	Delray Beach, Florida
Harbour's Edge	Delray Beach, Florida
Friendship Village of Bloomington	Bloomington, Minnesota
The Waterford	Juno Beach, Florida
Friendship Village of South Hills	Upper St. Clair, Pennsylvania
Beacon Hill	Lombard, Illinois
Oak Trace	Downers Grove, Illinois
Village on the Green	Orlando, Florida
Grand Lodge at the Preserve	Lincoln, Nebraska
Claridge Court	Prairie Village, Kansas

The following divisions and entities are not members of the Obligated Group:

Legal/ Operating Entity	Location
Home Office	West Des Moines, Iowa
Deerfield	Urbandale, Iowa
Edgemere	Dallas, Texas
The Stayton	Ft. Worth, Texas
Querencia	Austin, Texas
Prairie View Club	Prairie Village, Kansas
Lifespace Foundation	West Des Moines, Iowa
Lifespace Services, Inc.	West Des Moines, Iowa
Lifespace Management, Inc.	West Des Moines, Iowa
Seniority, Inc.	Addison, Texas
SQLC	Addison, Texas
Augustine Home Health Texas, LLC (50%)	Dallas, Texas

The Foundation's primary purpose is to raise and invest funds to further the charitable purposes of Lifespace and its individual communities.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The assets and liabilities and net assets of Lifespace are reported as follows:

Without donor restrictions – Those resources over which the Board of Directors has discretionary control. “Board Designated” amounts represent those resources which the board has set aside for a particular purpose.

With donor restrictions – Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

Investments

The majority of investments are held in two pooled common trust funds. One pooled common trust fund consists of a money market investment, fixed income securities, and equity securities while the second consists of a money market investment and fixed income securities. Each participant in the pooled common trust funds own shares of the fund. All pooled common trust fund shares are valued on a daily basis, based on the fair market value of each individual investment comprising the fund. Fair values are determined based on readily determinable market values. See Note 4 on the determination of fair value.

Lifespace’s investment portfolio, including the underlying investments of the pooled common trust fund, is designated as trading. Changes in unrealized gains and losses on investments designated as trading are reported within the investment income. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

Lifespace acquired insurance through a risk retention group which requires an investment in the membership of the group. This investment is measured at cost. A dividend payment of \$45 and \$52 was received in 2019 and 2018, respectively. Dividend payments are recorded in investment income.

Lifespace has an investment in a fund that invests in start-up companies associated with the senior living industry. This investment is measured at cost.

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. Lifespace provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management’s review of the current status of the existing receivables over 90 days. Past-due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was \$766 and \$1,656 at December 31, 2019 and 2018, respectively.

LIFESPACE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Reserve Fund

Lifespace has established a common reserve fund under policy guidelines adopted by Lifespace for the mutual support, assistance, and protection of eligible Lifespace communities. At December 31, 2019 and 2018, Lifespace's common reserve fund of \$42,531 and \$36,016, respectively, is reflected as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest, when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets. During the years ended December 31, 2019 and 2018, Lifespace capitalized interest charges of \$7,652 and \$6,085, respectively.

Credit Risk

Lifespace maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. Lifespace has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Lifespace grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	December 31	
	2019	2018
Medicare	29 %	27 %
Medicaid	7	11
Residents and Other Third-Party Payors	64	62
Total	100 %	100 %

Inventory

Inventory consists principally of food, plant supplies, medical supplies, and housekeeping supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of employee, resident and future resident funds held in trust by Lifespace as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that may be used for obligations classified as current liabilities or that may be used to pay construction costs are reported as current assets.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired. In May 2019, the accounting standards were updated allowing Lifespace to elect to amortize goodwill. Lifespace made this election, which applies to all existing and future goodwill.

Goodwill of \$52,823 was recorded as part of the Oak Trace acquisition. Starting January 1, 2019, this goodwill is amortized on a straight-line basis over 10 years.

Goodwill of \$80,945 was recorded as part of the affiliation with SQLC in June 2019 (Note 3). Lifespace has 12 months from the date of affiliation to adjust the goodwill balance based on facts and circumstances that become known. After the affiliation, goodwill was subsequently adjusted by \$3,471 as a result of The Stayton debt restructure (Note 14). This goodwill is amortized on a straight-line basis over an average of nine years.

	<u>Oak Trace</u>	<u>SQLC</u>	<u>Total</u>
Goodwill			
Balance at December 31, 2018	\$ 52,823	\$ -	\$ 52,823
Addition	-	77,474	77,474
Balance at December 31, 2019	<u>52,823</u>	<u>77,474</u>	<u>130,297</u>
Accumulated Amortization			
Balance at December 31, 2018	-	-	-
Amortization	5,282	4,552	9,834
Balance at December 31, 2019	<u>\$ 5,282</u>	<u>\$ 4,552</u>	<u>\$ 9,834</u>

Deferred Expenses

Net Deferred expenses of \$1,180 and \$622 at December 31, 2019 and 2018, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The accumulated amortization was \$1,807 and \$1,630 in 2019 and 2018, respectively.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets were recognized in the Oak Trace acquisition pertaining to health care bed licenses and in the SQLC affiliation pertaining to resident contracts. The value associated with the health care bed licenses are not amortized. The value associated with resident contracts are amortized over nine years. Both assets are evaluated for impairment on an annual basis or more frequently if impairment indicators arise. The balances for each asset were as follows:

	2019	2018
Health center beds	\$ 2,755	\$ 2,755
Resident contracts	36,559	-
Total intangible assets	<u>\$ 39,314</u>	<u>\$ 2,755</u>

Amortization expense of \$2,237 and \$0 was recorded in 2019 and 2018, respectively. Accumulated amortization was \$2,237 and \$0 at December 31, 2019 and 2018, respectively.

Entrance and Membership Fees

Entrance and membership fees represent payments made by a resident in exchange for the use and privileges of the community for life or until termination of the residency agreement. However, under the terms of the residency agreements, refunds of these fees will generally be paid from the proceeds of fees received from a successor resident. Therefore, these amounts are similar to a “permanent funding” arrangement except that the residents do not acquire an interest in the real estate and property of the community.

Lifespace presently has two residency plans for all communities: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred entrance fees. This deferred entrance fee is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident’s occupancy. Under certain circumstances, a portion of the deferred entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

Under the return-of-capital plan, a portion of the entrance fee (0% to 50%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident upon termination of occupancy after receipt of a new entrance fee from a successor resident. This refundable portion is recorded as a liability until the time of payment.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entrance and Membership Fees (Continued)

The initial residents of Village on the Green and Harbour's Edge were required to pay an entrance fee consisting of an admission fee and a membership fee at the time of occupancy of a residential living home in the community. The membership entitles the holder to occupy a particular residential living home as well as access to the skilled nursing center and common areas of the community. The membership fees collected on sales to initial residents are recorded as a liability. Upon death or termination of occupancy, the community purchases the membership contract to sell as a return-of-capital contract.

The following is a summary of deferred entrance fees and refundable entrance and membership fees:

	December 31	
	2019	2018
Deferred Entrance Fees	\$ 187,390	\$ 166,852
Refundable Entrance and Membership Fees	673,220	417,193
Total	\$ 860,610	\$ 584,045

In addition, residents have the option at the time of initial occupancy to upgrade from Lifespace's standard model of the residential living home they have selected at an additional cost to the resident. The additional amount received from the resident are in the nonrefundable entrance fees and are amortized consistent as the traditional contracts above.

Non-Controlling Interest

The non-controlling interest recorded in the accompanying consolidated balance sheet represents the fifty percent ownership in AHHT that is not owned by Edgemere. Non-controlling interest does not represent an obligation of Edgemere to pay cash or distribute other assets.

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which Lifespace expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, Lifespace bills residential living and assisted living fees at the beginning of the month. Lifespace bills skilled nursing residents and third-party payors in the month following the services being performed. For Edgemere, Querencia and The Stayton, all residents regardless of the level of living in which they reside are billed at the beginning of the month and third party payors in the month following the services being performed. Revenue for all communities is recognized as performance obligations are satisfied.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Performance obligations are determined based on the nature of the services provided by Lifespace. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Lifespace believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in a residential or assisted living apartment, or receiving skilled nursing services over a period of time. Lifespace measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of Lifespace's remaining performance obligations relate to contracts with a duration of less than one year, Lifespace has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

Lifespace determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. Lifespace determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

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

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

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Lifespace estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

Lifespace has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The composition of Resident care service revenue by primary payor for the years ended December 31 are as follows:

	2019	2018
Residency Plan Agreement	\$ 186,700	\$ 152,688
Private Pay	33,646	22,138
Medicare	29,805	25,054
Medicaid	8,469	7,440
HMO/Managed Care	4,271	1,779
Hospice	519	1,579
Other	106	109
Total	\$ 263,516	\$ 210,787

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based on the lines of business for the years ended December 31 are as follows:

	2019	2018
Service Lines:		
Residential Living	\$ 156,196	\$ 129,047
Skilled Nursing Facility	80,145	66,210
Assisted Living and Memory Care	16,905	7,014
Residential Care Facility	1,499	1,430
Home Health	8,771	7,086
Total	\$ 263,516	\$ 210,787

Lifespace has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to Lifespace's expectation that the period between the time the service is provided to a resident and the time that the Resident or a third-party payor pays for that service will be one year or less. However, Lifespace does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Lifespace has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that Lifespace otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that Lifespace otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. Lifespace regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2019, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2019 and 2018, the customer contract acquisition costs are \$1,368 and \$634, respectively. During the years ended December 31, 2019 and 2018, Lifespace recognized amortization expense of \$117 and \$73, respectively. The net is presented in deferred expenses on the accompanying consolidated balance sheets.

Reserve for Health Center Refunds

The reserve for health center refunds relates to residents with a return-of-capital plan who have been permanently assigned to a higher level of a care, who have given up their residential living home, and it has been reoccupied by a successor resident. The refundable portion of the entrance fee will be paid to the original resident or their estate upon termination of occupancy.

Hardship Discounts

Residents accepted into residency may from time to time, through no fault of their own, run out of financial resources and request financial assistance with their monthly fee and other living expenses. Lifespace provides such financial assistance (hardship discounts and living expense assistance) to its residents when they have used up their financial resources judiciously, and the community can provide the hardship discount or assistance without jeopardizing the financial well-being of the entire community. The amount of hardship discounts recognized in the consolidated statements of operations and changes in net assets were \$2,094 and \$1,191 for the years ended December 31, 2019 and 2018, respectively.

Change in Net Assets

The consolidated statements of operations has a line entitled "Change in Net Assets" which is an important performance indicator for Lifespace. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include grant proceeds for capital purposes, assets released from restriction for capital purposes, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Lifespace, Lifespace, Inc., Deerfield, Foundation, Lifespace Services, Inc., Edgemere, Querencia, The Stayton and Lifespace Management, Inc. have been granted exemptions from federal income tax under Section 501(c)(3) of the IRC and have been designated as publicly supported organizations (rather than private foundations).

Lifespace evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is “more likely than not” that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. As of or during the years ended December 31, 2019 and 2018, Lifespace has not recorded any such tax benefit or expense in the accompanying consolidated financial statements. No examinations are in progress or anticipated at this time. Lifespace’s federal income tax returns are open to examination for the years ended December 31, 2016 through December 31, 2018.

Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash represent investments routinely used in operations with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2019	2018
Cash and cash equivalents	\$ 46,245	\$ 20,027
Restricted cash included in assets whose use is limited - current	50,859	33,567
Restricted cash included in assets whose use is limited - non current	36,460	21,726
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 133,564	\$ 75,320

During the years ended December 31, 2019 and 2018, Lifespace received interest income of \$8,877 and \$5,159, respectively, and paid interest charges of \$26,079 and \$14,606, respectively.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Gift Annuities

The Foundation recognizes gifts of cash and other assets at fair value when received or pledged unconditionally. Gift annuities represent contributions made by a donor to the Foundation in exchange for a commitment to pay back to the donor a fixed annuity over their remaining life. The Foundation has established a minimum for gift annuities. The related gift annuity obligation is determined based on the present value of the expected future payments payable to the donor over their remaining life, actuarially adjusted annually. The discount rate used in determining the obligation is determined by the American Council of Gift Annuities at the time of contribution.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Change in Accounting Principle

In May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)*. This ASU extends the private company accounting alternatives on goodwill and certain identifiable intangible assets to not-for-profit entities. Lifespace elected to adopt this accounting policy update. As a result of this change in accounting principle, goodwill is amortized over 10 years, or less than 10 years, if Lifespace demonstrates that another useful life is more appropriate. As a result of this change in accounting principle, \$9,834 was recorded as amortization expense in 2019.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessors to recognize a right-of-use asset and a corresponding lease liability for all operating and financing leases with terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Lifespace elected the practical expedients allowed under this guidance, and implemented the new standard effective January 1, 2019 with no retrospective application. As a result of this change in accounting principle a lease right-of-use asset and lease liability have been recorded at December 31, 2019 (Note 11). This change in accounting principle had no impact on the consolidated statement of operations and changes in net assets.

In November 2016, the FASB issued amended guidance on the consolidated statement of cash flows. Under the new guidance, the consolidated statement of cash flows will be required to explain the change during the period in total cash, cash equivalents, and amounts designated as restricted cash or restricted cash equivalents. As a result of this change in accounting principle, restricted cash and cash equivalents are now included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

Future Service Obligation

Lifespace is obligated to provide future services to residents based upon the resident contracts in place. A liability recognizing an obligation to provide future services to residents is recorded if the present value of future cash outflows, adjusted for certain noncash items, exceeds the present value of future cash inflows, adjusted for unamortized deferred revenue. The comparison between the estimated future costs to serve residents and the revenues from those residents who were parties to a resident agreement resulted in a future service obligation, discounted at 5.50%, of \$2,628 and \$1,194 at December 31, 2019 and 2018, respectively.

NOTE 3 BUSINESS COMBINATIONS

As stated under Note 1 “Organization and Function,” during 2019, Lifespace became the sole member of SQLC including SQLC’s management company, Seniority, Inc., and three SQLC communities: Edgemere, Querencia and The Stayton. No consideration was paid for this affiliation.

Lifespace is required to recognize and measure the identifiable assets acquired and liabilities assumed at the affiliation date fair values. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the date of acquisition.

Financial assets, limited use	27,272
Receivables	3,546
Inventory	107
Prepaid expenses	1,390
Property & equipment	330,101
Intangible assets - resident contracts	38,796
Goodwill	80,945
Financial liabilities	(17,944)
Future service obligation	(5,598)
Refundable entrance fees	(236,645)
Non-refundable entrance fees	(21,937)
Bonds Payable	(265,900)
Net assets acquired	\$ -

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NOTE 3 BUSINESS COMBINATIONS (CONTINUED)

The excess of debt assumed over the fair value of the net tangible and identifiable intangible assets acquired was recorded as goodwill. The primary factors for goodwill were resident contracts, assembled workforce and synergies. The fair values assigned to tangible and identifiable intangibles assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third party valuation specialist.

Transaction-related costs of approximately \$3,046 and \$1,330 for were recorded in general and administrative expense for the years ending December 31, 2019 and 2018, respectively. These costs consisted primarily of legal and professional fees related to due diligence.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the consolidated balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by Lifespace in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 5).

Fair value is defined as the price Lifespace would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of Lifespace. Unobservable inputs are inputs that reflect Lifespace's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date. The type of securities included in Level 1 is listed equities and commercial paper, as applicable.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including Lifespace’s assumptions in determining the fair value of investments). Included in this category is an investment in a charitable remainder trust.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by Lifespace in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market-observable inputs. The following is a summary of the inputs used:

	December 31, 2019			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 87,319	\$ 87,319	\$ -	\$ -
Equity Securities	28,177	28,177	-	-
Pooled Common Trust Funds	153,814	-	153,814	-
Corporate Bonds	88,200	-	88,200	-
U.S. Government and				
Federal Issues	35,463	-	35,463	-
Fixed Income	19,105	-	19,105	-
Foreign Issues	22,204	22,204	-	-
Municipals	124	-	124	-
Charitable Remainder Trust	47	-	-	47
Total Assets	<u>\$ 434,453</u>	<u>\$ 137,700</u>	<u>\$ 296,706</u>	<u>\$ 47</u>

LIFESPACE, INC.
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NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2018			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 55,293	\$ 55,293	\$ -	\$ -
Pooled Common Trust Funds	148,928	-	148,928	-
Corporate Bonds	68,039	-	68,039	-
U.S. Government and Federal Issues	23,568	-	23,568	-
Foreign Issues	16,924	16,924	-	-
Municipals	244	-	244	-
Charitable Remainder Trust	55	-	-	55
Total Assets	<u>\$ 313,051</u>	<u>\$ 72,217</u>	<u>\$ 240,779</u>	<u>\$ 55</u>

The following tables provide a summary of the changes to fair value of the Level 3 financial assets held by Lifespace:

	December 31	
	2019	2018
Beginning Balance	\$ 55	\$ 53
Change in Market Value	(8)	2
Ending Balance	<u>\$ 47</u>	<u>\$ 55</u>

NOTE 5 INVESTMENTS

A summary of the investments is as follows:

	December 31	
	2019	2018
Money Market Funds	\$ 87,319	\$ 55,293
Equity Securities	28,177	-
Pooled Common Trust Fund	153,814	148,928
Corporate Bonds	88,200	68,039
U.S. Government and Federal Agency Bonds	35,463	23,568
Fixed Income	19,105	-
Foreign Domiciled U.S. Equity Securities	22,204	16,924
Municipal Bonds	124	244
Risk Sharing Group	1,147	831
Ziegler Link-Age Fund II, L.P.	562	125
Total	<u>\$ 436,115</u>	<u>\$ 313,952</u>

LIFESPACE, INC.
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NOTE 5 INVESTMENTS (CONTINUED)

The investments noted above are represented in the consolidated balance sheets in the following line items:

	December 31	
	2019	2018
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	\$ 163,924	\$ 111,366
Assets Whose Use is Limited – Current	158,538	123,020
Assets Whose Use is Limited – Noncurrent	113,653	79,566
Total	<u>\$ 436,115</u>	<u>\$ 313,952</u>

A majority of Lifespace's investments are held in two pooled common trust funds, which are administered by an outside investment advisor. The asset allocation of the pooled common trust funds is as follows:

	December 31	
	2019	2018
Money Market Funds	2 %	2 %
U.S. Government Obligations	22	20
Corporate Bonds	23	31
Asset-Backed Securities	5	5
Common Stock	46	40
Mortgage Backed Securities	2	2
Total	<u>100 %</u>	<u>100 %</u>

The Lifespace Finance and Investment Committee is responsible for determining asset allocations through an investment policy governing the outside investment advisor. The Finance and Investment Committee meets periodically with the outside investment advisor to review targeted allocations, discuss specific investments, and, if necessary, adjust targeted asset allocations.

Investment income is comprised of the following:

	December 31	
	2019	2018
Dividend and Interest Income	\$ 8,817	\$ 5,165
Net Realized Gains on Investments	4,545	6,898
Change in Unrealized Appreciation (Depreciation) of Investments	16,607	(17,031)
Total Investment Income (Expense)	<u>\$ 29,969</u>	<u>\$ (4,968)</u>

Investment management and custodial fees amounted to \$462 and \$410 for the years ended December 31, 2019 and 2018, respectively. The fees are included in general and administrative.

LIFESPACE, INC.
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NOTE 6 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, Lifespace has a working capital surplus of \$269,695 and \$161,670 and days cash on hand of 318 and 265, respectively.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 46,245	\$ 20,027
Investments in Trading Portfolio, at Fair Value	163,924	111,366
Accounts and Other Receivables	15,704	15,543
Assets Whose Use is Limited	272,191	202,586
Total Financial Assets	<u>498,064</u>	<u>349,522</u>
Less Amounts Unavailable to be Used		
Within One Year:		
Insurance Deposits	2,335	1,660
Foundation Investments	7,046	6,124
Operating and Renewal and Replacement Funds	31,607	29,391
Funds Held by Trustee	207,099	155,545
Entrance Fee and Wait List Deposits	24,368	10,215
Team Member Appreciation Funds	53	109
Total Unavailable Within One Year	<u>272,508</u>	<u>203,044</u>
Financial Expenditures Available to Meet Cash Needs		
Within One Year	<u>\$ 225,556</u>	<u>\$ 146,478</u>

NOTE 7 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of generally 10% of the entrance fee is collected. The balance of the fee is payable prior to occupancy, but generally no later than 90 days from the date of the agreement. Generally, depositors may cancel their residency agreements at any time prior to admission and receive at least a partial refund of their deposit.

At December 31, 2019 and 2018, deposits of \$14,621 and \$5,554, respectively, had been received from future residents who have signed residency agreements and an approximate additional \$131,589 and \$49,986, respectively, is due upon occupancy by the future residents. Funds on deposit are generally classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2019 and 2018, Lifespace had 15 and 14 residents on the deferred entrance fee contract, respectively, and will pay the final portion of \$2,649 and \$2,798, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

LIFESPACE, INC.
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NOTE 8 CONSTRUCTION IN PROGRESS

Lifespace has construction in progress of \$131,307 and \$129,576 at December 31, 2019 and 2018, respectively. A portion of this represents updates to common areas at various communities. For the years ended December 31, 2019 and 2018, \$5,322 and \$16,808 of construction payables are recorded in accounts payable.

Five of the communities are in the process of significant construction. The construction in progress for these five community projects is \$113,256 and \$115,547 at December 31, 2019 and 2018, respectively. As with any construction project, the timing of expenditures and project budget can change through the passage of time or as the project advances in development. The table below reflects what has occurred at December 31, 2019 regarding the five community projects along with future construction expectations through 2021 which are subject to change.

Costs Already Paid	(172,040)
Project Funds Available	(134,323)
Future Financing and Internal Cash Sources	<u>\$ 115,418</u>

In February 2020, the Board approved a project at one of the Lifespace communities for \$104,457. This project is not included in the above table.

LIFESPACE, INC.
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NOTE 9 FINANCING AGREEMENTS

Long-term debt for the consolidated entity consisted of the following:

	December 31	
	2019	2018
Revenue Bonds:		
Series 2019, 2.875% - 5.0%	\$ 106,065	\$ -
Series 2018, 4.125% - 5.0%	164,925	164,925
Series 2017, 5.25%	21,685	-
Series 2016, 5.00%	69,544	69,545
Series 2015, 1.5% - 5%	205,890	74,085
Series 2014, adjustable monthly	1,962	2,567
Series 2014, 5.4%	22,681	23,384
Series 2014, 2% adjustable up to 5% with targets	4,998	4,901
Series 2010, 5.00%	25,685	25,685
Series 2009, 6.5% - 8.25%	105,796	-
Series 2005, 3.375%	2,785	3,665
Series 2005, 2.71%, adjustable December 31, 2020	9,431	9,809
Series 2004, 6.00%	930	1,085
Series 2004, 4.00%	2,655	2,655
Series 2003, 3.56%, adjustable December 31, 2023	5,693	6,048
Series 2001, 3.40%	1,852	2,667
Other:		
Restructured Debt	11,096	11,683
Lifespace Term Loan	5,248	5,447
Notes Payable	533	-
	<u>769,454</u>	<u>408,151</u>
Plus: Net unamortized Original Issue Premium/Discounts on Bonds	24,774	21,924
Less: Unamortized Financing Costs	(8,449)	(7,049)
	<u>785,779</u>	<u>423,026</u>
Less: Amounts Due within One Year	13,850	7,410
Long-Term Debt Due after One Year	<u>\$ 771,929</u>	<u>\$ 415,616</u>

The Lifespace term loan has an interest rate of 3.6% and a maturity date in January 2022 with a balloon payment.

The notes payable represents amounts SQLC owes a third-party. This note is non-interest bearing and is due in May 2020.

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NOTE 9 FINANCING AGREEMENTS (CONTINUED)

Revenue Bonds

Lifespace enters into loan or lease agreements with government entities to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of Lifespace through the issuer. Payments under a loan or lease agreement between Lifespace and the issuer become the vehicle for servicing the debt on behalf of Lifespace. The bonds, loan agreements, and lease agreements are reflected in the accompanying consolidated financial statements as financing arrangements and related obligations of Lifespace.

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense.

Long-term debt includes deferred financing costs of \$12,134 and \$10,272 as of December 31, 2019 and 2018 which are being amortized over the life of the bonds issued in relation to the debt outstanding. Lifespace added \$1,862 and \$3,323 in new financing costs from the 2019 and 2018 financing, respectively. The accumulated amortization was \$3,685 and \$3,223 in 2019 and 2018, respectively. The annual expense which is included in interest expense was \$462 and \$383 in 2019 and 2018, respectively.

Under the borrowing arrangements, Lifespace has mortgaged the real property and has granted a security interest to the trustees in the equipment, accounts receivable, and contract rights of its communities; however, the secured interest provides that the liabilities of the Obligated Group, Grand Lodge, Querencia, and The Stayton are limited to the revenues and collateral of the respective communities and that, upon litigation thereunder, the amount of any recovery from Lifespace shall be limited to such assets and shall not extend to any other assets of Lifespace. Edgemere and SQLC have formed an obligated group, and the secured interest for this debt is limited to the revenue and collateral of Edgemere and SQLC. The debt agreements contain various covenants with which Lifespace must comply.

In 2015, the Deerfield debt agreements were revised to include a Lifespace guarantee on the future payments of the Series 2014A, 2014C and 2014D bonds. The 2014C and 2014D bonds are held by Lifespace and eliminated upon consolidation. As a result of this guarantee, the financial covenants required by the bonds are the same as Lifespace covenants.

The restructured debt balance of \$11,096 and \$11,683 at December 31, 2019 and 2018, respectively, represents debt forgiven by the Deerfield bondholders. The change in timing of principal and interest payments will be reflected in future periods by applying a constant, effective interest rate to the carrying amount of the bonds.

Most of the bonds have level debt service with increasing annual principal payments as interest payments decrease. The term for principal repayment on each series bonds are shown in the table below:

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NOTE 9 FINANCING AGREEMENTS (CONTINUED)

Revenue Bonds (Continued)

	<u>Principal Payments</u>	
	<u>Next Payment</u>	<u>Final Payment</u>
Revenue Bonds:		
Series 2019	2022	2055
Series 2018	2031	2048
Series 2017	2037	2047
Series 2016	2020	2047
Series 2015	2020	2045
Series 2014	2020	2057
Series 2010	2024	2030
Series 2009	2020	2044
Series 2005	2020	2035
Series 2004	2020	2034
Series 2003	2020	2031
Series 2001	2020	2022

Most of the revenue bonds contain optional prepayment provisions that allow Lifespace to repay certain bonds prior to maturity at par or various premium rates over defined timeframes. Mandatory repayment of all revenue bonds is without premium.

Scheduled Maturities

At December 31, 2019, scheduled maturities (including mandatory sinking fund requirements) are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 13,850
2021	11,242
2022	33,438
2023	19,982
2024	13,072
Thereafter	666,774
Total	<u>\$ 758,358</u>

Restricted Assets

Under the terms of Lifespace's various financing arrangements, wait list agreements, residency agreements, and state statutes, the use of certain funds has been restricted and shown as assets whose use is limited, as detailed below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 FINANCING AGREEMENTS (CONTINUED)

	December 31	
	2019	2018
Insurance Deposits	\$ 2,335	\$ 1,660
Foundation Investments	6,668	5,615
Operating and Renewal and Replacement Reserve Funds	31,607	29,391
Debt Service Reserve Funds	50,958	34,464
Entrance Fee Redemption Account	2	-
Liquidity Support Fund	7	-
Principal and Interest Funds	17,750	16,194
Pennsylvania Liquid Reserve	52	51
Project Funds	138,235	104,887
Cost of Issuance Fund	156	-
Entrance Fee Deposits	22,052	6,006
Wait List Deposits	2,316	4,209
Team Member Appreciation Funds	53	109
Total	272,191	202,586
Less: Current Portion	158,538	123,020
Long-Term Portion	\$ 113,653	\$ 79,566

Fund amounts are classified as current to the extent that they may be used to pay construction costs or liabilities classified as current.

Insurance Deposits

Lifespace maintains workers' compensation coverage and general liability/professional liability coverage that requires maintaining a deposit with the insurance provider.

Foundation Investments

The Foundation maintains investments for financial support of its residents, gift annuities to donors, and to provide college scholarships to employees working in some of the communities.

Operating and Renewal and Replacement Reserve Funds

Abbey Delray, Abbey Delray South, Harbour's Edge, The Waterford, and Village on the Green are required by the state of Florida to maintain operating and renewal and replacement reserve funds in amounts sufficient to satisfy certain minimum reserve requirements.

Debt Service Reserve Funds

Under the terms of Lifespace's various financing arrangements, various series of bonds are required to maintain either a debt service reserve fund equal to the maximum annual principal and interest coming due in any succeeding fiscal year or a balance specified in the trust indenture for the specified series of bonds.

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NOTE 9 FINANCING AGREEMENTS (CONTINUED)

Principal and Interest Funds

Each series of bonds require monthly principal and interest payments or monthly deposits to their debt service funds in an amount sufficient to make periodic principal and interest payments on the respective underlying debt. The Series 2016 and Series 2018 bond financings included approximately 24 months of funded interest that is included in this amount.

Pennsylvania Liquid Reserve

South Hills is required by the state of Pennsylvania to maintain reserves calculated from debt service and operating costs. Based on a December 31, 2019 calculation, South Hills is required to maintain \$3,723 in reserves. South Hills has \$6,770 in restricted accounts at December 31, 2019 that meet this requirement.

A majority of the reserves are held in the debt service and debt service reserve funds. When the balance in the debt service and debt service reserve funds is not adequate to meet the Pennsylvania requirement, deposits are made into the Pennsylvania Liquid Reserve account.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Cost of Issuance Fund

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the financing costs that are due.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific residential living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the residential living home and the community requests the funds be disbursed in accordance with the escrow agreement.

Wait List Deposits

Wait list deposits represent deposits collected to secure a position on the waiting list for residency in the respective community.

Team Member Appreciation Funds

Residents at each community may voluntarily establish a fund to provide team member appreciation disbursements.

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NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, Lifespace provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following for the years ending December 31:

	Year-ending December 31, 2019						Supporting Services	
	Program Services					Total Program Services	Management and General	Total
	Residential Living	Home Health	Skilled Nursing	Assisted Living	Residential Care Facility			
Salaries and Benefits	\$ 63,637	\$ 8,461	\$ 50,740	\$ 5,983	\$ 590	\$ 129,411	\$ 15,852	\$ 145,263
General and Administrative	32,667	-	6,696	2,862	162	42,387	9,110	51,497
Plant Operations	13,667	-	3,703	1,583	90	19,043	-	19,043
Housekeeping	1,430	-	387	165	9	1,991	-	1,991
Dietary	20,398	-	5,526	2,362	134	28,420	-	28,420
Medical and Other Resident Care	1,754	166	12,206	892	27	15,045	-	15,045
Depreciation	37,314	-	10,080	3,849	257	51,500	2,710	54,210
Amortization of Deferred Expense	8,790	-	2,382	1,018	58	12,248	-	12,248
Interest	12,062	-	3,272	1,466	77	16,877	-	16,877
Decrease in Obligation to Provide Future Service	(3,595)	-	(391)	(166)	(12)	(4,164)	-	(4,164)
Total Expense	<u>\$ 188,124</u>	<u>\$ 8,627</u>	<u>\$ 94,601</u>	<u>\$ 20,014</u>	<u>\$ 1,392</u>	<u>\$ 312,758</u>	<u>\$ 27,672</u>	<u>\$ 340,430</u>

	Year-ending December 31, 2018						Supporting Services	
	Program Services					Total Program Services	Management and General	Total
	Residential Living	Home Health	Skilled Nursing	Assisted Living	Residential Care Facility			
Salaries and Benefits	\$ 51,479	\$ 7,020	\$ 43,357	\$ 2,715	\$ 103	\$ 104,674	\$ 12,870	\$ 117,544
General and Administrative	26,661	-	5,312	961	154	33,088	7,260	40,348
Plant Operations	11,426	-	3,133	567	91	15,217	-	15,217
Housekeeping	1,201	-	330	60	10	1,601	-	1,601
Dietary	17,522	-	4,805	869	139	23,335	-	23,335
Medical and Other Resident Care	1,320	307	10,193	168	43	12,031	-	12,031
Depreciation	30,724	-	8,426	1,525	244	40,919	2,154	43,073
Amortization of Deferred Expense	189	-	52	9	2	252	-	252
Interest	6,030	-	1,654	299	48	8,031	-	8,031
Decrease in Obligation to Provide Future Service	(1,271)	-	(152)	(32)	(7)	(1,462)	-	(1,462)
Total Expense	<u>\$ 145,281</u>	<u>\$ 7,327</u>	<u>\$ 77,110</u>	<u>\$ 7,141</u>	<u>\$ 827</u>	<u>\$ 237,686</u>	<u>\$ 22,284</u>	<u>\$ 259,970</u>

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NOTE 11 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, Lifespace elected the practical expedients allowed under the accounting standard, and has implemented this standard effective January 1, 2019.

Lifespace has entered into operating lease agreements for office equipment. The right-of-use asset for these agreements is \$957 at December 31, 2019. Payment and the related expenses for these leases in 2019 were \$292. The leases have a weighted-average discount rate of 4.6% and a weighted-average remaining lease term of approximately three years.

Edgemere leases land under a fifty-five year ground lease for the land upon which the community was constructed. The lease expires November 2054. Upon expiration of the ground lease, all buildings and improvements will transfer to the lessor. The ground lease contains an escalation clause whereby the rental charge increases annually based on the consumer price index, subject to a minimum annual increase of 2.5% and a maximum annual increase of 5%. The right-of-use asset for the lease is \$89,526 at December 31, 2019. Payments for this lease were \$1,873 and expense recorded in the financial statements is \$2,996 from the date of affiliation through December 31, 2019. Expense is recorded at the estimated average annual rent, with the difference between expense recorded and cash paid increases or decreases the asset. The lease has a discount rate of 4.8%.

Seniority leases office space in Addison, Texas which expires in 2024. The office lease contains escalating lease payments that increase each year. The right-of-use asset for the lease is \$779 at December 31, 2019. Payments for this lease were \$96 and expense recorded in the financial statements is \$94 from the date of affiliation through December 31, 2019. Expense is recorded at the estimated average annual rent, with the difference between expense recorded and cash paid increases or decreases the asset. The lease has a discount rate of 4.8%.

Lifespace entered into capital leases to finance the purchase of community vehicles in 2017, which upon implementation of the new standard in 2019 are referred to as financing leases. The asset recorded within furniture and equipment on the balance sheet for these agreements is \$1,425 and \$1,773 at December 13, 2019 and 2018, respectively. The leases have a weighted-average discount rate of 4.9% and a weighted-average remaining lease term of 33 months.

LIFESPACE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 11 LEASES (CONTINUED)

The maturity of operating leases and financing leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>	<u>Amount</u>
2020	\$ 269	\$ 4,383
2021	553	4,424
2022	359	4,421
2023	278	4,454
2024	36	4,404
Thereafter	-	188,478
PV Discount	(110)	(118,112)
Total	<u>\$ 1,385</u>	<u>\$ 92,452</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Lifespace Communities, Inc. (“Lifespace”) received notice in late 2017 of a False Claims Act investigation (the “Investigation”) being conducted by the United States Attorney’s Office for the Southern District of Florida (the “DOJ”) pursuant to the False Claims Act, 31 U.S. Code § 3729 et seq. The Department of Justice advised Lifespace that the Investigation was limited to one Florida Community. Lifespace hired external legal counsel to conduct an internal review and provided its response to the civil investigative demand and a second document request. Lifespace estimated and had reserved for a loss of approximately \$3.2 million, which had been accrued in the financial statements.

Lifespace has learned the Investigation was closed by the DOJ without penalty and accordingly Lifespace has released reserves set aside for potential payments related to the Investigation.

LIFESPACE, INC.
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NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

General and Professional Liability

General and professional liability claims have been asserted against Lifespace by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of Lifespace. Incidents occurring through December 31, 2019 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position.

Construction in Progress

As of December 31, 2019, Lifespace had a number of capital projects ongoing. Lifespace has entered into various contracts in relation to these capital projects. The total commitments as of December 31, 2019 and 2018 were approximately \$121,632 and \$115,414, respectively.

NOTE 13 EMPLOYEE BENEFIT PLAN

Lifespace has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from Lifespace. All employee contributions to the TDA are fully vested, while contributions made by Lifespace vest over a five-year period. Total expense under this plan was approximately \$1,336 and \$1,155 for the years ended December 31, 2019 and 2018, respectively.

LIFESPACE, INC.
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NOTE 14 SUBSEQUENT EVENTS

Lifespace has evaluated events or transactions that may have occurred since December 31, 2019, that would merit recognition or disclosure in the consolidated financial statements. This evaluation was completed through April 22, 2020, the date the consolidated financial statements were available to be issued. No material recognized or nonrecognized subsequent events were identified for recognition or disclosure in the consolidated financial statements or the accompanying notes to the consolidated financial statements, except for those disclosed above.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Lifespace, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Lifespace is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 22, 2020.

During the period from January 1, 2020 through April 22, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of December 31, 2019.

On January 3, 2020, The Stayton completed a bond exchange of its Series 2009 Bonds for new Series 2020 Bonds issued in the amount of \$112,262. The Series 2020 Bonds bear interest at 5.75%, have a final maturity in 2054 and are interest only through 2024.

LIFESPACE, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
ASSETS														
CURRENT ASSETS														
Cash and Cash Equivalents	\$ 462	\$ 24	\$ 9	\$ 203	\$ 139	\$ 190	\$ 40	\$ 64	\$ 1,783	\$ 227	\$ 580	\$ 3,721	\$ 42,524	\$ 46,245
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	655	10,404	18,621	9,563	43,303	16,886	9,446	26,405	(6,130)	6,536	1,764	137,453	26,471	163,924
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	2,201	1,345	809	411	1,091	883	19	1,766	976	1,059	1,144	11,704	4,000	15,704
Inventories	81	77	38	117	43	37	10	112	47	53	32	647	(647)	-
Prepaid Insurance and Other	133	107	54	27	53	249	23	143	68	119	53	1,029	150	1,179
Assets Whose Use is Limited - Current	472	385	372	127	299	259	48	472	241	305	309	3,289	1,950	5,239
Total Current Assets	<u>5,684</u>	<u>199</u>	<u>1,720</u>	<u>101</u>	<u>40,736</u>	<u>6,363</u>	<u>1</u>	<u>273</u>	<u>40,567</u>	<u>664</u>	<u>54,382</u>	<u>150,690</u>	<u>7,848</u>	<u>158,538</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	9,688	12,541	21,623	10,549	85,664	24,867	9,587	29,235	37,552	8,963	58,264	308,533	82,296	390,829
ASSETS WHOSE USE IS LIMITED - Noncurrent	11,470	7,395	2,793	688	13,923	6,198	-	10,115	13,907	8,740	7,429	82,658	30,995	113,653
PROPERTY AND EQUIPMENT, AT COST														
Land Lease	-	-	-	-	-	-	-	-	-	-	-	-	89,526	89,526
Land and Improvements	5,101	2,099	5,790	2,400	3,726	6,579	2,603	11,439	9,721	6,999	4,432	60,889	20,935	81,824
Buildings and Improvements	72,567	68,990	81,017	40,122	91,256	70,710	30,851	122,607	81,696	76,896	48,782	785,494	391,600	1,177,094
Furniture and Equipment	6,373	7,363	7,510	6,065	5,220	12,591	1,275	7,687	7,119	4,395	3,432	69,030	19,222	88,252
Construction-in-Progress	38,976	829	1,535	643	19,039	41,983	797	1,576	9,231	1,684	10,633	126,926	4,381	131,307
Subtotal	<u>123,017</u>	<u>79,281</u>	<u>95,852</u>	<u>49,230</u>	<u>119,241</u>	<u>131,863</u>	<u>35,526</u>	<u>143,309</u>	<u>107,767</u>	<u>89,974</u>	<u>67,279</u>	<u>1,042,339</u>	<u>525,664</u>	<u>1,568,003</u>
Less: Accumulated Depreciation	<u>53,348</u>	<u>45,388</u>	<u>51,796</u>	<u>25,914</u>	<u>59,879</u>	<u>51,529</u>	<u>12,304</u>	<u>64,931</u>	<u>11,915</u>	<u>41,603</u>	<u>30,965</u>	<u>449,572</u>	<u>46,543</u>	<u>496,115</u>
Net Property and Equipment	69,669	33,893	44,056	23,316	59,362	80,334	23,222	78,378	95,852	48,371	36,314	592,767	479,121	1,071,888
GOODWILL, Net of Accumulated Amortization	-	-	-	-	-	-	-	-	47,541	-	-	47,541	72,922	120,463
DEFERRED EXPENSES, Net of Accumulated Amortization	127	69	139	38	111	103	39	111	77	122	75	1,011	169	1,180
INTANGIBLE ASSET, Net of Accumulated Amortization	-	-	-	-	-	-	-	-	2,755	-	-	2,755	36,559	39,314
Total Assets	<u>\$ 90,954</u>	<u>\$ 53,898</u>	<u>\$ 68,611</u>	<u>\$ 34,591</u>	<u>\$ 159,060</u>	<u>\$ 111,502</u>	<u>\$ 32,848</u>	<u>\$ 117,839</u>	<u>\$ 197,684</u>	<u>\$ 66,196</u>	<u>\$ 102,082</u>	<u>\$ 1,035,265</u>	<u>\$ 702,062</u>	<u>\$ 1,737,327</u>

LIFESPACE, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
LIABILITIES AND NET ASSETS														
CURRENT LIABILITIES														
Accounts Payable:														
Trade	\$ 4,140	\$ 1,123	\$ 737	\$ 245	\$ 2,508	\$ 2,365	\$ 332	\$ 914	\$ 1,365	\$ 270	\$ 2,416	\$ 16,415	\$ 6,831	\$ 23,246
Lifespace Communities, Inc.	207	234	199	182	198	182	54	289	229	176	184	2,134	(2,134)	-
Accrued Liabilities:														
Employee Compensation Expense	620	638	794	356	637	585	128	823	834	556	467	6,438	4,969	11,407
Interest	275	41	162	41	378	385	-	70	713	139	388	2,592	8,549	11,141
Property Taxes	-	-	200	118	687	96	167	-	48	-	10	1,326	3,069	4,395
Other	287	419	346	176	236	408	43	313	487	228	416	3,359	5,223	8,582
Entrance Fee Refunds	337	383	1,108	22	790	617	198	-	590	-	668	4,713	862	5,575
Reserve for Health Center Refunds	-	-	6,512	4,057	8,246	6,580	526	2,053	5,606	-	991	34,571	4,356	38,927
Long-Term Debt Due within One Year	860	290	2,035	682	-	658	769	516	-	984	-	6,794	7,056	13,850
Obligations under Land Lease	-	-	-	-	-	-	-	-	-	-	-	-	3,728	3,728
Obligations under Leases	61	82	48	35	48	59	6	86	130	56	38	649	275	924
Total Current Liabilities	6,787	3,210	12,141	5,914	13,728	11,935	2,223	5,064	10,002	2,409	5,578	78,991	42,784	121,775
LONG-TERM LIABILITIES														
Entrance Fee Deposits	47	110	59	(69)	6,849	52	-	39	5,246	-	35	12,368	2,253	14,621
Wait List Deposits	-	1	26	50	1,561	68	5	29	27	6	9	1,782	-	1,782
Long-Term Debt Due After One Year	46,153	6,906	22,732	7,828	68,374	64,185	14,198	11,522	134,073	23,256	75,472	474,699	297,230	771,929
Obligations under Land Lease	-	-	-	-	-	-	-	-	-	-	-	-	86,921	86,921
Obligations under Leases	104	197	83	113	106	102	24	215	199	79	60	1,282	982	2,264
Deferred Entrance Fees	20,019	20,471	15,347	3,515	14,590	12,859	1,498	24,672	3,340	29,464	14,414	160,189	27,201	187,390
Refundable Entrance and Membership Fees	-	-	43,980	41,699	69,371	49,505	18,263	91,153	48,808	-	35,174	397,953	275,267	673,220
Estimated Obligation to Provide Future Services in Excess of Amounts Received or to be Received	-	-	-	-	-	-	-	-	-	-	-	-	2,628	2,628
Total Long-Term Liabilities	66,323	27,685	82,227	53,136	160,851	126,771	33,988	127,630	191,693	52,805	125,164	1,048,273	692,482	1,740,755
Total Liabilities	73,110	30,895	94,368	59,050	174,579	138,706	36,211	132,694	201,695	55,214	130,742	1,127,264	735,266	1,862,530
NET ASSETS														
Non-Controlling Interest With Donor Restrictions	-	-	-	-	-	-	-	-	-	-	-	-	265	265
Without Donor Restrictions	-	-	-	-	-	-	-	-	-	-	-	-	6,910	6,910
Total Net Assets	17,844	23,003	(25,757)	(24,459)	(15,519)	(27,204)	(3,363)	(14,855)	(4,011)	10,982	(28,660)	(91,999)	(40,379)	(132,378)
Total Liabilities and Net Assets	\$ 90,954	\$ 53,898	\$ 68,611	\$ 34,591	\$ 159,060	\$ 111,502	\$ 32,848	\$ 117,839	\$ 197,684	\$ 66,196	\$ 102,082	\$ 1,035,265	\$ 702,062	\$ 1,737,327

LIFESPACE, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Group Members and Eliminations	Consolidated Lifespace, Inc.
REVENUES														
Residential Living Fees	\$ 10,083	\$ 10,303	\$ 17,582	\$ 6,635	\$ 12,526	\$ 15,256	\$ 5,184	\$ 18,275	\$ 8,535	\$ 10,721	\$ 10,679	\$ 125,779	\$ 30,417	\$ 156,196
Entrance Fees Earned and Nonrefundable Fees	3,822	4,115	2,611	802	2,798	1,627	389	5,152	822	5,063	2,474	29,675	5,454	35,129
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$56,139 and Pass-Through Therapy Expenses of \$9,028	9,982	10,105	5,940	4,039	8,931	6,062	511	8,909	14,083	7,455	6,163	82,180	25,140	107,320
Other	-	-	-	-	784	-	-	-	-	-	-	784	1,092	1,876
Total Revenues	23,887	24,523	26,133	11,476	25,039	22,945	6,084	32,336	23,440	23,239	19,316	238,418	62,103	300,521
EXPENSES														
Operating Expenses:														
Salaries and Benefits	11,205	10,758	12,341	5,651	11,002	10,007	1,611	12,550	14,098	8,805	8,700	106,728	38,535	145,263
General and Administrative	5,322	5,062	4,301	1,709	4,535	4,679	1,208	6,306	5,947	4,139	3,946	47,154	4,343	51,497
Plant Operations	1,826	1,671	1,515	663	1,275	1,316	356	1,671	1,237	1,545	1,460	14,535	4,508	19,043
Housekeeping	93	85	121	59	163	305	34	103	172	98	350	1,583	408	1,991
Dietary	2,283	2,158	2,714	1,193	2,333	2,522	827	2,353	2,373	2,076	1,979	22,811	5,609	28,420
Medical and Other Resident Care	1,610	1,384	679	444	701	1,123	113	1,557	1,484	1,192	961	11,248	3,797	15,045
Depreciation	3,751	3,535	4,669	1,935	4,538	4,192	1,204	6,946	4,070	3,689	3,552	42,081	12,129	54,210
Amortization of Deferred Expenses	12	6	15	5	13	9	59	11	5,292	10	11	5,443	6,805	12,248
Interest	6	290	1,031	432	354	818	492	541	810	974	680	6,428	10,449	16,877
Loss on Disposal of Property and Equipment	37	87	131	93	147	124	46	191	1,903	109	49	2,917	46	2,963
Decrease in Obligation to Provide Future Services	-	-	-	-	-	-	-	-	-	-	-	-	(4,164)	(4,164)
Total Expenses	26,145	25,036	27,517	12,184	25,061	25,095	5,950	32,229	37,386	22,637	21,688	260,928	82,465	343,393
NONOPERATING INCOME (EXPENSE)														
Investment Income	1,501	2,013	2,588	1,323	6,020	2,588	1,317	3,723	439	1,477	632	23,621	6,348	29,969
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(757)	1,500	1,204	615	5,998	438	1,451	3,830	(13,507)	2,079	(1,740)	1,111	(14,014)	(12,903)
OTHER CHANGES IN NET ASSETS														
Contributions (to) from Lifespace Communities, Inc.	(63)	(60)	(67)	(30)	(2,328)	(63)	(17)	(87)	(76)	(56)	(50)	(2,897)	2,897	-
CHANGES IN NET ASSETS	(820)	1,440	1,137	585	3,670	375	1,434	3,743	(13,583)	2,023	(1,790)	(1,786)	(11,117)	(12,903)
Net Assets - Beginning of Year	18,664	21,563	(26,894)	(25,044)	(19,189)	(27,579)	(4,797)	(18,598)	9,572	8,959	(26,870)	(90,213)	(22,087)	(112,300)
NET ASSETS - END OF YEAR	\$ 17,844	\$ 23,003	\$ (25,757)	\$ (24,459)	\$ (15,519)	\$ (27,204)	\$ (3,363)	\$ (14,855)	\$ (4,011)	\$ 10,982	\$ (28,660)	\$ (91,999)	\$ (33,204)	\$ (125,203)

LIFESPACE, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Delray South	Beacon Hill	Claridge Court	Village of Bloomington	Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Obligated Group	Members and Eliminations	Consolidated Lifespace, Inc.
CASH FLOWS FROM OPERATING ACTIVITIES														
Changes in Net Assets	\$ (820)	\$ 1,440	\$ 1,137	\$ 585	\$ 3,670	\$ 375	\$ 1,434	\$ 3,743	\$ (13,583)	\$ 2,023	\$ (1,790)	\$ (1,786)	\$ (11,117)	\$ (12,903)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Entrance Fees Earned	(3,822)	(4,115)	(2,608)	(802)	(2,793)	(1,627)	(389)	(5,152)	(819)	(5,063)	(2,474)	(29,664)	(5,452)	(35,116)
Interest Applied to Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	98	98
Restructured Debt Amortization	-	-	-	-	-	-	-	-	-	-	-	-	(587)	(587)
Proceeds from Nonrefundable Entrance Fees and Deposits	4,972	3,866	3,490	626	3,745	2,870	217	4,847	731	6,026	2,865	34,255	3,806	38,061
Refunds of Entrance Fees	(890)	(696)	(230)	-	(2)	(74)	-	(1,474)	(42)	(944)	(418)	(4,770)	(27)	(4,797)
Depreciation and Amortization	3,763	3,541	4,684	1,940	4,551	4,201	1,263	6,957	9,362	3,699	3,563	47,524	18,934	66,458
Amortization of Financing Costs	47	10	40	15	42	59	21	35	75	34	44	422	41	463
Net Accretion of Original Issue Premium and Discounts	(131)	(53)	(133)	(4)	(99)	(199)	-	(64)	(260)	(182)	(105)	(1,230)	(26)	(1,256)
Change in Unrealized Appreciation of Investments	(878)	(1,183)	(1,584)	(824)	(3,746)	(1,534)	(815)	(2,198)	(298)	(828)	(489)	(14,377)	(3,129)	(17,506)
Net (Purchases) Sales of Trading Investments	10,360	688	235	389	(2,625)	12,076	(241)	(6,539)	(3)	220	(31,353)	(16,793)	6,521	(10,272)
Decrease in Obligation to Provide Future Service	-	-	-	-	-	-	-	-	-	-	-	-	(4,164)	(4,164)
Loss on Disposal of Property and Equipment	37	87	131	93	147	124	46	191	1,903	109	49	2,917	46	2,963
Change in entrance fee deposits	-	-	-	-	-	-	-	-	-	-	-	-	446	446
Non-cash Rent expense	-	-	-	-	-	-	-	-	-	-	-	-	1,123	1,123
Contributions (to) from Lifespace Communities, Inc.	63	60	67	30	2,328	63	17	87	76	56	50	2,897	(2,897)	-
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	(253)	221	(42)	(21)	411	(113)	4	(112)	508	113	(101)	615	2,723	3,338
Accounts Payable and Accrued Liabilities	842	(652)	(1,017)	(404)	692	(2,919)	(54)	(535)	(9,815)	(388)	1,538	(12,712)	(593)	(13,305)
Net Cash Provided (Used) by Operating Activities	13,290	3,214	4,170	1,623	6,321	13,302	1,503	(214)	(12,165)	4,875	(28,621)	7,298	5,746	13,044

LIFESPACE, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Group Members and Eliminations	Consolidated Lifespace, Inc.
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchases of Property and Equipment	\$ (27,559)	\$ (2,878)	\$ (3,297)	\$ (1,526)	\$ (15,090)	\$ (16,541)	\$ (1,259)	\$ (3,889)	\$ (19,040)	\$ (4,058)	\$ (7,702)	\$ (102,839)	\$ (4,450)	\$ (107,289)
CASH FLOWS FROM FINANCING ACTIVITIES														
Financing Costs Incurred	(59)	-	-	-	(280)	-	-	-	(595)	-	(928)	(1,862)	-	(1,862)
Proceeds from New Financings	8,457	-	-	-	17,578	-	-	-	37,313	-	46,822	110,170	-	110,170
Net Withdrawals from Assets Limited as to Use	-	-	-	-	-	-	-	-	-	-	-	-	767	767
Repayment of Other Long-Term Debt	(815)	(278)	(1,944)	(650)	-	(631)	(734)	(492)	(945)	-	(6,489)	(6,489)	(3,693)	(10,182)
Payments on Leases	(42)	(52)	(17)	(20)	(31)	(37)	(2)	(47)	(80)	(55)	(25)	(408)	(34)	(442)
Cash through Affiliation	-	-	-	-	-	-	-	-	-	-	-	-	29,872	29,872
Proceeds from Refundable Entrance														
Fees and Deposits	-	-	7,037	5,678	16,860	6,258	2,027	11,078	6,898	-	4,804	60,640	24,501	85,141
Refunds of Refundable Entrance Fees	-	-	(5,924)	(5,277)	(7,363)	(5,988)	(1,693)	(7,002)	(8,176)	-	(3,780)	(45,203)	(15,772)	(60,975)
Contributions (to) from Lifespace Communities, Inc.	(63)	(60)	(67)	(30)	(2,328)	(63)	(17)	(87)	(76)	(56)	(50)	(2,897)	2,897	-
Net Cash Provided (Used) by Financing Activities	7,478	(390)	(915)	(299)	24,436	(461)	(419)	3,450	35,284	(1,056)	46,843	113,951	38,538	152,489
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(6,791)	(54)	(42)	(202)	15,667	(3,700)	(175)	(653)	4,079	(239)	10,520	18,410	39,834	58,244
Cash and Cash Equivalents and Restricted Cash Beginning of Year	10,121	1,408	3,322	829	11,948	8,519	533	2,784	14,173	1,344	7,145	62,126	13,194	75,320
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 3,330</u>	<u>\$ 1,354</u>	<u>\$ 3,280</u>	<u>\$ 627</u>	<u>\$ 27,615</u>	<u>\$ 4,819</u>	<u>\$ 358</u>	<u>\$ 2,131</u>	<u>\$ 18,252</u>	<u>\$ 1,105</u>	<u>\$ 17,665</u>	<u>\$ 80,536</u>	<u>\$ 53,028</u>	<u>\$ 133,564</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES														
Interest Applied to Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ 98

LIFESPACE, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
ASSETS														
CURRENT ASSETS														
Cash and Cash Equivalents	\$ 228	\$ 444	\$ 207	\$ 355	\$ 611	\$ 611	\$ 225	\$ 733	\$ 1,315	\$ 502	\$ 666	\$ 5,897	\$ 14,130	\$ 20,027
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	3,777	10,381	17,243	9,119	34,283	13,971	8,380	18,066	2,420	6,289	451	124,380	(13,014)	111,366
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	2,238	1,560	1,247	1,060	1,604	1,544	56	1,365	1,561	1,200	1,319	14,754	789	15,543
Inventories	47	48	17	60	23	15	4	58	41	44	14	371	(371)	-
Prepaid Insurance and Other	189	151	54	26	61	245	23	133	32	123	57	1,094	31	1,125
Assets Whose Use is Limited - Current	545	424	346	114	271	221	35	466	247	347	266	3,282	1,047	4,329
Total Current Assets	<u>20,272</u>	<u>196</u>	<u>1,581</u>	<u>56</u>	<u>32,680</u>	<u>23,163</u>	<u>1</u>	<u>319</u>	<u>29,358</u>	<u>658</u>	<u>12,988</u>	<u>121,272</u>	<u>1,748</u>	<u>123,020</u>
ASSETS WHOSE USE IS LIMITED - Noncurrent	27,296	13,204	20,695	10,790	69,533	39,770	8,724	21,140	34,974	9,163	15,761	271,050	4,360	275,410
PROPERTY AND EQUIPMENT, AT COST	10,267	6,560	2,805	792	8,489	6,134	-	9,655	12,654	8,349	7,688	73,393	6,173	79,566
Land and Improvements	5,012	2,036	5,602	2,345	3,380	6,579	2,594	11,253	6,895	6,996	4,218	56,910	6,233	63,143
Buildings and Improvements	70,094	67,420	80,731	39,240	90,077	70,754	30,384	119,525	18,364	73,366	47,669	707,624	83,641	791,265
Furniture and Equipment	5,954	6,972	7,654	6,200	5,478	13,297	1,226	7,907	4,367	4,327	3,308	66,690	10,183	76,873
Construction-in-Progress	16,025	996	659	429	6,904	27,026	135	4,015	64,122	2,683	5,016	128,010	1,566	129,576
Subtotal	<u>97,085</u>	<u>77,424</u>	<u>94,646</u>	<u>48,214</u>	<u>105,839</u>	<u>117,656</u>	<u>34,339</u>	<u>142,700</u>	<u>93,748</u>	<u>87,372</u>	<u>60,211</u>	<u>959,234</u>	<u>101,623</u>	<u>1,060,857</u>
Less: Accumulated Depreciation	<u>51,211</u>	<u>42,911</u>	<u>49,157</u>	<u>24,481</u>	<u>56,923</u>	<u>49,588</u>	<u>11,146</u>	<u>61,229</u>	<u>11,113</u>	<u>39,259</u>	<u>28,020</u>	<u>425,038</u>	<u>35,571</u>	<u>460,609</u>
Net Property and Equipment	45,874	34,513	45,489	23,733	48,916	68,068	23,193	81,471	82,635	48,113	32,191	534,196	66,052	600,248
GOODWILL	-	-	-	-	-	-	-	-	52,823	-	-	52,823	-	52,823
DEFERRED EXPENSES, Net of Accumulated Amortization	60	27	80	28	62	60	84	57	46	67	26	597	25	622
INTANGIBLE ASSET, Net of Accumulated Amortization	-	-	-	-	-	-	-	-	2,755	-	-	2,755	-	2,755
Total Assets	<u>\$ 83,497</u>	<u>\$ 54,304</u>	<u>\$ 69,069</u>	<u>\$ 35,343</u>	<u>\$ 127,000</u>	<u>\$ 114,032</u>	<u>\$ 32,001</u>	<u>\$ 112,323</u>	<u>\$ 185,887</u>	<u>\$ 65,692</u>	<u>\$ 55,666</u>	<u>\$ 934,814</u>	<u>\$ 76,610</u>	<u>\$ 1,011,424</u>

LIFESPACE, INC.
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
LIABILITIES AND NET ASSETS														
CURRENT LIABILITIES														
Accounts Payable:														
Trade	\$ 2,979	\$ 1,369	\$ 1,201	\$ 592	\$ 1,430	\$ 5,069	\$ 315	\$ 1,076	\$ 11,129	\$ 444	\$ 944	\$ 26,548	\$ 5,068	\$ 31,616
Lifespace Communities, Inc.	212	209	198	131	207	167	51	251	202	152	150	1,930	(1,930)	-
Accrued Liabilities:														
Employee Compensation Expense	1,009	1,027	1,259	536	961	895	167	1,260	1,179	825	753	9,871	2,737	12,608
Interest	230	42	178	51	308	388	-	72	563	143	173	2,148	2,105	4,253
Property Taxes	-	-	201	96	654	-	165	-	57	-	-	1,173	774	1,947
Other	257	460	418	116	392	421	80	285	361	193	323	3,306	4,180	7,486
Entrance Fee Refunds	428	349	1,620	1,323	416	365	189	-	1,760	207	767	7,424	274	7,698
Reserve for Health Center Refunds	-	-	6,100	3,057	8,039	7,781	1,199	2,463	6,546	-	1,390	36,575	3,722	40,297
Long-Term Debt Due within One Year	815	278	1,944	650	-	631	734	492	-	945	-	6,489	921	7,410
Obligations under Leases	42	52	16	19	32	37	2	43	68	56	24	391	34	425
Total Current Liabilities	\$5,972	\$3,786	\$13,135	\$ 6,571	\$12,439	\$15,754	\$2,902	\$5,942	\$21,865	\$2,965	\$4,524	95,855	17,885	113,740
LONG-TERM LIABILITIES														
Entrance Fee Deposits	108	96	253	38	282	72	57	255	4,214	61	118	5,554	-	5,554
Wait List Deposits	-	1	41	40	1,854	76	4	175	26	41	10	2,268	-	2,268
Long-Term Debt Due After One Year	38,699	7,239	24,860	8,499	51,133	64,983	14,946	12,067	97,540	24,388	29,639	373,993	41,623	415,616
Obligations under Leases	141	155	62	64	112	120	10	150	191	136	77	1,218	89	1,307
Deferred Entrance Fees	19,913	21,464	14,512	3,627	13,017	12,302	1,614	26,090	3,450	29,142	14,272	159,403	7,449	166,852
Refundable Entrance and Membership Fees	-	-	43,100	41,548	67,352	48,304	17,265	86,242	49,029	-	33,896	386,736	30,457	417,193
Estimated Obligation to Provide Future Services in Excess of Amounts Received or to be Received	-	-	-	-	-	-	-	-	-	-	-	-	1,194	1,194
Total Long-Term Liabilities	58,861	28,955	82,828	53,816	133,750	125,857	33,896	124,979	154,450	53,768	78,012	929,172	80,812	1,009,984
Total Liabilities	64,833	32,741	95,963	60,387	146,189	141,611	36,798	130,921	176,315	56,733	82,536	1,025,027	98,697	1,123,724
NET ASSETS														
With Donor Restrictions	-	-	-	-	-	-	-	-	-	-	-	-	5,893	5,893
Without Donor Restrictions	18,664	21,563	(26,894)	(25,044)	(19,189)	(27,579)	(4,797)	(18,598)	9,572	8,959	(26,870)	(90,213)	(27,980)	(118,193)
Total Net Assets	18,664	21,563	(26,894)	(25,044)	(19,189)	(27,579)	(4,797)	(18,598)	9,572	8,959	(26,870)	(90,213)	(22,087)	(112,300)
Total Liabilities and Net Assets	\$ 83,497	\$ 54,304	\$ 69,069	\$ 35,343	\$ 127,000	\$ 114,032	\$ 32,001	\$ 112,323	\$ 185,887	\$ 65,692	\$ 55,666	\$ 934,814	\$ 76,610	\$ 1,011,424

LIFESPACE, INC.
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
REVENUES														
Residential Living Fees	\$ 9,839	\$ 10,364	\$ 16,739	\$ 6,215	\$ 12,283	\$ 15,007	\$ 5,123	\$ 18,047	\$ 8,495	\$ 10,515	\$ 10,537	\$ 123,164	\$ 5,883	\$ 129,047
Entrance Fees Earned and Nonrefundable Fees	4,568	5,617	2,875	783	2,437	1,909	244	5,912	883	4,908	2,303	32,439	1,349	33,788
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$47,395 and Pass-Through Therapy Expenses of \$9,048	10,088	10,031	6,067	3,783	8,741	5,329	513	8,654	10,882	6,889	5,737	76,714	5,026	81,740
Other	-	-	-	-	-	-	-	-	-	-	-	-	1,273	1,273
Total Revenues	24,495	26,012	25,681	10,781	23,461	22,245	5,880	32,613	20,260	22,312	18,577	232,317	13,531	245,848
EXPENSES														
Operating Expenses:														
Salaries and Benefits	10,550	10,418	12,040	5,351	10,810	9,524	1,546	12,331	11,463	8,136	8,283	100,452	17,092	117,544
General and Administrative	5,405	4,371	4,151	1,759	4,636	4,381	1,204	6,199	5,609	4,354	3,568	45,637	(5,289)	40,348
Plant Operations	1,694	1,489	1,535	737	1,213	1,130	322	1,496	1,329	1,472	1,496	13,913	1,304	15,217
Housekeeping	94	103	120	60	164	215	48	114	155	98	386	1,557	44	1,601
Dietary	2,166	2,187	2,651	1,108	2,293	2,325	770	2,326	2,205	1,945	1,944	21,920	1,415	23,335
Medical and Other Resident Care	1,692	1,204	817	647	728	881	112	1,402	1,167	1,465	987	11,102	929	12,031
Depreciation	3,846	3,581	4,471	1,757	4,464	3,866	1,169	6,869	2,016	3,489	3,455	38,983	4,090	43,073
Amortization of Deferred Expenses	7	4	11	4	11	7	44	9	7	8	4	116	136	252
Interest	80	311	1,105	463	396	688	464	577	(97)	1,019	501	5,507	2,524	8,031
Loss on Disposal of Property and Equipment	144	147	67	46	105	76	58	97	31	114	56	941	47	988
Decrease in Obligation to Provide Future Services	-	-	-	-	-	-	-	-	-	-	-	-	(1,462)	(1,462)
Total Expenses	25,678	23,815	26,968	11,932	24,820	23,093	5,737	31,420	23,885	22,100	20,680	240,128	20,830	260,958
NONOPERATING EXPENSE														
Investment Expense	(246)	(298)	(534)	(276)	(1,393)	(434)	(299)	(606)	(206)	(75)	(143)	(4,510)	(458)	(4,968)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(1,429)	1,899	(1,821)	(1,427)	(2,752)	(1,282)	(156)	587	(3,831)	137	(2,246)	(12,321)	(7,757)	(20,078)
OTHER CHANGES IN NET ASSETS														
Contributions (to) from Lifespace Communities, Inc.	(69)	(67)	(363)	(34)	(888)	(66)	(19)	(480)	(79)	(62)	(55)	(2,182)	2,182	-
CHANGES IN NET ASSETS	(1,498)	1,832	(2,184)	(1,461)	(3,640)	(1,348)	(175)	107	(3,910)	75	(2,301)	(14,503)	(5,575)	(20,078)
Net Assets - Beginning of Year	20,162	19,731	(24,710)	(23,583)	(15,549)	(26,231)	(4,622)	(18,705)	13,482	8,884	(24,569)	(75,710)	(16,512)	(92,222)
NET ASSETS - END OF YEAR	\$ 18,664	\$ 21,563	\$ (26,894)	\$ (25,044)	\$ (19,189)	\$ (27,579)	\$ (4,797)	\$ (18,598)	\$ 9,572	\$ 8,959	\$ (26,870)	\$ (90,213)	\$ (22,087)	\$ (112,300)

LIFESPACE, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
CASH FLOWS FROM OPERATING ACTIVITIES														
Changes in Net Assets	\$ (1,498)	\$ 1,832	\$ (2,184)	\$ (1,461)	\$ (3,640)	\$ (1,348)	\$ (175)	\$ 107	\$ (3,910)	\$ 75	\$ (2,301)	\$ (14,503)	\$ (5,575)	\$ (20,078)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Entrance Fees Earned	(4,563)	(5,612)	(2,871)	(780)	(2,415)	(1,909)	(244)	(5,912)	(882)	(4,909)	(2,303)	(32,400)	(1,344)	(33,744)
Interest Applied to Long-Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	97	97
Restructured Debt Amortization	-	-	-	-	-	-	-	-	-	-	-	-	(597)	(597)
Proceeds from Nonrefundable Entrance Fees and Deposits	4,006	3,229	4,419	1,089	2,458	3,028	483	6,659	5,046	7,605	2,883	40,905	1,719	42,624
Refunds of Entrance Fees	(844)	(831)	(192)	-	-	-	-	-	(338)	(515)	-	(2,720)	(234)	(2,954)
Depreciation and Amortization	3,853	3,585	4,482	1,761	4,475	3,873	1,213	6,878	2,023	3,497	3,459	39,099	4,226	43,325
Amortization of Financing Costs	33	11	44	16	24	42	23	36	42	35	34	340	43	383
Net Accretion of Original Issue Premium and Discounts	(80)	(55)	(141)	(3)	(49)	(157)	-	(67)	(168)	(187)	(63)	(970)	(26)	(996)
Change in Unrealized Depreciation (Appreciation) of Investments	660	1,355	1,939	831	4,328	1,653	972	2,096	129	709	432	15,104	1,927	17,031
Net (Purchases) Sales of Trading Investments	(5,192)	(337)	(1,813)	(3,148)	(29,573)	(13,237)	(1,545)	(4,593)	(15,331)	(524)	1,833	(73,460)	1,885	(71,575)
Decrease in Obligation to Provide Future Service	-	-	-	-	-	-	-	-	-	-	-	-	(1,462)	(1,462)
Loss on Disposal of Property and Equipment	144	147	67	46	105	76	58	97	31	114	56	941	47	988
Contributions (to) from Lifespace Communities, Inc.	69	67	363	34	888	66	19	480	79	62	55	2,182	(2,182)	-
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	1,136	393	(95)	137	(68)	335	38	425	(446)	117	561	2,533	(187)	2,346
Accounts Payable and Accrued Liabilities	2,540	529	597	252	1,047	3,211	216	(511)	9,867	(130)	490	18,108	2,971	21,079
Net Cash Provided (Used) by Operating Activities	264	4,313	4,615	(1,226)	(22,420)	(4,367)	1,058	5,695	(3,858)	5,949	5,136	(4,841)	1,308	(3,533)

LIFESPACE, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(IN THOUSANDS)

	Abbey Delray Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Grand Lodge	Harbour's Edge	Oak Trace	The Waterford	Village on the Green	Total Obligated Group	Nonobligated Group Members and Eliminations	Consolidated Lifespace, Inc.
CASH FLOWS FROM INVESTING ACTIVITIES														
Purchases of Property and Equipment	\$ (16,604)	\$ (4,279)	\$ (4,233)	\$ (2,147)	\$ (6,168)	\$ (21,745)	\$ (1,224)	\$ (5,014)	\$ (54,871)	\$ (5,276)	\$ (5,929)	\$ (127,490)	\$ (2,878)	\$ (130,368)
CASH FLOWS FROM FINANCING ACTIVITIES														
Financing Costs Incurred	(404)	-	-	-	(710)	(674)	-	-	(1,289)	-	(246)	(3,323)	-	(3,323)
Proceeds from New Financings	24,849	-	-	-	37,576	35,771	-	-	68,459	-	7,432	174,087	-	174,087
Repayment of Long-Term Debt	(770)	(267)	(1,864)	(619)	-	(607)	(699)	(474)	-	(909)	-	(6,209)	(562)	(6,771)
Payments on Leases	(39)	(55)	(17)	(19)	(50)	(37)	(3)	(45)	(73)	(82)	(24)	(444)	(41)	(485)
Proceeds from Refundable Entrance Fees and Deposits	-	-	6,248	7,738	9,376	5,425	3,901	11,494	6,115	-	2,080	52,377	4,795	57,172
Refunds of Refundable Entrance Fees	-	-	(5,139)	(4,602)	(8,699)	(8,392)	(3,177)	(12,198)	(5,584)	-	(4,347)	(52,138)	(3,485)	(55,623)
Contributions (to) from Lifespace Communities, Inc.	(69)	(67)	(363)	(34)	(888)	(66)	(19)	(480)	(79)	(62)	(55)	(2,182)	2,182	-
Net Cash Provided (Used) by Financing Activities	23,567	(389)	(1,135)	2,464	36,605	31,420	3	(1,703)	67,549	(1,053)	4,840	162,168	2,889	165,057
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	7,227	(355)	(753)	(909)	8,017	5,308	(163)	(1,022)	8,820	(380)	4,047	29,837	1,319	31,156
Cash, Cash Equivalents and Restricted Cash Beginning of Year	2,894	1,763	4,075	1,738	3,931	3,211	696	3,806	5,353	1,724	3,098	32,289	11,875	44,164
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 10,121</u>	<u>\$ 1,408</u>	<u>\$ 3,322</u>	<u>\$ 829</u>	<u>\$ 11,948</u>	<u>\$ 8,519</u>	<u>\$ 533</u>	<u>\$ 2,784</u>	<u>\$ 14,173</u>	<u>\$ 1,344</u>	<u>\$ 7,145</u>	<u>\$ 62,126</u>	<u>\$ 13,194</u>	<u>\$ 75,320</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES														
Interest Applied to Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97	\$ 97

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**BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Barton Creek Senior Living Center, Inc.
dba: Querencia at Barton Creek
Des Moines, Iowa

We have audited the accompanying financial statements of Barton Creek Senior Living Center, Inc. dba: Querencia at Barton Creek, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and changes in net assets without donor restrictions, and cash flows for the year ended December 31, 2020, and the periods from January 1, 2019 to June 20, 2019 (Predecessor) and June 21, 2019 to December 31, 2019 (Successor), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Board of Directors
Barton Creek Senior Living Center, Inc.
dba: Querencia at Barton Creek

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Barton Creek Senior Living Center, Inc. dba: Querencia at Barton Creek as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from July 1, 2019 through December 31, 2019 (Successor) and the results of its operations and its cash flows for the period from January 1, 2019 to June 30, 2019 (predecessor) in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2021

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,685	\$ 4,284
Investments in Trading Portfolio, Excluding Assets Whose Use is Limited	21,113	17,842
Accounts Receivable:		
Trade	672	391
Lifespace Communities, Inc.	405	250
Inventories	113	42
Prepaid Insurance and Other	256	409
Assets Whose Use is Limited - Current	3,747	3,548
Total Current Assets	29,991	26,766
ASSETS WHOSE USE IS LIMITED - Noncurrent	7,029	6,067
PROPERTY AND EQUIPMENT, AT COST		
Land and Improvements	8,241	8,222
Building and Improvements	64,162	64,621
Furniture and Equipment	1,611	2,510
Construction in Progress	8	-
Subtotal	74,022	75,353
Less: Accumulated Depreciation	1,918	1,699
Net Property and Equipment	72,104	73,654
GOODWILL, Net of Accumulated Amortization	5,660	6,449
DEFERRED EXPENSES, Net of Accumulated Amortization	51	30
INTANGIBLE ASSET, Net of Accumulated Amortization	9,554	11,024
Total Assets	\$ 124,389	\$ 123,990

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

	2020	2019
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 412	\$ 681
Related Party	161	201
Total Accounts Payable	573	882
Accrued Liabilities:		
Employee Compensation Expense	317	538
Interest	278	287
Property Taxes	336	336
Other	154	-
Total Accrued Liabilities	1,085	1,161
Entrance Fee Refunds	3,010	450
Long-Term Debt Due within One Year	1,390	1,325
Obligation of Operating Lease Due within One Year	63	61
Total Current Liabilities	6,121	3,879
LONG-TERM LIABILITIES		
Entrance Fee Deposits	-	1,626
Wait List Deposits	760	-
Long-Term Debt Due after One Year	43,300	44,690
Obligation of Operating Lease Due after One Year	142	206
Deferred Entrance Fees	5,043	4,698
Refundable Entrance Fees	79,088	70,059
Total Long-Term Liabilities	128,333	121,279
Total Liabilities	134,454	125,158
NET ASSETS WITHOUT DONOR RESTRICTIONS	(10,065)	(1,168)
Total Liabilities and Net Assets without Donor Restrictions	\$ 124,389	\$ 123,990

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
YEAR ENDED DECEMBER 31, 2020 AND PERIODS FROM JULY 1, 2019
THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 (PREDECESSOR)
(IN THOUSANDS)

	Successor		Predecessor
	2020	July 1 - December 31, 2019	January 1 - June 30, 2019
REVENUES			
Independent Living Fees	\$ 11,422	\$ 5,566	\$ 5,462
Entrance Fees Earned and Nonrefundable Fees	940	804	377
Skilled Nursing and Assisted Living Fees	8,857	4,845	4,782
Investment Income	2,318	1,438	1,605
Other	644	-	-
Total Revenues	<u>24,181</u>	<u>12,653</u>	<u>12,226</u>
EXPENSES			
Operating Expenses:			
Salaries and Benefits	10,123	5,009	5,189
General and Administrative	3,580	2,144	2,308
Plant Operations	1,495	908	870
Housekeeping	99	64	65
Dietary	2,137	1,121	831
Medical and Other Resident Care	858	539	516
Depreciation	2,106	1,697	1,765
Amortization	10,326	1,166	-
Interest	2,284	1,167	1,288
Loss on Disposal of Property and Equipment	46	6	-
Total Expenses	<u>33,054</u>	<u>13,821</u>	<u>12,832</u>
DEFICIT OF REVENUES OVER EXPENSES	(8,873)	(1,168)	(606)
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Contributions to Lifespace Communities, Inc.	(24)	-	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(8,897)	(1,168)	(606)
Net Assets Without Donor Restrictions - Beginning of Period	(1,168)	-	(45,460)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (10,065)</u>	<u>\$ (1,168)</u>	<u>\$ (46,066)</u>

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020 AND PERIODS FROM JULY 1, 2019
THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 (PREDECESSOR)
(IN THOUSANDS)

	Successor		Predecessor
	2020	July 1 - December 31, 2019	January 1 - June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit of Revenues Over Expenses	\$ (8,897)	\$ (1,168)	\$ (606)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:			
Entrance Fees Earned	(940)	(804)	(377)
Proceeds from Nonrefundable Entrance Fees and Deposits	1,286	634	721
Net Accretion of Original Issue Premiums	-	-	74
Depreciation and Amortization	12,432	2,863	1,765
Amortization of Financing Cost	-	-	68
Net (Purchases) Sales of Trading Investments	(6,450)	274	1,049
Change in Unrealized Depreciation (Appreciation) of Investments	1,149	(866)	(1,305)
Change in Entrance Fee and Wait List Deposits	(866)	826	(50)
Loss on Disposal of Property and Equipment	46	6	-
Contributions to Lifespace Communities, Inc.	24	-	-
Changes in Operating Assets and Liabilities:			
Accounts Receivable, Inventories, and Prepaid Insurance and Other	(179)	99	(137)
Accounts Payable and Accrued Liabilities	(385)	391	(579)
Net Cash Provided (Used) by Operating Activities	<u>(2,780)</u>	<u>2,255</u>	<u>623</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	(662)	(642)	(1,090)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contributions to Lifespace Communities, Inc.	(24)	-	-
Repayment of Long-Term Debt	(1,325)	(1,260)	-
Payment on Capital Lease	(2)	-	-
Proceeds from Refundable Entrance Fees and Deposits	11,352	6,988	6,493
Refunds of Entrance Fees	(8,027)	(4,191)	(4,668)
Net Cash Provided by Financing Activities	<u>1,974</u>	<u>1,537</u>	<u>1,825</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,468)	3,150	1,358
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	<u>9,727</u>	<u>6,577</u>	<u>5,219</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF PERIOD	<u>\$ 8,259</u>	<u>\$ 9,727</u>	<u>\$ 6,577</u>

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND OPERATIONS

Barton Creek Senior Living Center, Inc. dba: Querencia at Barton Creek (Querencia), is incorporated as a Texas nonprofit corporation to provide housing, health care, and other related services to the elderly through the operation of a retirement community. Querencia operates under a “life care” concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the community for life. The residents do not acquire an interest in the real estate and property.

Senior Quality Lifestyles Corporation (SQLC) was Querencia’s sole member until June 20, 2019. On June 20, 2019, SQLC and Lifespace Communities, Inc. (Lifespace) executed an affiliation agreement. The agreement provided for a member substitution of Lifespace as the owner and operator of Querencia, along with two other SQLC communities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the accounts of Querencia.

The financial statements are presented for both the predecessor period (when SQLC was the sole member) and the successor period (when Lifespace is the sole member), which relate to the accounting periods preceding and succeeding the affiliation on June 20, 2019. The date of June 30th is used in the presentation to allow for a more accurate cut-off. The ten days of activity from June 20th to June 30th was deemed immaterial to the presentation of the financial statements.

The successor and predecessor periods have been separated by a vertical line on the face of the financial statements and in the notes to the financial statements, when applicable.

The assets and liabilities and net assets of Querencia are reported as follows:

Without Donor Restrictions – Those resources over which the board of directors has discretionary control. “Board-designated” amounts represent those resources which the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

At December 31, 2020 and 2019, no net assets with donor restrictions were held by Querencia.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments, including assets whose use is limited, are recorded at fair value. Fair values are determined based on readily determinable market values.

Changes in unrealized gains and losses on investments are reported within the deficit of revenues over expenses. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying statements of cash flows.

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. Querencia provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables over 90 days. Past-due balances are written off after all collection efforts have been exhausted. Management has determined all amount are collectible at December 31, 2020 and 2019, and therefore no allowance for doubtful accounts is recorded as of December 31, 2020 and 2019.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Querencia has approximately \$8 and \$-0- in construction in progress at December 31, 2020 and 2019, respectively.

Credit Risk

Querencia maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. Querencia has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Querencia grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	December 31,	
	2020	2019
Medicare	42 %	41 %
Residents and Other Third-Party Payors	58	59
Total	100 %	100 %

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists principally of food, liquor, and kitchen supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of future resident funds held in trust by Querencia as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

Goodwill

Goodwill represents the excess of the debt assumed over the fair value of assets acquired at the time of the Lifespace affiliation in June 2019 (see Note 11). Goodwill is amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. In accordance with accounting standards there is 12 months from the date of affiliation to adjust to the purchase accounting. Goodwill acquired in the affiliation was \$6,879 at December 31, 2019 and subsequently adjusted to \$6,903 in 2020 (see Note 11). Accumulated amortization at December 31, 2020 and 2019 was \$1,243 and \$430, respectively.

Deferred Expenses

Net deferred expenses of \$51 and \$30 at December 31, 2020 and 2019, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The accumulated amortization was \$5 and \$1 in 2020 and 2019, respectively.

Intangible Assets

Intangible assets include values assigned to the residency agreements in place at the time of the Lifespace affiliation in June 2019 (see Note 11). The value associated with the residency agreements is being amortized over nine years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Residency agreements acquired in the affiliation were \$11,759. The accumulated amortization was \$2,205 and \$735 at December 31, 2020 and 2019, respectively.

Change in Accounting Policy

The residency agreements acquired in the affiliation have refunds that are due at the contract amount, not the fair value of the liability recorded. In 2020, Querencia changed its accounting policy to amortize the difference in the contract and fair value amounts over nine years, adjusting for residents who have exited the community and received the refund. As a result of this change in accounting estimate, an additional \$2,499 has been recorded as amortization on the income statement for 2020.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees

Querencia presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred revenue. This deferred revenue is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

Under the return-of-capital residency plan, a portion of the entrance fees (5% to 10%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident once sufficient entrance fees have been received from reoccupancy of an apartment by another resident. This refundable portion is recorded as a liability until the time of payment.

The following is a summary of deferred entrance fees:

	December 31,	
	2020	2019
Nonrefundable Entrance Fees	\$ 5,043	\$ 4,698
Refundable Entrance Fees	79,088	70,059
Total	\$ 84,131	\$ 74,757

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which Querencia expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. Querencia bills all residents at the beginning of the month and third-party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Performance obligations are determined based on the nature of the services provided by Querencia. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Querencia believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in an independent or assisted living apartment, or receiving skilled nursing services over a period of time. Querencia measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

Because all of Querencia's remaining performance obligations relate to contracts with a duration of less than one year, Querencia has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

Querencia determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. Querencia determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Querencia's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price were not significant in 2020 or 2019.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Querencia estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Querencia has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The composition of resident care service revenue by primary payor is as follows:

	Successor		Predecessor
	2020	July 1 - December 31 2019	January 1 - June 30 2019
Residency Plan Agreements	\$ 13,480	\$ 5,907	\$ 5,738
Private Pay	4,552	3,404	3,312
Medicare	2,186	1,117	1,166
HMO/Managed Care	61	(17)	28
Total	<u>\$ 20,279</u>	<u>\$ 10,411</u>	<u>\$ 10,244</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of resident care service revenue based its lines of business are as follows:

	Successor		Predecessor
	2020	July 1 - December 31 2019	January 1 - June 30 2019
Service Lines:			
Independent Living	\$ 11,422	\$ 5,566	\$ 5,462
Skilled Nursing Facility	4,739	2,683	2,694
Assisted Living and Memory Care	4,074	2,096	2,088
Home Health	44	66	-
Total	<u>\$ 20,279</u>	<u>\$ 10,411</u>	<u>\$ 10,244</u>

Querencia has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due Querencia's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, Querencia does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Independent Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Querencia has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that Querencia otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that Querencia otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. Querencia regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2020, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2020 and 2019, the customer contract acquisition costs are \$56 and \$31, respectively. During the years ended December 31, 2020 and 2019, Querencia recognized amortization expense of \$3 and \$1, respectively. The net is presented in deferred expenses on the accompanying balance sheets.

Deficit of Revenues Over Expenses

The statements of operations and changes in net assets without donor restrictions include a line entitled “deficit of revenues over expenses,” which is an important performance indicator for Querencia. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include assets released from restriction for capital purposes, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and contributions to/from affiliates.

Income Taxes

Querencia has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization (rather than a private foundation).

Querencia evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is “more likely than not” that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. For the years ended December 31, 2020 and 2019, Querencia has not recorded any such tax benefit or expense in the accompanying financial statements. No examinations are in progress or anticipated at this time. Querencia’s federal income tax returns are open to examination for the years ended December 31, 2017 through December 31, 2019.

Statements of Cash Flows

For purposes of the statements of cash flows, cash, cash equivalents and restricted cash represent investments with original maturities of three months or less.

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statements of Cash Flows (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2020	2019
Cash and Cash Equivalents	\$ 3,685	\$ 4,284
Restricted Cash Included in Assets Whose Use is Limited - Current	3,737	3,548
Restricted Cash Included in Assets Whose Use is Limited - Noncurrent	837	1,895
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 8,259	\$ 9,727

During the year ended December 31, 2020, Querencia received dividend and interest income of \$520 and paid interest charges of \$2,293. During the period July through December 2019, Querencia received dividend and interest income of \$361 and paid interest charges of \$1,178. During the period January through June 2019, Querencia received dividend and interest income of \$235 and paid interest charges of \$1,178.

Use of Estimates

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

Coronavirus Relief Funds

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Due to the Coronavirus pandemic, there were certain relief funds issued to Querencia from the U.S. Department of Health and Human Services (HHS). The government made available emergency relief grant funds to health care providers through the Coronavirus Aid, Relief and Economic Security Act Provider Relief Fund and other related programs. The relief funds are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. Querencia considers the relief funds conditional, and therefore the funds are not recognized as revenue until conditions on which they depend are met. Querencia received \$644 in relief funds, has determined the conditions on which they depend were met, and therefore recognized the relief funds as revenue for the year ended December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS)

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by Querencia in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price Querencia would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of Querencia. Unobservable inputs are inputs that reflect Querencia's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including Querencia's assumptions in determining the fair value of investments).

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the market place, and other characteristics particular to the transaction.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by Querencia in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market observable inputs. The following is a summary of the inputs used:

	December 31, 2020			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 4,574	\$ 4,574	\$ -	\$ -
Pooled Common Trust Fund	21,111	-	21,111	-
Corporate Bonds	3,084	-	3,084	-
U.S. Government and Federal Agencies	3,120	-	3,120	-
Total Assets	<u>\$ 31,889</u>	<u>\$ 4,574</u>	<u>\$ 27,315</u>	<u>\$ -</u>
	December 31, 2019			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 5,443	\$ 5,443	\$ -	\$ -
Equity Securities	10,786	10,786	-	-
Corporate Bonds	689	-	689	-
U.S. Government and Federal Agencies	4,564	-	4,564	-
Fixed Income	5,975	-	5,975	-
Total Assets	<u>\$ 27,457</u>	<u>\$ 16,229</u>	<u>\$ 11,228</u>	<u>\$ -</u>

There were no investments measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2020 and 2019.

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTE 4 INVESTMENTS

A summary of the fair value of investments is as follows:

	December 31,	
	2020	2019
Money Market	\$ 4,574	\$ 5,443
Pooled Common Trust Funds	21,111	-
Equity Securities	-	10,786
Corporate Bonds	3,084	689
US Government and Federal Agencies	3,120	4,564
Fixed Income	-	5,975
Total	<u>\$ 31,889</u>	<u>\$ 27,457</u>

The investments noted above are represented in the balance sheets in the following line items:

	December 31,	
	2020	2019
Investments in Trading Portfolio, Excluding Assets Whose Use is Limited	\$ 21,113	\$ 17,842
Assets Whose Use is Limited - Current	3,747	3,548
Assets Whose Use is Limited - Noncurrent	7,029	6,067
Total	<u>\$ 31,889</u>	<u>\$ 27,457</u>

Investment income is comprised of the following:

	Successor		Predecessor
	2020	July 1 - December 31 2019	January 1 - June 30 2019
Dividend and Interest Income	\$ 520	\$ 361	\$ 235
Net Realized Gains on Investments	2,947	211	65
Change in Unrealized Appreciation (Depreciation) of Investments	(1,149)	866	1,305
Total Investment Income	<u>\$ 2,318</u>	<u>\$ 1,438</u>	<u>\$ 1,605</u>

Investment management and custodial fees amounted to \$18 for year ended December 31, 2020, \$5 for the period of July through December 2019 and \$7 for the period of January through June 2019.

NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2020, Querencia has a working capital surplus of \$23,870 and days cash on hand of 440.

BARTON CREEK SENIOR LIVING CENTER, INC.
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(IN THOUSANDS)

NOTE 5 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	December 31,	
	2020	2019
Cash and Cash Equivalents	\$ 3,685	\$ 4,284
Investments in Trading Portfolio, at Fair Value	21,113	17,842
Accounts Receivables, Trade	672	391
Accounts Receivables, Related Party	360	250
Assets Whose Use is Limited	10,776	9,615
Total Financial Assets	36,606	32,382
Less Amounts Unavailable to be Used within One Year:		
Funds Held by Trustee	7,288	7,249
Entrance Fee Deposits	3,483	2,366
Team Member Appreciation Funds	5	-
Total Unavailable within One Year	10,776	9,615
Financial Expenditures Available to Meet Cash Needs within One Year	\$ 25,830	\$ 22,767

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, an accumulated deposit of \$15 is collected. The balance of the fee is payable on the date that occupancy is offered to the resident. Generally, depositors may cancel their residency agreements at any point prior to admission and receive a partial refund of the entrance deposit.

At December 31, 2020 and 2019, deposits of \$0- and \$1,626, respectively, had been received from future residents who have signed residency agreements. Funds on deposit are classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2020, Querencia had one resident on a deferred entrance fee contract and will pay the final portion of \$258 in the following year. There were no deferred entrance fees at December 31, 2019. The remaining portion due is classified within trade accounts receivables.

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NOTE 7 FINANCING AGREEMENTS

The following is a summary of long-term debt payable:

	December 31,	
	2020	2019
Series 2015 Revenue Bonds, 4.625% - 5.000%	\$ 44,690	\$ 46,015
Less: Amounts Due within One Year	1,390	1,325
Amounts Due after One Year	\$ 43,300	\$ 44,690

Querencia entered into loan agreements with a government entity to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of Querencia through the issuer. Payments under a loan agreement between Querencia and the issuer become the vehicle for servicing the debt on behalf of Querencia. The bonds are reflected in the accompanying financial statements as financing arrangements of Querencia.

The Series 2015 Revenue Bonds bear an annual fixed interest rate of 4.625% to 5.000% and mature on November 15, 2040.

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense. The related premium was written off at the time of affiliation (Note 11).

At the time of issuance, bonds incur costs related to issuance. Any issuance costs are amortized over the life of the bonds and is recognized as an increase to interest expense. The related issuance costs were written off at the time of affiliation (Note 11).

At December 31, 2020, schedule maturities are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 1,390
2022	1,460
2023	1,530
2024	1,610
2025	1,690
Thereafter	37,010
Total	\$ 44,690

**BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTES TO FINANCIAL STATEMENTS
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(IN THOUSANDS)**

NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Assets Whose Use is Limited

Under the terms of the Series 2015 bonds, the loan agreement, trust indenture, credit and reimbursement agreement, and residency agreement, the following funds are restricted and shown as assets whose use is limited:

	December 31,	
	2020	2019
Debt Service Reserve Fund	\$ 3,621	\$ 3,701
Debt Service Fund	598	544
Project Funds	3,069	3,004
Entrance Fee Deposits	3,483	2,366
Team Member Appreciation Funds	5	-
Subtotal	<u>10,776</u>	<u>9,615</u>
Less: Current Portion	3,747	3,548
Total	<u>\$ 7,029</u>	<u>\$ 6,067</u>

Debt Service Reserve Funds

Under the terms of the financing agreement, a debt service reserve fund is maintained for the Series 2015 bonds. The required balance of the debt service reserve fund at December 31, 2020 and 2019 is the maximum annual debt service of \$3,617.

Debt Service Funds

Querencia is required to make monthly deposits to the debt service fund in the amount sufficient to make periodic principal and interest payments on the respective underlying debt.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific independent living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the home and the community requests the funds be disbursed in accordance with the escrow agreement.

Team Member Appreciation Funds

Residents at Querencia may voluntarily establish a fund to provide team member appreciation disbursements.

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, Querencia provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following:

Successor						
January 1, 2020 - December 31, 2020						
	Program Services			Supporting Services		
	Independent Living	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 4,695	\$ 2,898	\$ 1,356	\$ 8,949	\$ 1,174	\$ 10,123
General and Administrative	2,015	433	650	3,098	482	3,580
Plant Operations	918	231	346	1,495	-	1,495
Housekeeping	61	15	23	99	-	99
Dietary	1,312	330	495	2,137	-	2,137
Medical and Other Resident Care	80	729	49	858	-	858
Depreciation	1,229	309	463	2,001	105	2,106
Amortization	9,513	-	-	9,513	813	10,326
Interest	1,402	353	529	2,284	-	2,284
Total Expense	<u>\$ 21,225</u>	<u>\$ 5,298</u>	<u>\$ 3,911</u>	<u>\$ 30,434</u>	<u>\$ 2,574</u>	<u>\$ 33,008</u>

Successor						
July 1, 2019 - December 31, 2019						
	Program Services			Supporting Services		
	Independent Living	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 2,423	\$ 1,363	\$ 664	\$ 4,450	\$ 559	\$ 5,009
General and Administrative	1,258	273	410	1,941	203	2,144
Plant Operations	558	140	210	908	-	908
Housekeeping	39	10	15	64	-	64
Dietary	688	173	260	1,121	-	1,121
Medical and Other Resident Care	70	439	30	539	-	539
Depreciation	990	249	373	1,612	85	1,697
Amortization	736	-	-	736	430	1,166
Interest	717	180	270	1,167	-	1,167
Total Expense	<u>\$ 7,479</u>	<u>\$ 2,827</u>	<u>\$ 2,232</u>	<u>\$ 12,538</u>	<u>\$ 1,277</u>	<u>\$ 13,815</u>

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

	Predecessor					
	January 1 - June 30, 2019					
	Program Services				Supporting Services	
	Independent Living	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 2,604	\$ 1,313	\$ 621	\$ 4,538	\$ 651	\$ 5,189
General and Administrative	1,314	285	428	2,027	281	2,308
Plant Operations	534	134	202	870	-	870
Housekeeping	40	10	15	65	-	65
Dietary	511	128	192	831	-	831
Medical and Other Resident Care	53	441	22	516	-	516
Depreciation	1,030	259	388	1,677	88	1,765
Interest	791	199	298	1,288	-	1,288
Total Expense	<u>\$ 6,877</u>	<u>\$ 2,769</u>	<u>\$ 2,166</u>	<u>\$ 11,812</u>	<u>\$ 1,020</u>	<u>\$ 12,832</u>

The loss on disposal of property and equipment is excluded for the year ending December 31, 2020 and the periods from January 1, 2019 to June 30, 2019 (Predecessor) and July 1, 2019 to December 31, 2020 (Successor).

NOTE 9 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, Querencia elected the practical expedients allowed under the accounting standard, and has implemented this standard effective January 1, 2019.

During 2019, Querencia has entered into operating lease agreements for copiers. The right-of-use asset for this agreement is \$205 and 266 at December 31, 2020 and 2019, respectively. Payment and the related expenses for these leases was \$72 for the year ended December 31, 2020, \$36 for the period July 1 to December 31, 2019 and \$30 for the period January 1 to June 30, 2019. The leases have a discount rate of 4.7% and a weighted-average remaining lease term of three years.

The maturity of operating leases is as follows:

<u>Year Ending December 31,</u>	Operating Leases Amount
2021	\$ 72
2022	72
2023	72
2024	7
2025	-
PV Discount	(18)
Total	<u>\$ 205</u>

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NOTE 10 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on Querencia.

General and Professional Liability

General and professional liability claims have been asserted against Querencia by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of Querencia. Incidents occurring through December 31, 2020 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position or operations.

COVID-19

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Corporation, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Querencia is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of April 22, 2021

NOTE 11 BUSINESS COMBINATIONS

As stated under Note 1 Organization and Operations, on June 20, 2019, Lifespace became the sole member SQLC including SQLC's management company, Seniority, Inc., and three SQLC communities: Edgemere, Querencia, The Stayton. No consideration was paid for this affiliation.

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(IN THOUSANDS)

NOTE 11 BUSINESS COMBINATIONS (CONTINUED)

Lifespace is required to recognize and measure the identifiable assets acquired, and liabilities assumed at the affiliation date at fair values, which have been pushed down to the applicable legal entity. The following tables summarizes the estimated fair values of the assets acquired and liabilities assumed for Querencia as of the date of affiliation:

Financial Assets	\$	19,301
Financial Assets, Limited Use		8,697
Receivables		1,401
Inventory		20
Prepaid Expenses		418
Property and Equipment		74,449
Intangible Assets - Resident Contracts		11,759
Goodwill		6,903
Financial Liabilities		(2,452)
Refundable Entrance Fees		(68,353)
Nonrefundable Entrance Fees		(4,868)
Bonds Payable		(47,275)
Net Assets Acquired	<u>\$</u>	<u>-</u>

The excess of debt assumed over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. The primary factors for goodwill were resident contracts, assembled workforce, and synergies. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third-party valuation specialists.

Transaction-related costs of \$481 were recorded in general and administrative expense in 2019. These costs consisted primarily of legal and professional fees related to due diligence.

NOTE 12 RELATED PARTY TRANSACTIONS

Lifespace provides multiple services to Querencia, including accounting, compliance, construction management, corporate governance, financing, human resources, information technology, insurance, legal, management, marketing, risk management, and treasury. Lifespace allocates home office expenses to all communities it operates. Querencia's portion of the home office allocation was \$1,430 for the year ended December 31, 2020.

BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

Querencia had a management services agreement with Seniority, Inc. In conjunction with this agreement, Querencia agreed to pay a monthly management fee equal to 6% of monthly revenue, as defined in the management services agreement, and monthly overhead fee equal to 3% of the monthly management fee along with reimbursement of expenses. Beginning with the affiliation on June 20, 2019, the management services agreement was under the oversight of Lifespace. Querencia paid fees and expense reimbursements of \$1,020 for the period July 1 to December 31, 2019, and fees and expense reimbursements of \$688 for the period January 1 to June 30, 2019. No amounts were paid under this agreement in 2020.

Querencia had an administration and operational oversight agreement with SQLC. Under this agreement, Querencia reimbursed SQLC for certain support and administration activities performed on its behalf. Beginning on June 20, 2019, this agreement was under the oversight of Lifespace. Querencia paid fees and expense reimbursements of fees and expense reimbursements of \$55 for the period July 1 to December 31, 2019, and fees and expense reimbursements of \$156 for the period January 1 to June 30, 2019. No amounts were paid under this agreement in 2020.

NOTE 13 BENEVOLENT CARE

The following information presents the level of benevolent care provided during the years ended December 31, 2020 and 2019.

	2020	2019
Estimated Costs of Unreimbursed Services Provided to Non-Medical Residents	\$ 1,025	\$ 1,040

NOTE 14 EMPLOYEE BENEFIT PLAN

Querencia has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees of Querencia. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from Querencia. All employee contributions to the TDA are fully vested, while contributions made by Querencia vest over a five-year period. Total expense under this plan was approximately \$44 and \$27 for the year ended December 31, 2020 and 2019, respectively.

**BARTON CREEK SENIOR LIVING CENTER, INC.
DBA: QUERENCIA AT BARTON CREEK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(IN THOUSANDS)**

NOTE 15 SUBSEQUENT EVENTS

Querencia has evaluated events or transactions that may have occurred since December 31, 2020, that would merit recognition or disclosure in the financial statements. This evaluation was completed through April 22, 2021, the date the financial statements were available to be issued. No material recognized or nonrecognized subsequent events were identified for recognition or disclosure in the financial statements or the accompanying notes to the financial statements, except for those disclosed above.

BARTON CREEK SENIOR LIVING CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**BARTON CREEK SENIOR LIIVNG CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Barton Creek Senior Living Center, Inc. (dba Querencia at Barton Creek)
Des Moines, Iowa

We have audited the accompanying financial statements of Barton Creek Senior Living Center, Inc. (dba Querencia at Barton Creek), which comprise the balance sheet as of December 31, 2019, and the related statements of operations and changes in net assets without donor restrictions, and cash flows for the periods from January 1, 2019 to June 20, 2019 (Predecessor) and June 21, 2019 to December 31, 2019 (Successor), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

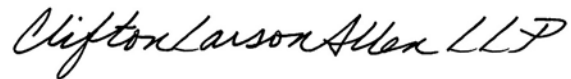
Board of Directors
Barton Creek Senior Living Center, Inc. (dba Querencia at Barton Creek)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Barton Creek Senior Living Center, Inc. (dba Querencia at Barton Creek) as of December 31, 2019, and the results of its operations and its cash flows for the period from July 1, 2019 through December 31, 2019 (Successor) and the results of its operations and its cash flows for the period ended June 30, 2019 and the year ended December 31, 2019 (Predecessor) in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements of Barton Creek Senior Living Center, Inc. (dba Querencia at Barton Creek) were audited by other auditors whose report dated May 30, 2019, expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 22, 2020

BARTON CREEK SENIOR LIVING CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK)
BALANCE SHEETS
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)

ASSETS	Successor 2019	Predecessor 2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,284	\$ 2,399
Investments in Trading Portfolio, Excluding Assets Whose Use is Limited	17,842	15,045
Accounts Receivable:		
Trade	391	1,051
Related Party	250	219
Inventories	42	47
Prepaid Insurance and Other	409	425
Assets Whose Use is Limited - Current	3,548	4,348
Total Current Assets	26,766	23,534
ASSETS WHOSE USE IS LIMITED - Noncurrent	6,067	4,593
PROPERTY AND EQUIPMENT, AT COST		
Land and Improvements	8,222	5,203
Building and Improvements	64,621	98,823
Furniture and Equipment	2,510	5,952
Construction in Progress	-	4,837
Subtotal	75,353	114,815
Less: Accumulated Depreciation	1,699	31,840
Net Property and Equipment	73,654	82,975
GOODWILL, Net of Accumulated Amortization	6,449	-
DEFERRED EXPENSES, Net of Accumulated Amortization	30	-
INTANGIBLE ASSET, Net of Accumulated Amortization	11,024	-
Total Assets	\$ 123,990	\$ 111,102

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK)
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2019 (SUCCESSOR) AND 2018 (PREDECESSOR)
(IN THOUSANDS)

	Successor 2019	Predecessor 2018
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 681	\$ 1,051
Related Party	201	336
	882	1,387
Accrued Liabilities:		
Employee Compensation Expense	538	557
Interest	287	330
Property Taxes	336	320
Other	-	1
Total Accrued Liabilities	1,161	1,208
Entrance Fee Refunds	450	387
Long-Term Debt Due within One Year	1,325	1,260
Obligation of Operating Lease Due within One Year	61	-
Total Current Liabilities	3,879	4,242
LONG-TERM LIABILITIES		
Entrance Fee Deposits	1,626	850
Long-Term Debt Due after One Year	44,690	46,058
Obligation of Operating Lease Due after One Year	206	-
Deferred Entrance Fees	4,698	6,458
Refundable Entrance Fees	70,059	98,954
Total Long-Term Liabilities	121,279	152,320
Total Liabilities	125,158	156,562
NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,168)	(45,460)
Total Liabilities and Net Assets without Donor Restrictions	\$ 123,990	\$ 111,102

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK)
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)

	Successor	Predecessor	
	July 1 - December 31, 2019	January 1 - June 30, 2019	January 1 - December 31, 2018
REVENUES			
Residential Living Fees	\$ 5,566	\$ 5,462	\$ 10,618
Entrance Fees Earned and Nonrefundable Fees	804	377	884
Skilled Nursing and Assisted Living Fees, Net of Contractual Allowances of \$1,527, \$1,516 and \$3,578 in July through December, 2019, January through June, 2019, and 2018, Respectively	4,845	4,782	8,880
Investment Income (Loss)	1,438	1,605	(588)
Total Revenues	<u>12,653</u>	<u>12,226</u>	<u>19,794</u>
EXPENSES			
Operating Expenses:			
Salaries and Benefits	5,009	5,189	9,824
General and Administrative	2,144	2,308	4,213
Plant Operations	908	870	1,746
Housekeeping	64	65	107
Dietary	1,121	831	1,797
Medical and Other Resident Care	539	516	1,067
Depreciation	1,697	1,765	3,391
Amortization of Deferred Expenses	1,166	-	-
Interest	1,167	1,288	2,431
Loss on Disposal of Property and Equipment	6	-	-
Total Expenses	<u>13,821</u>	<u>12,832</u>	<u>24,576</u>
DEFICIT OF REVENUES OVER EXPENSES	(1,168)	(606)	(4,782)
Net Assets without Donor Restrictions - Beginning of Period	-	(45,460)	(40,678)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u>\$ (1,168)</u>	<u>\$ (46,066)</u>	<u>\$ (45,460)</u>

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK)
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
WITHOUT DONOR RESTRICTIONS
PERIODS FROM JULY 1, 2019 THROUGH DECEMBER 31, 2019 (SUCCESSOR),
JANUARY 1, 2019 THROUGH JUNE 30, 2019 AND
YEAR ENDED DECEMBER 31, 2018 (PREDECESSOR)
(IN THOUSANDS)

	Successor	Predecessor	
	July 1 - December 31, 2019	January 1 - June 30, 2019	January 1 - December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit of Revenues over Expenses	\$ (1,168)	\$ (606)	\$ (4,782)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided (Used) by Operating Activities:			
Entrance Fees Earned	(804)	(377)	(884)
Proceeds from Nonrefundable Entrance Fees and Deposits	634	721	1,039
Net Accretion of Original Issue Premiums	-	74	(171)
Depreciation and Amortization	2,863	1,765	3,391
Amortization of Financing Cost	-	68	161
Net (Purchases) Sales of Trading Investments	274	1,049	(8)
Change in Unrealized Depreciation (Appreciation) of Investments	(866)	(1,305)	1,357
Change in entrance fee deposits	826	(50)	(20)
Loss on Disposal of Property and Equipment	6	-	-
Changes in Operating Assets and Liabilities:			
Accounts Receivable, Inventories, and Prepaid Insurance and Other	99	(137)	31
Accounts Payable and Accrued Liabilities	391	(579)	(694)
Net Cash Provided (Used) by Operating Activities	<u>2,255</u>	<u>623</u>	<u>(580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	(642)	(1,090)	(4,521)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Long-Term Debt	(1,260)	-	(1,200)
Proceeds from Refundable Entrance Fees and Deposits	6,988	6,493	9,369
Refunds of Entrance Fees	(4,191)	(4,668)	(8,825)
Net Cash Provided (Used) by Financing Activities	<u>1,537</u>	<u>1,825</u>	<u>(656)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	3,150	1,358	(5,757)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	<u>6,577</u>	<u>5,219</u>	<u>10,976</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD	<u>\$ 9,727</u>	<u>\$ 6,577</u>	<u>\$ 5,219</u>

See accompanying Notes to Financial Statements.

BARTON CREEK SENIOR LIVING CENTER, INC.
(DBA QUERENCIA AT BARTON CREEK)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(IN THOUSANDS)

NOTE 1 ORGANIZATION AND OPERATIONS

Barton Creek Senior Living Center, Inc. dba Querencia at Barton Creek (Querencia), is incorporated as a Texas nonprofit corporation to provide housing, health care, and other related services to the elderly through the operation of a retirement community. Querencia operates under a “life care” concept in which residents enter into a residency agreement that requires payment of a one-time entrance fee and monthly fee. Generally, these payments entitle residents to the use and privileges of the community for life. The residents do not acquire an interest in the real estate and property.

Senior Quality Lifestyles Corporation (SQLC) was Querencia’s sole member until June 20, 2019. On June 20, 2019, SQLC and Lifespace Communities, Inc. (Lifespace) executed an affiliation agreement. The agreement provided for a member substitution of Lifespace as the owner and operator of Querencia, along with two other SQLC communities.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the accounts of Querencia.

The financial statements are presented for both the predecessor period (when SQLC was the sole member) and the successor period (when Lifespace is the sole member), which relate to the accounting periods preceding and succeeding the affiliation on June 20, 2019. The date of June 30th is used in the presentation to allow for a more accurate cut-off. The ten days of activity from June 20th to June 30th was deemed immaterial to the presentation of the financial statements.

The successor and predecessor periods have been separated by a vertical line on the face of the financial statements and in the notes to the financial statements, when applicable.

The assets and liabilities and net assets of Querencia are reported as follows:

Without Donor Restrictions – Those resources over which the board of directors has discretionary control. “Board-designated” amounts represent those resources which the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the organization or the passage of time. The donors of these resources permit the organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted purposes.

At December 31, 2019 and 2018, no net assets with donor restrictions were held by Querencia.

Investments

Investments, including assets whose use is limited, are recorded at fair value. Fair values are determined based on readily determinable market values.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Changes in unrealized gains and losses on investments are reported within the deficit of revenues over expenses. In addition, net cash flows from the purchases and sales of investments are reported as a component of operating activities in the accompanying statements of cash flows.

Accounts Receivable

Accounts receivable and related revenues have been adjusted to the estimated amounts expected to be received. These amounts are subject to further adjustments upon review by third-party payors. Querencia provides an allowance for doubtful accounts which is offset against the gross amount of accounts receivable. The allowance for doubtful accounts is an estimate of collection losses that may be incurred in the collection of all receivables. The allowance is based upon historical experience, coupled with management's review of the current status of the existing receivables over 90 days. Past-due balances are written off after all collection efforts have been exhausted. The allowance for doubtful accounts was \$-0- and \$33 at December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are recorded at original cost plus capitalized interest when applicable. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Querencia has approximately \$-0- and \$4,837 in construction in progress at December 31, 2019 and 2018, respectively. In 2018 and 2019, Querencia had a café project in process that opened in 2019.

Credit Risk

Querencia maintains its cash and cash equivalents in bank deposit accounts that may exceed federally insured limits. Most investments and assets limited as to use are held in a custodial arrangement and consist of investment grade interest bearing securities. Querencia has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Querencia grants credit without collateral to its residents, most of whom are local individuals and are covered under third-party payor agreements. The mix of receivables from residents and third-party payors was as follows:

	Successor	Predecessor
	December 31,	
	2019	2018
Medicare	56 %	41 %
Residents and Other Third-Party Payors	44	59
Total	100 %	100 %

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists principally of food, liquor, and kitchen supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method.

Assets Limited as to Use

Assets limited as to use consist of future resident funds held in trust by Querencia as a fiduciary and funds held by trustees under bond indenture agreements. Assets limited as to use that are required for obligations classified as current liabilities are reported as current assets.

Goodwill

Goodwill represents the excess of the debt assumed over the fair value of assets acquired at the time of the Lifespace affiliation in June 2019 (see Note 11). Goodwill is amortized over eight years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Goodwill acquired in the affiliation was \$6,879. Amortization expense of \$430 was recorded in the period July 1 to December 31, 2019. Accumulated amortization at December 31, 2019 was \$430.

Deferred Expenses

Deferred expenses of \$30 and \$-0- at December 31, 2019 and 2018, respectively, are sales costs that are capitalized. These costs are amortized on a straight-line basis over the estimated life expectancy of the residents. The sales cost are \$31 and \$-0- at December 31, 2019 and 2018, respectively. The accumulated amortization was \$1 and \$-0- in 2019 and 2018, respectively.

Intangible Assets

Intangible assets include values assigned to the residency agreements in place at the time of the Lifespace affiliation in June 2019 (see Note 11). The value associated with the residency agreements is being amortized over eight years on a straight-line basis and is evaluated for potential impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Residency agreements acquired in the affiliation were \$11,759. Amortization expense of \$735 was recorded in the period July 1 to December 31, 2019. Accumulated amortization at December 31, 2019 was \$735.

Deferred Entrance Fees

Querencia presently has two residency plans: a traditional plan and a return-of-capital plan. Under the traditional plan, the entrance fees received are nonrefundable and recorded as deferred revenue. This deferred revenue is recognized as revenue earned on a straight-line basis over the estimated remaining life, actuarially adjusted annually, of each resident beginning with the date of each resident's occupancy. Under certain circumstances, a portion of the entrance fee may be refunded to the resident upon termination of occupancy; such payments are charged against deferred entrance fees. Any unrecognized deferred entrance fee at the date of death or termination of occupancy of the respective resident is recorded as income in the period in which death or termination of occupancy occurs.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Entrance Fees (Continued)

Under the return-of-capital residency plan, a portion of the entrance fees (5% to 10%) is nonrefundable and is recognized on the same basis as under the traditional plan. The remaining amount represents that portion of the entrance fee, less unreimbursed fees and expenses, which will be refunded to the resident once sufficient entrance fees have been received from reoccupancy of an apartment by another resident. This refundable portion is recorded as a liability until the time of payment.

The following is a summary of deferred entrance fees:

	Successor	Predecessor
	December 31,	
	2019	2018
Nonrefundable Entrance Fees	\$ 4,698	\$ 6,458
Refundable Entrance Fees	70,059	98,954
Total	\$ 74,757	\$ 105,412

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue)

Resident care service revenue is reported at the amount that reflects the consideration to which Querencia expects to be entitled in exchange for providing resident care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits and reviews. Querencia bills all residents at the beginning of the month and third-party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Querencia. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Querencia believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in our community living in a residential or assisted living apartment, or receiving skilled nursing services over a period of time. Querencia measures the performance obligation from admission into the community to the point when it is no longer required to provide services to that resident, which is generally at the time the resident exits the community.

Residency plan contracts have no termination date and can be cancelled by residents at any time. Income under the residency plan contracts is not considered to provide a material right to future services. As result, fees under this contract are recognized monthly as services are performed.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

Because all of Querencia's remaining performance obligations relate to contracts with a duration of less than one year, Querencia has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the residents are discharged, which generally occurs within days or weeks of the end of the reporting period.

Querencia determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provide to third-party payors, or residents. Querencia determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience.

The services provided through third-party payors are primarily paid through the Medical Assistance and Medicare programs. The Medical Assistance programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states. The Medicare program is administered by the United States Centers for Medicare and Medicaid Services (CMS). The Medicare program pays on a prospective payment system, a per diem price based system.

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

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

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

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Querencia estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the resident's ability to pay are recorded as bad debt expense.

Querencia has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

The composition of resident care service revenue by primary payor is as follows:

	Successor	Predecessor	
	July 1 - December 31 2019	January 1 - June 30 2019	January 1 - December 31 2018
Residency Plan Agreements	\$ 5,907	\$ 5,738	\$ 11,013
Private Pay	3,404	3,312	6,020
Medicare	1,117	1,166	2,413
HMO/Managed Care	(17)	28	52
Total	<u>\$ 10,411</u>	<u>\$ 10,244</u>	<u>\$ 19,498</u>

Revenue from resident's deductibles and coinsurance are included in the categories presented above based on the primary payor.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Residential Living Fees and Skilled Nursing and Assisted Living Fees, Net (Resident Care Service Revenue) (Continued)

The composition of resident care service revenue based its lines of business are as follows:

	Successor	Predecessor	
	July 1 - December 31 2019	January 1 - June 30 2019	January 1 - December 31 2018
Service Lines:			
Residential Living	\$ 5,566	\$ 5,462	\$ 10,618
Skilled Nursing Facility	2,683	2,694	4,991
Assisted Living	2,096	2,088	3,889
Home Health	66	-	-
Total	<u>\$ 10,411</u>	<u>\$ 10,244</u>	<u>\$ 19,498</u>

Querencia has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due Querencia's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less. However, Querencia does, in certain instances, enter into payment agreements with residents that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Querencia has elected to apply the practical expedient provided by FASB ASC 340-40-25-4, and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that Querencia otherwise would have recognized is one year or less. However, incremental costs incurred to obtain residency agreements for which the amortization period of the asset that Querencia otherwise would have recognized is expected to be longer than one year are capitalized and amortized over the life of the contract based on the pattern of revenue recognition from these contracts. Querencia regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. During the year ended December 31, 2019, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2019 and 2018, the customer contract acquisition costs are \$31 and \$5,970, respectively. During the years ended December 31, 2019 and 2018, Querencia recognized amortization expense of \$1 and \$-0-, respectively. The net is presented in deferred expenses on the accompanying balance sheets.

Deficit of Revenues over Expenses

The statements of operations and changes in net assets without donor restrictions include a line entitled "deficit of revenues over expenses," which is an important performance indicator for Querencia. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include assets released from restriction for capital purposes, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets) and contributions to/from affiliates.

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Querencia has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as a publicly supported organization (rather than a private foundation).

Querencia evaluates tax positions taken or expected to be taken in the course of preparing its tax returns to determine whether it is “more likely than not” that each tax position would be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. For the years ended December 31, 2019 and 2018, Querencia has not recorded any such tax benefit or expense in the accompanying financial statements. No examinations are in progress or anticipated at this time. Querencia’s federal income tax returns are open to examination for the years ended December 31, 2016 through December 31, 2018.

Statements of Cash Flows

For purposes of the statements of cash flows, cash, cash equivalents and restricted cash represent investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	Successor 2019	Predecessor 2018
Cash and Cash Equivalents	\$ 4,284	\$ 2,399
Restricted Cash Included in Assets Whose Use is Limited - Current	3,548	511
Restricted Cash Included in Assets Whose Use is Limited - Noncurrent	1,895	2,309
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 9,727	\$ 5,219

During the period July through December 2019, Querencia received dividend and interest income of \$361 and paid interest charges of \$1,178. During the period January through June 2019, Querencia received dividend and interest income of \$235 and paid interest charges of \$1,178.

Use of Estimates

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

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NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain 2018 liabilities were reclassified to assets, expenses were reallocated, and the balance sheet was classified to conform with the 2019 presentation. These reclassifications had no effect on the overall net assets of Querencia.

Change in Accounting Principle

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessee's to recognize a right-of-use asset and a corresponding lease liability for all operating and financing leases with terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Lifespace elected the practical expedients allowed under this guidance, and implemented the new standard effective January 1, 2019 with no retrospective application. As a result of this change in accounting principle a lease right-of-use asset and lease liability have been recorded at December 31, 2019 (Note 9). This change in accounting principle had no impact on the statement of operations and changes in net assets without donor restrictions.

In November 2016, the FASB issued amended guidance on the statement of cash flows. Under the new guidance, the statement of cash flows will be required to explain the change during the period in total cash, cash equivalents, and amounts designated as restricted cash or restricted cash equivalents. As a result of this change in accounting principle, restricted cash and cash equivalents are now included in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures are required of fair value information about financial instruments, whether or not recognized in the balance sheets, for which it is practical to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparisons to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The following determinations were made by Querencia in estimating its fair value for financial instruments:

Cash and Cash Equivalents – These assets are stated at fair value, which is based on quoted market prices, where available.

Investments – These assets are stated at fair value, which is based on quoted market prices, where available (see Note 4).

Fair value is defined as the price Querencia would receive upon selling a security in a timely transaction to an independent buyer in the principal or most advantageous market of the security at the measurement date. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of Querencia. Unobservable inputs are inputs that reflect Querencia's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices available in active markets for identical securities as of the reporting date.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.). Investments that are generally included in this category are U.S. government obligations and corporate bonds.

Level 3 – Significant unobservable inputs (including Querencia's assumptions in determining the fair value of investments).

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the market place, and other characteristics particular to the transaction.

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NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by Querencia in determining fair value is greatest for instruments categorized in Level 3.

Fair values of equity securities are determined using public quotations. Fair values of debt securities have been determined through the use of third-party pricing services using market observable inputs. The following is a summary of the inputs used:

Successor				
December 31, 2019				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 5,443	\$ 5,443	\$ -	\$ -
Equity Securities	10,786	10,786	-	-
Corporate Bonds	689	-	689	-
US Government and Federal Agencies	4,564	-	4,564	-
Fixed Income	5,975	-	5,975	-
Total Assets	<u>\$ 27,457</u>	<u>\$ 16,229</u>	<u>\$ 11,228</u>	<u>\$ -</u>
Predecessor				
December 31, 2018				
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
ASSETS				
Money Market	\$ 2,820	\$ 2,820	\$ -	\$ -
Equity Securities	8,632	8,632	-	-
Corporate Bonds	2,484	-	2,484	-
US Government and Federal Agencies	4,216	-	4,216	-
Fixed Income	5,834	-	5,834	-
Total Assets	<u>\$ 23,986</u>	<u>\$ 11,452</u>	<u>\$ 12,534</u>	<u>\$ -</u>

There were no investments measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2019 and 2018.

BARTON CREEK SENIOR LIVING CENTER, INC.
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NOTE 4 INVESTMENTS

A summary of the fair value of investments is as follows:

	Successor		Predecessor	
	December 31,			
	2019		2018	
Money Market	\$	5,443	\$	2,820
Equity Securities		10,786		8,632
Corporate Bonds		689		2,484
US Government and Federal Agencies		4,564		4,216
Fixed Income		5,975		5,834
Total	\$	<u>27,457</u>	\$	<u>23,986</u>

The investments noted above are represented in the balance sheets in the following line items:

	Successor		Predecessor	
	December 31,			
	2019		2018	
Investments in Trading Portfolio, Excluding Assets Whose Use is Limited	\$	17,842	\$	15,045
Assets Whose Use is Limited - Current		3,548		4,348
Assets Whose Use is Limited - Noncurrent		6,067		4,593
Total	\$	<u>27,457</u>	\$	<u>23,986</u>

Investment income is comprised of the following:

	Successor		Predecessor	
	July 1 - December 31 2019		January 1 - June 30 2019	January 1 - December 31 2018
	Dividend and Interest Income	\$	361	\$
Net Realized Gains on Investments		211		65
Change in Unrealized Appreciation (Depreciation) of Investments		866		1,305
Total Investment Income	\$	<u>1,438</u>	\$	<u>1,605</u>
				<u>(588)</u>

Investment management and custodial fees amounted to \$5 for the period of July through December 2019 and \$7 for the period of January through June 2019. The fees are recorded in general and administrative expense.

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NOTE 5 LIQUIDITY AND AVAILABILITY

As of December 31, 2019, Querencia has a working capital surplus of \$22,887 and days cash on hand of 367.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	Successor	Predecessor
	December 31,	
	2019	2018
Cash and Cash Equivalents	\$ 4,284	\$ 2,399
Investments in Trading Portfolio, at Fair Value	17,842	15,045
Accounts Receivables, Trade	391	1,051
Accounts Receivables, Related Party	250	219
Assets Whose Use is Limited	9,615	8,941
Total Financial Assets	<u>32,382</u>	<u>27,655</u>
Less Amounts Unavailable to be Used within One Year:		
Funds Held by Trustee	7,249	8,023
Entrance Fee Deposits	2,366	918
Total Unavailable within One Year	<u>9,615</u>	<u>8,941</u>
Financial Expenditures Available to Meet Cash Needs within One Year	<u>\$ 22,767</u>	<u>\$ 18,714</u>

NOTE 6 ENTRANCE FEE DEPOSITS

When a residency agreement is signed, a deposit of \$10, depending on the size of the residential living home, as a portion of the entrance fee is collected. The balance of the fee is payable on or before the 15th day following the date that occupancy is offered to the resident. Generally, depositors may cancel their residency agreements at any point prior to admission and receive a partial refund of the entrance deposit.

At December 31, 2019 and 2018, deposits of \$1,626 and \$850, respectively, had been received from future residents who have signed residency agreements. Funds on deposit are classified as assets whose use is limited until the final balance is collected from the resident.

At December 31, 2018, Querencia had one resident on a deferred entrance fee contract and will pay the final portion of \$676 in the following year. There were no deferred entrance fees at December 31, 2019. The remaining portion due is classified within trade accounts receivables.

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NOTE 7 FINANCING AGREEMENTS

The following is a summary of long-term debt payable:

	Successor	Predecessor
	December 31,	
	2019	2018
Series 2015 Revenue Bonds, 4.625% - 5.000%	\$ 46,015	\$ 47,275
Plus: Net Unamortized Original Issue Premium	-	800
Less: Net Unamortized Issuance Costs	-	(757)
	<u>46,015</u>	<u>47,318</u>
Less: Amounts Due within One Year	1,325	1,260
Amounts Due after One Year	<u>\$ 44,690</u>	<u>\$ 46,058</u>

Querencia entered into loan agreements with a government entity to be the issuer of tax-exempt debt. Tax-exempt debt is then issued on behalf of Querencia through the issuer. Payments under a loan agreement between Querencia and the issuer become the vehicle for servicing the debt on behalf of Querencia. The bonds are reflected in the accompanying financial statements as financing arrangements of Querencia.

The Series 2015 Revenue Bonds bear an annual fixed interest rate of 4.625% to 5.000% and mature on November 15, 2040.

At the time of issuance, bonds are often sold at a premium or an original issue discount. Any premium or discount is amortized over the life of the bonds and is recognized as an increase to or reduction of interest expense. The related premium was written off at the time of affiliation (Note 11).

At the time of issuance, bonds incur costs related to issuance. Any issuance costs are amortized over the life of the bonds and is recognized as an increase to interest expense. The related issuance costs were written off at the time of affiliation (Note 11).

At December 31, 2019, schedule maturities are as follows

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 1,325
2021	1,390
2022	1,460
2023	1,530
2024	1,610
Thereafter	38,700
Total	<u>\$ 46,015</u>

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NOTE 7 FINANCING AGREEMENTS (CONTINUED)

Assets Whose Use is Limited

Under the terms of the Series 2015 bonds, the loan agreement, trust indenture, credit and reimbursement agreement, and residency agreement, the following funds are restricted and shown as assets whose use is limited:

	Successor	Predecessor
	December 31,	
	2019	2018
Debt Service Reserve Fund	\$ 3,701	\$ 3,675
Debt Service Fund	544	407
Project Funds	3,004	3,941
Entrance Fee Deposits	2,366	918
Subtotal	<u>9,615</u>	<u>8,941</u>
Less: Current Portion	3,548	4,348
Total	<u>\$ 6,067</u>	<u>\$ 4,593</u>

Debt Service Reserve Funds

Under the terms of the financing agreement, a debt service reserve fund is maintained for the Series 2015 bonds. The required balance of the debt service reserve fund at December 31, 2019 and 2018 is the maximum annual debt service of \$3,617.

Debt Service Funds

Querencia is required to make monthly deposits to the debt service fund in the amount sufficient to make periodic principal and interest payments on the respective underlying debt.

Project Funds

Revenue bond proceeds are segregated in a separate bank account. These funds are drawn on to meet the obligations of the construction projects as they are due.

Entrance Fee Deposits

Entrance fee deposits represent deposits collected to secure a specific residential living home for residency in the community and are placed in an escrow account in accordance with the residency agreement. Funds are maintained in the entrance fee escrow until the resident closes on the home and the community requests the funds be disbursed in accordance with the escrow agreement.

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NOTE 8 FUNCTIONAL CLASSIFICATION OF EXPENSES

As discussed in Note 1, Querencia provides housing, skilled care and ancillary services to residents. The functional classification of expenses related to providing these services consisted of the following:

	Successor					
	July 1, 2019 - December 31, 2019					
	Program Services				Supporting Services	
	Residential Living	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and benefits	\$ 2,423	\$ 1,363	\$ 664	\$ 4,450	\$ 559	\$ 5,009
General and administrative	1,258	273	410	1,941	203	2,144
Plant operations	558	140	210	908	-	908
Housekeeping	39	10	15	64	-	64
Dietary	688	173	260	1,121	-	1,121
Medical and other resident care	70	439	30	539	-	539
Depreciation	990	249	373	1,612	85	1,697
Amortization of deferred expense	736	-	-	736	430	1,166
Interest	717	180	270	1,167	-	1,167
Total Expense	<u>\$ 7,479</u>	<u>\$ 2,827</u>	<u>\$ 2,232</u>	<u>\$ 12,538</u>	<u>\$ 1,277</u>	<u>\$ 13,815</u>

	Predecessor					
	January 1 - June 30, 2019					
	Program Services				Supporting Services	
	Residential Living	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and benefits	\$ 2,604	\$ 1,313	\$ 621	\$ 4,538	\$ 651	\$ 5,189
General and administrative	1,314	285	428	2,027	281	2,308
Plant operations	534	134	202	870	-	870
Housekeeping	40	10	15	65	-	65
Dietary	511	128	192	831	-	831
Medical and other resident care	53	441	22	516	-	516
Depreciation	1,030	259	388	1,677	88	1,765
Interest	791	199	298	1,288	-	1,288
Total Expense	<u>\$ 6,877</u>	<u>\$ 2,769</u>	<u>\$ 2,166</u>	<u>\$ 11,812</u>	<u>\$ 1,020</u>	<u>\$ 12,832</u>

	Predecessor					
	Year Ended December 31, 2018					
	Program Services				Supporting Services	
	Residential Living	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 4,858	\$ 2,592	\$ 1,160	\$ 8,610	\$ 1,214	\$ 9,824
General and Administrative	2,396	523	784	3,703	510	4,213
Plant Operations	1,072	270	404	1,746	-	1,746
Housekeeping	65	17	25	107	-	107
Dietary	1,104	277	416	1,797	-	1,797
Medical and Other Resident Care	124	881	62	1,067	-	1,067
Depreciation	1,978	497	746	3,221	170	3,391
Interest	1,493	375	563	2,431	-	2,431
Total Expense	<u>\$ 13,090</u>	<u>\$ 5,432</u>	<u>\$ 4,160</u>	<u>\$ 22,682</u>	<u>\$ 1,894</u>	<u>\$ 24,576</u>

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NOTE 9 LEASES

For periods beginning after December 15, 2018, new accounting standards became effective requiring lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. In applying this guidance, Querencia elected the practical expedients allowed under the accounting standard, and has implemented this standard effective January 1, 2019.

During 2019, Querencia has entered into operating lease agreements for copiers. The right-of-use asset for this agreements is \$266 at December 31, 2019. Payment and the related expenses for these leases was \$36 for the period July 1 to December 31, 2019 and \$30 for the period January 1 to June 30, 2019. The leases have a discount rate of 4.7% and a weighted-average remaining lease term of four years.

The maturity of operating leases is as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases Amount</u>
2020	\$ 72
2021	72
2022	72
2023	72
2024	7
PV Discount	(28)
Total	<u>\$ 267</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on Querencia.

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NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

General and Professional Liability

General and professional liability claims have been asserted against Querencia by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of Querencia. Incidents occurring through December 31, 2019 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts that can be paid through normal operations and would not have a material effect on the financial position.

NOTE 11 BUSINESS COMBINATIONS

As stated under Note 1 Organization and Operations, on June 20, 2019, Lifespace became the sole member SQLC including SQLC's management company, Seniority, Inc., and three SQLC communities: Edgemere, Querencia, The Stayton. No consideration was paid for this affiliation.

Lifespace is required to recognize and measure the identifiable assets acquired, and liabilities assumed at the affiliation date at fair values, which have been pushed down to the applicable legal entity. The following tables summarizes the estimated fair values of the assets acquired and liabilities assumed for Querencia as of the date of affiliation:

Financial Assets	\$	19,301
Financial Assets, Limited Use		8,697
Receivables		1,425
Inventory		20
Prepaid Expenses		418
Property and Equipment		74,449
Intangible Assets - Resident Contracts		11,759
Goodwill		6,879
Financial Liabilities		(2,452)
Refundable Entrance Fees		(68,353)
Nonrefundable Entrance Fees		(4,868)
Bonds Payable		(47,275)
Net Assets Acquired	<u>\$</u>	<u>-</u>

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NOTE 11 BUSINESS COMBINATIONS (CONTINUED)

The excess of debt assumed over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. The primary factors for goodwill were resident contracts, assembled workforce, and synergies. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of certain intangible assets was calculated by an independent third-party valuation specialists.

Transaction-related costs of \$481 were recorded in general and administrative expense. These costs consisted primarily of legal and professional fees related to due diligence.

NOTE 12 RELATED PARTY TRANSACTIONS

Querencia has a management services agreement with Seniority, Inc. In conjunction with this agreement, Querencia agreed to pay a monthly management fee equal to 6% of monthly revenue, as defined in the management services agreement, and monthly overhead fee equal to 3% of the monthly management fee along with reimbursement of expenses. Beginning with the affiliation on June 20, 2019, the management services agreement was under the oversight of Lifespace. Querencia paid fees and expense reimbursements of \$1,020 for the period July 1 to December 31, 2019, fees and expense reimbursements of \$688 for the period January 1 to June 30, 2019, and fees and expense reimbursements of \$1,708 for the year ended December 31, 2018.

Querencia had an administration and operational oversight agreement with SQLC. Under this agreement, Querencia reimbursed SQLC for certain support and administration activities performed on its behalf. Beginning on June 20, 2019, this agreement was under the oversight of Lifespace. Querencia paid fees and expense reimbursements of \$55 for the period July 1 to December 31, 2019, fees and expense reimbursements of \$156 for the period January 1 to June 30, 2019, and fees and expense reimbursements of \$212 for the year-ended December 31, 2018.

NOTE 13 EMPLOYEE BENEFIT PLAN

Querencia has a tax deferred annuity (TDA) employee benefit plan covering substantially all employees of Querencia. Eligible employees are permitted to contribute up to 25% of their compensation to the TDA. Employee contributions relating to the first 6% of compensation receive a 50% match from Querencia. All employee contributions to the TDA are fully vested, while contributions made by Querencia vest over a five-year period. Total expense under this plan was approximately \$27 the year ended December 31, 2019.

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NOTE 14 SUBSEQUENT EVENTS

Querencia has evaluated events or transactions that may have occurred since December 31, 2019, that would merit recognition or disclosure in the consolidated financial statements. This evaluation was completed through April 22, 2020, the date the consolidated financial statements were available to be issued. No material recognized or nonrecognized subsequent events were identified for recognition or disclosure in the consolidated financial statements or the accompanying notes to the consolidated financial statements, except for those disclosed above.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Querencia, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Querencia is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

During the period from January 1, 2020 through April 22, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of December 31, 2019.

Lifespace allocates home office expenses to all communities it operates. Effective January 1, 2020, Lifespace began allocating home office expenses to Querencia. This allocation of home office expenses replaces the Seniority, Inc. management fee disclosed in Note 12.

APPENDIX C

DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS

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APPENDIX C

DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS

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DEFINITIONS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Master Indenture, the Bond Indenture, the Loan Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Master Indenture, the Bond Indenture and the Loan Agreement for complete definitions of all terms.

See “SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2021B BONDS” for additional definitions applicable only to the Series 2021B Bonds as set forth in the Bond Indenture relating to the Series 2021B Bonds.

“Act” or “Acts” means, as applicable, Chapter 154, Part III and Chapter 159, Part II of the Florida Statutes, as supplemented and amended, or Iowa Code Chapter 16, as from time to time amended.

“Additional Payments” means the payments described under “SUMMARY OF THE LOAN AGREEMENT – Additional Payments.”

“Affiliate” means any Person which controls, or is controlled by, or is under common control with a Member. For purposes of this definition, a Person controls another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, partnership interests, membership, reserved powers, or the power to appoint members, trustees or directors, by contract, or otherwise.

“Authority” means, as applicable, the Florida Authority or the Iowa Authority.

“Authority Representative” means, as applicable, the Chair or Vice Chair of the Florida Authority, or the Executive Director, the Chief Financial Officer, the Chief Operating Officer or the Chief Bond Programs Director of the Iowa Authority, and such other person or persons at the time designated to act on behalf of the Authority in matters relating to the Loan Agreement and the Bond Indenture as evidenced by a written certificate furnished to the Corporation and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Authority by its Chairperson or Vice Chairperson or Executive Director. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authority Representative.

“Balloon Debt” means Long-Term Debt, 25% or more of the original principal of which becomes due and payable (either by maturity or scheduled mandatory redemption), or may become due and payable or required to be purchased or redeemed upon demand of the holder, during any consecutive 12-month period, if such principal becoming due is not required to be amortized below such percentage by scheduled mandatory redemption or prepayment before such 12-month period, but shall not include Put Debt or Extendable Debt.

“Bond Documents” means the Bond Indenture, the Bonds, the Loan Agreement, the Tax Agreement, the Master Indenture, the Series 2021 Master Notes, the Purchase Contract, the Continuing Disclosure Agreement and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“Bond Indenture” means with respect to the applicable series of Bonds, the corresponding Bond Trust Indenture dated as of August 1, 2021, as originally executed by the Authority for that series of Bonds and the Bond Trustee, as from time to time amended and supplemented by Supplemental Bond Indentures.

“Bond Register” means the registration books kept by the Bond Trustee to evidence the registration and transfer of Bonds.

“Bond Trustee” means U.S. Bank National Association and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Bond Indenture.

“Bondowner,” “Owner” or “Registered Owner” means the Person in whose name a Bond is registered on the Bond Register.

“Bonds” or “Series 2021 Bonds” means, as applicable, the Series 2021A Bonds, the Series 2021B Bonds or the Series 2021C Bonds. Except as expressly set forth in this **Appendix C**, this **Appendix C** is not a summary of the terms of the Series 2021D Bonds.

“Book Value” means (a) when used with respect to Property of a Member, the value of such Property, net of accumulated depreciation and amortization, as reflected in or derived from the most recent audited financial statements of such Member or the most recent audited combined financial statements of the Obligated Group; and (b) when used with respect to Property of all Members, the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group, provided that aggregate is calculated in such a manner that no portion of the value of any Property of any Member is included more than once.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office of the Bond Trustee or any Paying Agent is located are required or authorized by law to remain closed, or (c) a day on which the New York Stock Exchange is closed.

“Capital Lease” means any lease of real or personal property that is capitalized on the balance sheet of the lessee under generally accepted accounting principles.

“Certificate of Corporation Representative” means a written certificate signed by a Corporation Representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Corporation with respect to matters set forth therein.

“Commitment Debt” means the obligation of a Member to repay amounts disbursed pursuant to a binding commitment from a financial institution (including a line of credit, letter of credit, standby bond purchase agreement, reimbursement agreement or similar credit or liquidity facility or arrangement established in connection with the issuance or incurrence of any Debt of a Member or Related Bonds for the benefit of a Member) to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, other Debt of such Member or Related Bonds, which other Debt was incurred or Related Bonds were issued in accordance with the Master Indenture, and the obligation of such Member to pay interest payable on amounts disbursed for such purposes, plus any fees payable to such financial institution for such commitment.

“Completion Debt” means Long-Term Debt of a Member incurred for the purpose of financing, without materially changing the scope thereof, (a) the completion of facilities for which Long-Term Debt was previously incurred under the Master Indenture, or (b) the improvement, replacement or substitutions for, or additions to, facilities for which Long-Term Debt was previously incurred, necessitated by faulty design, damage to or destruction of such facilities, or required by enactment of legislation or the promulgation of any ruling affecting the operation of such Member by a government agency.

“Consultant” means a professional consulting firm, certified public accounting firm, investment banking firm, or other Person, selected by the Obligated Group Representative in accordance with the Master Indenture, having the skill and experience necessary to render the particular report required by the Master Indenture and having a favorable reputation for such skill and experience, which Person shall have no interest, direct or indirect, in any Member and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Member, it being understood that an arm’s-length

contract between any firm and any Member for the performance of consulting, accounting, investment banking or financial analysis or other services is not regarded as creating any such disqualifying interest or employee relationship.

“Continuing Disclosure Agreement” means the Master Continuing Disclosure Agreement dated as of November 1, 2010, executed by the Corporation, as from time to time amended in accordance with the provisions thereof.

“Corporate Headquarters Accounts” means all the Corporation’s existing bank and securities accounts that are not accounts for an individual Facility, including the Amended and Restated Subordinated Note dated March 15, 2007, from Deerfield Retirement Communities, Inc. to the Corporation, and any future bond or securities accounts established solely to hold accounts and securities already held in another Corporate Headquarters Account or that are transferred to a Corporate Headquarters Account pursuant to the Master Indenture. The Corporate Headquarters Accounts are not a part of the Trust Estate under the Master Indenture.

“Corporation” means Lifespace Communities, Inc., an Iowa nonprofit corporation, its successors and assigns, and any surviving, resulting or transferee entity.

“Corporation Representative” means the Chief Executive Officer, the President or the Chief Financial Officer of the Corporation or other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Loan Agreement and the Bond Indenture as evidenced by a written certificate furnished to the Authority and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its Chief Executive Officer, President or Chief Financial Officer. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the Corporation Representative.

“Credit Facility” means with respect to any Master Notes or Related Bonds, any insurance policy, surety bond, letter of credit, line of credit or other form of credit enhancement issued by a bank, trust company, national banking association, insurance company or other credit provider in favor of the Owners of such Master Notes or the owners of such Related Bonds for the purpose of providing a source of funds for the payment of all or a portion of the Obligated Group’s obligations under the related Debt or Related Bonds.

“Current Value” means (a) with respect to Property, Plant and Equipment, the aggregate fair market value of such Property, Plant and Equipment as determined by (1) a written report of an appraiser acceptable to the Master Trustee 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 must be dated not more than three years before the date as of which Current Value is calculated), or (2) a bona fide offer for the purchase of such Property made on an arm’s length basis within six months of the date of determination as established by an Officer’s Certificate; and (b) with respect to any other Property, the fair market value of such Property as determined by a qualified appraiser for the type of Property being valued selected by the Obligated Group Representative that is not unacceptable to the Master Trustee, or, if a qualified appraiser cannot be identified for any such Property, the Book Value for that Property.

“Days Cash on Hand” means, as of the date of calculation, the number obtained by dividing (a) the amount of Unrestricted Cash and Investments of the Obligated Group as of that date by (b) the quotient resulting from dividing (1) the sum of Total Expenses of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available plus the interest expense (taking into account any Interest Rate Exchange Agreement) of the Obligated Group for that Fiscal Year by (2) 365.

“Debt” means all debt or obligations of any Member for the repayment of borrowed money (including capital leases, installment purchase contracts and Guarantees) shown as liabilities on the balance sheet of such Member or which are properly capitalized on the balance sheet of such Member in accordance with generally accepted accounting principles; provided that Debt shall not include:

- (a) obligations of any Member to another Member or guarantees or assumptions by a Member, directly or indirectly, of Debt of another Member;
- (b) any portion of any Debt or any Related Bonds for which cash or Escrow Obligations are irrevocably on deposit in an escrow or trust account with the Master Trustee, the Related Bond Trustee or a third party escrow agent, which cash and Escrow Obligations (including, where appropriate, the earnings or other increments to accrue thereon) are required to be used to pay the principal of such Debt or Related Bonds;
- (c) liabilities incurred by the endorsement for collection or deposit of checks or drafts received in the ordinary course of business or overdrafts to banks to the extent there are immediately available funds sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business;
- (d) accounts payable and other current liabilities (other than for the repayment of borrowed money) incurred in the ordinary course of business;
- (e) liabilities payable out of current payments for the funding of employee pension plans, retiree benefits other than pensions, health plans and other benefit programs, contributions to self-insurance or pooled-risk insurance programs and estimated long-term self-insurance liability, and the funding of reserves for deferred taxes, deferred revenues, deferred compensation, and similar such liabilities;
- (f) obligations under contracts for supplies, services or pensions allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid;
- (g) rentals payable under leases which are not or would not be capitalized under generally accepted accounting principles in effect on the date thereof;
- (h) Debt of any entity that is not a Member (even though such entity may be a subsidiary of or controlled by or under common control with a Member) except to the extent of any Guarantee by any Member of such Debt or to the extent that Member is otherwise obligated with respect to that Debt;
- (i) any other obligations that do not constitute debt under generally accepted accounting principles;
- (j) liabilities to residents of senior living or similar facilities to refund entrance fees or other fees paid by those residents;
- (k) any Interest Rate Exchange Agreement or any Master Note issued to evidence or secure obligations thereunder; and
- (l) Subordinated Debt to an Affiliate.

“Debt Service” means, for any period of time for which calculated, the aggregate of the scheduled payments required to be made during such period in respect of principal (whether at maturity or as a result of scheduled mandatory redemption or scheduled mandatory prepayment, but not (i) principal refinanced with the proceeds of Debt or (ii) purchase price payments for Extendable Debt or Put Debt purchased at the option of the holder thereof, or (iii) optional prepayments of Debt) and interest on Long-Term Debt of the Members (other than Subordinated Debt); provided that:

- (a) the amount of such payments for a future period are calculated in accordance with the assumptions described under “SUMMARY OF THE MASTER INDENTURE – Calculation of Debt Service Requirements;”
- (b) payments under Interest Rate Exchange Agreements are taken into account in accordance with the provisions described under “SUMMARY OF THE MASTER INDENTURE – Calculation of Debt Service Requirements;”
- (c) such payments are excluded from Debt Service to the extent that cash or Escrow Obligations are on deposit in an irrevocable escrow or trust account and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal or interest and are sufficient to pay such principal or interest;
- (d) principal of Long-Term Debt shall be excluded from the last principal maturity of that Long-Term Debt to the extent moneys were initially deposited into a debt service reserve fund and moneys on deposit in the debt service reserve fund on the due date of that last principal maturity are required to be used to pay that principal maturity; and
- (e) any fees payable in respect of a Credit Facility (other than annual fees to be paid from proceeds of a bond or Master Note issue set aside for that purpose) shall be included; such fees to be calculated at the rates existing at the date of such calculation; and
- (f) for purposes of calculating Debt Service as described above, the “scheduled payments required to be made during such period” shall be determined as of the date of calculation and, for the avoidance of doubt, shall incorporate and reflect any reductions in originally scheduled payments arising from or due to any unscheduled prepayment of Long-Term Debt occurring prior to such date of calculation.

“**Debt Service Fund**” means the fund by that name created by the Bond Indenture.

“**Defaulted Interest**” means interest on any Bond which is payable but not paid on the date due.

“**Defeasance Obligations**” means

(a) Government Obligations which are not subject to redemption in advance of their maturity dates; or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by Moody's (presently "Aaa"), S&P (presently "AAA") or Fitch (presently "AAA").

"Encumbrance" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on Property.

"Entrance Fee Debt" means Debt that is projected to be paid prior to maturity solely from Initial Entrance Fees.

"Entrance Fees" means fees, other than 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 including any refundable resident deposits described in any lease or similar Residency Agreements with respect to those living units, but shall not include any such amounts held in escrow or otherwise set aside pursuant to the requirements of any such agreement before the occupancy of the living unit covered by such agreement (which amounts shall be included if and when occupancy occurs).

"Escrow Obligations" means

(a) with respect to any Master Note which secures a series of Related Bonds, the obligations permitted to be used to defease such series of Related Bonds under the Related Bond Documents, and

(b) with respect to any Master Notes for which there are no Related Bonds and any other Debt,

(i) Government Obligations which are not subject to redemption in advance of their maturity dates;

(ii) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(A) the obligations are (i) not subject to redemption before maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(B) the obligations are secured by cash or Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(C) such cash and the principal of and interest on such Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(D) such cash and Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(E) such cash and Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(F) the obligations are rated in the highest rating category by Moody's (presently "Aaa"), S&P (presently "AAA") or Fitch (presently "AAA"); or

(iii) other obligations, if any, permitted to be used to discharge the obligor's obligation (except for payment from proceeds of Escrow Obligations) to pay those Master Notes or other Debt by the Supplemental Master Indenture under which those Master Notes were issued or by the document under which the other Debt was issued or secured.

“Event of Default” means (a) with respect to the Bond Indenture any “Event of Default” as defined under “SUMMARY OF THE BOND INDENTURE – Events of Default,” (b) with respect to the Loan Agreement any “Event of Default” as defined under “SUMMARY OF THE LOAN AGREEMENT – Events of Default” and (c) with respect to the Master Indenture, an “Event of Default” as defined under “SUMMARY OF THE MASTER INDENTURE – Events of Default.”

“Excluded Property” means (a) the Corporate Headquarters Accounts and the Corporation's home office building leasehold improvements and equipment and furnishings therein, (b) any assets of “employee pension benefit plans” as defined in the Employee Retirement Income Security Act of 1974, as amended, (c) any assets of a self-insurance trust which prohibits any application of such assets for purposes that are not related to claims as defined in the governing trust document, (d) all endowment funds and property derived from gifts, grants, research contracts, bequests, donations and contributions made to or with any Member that are specifically restricted by the donor, testator or grantor to a particular purpose inconsistent with their use to pay Debt Service or operating expenses, and the income and gains derived therefrom to the extent so restricted, (e) the real estate and other property described in the Master Indenture and all improvements, fixtures, equipment and other tangible personal property located thereon, (f) the property of any Person that becomes a Member after the date of the Master Indenture that is to be considered Excluded Property as evidenced by an amendment to the Master Indenture at the time such Person becomes a Member, 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, and (g) any other property which the Obligated Group Representative has established in an Officer's Certificate delivered to the Master Trustee is property upon which none of the primary operations of any Member are conducted and which does not constitute a material or integral part of the primary operations of any Member and is not material in the generation of Net Income Available for Debt Service.

“Existing Debt” means (a) the Debt listed in the Master Indenture, (b) all other Debt of the Corporation that is Outstanding at the time of execution and delivery of the Master Indenture, and (c) Debt of a Person that becomes a Member after the date of the Master Indenture that is Outstanding at the time such Person becomes a Member.

“Extendable Debt” means Long-Term Debt that is to be purchased by or for the account of the Obligated Group or a Member at the option of the holder thereof before its stated maturity; provided that (i) the option may not be exercised more frequently than once each year and (ii) the obligation by the Obligated Group or Member to purchase the Debt is subject to the availability of funds in excess of a specified level for that purpose.

“Facility” means a senior living, health care or other facility owned or operated by a Member.

“Financed Facilities” means the facilities financed or refinanced with the proceeds of the Bonds.

“Fiscal Year” means any period beginning on January 1 of any calendar year and ending on December 31 of that calendar year or such other twelve-month period selected by the Obligated Group Representative as the Obligated Group's fiscal year for financial reporting purposes.

“Fitch” means Fitch, 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 Obligated Group Representative with written notice to the Bond Trustee and the Master Trustee.

“Florida Authority” means the Palm Beach County Health Facilities Authority, a public instrumentality and a public body corporate and politic duly organized and validly existing under the laws and Constitution of the State of Florida, and its successors and assigns.

“Funded Interest Fund” means the fund by that name created by the Bond Indenture.

“Governing Board” means, with respect to a Member, the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

“Government Obligations” means direct obligations of the United States of America or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

“Guarantee” means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of any Debt other than Debt of a Member, including obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Debt or obligation or any Property constituting security therefor; (ii) to advance or supply funds for the purchase or payment of such Debt or obligation; or (iii) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of the primary obligor to make payment of the Debt or obligation; (iv) to repay amounts drawn upon a letter of credit or other credit facility; or (v) providing assurance of the payment or performance (or payment of damages in the event of non-performance) of any part or all of any Debt other than Debt of a Member. A Guarantee shall not include any agreement solely because such agreement creates a lien on assets of any Person or any agreement providing for indemnification. The amount of a Guarantee shall be the maximum amount of the Debt guaranteed for which the guarantor could be held liable under the Guarantee. A Guarantee may be evidenced or secured by a Master Note if the Guarantee is an obligation of the Obligated Group or a Member.

“Historical Debt Service Coverage Ratio” means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Debt Service for Long-Term Debt of the Obligated Group for that period of time, provided that, in determining this ratio, (i) the Debt Service for Long-Term Debt incurred to finance in whole or in part the acquisition, construction, renovation or replacement of revenue-producing facilities, together with all Revenues and Total Expenses attributable to those facilities, shall be excluded to the extent so provided in paragraph (c) under “SUMMARY OF THE MASTER INDENTURE – Rate Covenant” and (ii) any principal amount of any Long-Term Debt paid from proceeds of other Debt incurred in accordance with the Master Indenture shall be excluded.

“Historical Maximum Annual Debt Service Coverage Ratio” means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Maximum Annual Debt Service for the Long-Term Debt of the Obligated Group Outstanding immediately after the effectiveness of transaction for which the Master Indenture requires the calculation of the ratio; provided that, in determining this ratio, (i) the Debt Service for Long-Term Debt incurred to finance in whole or in part the acquisition, construction, renovation or replacement of revenue-producing facilities, together with all Revenues and Total Expenses attributable to those facilities, shall be excluded to the extent so provided in paragraph (c) under “SUMMARY OF THE MASTER INDENTURE – Rate Covenant” and (ii) any principal amount of any Long-Term Debt paid from proceeds of other Debt incurred in accordance with the Master Indenture shall be excluded.

“Historical Pro Forma Debt Service Coverage Ratio” means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that

period by (b) a denominator equal to the Maximum Annual Debt Service for the Long-Term Debt of the Obligated Group then Outstanding (other than any Long-Term Debt being refunded with the Long-Term Debt then proposed to be issued) and the Long-Term Debt proposed to be issued; provided that, in determining this ratio, (i) the Debt Service for Long-Term Debt incurred to finance in whole or in part the acquisition, construction, renovation or replacement of revenue-producing facilities, together with all Revenues and Total Expenses attributable to those facilities, shall be excluded to the extent so provided in paragraph (c) under “SUMMARY OF THE MASTER INDENTURE – Rate Covenant” and (ii) any principal amount of any Long-Term Debt paid from proceeds of other Debt incurred in accordance with the Master Indenture shall be excluded.

“Initial Entrance Fees” means Entrance Fees received upon the initial occupancy of any living unit not previously occupied.

“Insurance Consultant” means an individual or firm selected by the Obligated Group Representative and if the Master Trustee has requested in writing the right to approve such Insurance Consultant, approved by the Master Trustee (which approval shall not be unreasonably withheld), qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of the Obligated Group and having a favorable reputation for skill and experience in such surveys and such recommendations, but who may be a broker or agent with whom any Member transacts business.

“Interest Payment Date” means, with respect to the Series 2021A Bonds and Series 2021C Bonds, May 15 and November 15 of each year.

“Interest Rate Exchange Agreement” means any interest rate exchange agreement or comparable agreement entered into by any Member for a term exceeding one year, pursuant to which such Member is obligated to make interest-like payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments to or on behalf of any Member (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

“Iowa Authority” means the Iowa Finance Authority, a public instrumentality and agency duly organized and validly existing under the laws and Constitution of the State of Iowa, and its successors and assigns.

“Issuance Costs” means issuance costs with respect to the Bonds described in Section 147(g) of the Internal Revenue Code, including the following:

- (a) underwriters’ spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including bond counsel, underwriters’ counsel, Authority’s counsel, Corporation’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees of any financial advisor to the Authority or the Corporation incurred in connection with the issuance of the Bonds;
- (d) rating agency fees;
- (e) trustee, escrow agent and paying agent fees;

- (f) accountant fees and other expenses related to issuance of the Bonds;
- (g) printing costs (for the Bonds and of the preliminary and final official statement relating to the Bonds); and
- (h) fees and expenses of the Authority incurred in connection with the issuance of the Bonds.

“Issuance Costs Fund” means the fund by that name created by the Bond Indenture.

“Loan Agreement” means with respect to the applicable series of Bonds, the corresponding Loan Agreement dated as of August 1, 2021, between the Authority and the Corporation, as from time to time amended by Supplemental Loan Agreements.

“Loan Payments” means the payments described under “SUMMARY OF THE LOAN AGREEMENT – Loan Payments.”

“Long-Term Debt” means (a) Debt having an original stated maturity or term greater than one year, or (b) Debt having an original stated maturity or term equal to or less than one year that is renewable or extendable at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof, or with respect to which a Member has incurred Commitment Debt that would refinance such Debt for a period extending beyond one year from the date of original issuance or incurrence thereof.

“Management Report” means a report of management of the Obligated Group approved by the Governing Board of the Obligated Group Representative and delivered to the Master Trustee, each Related Bond Trustee and each Original Purchaser.

“Master DSRF Secured Note” means a Master Note secured by the Master Reserve Fund. *As of the date of issuance of the Series 2021 Bonds, the only Master Notes that are Master DSRF Secured Notes are the Master Notes securing the Series 2019A Bonds and Series 2019B Bonds described in this Official Statement. The Series 2021 Master Notes are not designated as Master DSRF Secured Notes.*

“Master Indenture” means the Master Trust Indenture dated as of November 1, 2010, between the Corporation, any other Members of the Obligated Group and the Master Trustee, as from time to time amended and supplemented by Supplemental Master Indentures.

“Master Noteowner” or **“Owner”** when used in relation to a Master Note means the registered owner as recorded in the Note Register maintained by the Master Trustee of any Master Note unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Master Note is issued for establishing ownership of such Master Note, in which case such alternative provision shall control.

“Master Notes” means Master Notes issued, authenticated and delivered under the Master Indenture.

“Master Reserve Fund” means the fund by that name created in the Master Indenture.

“Master Reserve Fund Balance” means as of any date of determination the amount held by the Master Trustee in the Master Reserve Fund. The Master Reserve Fund Balance as of the date of issuance of the Series 2021 Bonds is \$-0-.

“Master Reserve Fund Requirement” means, as of any date of determination specified in the Master Indenture for the Master Reserve Fund, an amount equal to (i) the least of (A) 10% of the then outstanding aggregate principal amount of all Master DSRF Secured Notes and all Master Notes secured by a Specified Reserve Fund, (B) the Maximum Annual Debt Service on all Master DSRF Secured Notes and all Master Notes secured by a Specified Reserve Fund, or (C) 125% of the average future annual debt service on

all Master DSRF Secured Notes and all Master Notes secured by a Specified Reserve Fund, minus (ii) the Specified Reserve Funds Balance as of the date of determination, minus (iii) the amounts as of the date of determination held in any funded interest fund, or equivalent, to fund interest on any Related Bonds secured by a Master DSRF Secured Note; provided that for purposes of computing the amounts in clause (i) above, the principal amount and Debt Service on any Entrance Fee Debt shall be excluded; and provided further that if a Master DSRF Secured Note secures Related Bonds with interest that is excludable from gross income under the Internal Revenue Code and the Master Reserve Fund Requirement is greater than the amount permitted by the federal income tax laws to be invested without regard to yield restrictions, the Master Reserve Fund Requirement shall be reduced to an amount equal to the maximum amount permitted by the federal income tax laws to be invested without regard to yield restrictions. The Master Reserve Fund Requirement as of the date of issuance of the Series 2021 Bonds is \$-0-.

“Master Trustee” means U.S. Bank National Association, Fort Lauderdale, Florida, and its successors and assigns, as master trustee under the Master Indenture.

“Maximum Annual Debt Service” means the maximum amount of Debt Service for all Outstanding Long-Term Debt as computed for the then current or any future Fiscal Year.

“Member” means each Person that is a Member of the Obligated Group on the date of original execution and delivery of the Master Indenture and each Person that after the date of the Master Indenture becomes a Member of the Obligated Group pursuant to the Master Indenture, and their successors and assigns, other than any Persons that have withdrawn from the Obligated Group pursuant to 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 Obligated Group Representative with written notice to the Bond Trustee and the Master Trustee.

“Mortgages” means any mortgages, deeds of trust, security agreements, pledge agreements, assignments, leases and other documents granting a lien, security interest or other interest in Property to the Master Trustee to secure the Master Notes.

“Mortgaged Property” means the Property of the Corporation subject to the Mortgages.

“Net Income Available for Debt Service” means, as to any period of time, all Revenues of the Obligated Group minus Total Expenses of the Obligated Group.

“Net Proceeds” means the proceeds of any insurance (excluding any proceeds of business interruption or similar insurance) relating damage or destruction of any facilities of a Member and the proceeds of any condemnation or sales pursuant to condemnation proceedings in exercise of the power of eminent domain or under the threat thereof, in both cases less the costs and expenses incurred in obtaining those proceeds, including attorneys’ fees and any expenses of a Member or the Master Trustee.

“Net Proceeds Threshold” means 3% of the Book Value, or at the option of the Obligated Group Representative, the Current Value, of Property, Plant and Equipment of the Obligated Group as shown on the most recent audited financial statements of the Obligated Group.

“Non-Recourse Debt” means Long-Term Debt incurred after the date of execution and delivery of the Master Indenture for the purpose of financing the purchase or acquisition of real or tangible personal property secured by a lien on, or security interest in, the property being purchased or acquired and evidenced by an instrument that expressly provides that upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to property securing the same and not to the credit of any Member nor to any other Property of any Member; provided that no revenues or funds of a Member have been applied

to any payment on the Non-Recourse Debt other than revenues or funds derived from the property securing the Debt.

“Non-Recurring,” when used in connection with a gain, loss or expense means the nature of the gain, loss or expense is such that, in the written opinion of a Consultant, (a) it is not reasonably likely to recur within two years, and (b) there was not a similar gain, loss or expense within the prior two years.

“Note Register” means the registration books kept by the Master Trustee to evidence the registration, transfer and exchange of Master Notes pursuant to the Master Indenture.

“Oak Trace Initial Entrance Fees” means all Initial Entrance Fees received by the Corporation with respect to the improvements to the Oak Trace community, as described in this Official Statement (the costs of which will be funded with a portion of proceeds of the Series 2021A Bonds, Series 2021B Bonds, and Series 2021D Bonds and other resources of the Corporation).

“Obligated Group” means the Corporation, Querencia, and all other Persons that have fulfilled the requirements for entry into the Obligated Group set forth in the Master Indenture, but excluding any Persons that have ceased to be Members of the Obligated Group pursuant to the Master Indenture.

“Obligated Group Representative” means the Corporation, acting through its Governing Board, its chief executive officer, its chief financial officer or its other duly authorized officers acting pursuant to duly delegated authority, or any other Member from time to time designated as the Obligated Group Representative in an Officer’s Certificate delivered to the Master Trustee and each Related Bond Trustee.

“Officer’s Certificate” means a written certificate, request or other instrument of the Obligated Group Representative (or of another Member, if the context so requires and if acceptable to the Master Trustee) signed by the chairman of its Governing Board, its chief executive officer, its chief financial officer or any other duly authorized officer whose authority to execute such certificate is evidenced to the satisfaction of the Master Trustee, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee.

“Opinion of Bond Counsel” means an opinion in writing addressed to the applicable Authority and the Bond Trustee and signed by legal counsel acceptable to the Authority, the Bond Trustee and the Master Trustee who is nationally recognized in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

“Opinion of Counsel” means a written opinion of any legal counsel acceptable to the Master Trustee, which may include independent legal counsel for the Master Trustee, any Member, any Related Bond Issuer or any Related Bond Trustee.

“Original Purchaser” means, collectively, B.C. Ziegler and Company and Herbert J. Sims & Co., Inc.

“Outstanding” means:

(a) when used with respect to Master Notes, as of the date of determination, all Master Notes theretofore authenticated and delivered under the Master Indenture, except: (1) Master Notes theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation; (2) Master Notes for whose payment or redemption money or Escrow Obligations in the necessary amount are deposited with the Master Trustee or any Paying Agent in trust for the Owners of such Master Notes, provided that, if such Master Notes are to be redeemed, notice of such redemption is duly given pursuant to the Master Indenture or provision therefor satisfactory to the Master Trustee is made; (3) Master Notes issued in connection with the issuance of a series of Related Bonds, to the extent that such Related Bonds are discharged and no longer deemed outstanding under the Related

Bond Documents; (4) Master Notes in exchange for or in lieu of which other Master Notes are authenticated and delivered under the Master Indenture; and (5) Master Notes alleged to be destroyed, lost or stolen which are paid as provided in the Master Indenture;

(b) when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except: (1) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation pursuant to the Bond Indenture; (2) Bonds which are deemed to have been paid in accordance with the Bond Indenture; and (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Bond Indenture; and

(c) when used in connection with other Debt, all such Debt except Debt with respect to which the obligation to make payments is discharged and no longer deemed outstanding in accordance with the terms of the instrument or instruments creating or evidencing such Debt.

“Owner” when used with respect to the Master Notes, shall have the same meaning as the term “Master Noteowner,” and when used with respect to the Bonds, shall have the same meaning as the term “Bondowner.”

“Paying Agent” means:

(a) with respect to the Master Notes, the Master Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to the Master Indenture as paying agent for any Master Notes at which the principal of, and redemption premium, if any, and interest on such Master Notes shall be payable; and

(b) with respect to the Bonds, the Bond Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated by the Bond Indenture or any Supplemental Bond Indenture as paying agent for the Bonds at which the principal of and redemption premium, if any, and interest on such Bonds shall be payable.

“Permitted Encumbrances” means, with respect to Property of any Member as of any particular time, the following:

(a) the lien and security interest of the Master Indenture on the Trust Estate and any other liens or security interest in Property that equally and ratably secure all of the Master Notes on a parity basis;

(b) liens for taxes, assessments, and other governmental charges not delinquent, or if delinquent that are being contested in good faith by appropriate proceedings and as to which a Member shall have set aside on its books adequate reserves with respect thereto;

(c) mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s liens not filed of record and similar charges not delinquent, or if filed of record are being contested in good faith and have not proceeded to judgment and as to which a Member shall have set aside on its books adequate reserves with respect thereto;

(d) liens in respect of judgments or awards with respect to which a Member is in good faith currently prosecuting an appeal or proceedings for review, and with respect to which a Member shall have secured a stay of execution pending such appeal or proceedings for review, provided a Member shall have set aside on its books adequate reserves with respect thereto;

- (e) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions that do not materially affect the marketability of title to such Property and do not in the aggregate materially impair the use of such Property for the purposes for which it is held by a Member;
- (f) such minor defects and irregularities of title as normally exist with respect to property similar in character to the Property affected thereby and which do not materially affect the marketability of title to or value of such Property and do not materially impair the use of such Property for the purposes for which it is held by a Member;
- (g) zoning laws, ordinances or regulations and similar restrictions that are not violated by the Property affected thereby;
- (h) 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 or state statutes;
- (i) statutory liens and rights of setoff granted to banks or other financial institutions with respect to funds on deposit in the ordinary course of business;
- (j) all right, title and interest of the state, municipalities and the public in and to tunnels, bridges and passageways over, under or upon a public way;
- (k) rights reserved to, or vested in, any municipality or governmental or other public authority by virtue of any franchise, license, contract or statute to control or regulate any Property of a Member, or to use such Property in any manner, or to purchase, or designate a purchaser of or order the sale of, any Property of a Member upon payment of cash or reasonable compensation therefor, or to terminate any franchise, license or other rights;
- (l) liens on moneys deposited by patients, residents or others with a Member as security for or as prepayment of the cost of patient or resident care, liens due to rights of third party payors for recoupment of excess reimbursement paid to any Member, and liens of residents of life care, elderly housing or similar facilities on endowment or other funds deposited by or on behalf of such residents;
- (m) liens arising by reason of (1) 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), (2) deposits by a Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, (3) deposits as security for the payment of taxes or assessments or other similar charges, and (4) deposits with, or the giving of any form of security to, any municipality or governmental or other public authority 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 worker's 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;
- (n) liens on cash, securities or deposits securing obligations relating to letters of credit to enable Members or their Affiliates to maintain self-insurance or to participate in funds established in connection with worker's compensation;
- (o) liens on cash, securities or deposits securing obligations relating to letters of credit to secure payment of utility charges;

- (p) liens on cash, securities or deposits securing obligations relating to lines of credit incurred for working capital purposes for Members or their Affiliates which obligations relating to lines of credit do not exceed in the aggregate \$1,000,000;
- (q) liens or restrictions on Property received by a Member through gifts, grants, bequests, contributions or donations imposed by the donor or grantor of such Property;
- (r) liens on and security interests in the proceeds of Debt before the application of such proceeds or any debt service fund, reserve fund, escrow fund or similar fund established to secure the payment of Debt;
- (s) liens existing on Property at the time of its acquisition by a Member through purchase, lease or otherwise, and liens existing on Property of a Person on the date such Person becomes a Member or merges into or consolidates with a Member that were not imposed or incurred in contemplation of such Member joining the Obligated Group or merging into or consolidating with a Member; provided that no such lien may be increased, extended, renewed, or modified after such date to apply to any Property of any Member not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture if at the time of incurrence of such Debt, and after giving effect to all liens classified as Permitted Encumbrances under this subparagraph, the Book Value (or, at the option of the Obligated Group Representative, the Current Value) of all Property, Plant and Equipment of the Obligated Group subject to such liens is not more than 10% of such value of all of the Property, Plant and Equipment of the Obligated Group;
- (t) leases, under which a Member is lessor, that relate to Property of any Member which is of a type that is customarily the subject of such leases including leases of office space for physicians and educational institutions, food service facilities, parking facilities, day care centers, gift shops, barber shops, beauty shops, flower shops, radiology, pathology or other hospital-based specialty services, and pharmacy and similar departments; and any other leases entered into in accordance with the disposition of Property provisions of the Master Indenture;
- (u) purchase money mortgages, security interests, and liens securing Purchase Money Debt placed upon Property in order to obtain the use of such Property or to secure a portion of the purchase price thereof;
- (v) liens securing any Debt between Members;
- (w) liens on not more than 20% of the accounts receivable of the Obligated Group to secure Short-Term Debt not exceeding 15% of the Revenues of the Obligated Group as shown on the audited financial statements of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available;
- (x) liens on Property securing Commitment Debt issued in support of any Long-Term Debt which are equal in rank and priority with or subordinate to the liens granted to secure the Long-Term Debt;
- (y) liens on Property securing Subordinated Debt, provided that a superior lien on the same Property is granted to secure all Master Notes;
- (z) liens on Property which are existing at the date of the Master Indenture; provided that no such lien (or the amount of Debt secured thereby) may be increased, extended, renewed or

modified to apply to any Property of any Member not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture;

- (aa) liens on unimproved real property and any other lien or encumbrance created or incurred in the ordinary course of business which does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or capital leases and which, individually or in the aggregate, does not materially impair the value or the utility of the Property subject to such lien or encumbrance;
- (bb) liens on cash or securities securing the obligations of the Corporation or the Obligated Group under an interest rate exchange, hedge or similar agreement (including an interest rate swap, a forward or futures contract, an option (*e.g.*, a call or put), cap, floor or collar), entered into by a Member and a swap counterparty pursuant to which the Member is obligated to make interest-like payments to or on behalf of another Person and that Person is obligated to make similar interest-like payments to or on behalf of the Member (based on a different rate of, or formula for, interest), with neither party obligated to repay any principal, which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof; and
- (cc) any other liens on Property expressly permitted by the Master Indenture or approved in writing by the Owners of all of the Master Notes.

“Permitted Investments” means, if and to the extent the same are at the time legal for investment of funds held under the Bond Indenture):

- (a) Government Obligations;
- (b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency;
- (c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank or the Student Loan Marketing Association) which is either (i) rated in the highest rating category by any Rating Agency, or (ii) backed by the full faith and credit of the United States of America;
- (d) U.S. denominated deposit account, certificates of deposit and banker’s acceptances of any bank, trust company, or savings and loan association, including the Master Trustee or Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which mature not more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency, and which matures not more than 270 days after the date of purchase;

(f) bonds, notes, debentures or other evidences of debt issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);

(g) investment agreements with banks that at the time the agreement is executed are rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any Rating Agency or investment agreements with non-bank financial institutions, provided that (1) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time the agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is rated by any Rating Agency in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term debt by any Rating Agency. If such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with the non-bank financial institution will be permitted;

(h) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including the Master Trustee, the Bond Trustee or their affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) the collateral securities are held in the custody of the Bond Trustee or the Bond Trustee's agent;

(i) investments in a money market fund, including funds of the Bond Trustee, the Master Trustee or their affiliates, rated (at the time of purchase) in the highest rating category for this type of investment by any Rating Agency; and

(j) shares in any investment company, money market mutual fund, fixed income mutual fund, exchange-traded fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Permitted Investments as defined in paragraphs (a) through (i) above, including money market mutual funds from which the Bond Trustee, the Master Trustee or their affiliates derive a fee for investment advisory or other services to the fund.

The Bond Trustee or the Master Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary. For the purposes of this definition, obligations issued or held in the name of the Bond Trustee or Master Trustee in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Bond Trustee or Master Trustee.

“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.

“Prime Rate” means the interest rate per annum publicly announced from time to time by the Bond Trustee as its “prime rate,” such interest rate to change automatically as of the opening of business on the effective date of any change in the Prime Rate.

“Project” means the improvements to the Corporation’s Abbey Delray, Abbey Delray South, Claridge Court, Friendship Village of Bloomington, Friendship Village of South Hills, Harbour’s Edge, Oak Trace, and Village on the Green continuing care retirement communities to be financed with a portion of the proceeds of the Bonds.

“Project Costs” means costs permitted under the Acts to be paid out of proceeds of Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, reconstruction, repair, alteration, improvement and extension of the Project, including the expenses of studies and surveys, land title and mortgage title policies, architectural and engineering services and the cost of legal services; financial and underwriting fees and expenses; the cost of acquiring or demolishing existing structures, acquiring and developing the site and constructing and equipping new buildings and improvements constituting a part of the Project; rehabilitating, reconstructing, repairing or remodeling existing buildings and improvements constituting a part of the Project; development, marketing and other capitalized start-up costs for the Project and all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project and any other costs permitted by the Acts.

“Project Fund” means the fund by that name created by the Bond Indenture.

“Projected Debt Service Coverage Ratio” means, for any future period, the ratio determined by dividing (a) a numerator equal to the projected Net Income Available for Debt Service for that period by (b) a denominator equal to the Maximum Annual Debt Service for the Long-Term Debt expected to be Outstanding during such period.

“Projected Rate” means the projected yield at par of an obligation, as set forth in the report of a Consultant (which Consultant and report, including the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) which report shall state that in determining the Projected Rate the Consultant reviewed the yield evaluations at par of not less than three obligations selected by the Consultant, the interest on which is exempt from federal income tax (or, if it is not expected that it will be possible to issue such tax-exempt obligations to refinance the Debt with respect to which debt service is being estimated, obligations the interest on which is subject to federal income tax), which obligations the Consultant states in its opinion are reasonable comparators to be utilized in developing the Projected Rate and which obligations: (i) were outstanding on a date selected by the Consultant that occurred during the 45-day period preceding the date of the calculation utilizing the Projected Rate, (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 any letter of credit, insurance policy or other credit enhancement, and (iv) to the extent practicable, have a remaining term and amortization schedule substantially the same as the obligation with respect to which the Projected Rate is being determined.

“Property” means any and all rights, titles and interests of a Member in and to all land, leasehold interests, buildings, fixtures and equipment and any and all other property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired; but does not include Excluded Property.

“Property, Plant and Equipment” means all Property of a Member that is classified as property, plant and equipment as shown on the balance sheet of each Member, determined in accordance with generally accepted accounting principles.

“Purchase Money Debt” means Debt incurred by a Member pursuant to a purchase money contract, conditional sale agreement, installment purchase contract, capitalized lease or other similar debt or title retention agreement in connection with the acquisition of real or personal property and secured by a purchase

money mortgage, security interest or lien with respect to the property acquired by such Member, where the lien of the seller or lender under such agreement is limited to such property.

“Put Debt” means Debt, which is payable or required to be purchased or redeemed, at the option of the holder thereof, before its stated maturity date in intervals of less than one year.

“Qualified Financial Institution” means a bank, trust company, national banking association, insurance company or other financial services company or entity, whose unsecured long term debt obligations (in the case of a bank, trust company, national banking association or other financial services company or entity) or whose claims paying abilities (in the case of an insurance company) are rated in either of the two highest categories by Fitch, Moody’s or S&P.

“Querencia” means Barton Creek Senior Living Center, a Texas nonprofit corporation, and its successors and assigns, and any surviving, resulting or transferee entity.

“Rating Agency” means Moody’s, S&P or Fitch.

“Rebate Fund” means the fund by that name created by the Bond Indenture.

“Record Date” means the last day (whether or not a business day) of the calendar month next preceding the date on which an interest payment on any Bond is to be made.

“Refunded Bonds” means the Kansas Development Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2010S in the original and outstanding principal amount of \$25,685,000.

“Refunding Debt” means Long-Term Debt issued for the purpose of refunding other Long-Term Debt (including Long-Term Debt commonly referred to as current refunding debt, advance refunding debt or cross-over refunding debt where the proceeds of such Refunding Debt are deposited in an irrevocable escrow or trust account to secure the payment on the applicable payment dates of the interest on and principal of such Refunding Debt and/or the Debt being refunded).

“Related Bond Documents” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued, and the document or documents (including any loan agreement, lease agreement, installment sale agreement or other financing agreement) pursuant to which any proceeds of any Related Bonds are made available to or for the benefit of any Member or any Affiliate of any Member.

“Related Bond Issuer” means any issuer of a series of Related Bonds.

“Related Bond Trustee” means any trustee under any Related Bond Document and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Document, the Related Bond Issuer.

“Related Bonds” means any revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, 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 a Master Note or Master Notes to such governmental issuer.

“Required Information Recipients” means each Member, the Master Trustee, each Related Bond Trustee, the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, each Original Purchaser, any registered owners or beneficial owners of Master Notes and any registered owners or beneficial owners of at least \$500,000 in aggregate principal amount of Related Bonds that have requested to receive information in a writing with the Master Trustee and the Obligated Group Representative and any other person designated as a Required Information Recipient in a Supplemental Master Indenture.

“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 or potential resident certain rights of occupancy in the facility, including independent living units, assisted living units, memory support units, 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, (i) in the case of any Member providing health care or senior living services, the sum of (a) gross service revenues less contractual allowances and provisions for uncollectable accounts, discounted care, and free care (to the extent related revenue is booked), including Medicaid, Medicare and other third-party payments, plus (b) other operating revenues other than the amortization of deferred Entrance Fees, plus (c) non-operating revenues, all as determined in accordance with generally accepted accounting principles consistently applied, plus (d) deferred Entrance Fees, excluding Initial Entrance Fees, actually received net of refunds, plus (e) gifts, grants, bequests and donations actually received during that period of time not otherwise included in Revenues if not required to be excluded from Revenues by the remainder of this definition, plus (f) Unrestricted Contributions; and (ii) in the case of any other Member, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with generally acceptable accounting principles consistently applied; provided that no determination thereof shall take into account (A) unrealized gains on investments, investment contracts or Interest Rate Exchange Agreements, or changes in value of split interest gifts or adjustments of actuarial liabilities for annuity obligations, (B) income derived from the investment of Escrow Obligations that is irrevocably deposited in escrow to pay the principal of or interest on Debt or Related Bonds, (C) any gain resulting from the early extinguishment or forgiveness of Debt or the sale, exchange or other disposition of Property not in the ordinary course of business or any reappraisal, revaluation or write-up of assets and any other extraordinary or Non-Recurring gain or income, (D) gifts, grants, bequests or donations restricted as to use by the donor or grantor for a purpose inconsistent with the payment of Debt Service or operating expenses, (E) gifts, grants, bequests or donations pledged but not actually received during that period of time, (F) insurance (other than business interruption) and condemnation proceeds, (G) proceeds of borrowing, (H) 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 that payment or deposit have been satisfied, (I) all deposits and advance payments made in connection with Residency Agreements or leases respecting independent living units or other areas to be occupied by or leased to residents or tenants and received before receipt of any required occupancy certificates of those units or other areas, (J) earnings and gains on investments held in the Corporate Headquarters Accounts, and (K) if the calculation is made with respect to the Obligated Group, 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 before the date the applicable Officer’s Certificate is required to be delivered with respect to such calculation. For purposes of any calculation that is made with reference to both Revenues and Total Expenses, any deduction from revenues otherwise required by the preceding provisions of this definition shall not be made if and to the extent that the amount of such deduction is included in Total Expenses.

“S&P” means S&P Global Ratings, its successors and assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative with written notice to Bond Trustee.

“Series 2019 Entrance Fees Fund” means the fund by that name created under the Master Indenture.

“Series 2021 Entrance Fees Fund” means the fund by that name created under the Master Indenture.

“Series 2021A Bonds” means the Revenue Bonds (Lifespace Communities, Inc.), Series 2021A, issued by the Iowa Authority aggregating the principal amount of \$73,650,000, authenticated and delivered under the Bond Indenture.

“Series 2021B Bonds” means the Revenue Bonds (Lifespace Communities, Inc.), Series 2021B, issued by the Iowa Authority aggregating the principal amount of \$30,000,000, authenticated and delivered under the Bond Indenture.

“Series 2021C Bonds” means, or the Revenue Bonds (Lifespace Communities, Inc.), Series 2021C, issued by the Florida Authority aggregating the principal amount of \$16,750,000, authenticated and delivered under the Bond Indenture.

“Series 2021D Bonds” means the Revenue Bonds (Lifespace Communities, Inc.), Series 2021D, issued by the Iowa Authority maximum the principal amount of \$55,000,000, authenticated and delivered under the Bond Indenture.

“Series 2021 Master Notes” means, collectively, the Series 2021A Note, the Series 2021B Note, the Series 2021C Note, the Series 2021D-1 Note and the Series 2021D-2 Note.

“Series 2021A Note” means the Lifespace Communities, Inc. Master Indenture Bond Note, Series 2021A, in the principal amount of the Series 2021A Bonds, issued under the Master Indenture to the Iowa Authority and pledged and assigned to the Bond Trustee to secure the Series 2021A Bonds.

“Series 2021B Note” means the Lifespace Communities, Inc. Master Indenture Bond Note, Series 2021B, in the principal amount of the Series 2021B Bonds, issued under the Master Indenture to the Iowa Authority and pledged and assigned to the Bond Trustee to secure the Series 2021B Bonds.

“Series 2021C Note” means the Lifespace Communities, Inc. Master Indenture Note, Series 2021C, in the principal amount of the Series 2021C Bonds, issued under the Master Indenture to the Florida Authority and pledged and assigned to the Bond Trustee to secure the Series 2021C Bonds.

“Series 2021D-1 Note” means the Lifespace Communities, Inc. Master Indenture Bond Note, Series 2021D-1, in the principal amount of the Series 2021D Bonds, issued under the Master Indenture to the Iowa Authority and pledged and assigned to the Bond Trustee to secure the Series 2021D Bonds.

“Series 2021D-2 Note” means the Lifespace Communities, Inc. Master Indenture Bank Note, Series 2021D-2, in the principal amount of the Series 2021D Bonds, issued under the Master Indenture to BMO Harris Bank N.A. to secure the obligations of the Corporation under the Continuing Covenants Agreement described in the front portion of this Official Statement.

“Short-Term Debt” means Debt having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable at the option of the debtor for a term greater than one year beyond the date of original incurrence.

“Specified Reserve Funds” means, as of any date of calculation, any debt service reserve fund held by a Related Bond Trustee for the benefit of a particular series of Related Bonds. As of the date of issuance of the Series 2021 Bonds, debt service reserve funds are held by the Related Bond Trustee for the following Related Bonds:

- Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2018A;
- Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2018B.
- Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2016A;
- Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2016B;
- Illinois Finance Authority Revenue Bonds, Series 2015A (Lifespace Communities, Inc.);

- Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2015C;
- Illinois Finance Authority Revenue Refunding Bonds, Series 2005B (Beacon Hill) Extendable Rate Adjustable SecuritiesSM (EXTRASSM);
- Palm Beach County Health Facilities Authority Revenue Bonds, Series 2004A (Harbour’s Edge Project);
- Palm Beach County Health Facilities Authority Revenue Bonds, Series 2004B Extendable Rate Adjustable SecuritiesSM (EXTRASSM) (Harbour’s Edge Project);
- Palm Beach County Health Facilities Authority Revenue Refunding Bonds, Series 2003 (Abbey Delray South); and
- Palm Beach County Health Facilities Authority Revenue Bonds, Series 2001A (Abbey Delray Project).

“**Specified Reserve Funds Balance**” means the aggregate amounts held by Related Bond Trustees in the Specified Reserve Funds.

“**Stable Occupancy**” means, with respect to any facility financed with Long-Term Debt 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, a Management Report), occupancy of that facility at the level reflected as stabilized occupancy for that facility in the Consultant’s report or the Management Report. (If two or more units are combined into a single unit, they shall continue to be counted as separate units.)

“**State**” means, as applicable, the State of Iowa or the State of Florida.

“**Subordinated Debt**” means Debt of a Member that by the terms thereof is specifically junior and subordinate to the Master Notes with respect to payment of principal and interest thereon and that is evidenced by an instrument containing provisions substantially the same as those set forth in the Master Indenture.

“**Supplemental Bond Indenture**” means any indenture supplemental or amendatory to the Bond Indenture entered into by the Authority and the Bond Trustee pursuant to the Bond Indenture.

“**Supplemental Loan Agreement**” means any agreement supplemental or amendatory to the Loan Agreement entered into by the Authority and the Corporation pursuant to the Loan Agreement and the Bond Indenture.

“**Supplemental Master Indenture**” means an indenture amending or supplementing the Master Indenture entered into pursuant to the Master Indenture.

“**Supplemental Mortgage**” means any document amending or supplementing a Mortgage entered into pursuant to the Master Indenture.

“**Tax Agreement**” means with respect to the applicable series of Bonds, the corresponding Tax Compliance Agreement dated as of August 1, 2021, among the Authority, the Corporation and the Bond Trustee respecting the Bonds of that series, as from time to time amended in accordance with the provisions thereof.

“**Tax-Exempt Organization**” means a nonprofit organization, organized under the laws of the United States of America or any state thereof, that is an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, or corresponding provisions of federal income tax laws from time to time in effect.

“**Total Expenses**” means, for any period of time for which calculated, the total of all operating and non-operating expenses or losses incurred during such period by the Members, determined in accordance with generally accepted accounting principles, but excluding (a) interest expense included in Debt Service, (b) depreciation and amortization, (c) unrealized losses on investments, investment contracts or Interest Rate

Exchange Agreements, or changes in value of split interest gifts or adjustments of actuarial liabilities for annuity obligations or any temporary or other than temporary impairment of investment securities, (d) losses resulting from the early extinguishment of debt, the sale or other disposition of assets not in the ordinary course of business or any reappraisal, revaluation or write-down of assets, and any other extraordinary or Non-recurring losses or expenses, (e) any development, marketing, management or other subordinated fees that have been deferred from the year in which they were originally due, (f) any expenses paid from proceeds of Long-Term Debt, (g) future service obligations or changes thereto, (h) other expenses not requiring the payment of cash in *any* period, (i) any losses on investments held in the Corporate Headquarters Accounts, and (j) if the calculation is made with respect to the Obligated Group, any expenses attributable to transactions between any Member and any other Member.

“Trust Estate” means (a) with respect to the Master Indenture, the Trust Estate described under “SUMMARY OF THE MASTER INDENTURE – Trust Estate;” and (b) with respect to the Bond Indenture, the Trust Estate described under “SUMMARY OF THE BOND INDENTURE - Trust Estate.”

“Unrestricted Cash and Investments” means, as of the date of determination, the cash, cash equivalents, marketable securities, and board-designated funds of the Obligated Group (specifically excluding amounts in any project, issuance costs, funded interest, funded fee, debt service, debt service reserve fund held by a trustee, escrow agent or custodian, but including any amounts held in any working capital or operating reserve fund), all to the extent available for the payment of operating expenses *and* Debt Service and as evidenced by the most recent financial statements of the Obligated Group, and any operating or repair and replacement reserves required by state law (but excluding any debt service reserve fund).

“Unrestricted Contributions” means unrestricted cash contributions from an Affiliate that can be used for the payment of Debt Service on Master Notes.

“Unrestricted Receivables” means all income, revenues, receipts and other moneys received by or on behalf of any Member from any source and all rights to receive the same whether in the form of accounts, deposit accounts, investment property, contract rights, chattel paper, instruments, general intangibles or other rights now owned or hereafter acquired by any Member, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the Uniform Commercial Code of the applicable state where a Member is located; but excluding (i) gifts, grants, bequests, donations and contributions to any Member made that are specifically restricted by the donor, testator or grantor to a particular purpose that is inconsistent with their use for payments required under the Master Indenture or on the Master Notes, and, if also so restricted, the income and gains derived therefrom, (ii) 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 that payment or deposit have been satisfied, (iii) all deposits and advance payments made in connection with any Residency Agreements or leases respecting independent living units or other areas to be occupied by or leased to residents or tenants and received before receipt of any required certificates of occupancy for those units or other areas, and (iv) all amounts or investment property transferred to the Corporate Headquarters Accounts pursuant to the Master Indenture.

“Written Request” means, with reference to the Authority, a request in writing signed by an Authority Representative and, with reference to the Corporation, a request in writing signed by the Corporation Representative, or any other officers designated by the Authority or the Corporation, as the case may be, to sign such Written Request.

* * * * *

SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions contained in the Master Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Master Indenture for a complete recital of its terms.

Reference is made to the description of certain pending amendments to the Master Indenture, certain of which amendments will become effective upon the approval of thereof by the Owners of not less than a majority in principal amount of Outstanding Master Notes, and certain of which amendments will become effective when all Master Notes issued prior to 2019 are no longer Outstanding under the Master Indenture. The purchasers of the Series 2021 Bonds in this offering will be deemed to have consented to the amendments to the Master Indenture described below under “SUMMARY OF PENDING AMENDMENTS TO THE MASTER INDENTURE” beginning on page C-60. Such consents, together with consents or deemed consents previously obtained, will constitute approximately 45% of the principal amount of Master Notes Outstanding as of the date of issuance of the Series 2021 Master Notes.

Trust Estate

To secure the payment of the Master Notes and the performance and observance of all the covenants and conditions in the Master Indenture and the Master Notes, the Corporation and all other Persons that become Members, grant a security interest in, pledge, assign and transfer in trust to the Master Trustee, subject to Permitted Encumbrances, upon the terms set forth in the Master Indenture for the equal and proportionate benefit and security of all Owners of the Master Notes, the following property (the “Trust Estate”): (i) all Unrestricted Receivables of the Members of the Obligated Group, (ii) all moneys and securities, if any, at any time held by the Master Trustee under the Master Indenture, (iii) the interests of the Master Trustee under the Mortgages and all moneys and proceeds therefrom received by the Master Trustee, and (iv) any and all other real or personal property conveyed, mortgaged, pledged, assigned or transferred to the Master Trustee as additional security under the Master Indenture.

Payment of Master Notes

The Members shall duly and punctually pay the principal of and premium, if any, and interest on all Master Notes, and any other payments required by the terms of the Master Notes, on the dates, at the times and at the places and in the manner provided in such Master Notes, the applicable Supplemental Master Indenture and the Master Indenture, when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise. The Master Indenture, the Master Indenture Notes and the obligations thereunder are joint and several obligations of the Members (subject to the right of each Member to cease its status as a Member pursuant to the terms and conditions of the Master Indenture).

Notwithstanding any other provision of the Master Indenture, the principal of and premium, if any, and interest on Master Notes and amounts payable under the Master Indenture or the Mortgages (or any liability of the Corporation for failure to perform its covenants thereunder) shall not be payable from the Corporate Headquarters Accounts, and the Corporate Headquarters Accounts shall not be available for that purpose.

Creation of Funds and Accounts

There are established in the custody of the Master Trustee the following special trust funds: (a) the Series 2019 Entrance Fees Fund; (b) the Series 2021 Entrance Fees Fund; and (c) the Master Reserve Fund.

Series 2019 Entrance Fees Fund

All Initial Entrance Fees received by the Corporation for a calendar month shall be transferred by the Corporation to the Master Trustee for deposit into the Series 2019 Entrance Fees Fund on the 15th day of the following month. Moneys in the Series 2019 Entrance Fees Fund shall be disbursed by the Master Trustee, on the 15th day of each month to the Related Iowa Bond Trustee under the Related Iowa Bond Indenture, for deposit into the Debt Service Fund established under the Related Iowa Bond Indenture for redemption of the Series 2019A-2 Bonds described in the front portion of this Official Statement, until all Series 2019A-2 Bonds have been redeemed in accordance with the terms thereof.

When the Corporation delivers an Officer's Certificate to the Master Trustee (i) stating that none of the Series 2019A-2 Bonds remains Outstanding, and (ii) requesting that any funds on deposit in the Series 2019 Entrance Fees Fund be transferred to the Corporation, the Corporation need not deposit any additional Initial Entrance Fees into the Series 2019 Entrance Fees Fund, the Master Trustee shall pay any amounts on deposit in the Series 2019 Entrance Fees Fund to the Corporation, and the Series 2019 Entrance Fees Fund shall be closed.

Series 2021 Entrance Fees Fund

On and after the date the Series 2019 Entrance Fees Fund established under Supplemental Master Trust Indenture No. 9 is closed in accordance with the terms thereof, all Oak Trace Initial Entrance Fees received by the Corporation for a calendar month shall be transferred by the Corporation to the Master Trustee for deposit into the Series 2021 Entrance Fees Fund on or before the 15th day of the following month. Moneys in the Series 2021 Entrance Fees Fund shall be disbursed by the Master Trustee, on the 15th day of each month to the Related Iowa Bond Trustee under the Related Iowa 2021D Bond Indenture, for deposit into the Debt Service Fund established under the Related Iowa 2021D Bond Indenture for redemption of the Series 2021D Bonds described in the front portion of this Official Statement, until all Series 2021D Bonds have been redeemed in accordance with the terms thereof.

When the Corporation delivers an Officer's Certificate to the Master Trustee (i) stating that none of the Series 2021D Bonds remains Outstanding, and (ii) requesting that any funds on deposit in the Series 2021 Entrance Fees Fund be transferred to the Corporation, the Corporation need not deposit any additional Oak Trace Initial Entrance Fees into the Series 2021 Entrance Fees Fund, the Master Trustee shall pay any amounts on deposit in the Series 2021 Entrance Fees Fund to the Corporation, and the Series 2021 Entrance Fees Fund shall be closed.

Master Reserve Fund

Master Notes may be secured by the Master Reserve Fund on a parity basis if so designated in the Supplemental Master Indenture pursuant to which such additional Master Note is issued and upon receipt of an Officer's Certificate demonstrating that, upon issuance thereof, the Master Reserve Fund Balance is equal to the Master Reserve Fund Requirement.

Moneys in the Master Reserve Fund shall be used on a parity basis solely for the payment of the principal of and interest on the Master DSRF Secured Notes if moneys otherwise available for such purposes are insufficient to pay the same as they become due.

As of the date of issuance of the Series 2021 Bonds, the only Master Notes that are Master DSRF Secured Notes are the Master Notes securing the Series 2019A Bonds and Series 2019B Bonds described in this Official Statement. The Series 2021 Master Notes are not designated as Master DSRF Secured Notes.

If the Owner of a Master DSRF Secured Note delivers a written notice to the Master Trustee to the effect that the amount of principal or interest paid by the Obligated Group or the amount otherwise available to the Owner of such Master Note is less than the amount of principal or interest then due on such Master Note,

specifying the amount of such deficiency of principal, interest or both, and directing the transfer of moneys from the Master Reserve Fund in the amount of any such deficiency, the Master Trustee, without further direction, shall (i) confirm with all other Owners of Master DSRF Secured Notes whether the amount of principal or interest paid by the Obligated Group or otherwise available to the Owner of such Master DSRF Master Notes is less than the amount of principal or interest then due on such Master DSRF Secured Notes, and (ii) upon receipt of such notice or confirmation of deficiency or deficiencies, immediately withdraw moneys from the Master Reserve Fund in the amount of such deficiency or deficiencies and transfer such moneys to such Owner or Owners of the Master DSRF Secured Notes. If moneys on deposit in the Master Reserve Fund are insufficient to satisfy such deficiency or deficiencies the Master Trustee shall pay from available moneys on deposit in the Master Reserve Fund such deficiency or deficiencies proportionally to each Owner based on the outstanding principal amount of each Master DSRF Secured Note. The Master Trustee shall promptly provide written notice to the Members of any such withdrawal from the Master Reserve Fund.

No transfer of monies shall be made by the Master Trustee from the Master Reserve Fund if the Obligated Group Representative delivers written notice to the Master Trustee that the proposed transfer would violate any applicable state law that requires any insurance regulatory approval for the transfer. If a transfer of monies is suspended in accordance with the preceding sentence, such transfer shall be made as soon as the Master Trustee receives written notice from the Obligated Group Representative that all applicable insurance regulatory approvals for the transfer have been obtained. The Obligated Group Representative shall use its reasonable efforts to obtain all required insurance and other regulatory approvals for any required transfers from the Master Reserve Fund.

In conjunction with the redemption, refunding or maturity or all or any part of a series of Related Bonds, the Master Trustee shall, at the written request of the Obligated Group Representative, transfer moneys in the Master Reserve Fund to the Person designated by the Obligated Group Representative in an amount not in excess of the deposit to the Master Reserve Fund attributable to such series of Related Bonds if immediately after that transfer of moneys and after giving effect to any contemporaneous deposits to the Master Reserve Fund by the Members the amount on deposit therein is not less than the Master Reserve Fund Reserve Requirement.

Beginning on the 25th day of the month following a month in which money is withdrawn from the Master Reserve Fund, the Members jointly and severally covenant promptly to pay or cause to be paid to the Master Trustee for deposit into the Master Reserve Fund, one-twelfth of the amount so withdrawn until the Master Reserve Fund Balance is equal to the Master Reserve Fund Requirement.

The amount on deposit in the Master Reserve Fund shall be valued by the Master Trustee (i) as of each May 15 and November 15, (ii) at the time of any withdrawal from the Master Reserve Fund, (iii) at the time of refunding of any Related Bonds secured by a Master DSRF Secured Note or by a Specified Reserve Fund, (iv) at such other times as the Master Trustee deems appropriate, and (v) at any other time requested in writing by the Obligated Group Representative. Upon any such valuation, the Master Trustee shall give immediate written notice to the Obligated Group Representative if the Master Reserve Fund Balance is less than the Master Reserve Fund Requirement. For the purpose of determining the Master Reserve Fund Balance, the value of any investments shall be valued at their fair market value, including accrued interest.

If on any valuation date the Master Reserve Fund Balance exceeds the Master Reserve Fund Requirement, such excess amount shall be transferred to the Owners of any Master DSRF Secured Note or Notes for deposit into the debt service funds for the Related Bonds. Such excess amount shall be transferred proportionally to each Owner based on the outstanding principal amount of the Master DSRF Secured Notes; provided that if the Master Trustee is furnished with an Opinion of Bond Counsel to the effect that the transfer will not adversely affect the exclusion of interest on any Related Bonds from gross income for federal income tax purposes, to the Corporation, or as directed by the Corporation.

If on any valuation date the Master Reserve Fund Balance is less than 90% of the Master Reserve Fund Requirement, beginning on the 25th day of the month (and on the 25th day of each month thereafter)

following a valuation in which the Master Reserve Fund Balance is less than 90% of the Master Reserve Fund Requirement due to a loss resulting from a decline in the value of Permitted Investments held for the credit of the Master Reserve Fund, the Members jointly and severally covenant promptly to pay or cause to be paid to the Master Trustee for deposit into the Master Reserve Fund, one-sixth of the amount by which the Master Reserve Fund Requirement exceeds the Master Reserve Fund Balance until the Master Reserve Fund Balance is equal to the Master Reserve Fund Requirement.

Moneys held in the Master Reserve Fund shall be invested and reinvested by the Master Trustee, pursuant to written directions of the Obligated Group Representative, in accordance with the provisions of this Master Indenture in Permitted Investments that mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. Any such Permitted Investments shall be held by or under the control of the Master Trustee and shall be deemed at all times a part of the Master Reserve Fund. The interest accruing on the Master Reserve Fund and any profit realized from such Permitted Investments shall be credited to the Master Reserve Fund, and any loss resulting from such Permitted Investments shall be charged to the Master Reserve Fund.

The Master Reserve Fund Requirement may be satisfied by (1) deposits in cash or Permitted Investments, or (2) an insurance policy, a letter of credit or surety bond issued by a Qualified Financial Institution providing for payments into the Master Reserve Fund in the amount of the Master Reserve Fund Requirement, or (3) by a combination of the foregoing. The Master Reserve Fund Balance at any time shall be deemed to be the amount of cash therein plus the value of any Permitted Investments (other than investment agreements constituting Permitted Investments) held therein, plus the face amount of any letter of credit or surety bond issued by a Qualified Financial Institution, plus the face amount of any investment agreement constituting a Permitted Reserve Fund Investment.

Nothing in this section of the Master Indenture prohibits the Obligated Group from establishing one or more separate debt service reserves for a series of Related Bonds, other Debt, or other Master Notes, securing only such Related Bonds, other Debt, or other Master Notes, so long as such debt service reserve constitutes a Permitted Encumbrance.

Entrance Into the Obligated Group

Any Person that is not a Member may become a Member if the following conditions are met:

(a) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Representative, and which shall contain (1) the agreement of such Person to become a Member and thereby to become subject to compliance with all provisions of the Master Indenture, (2) the unconditional and irrevocable agreement of such Person (subject to the right of such Person to cease its status as a Member pursuant to the terms and conditions of the Master Indenture) to jointly and severally make payments upon each Master Note at the times and in the amounts provided in each such Master Note, and (3) representations and warranties by such Person substantially similar to those set forth in the Master Indenture;

(b) The Obligated Group Representative, by appropriate action of its Governing Board, approves and consents to the admission of such Person to the Obligated Group;

(c) The Master Trustee receives an Officer's Certificate which certifies that (1) immediately upon such Person becoming a Member, (A) the Obligated Group would not, as a result of the entrance of the Person into the Obligated Group, be in default in the performance or observance of any covenant or condition to be performed or observed under the Master Indenture; and (B) the number of Days Cash on Hand either (i) would not be less than 120; or (ii) would be greater as a result of such Person becoming a Member; and (2) assuming that the entrance of the Person into the Obligated Group occurred at the beginning of the most recent Fiscal Year for which audited financial

statements of the Obligated Group are available, the Historical Maximum Annual Debt Service Coverage Ratio for that Fiscal Year either (A) would not have been less than 1.20, or (B) would have been greater as a result of such Person becoming a Member, which Officer's Certificate shall contain demonstrations of the satisfaction of those conditions;

(d) The Master Trustee receives either (1) an Officer's Certificate which certifies that, as of the time immediately before such Person becomes a Member, no Master Notes or Related Bonds are rated by a Rating Agency, or (2) evidence satisfactory to the Master Trustee from each Rating Agency maintaining a rating or ratings for any Master Notes or Related Bonds that such rating or ratings will not be reduced or withdrawn as a result of such Person becoming a Member; or (3) evidence satisfactory to the Master Trustee from a Rating Agency evidencing that, immediately after such Person becomes a Member, such Rating Agency will maintain an investment grade rating (BBB- or Baa3 or higher) for the Master Notes or the Related Bonds;

(e) The Master Trustee receives an Opinion of Counsel to the effect that (1) the conditions contained in the Master Indenture relating to membership in the Obligated Group have been complied with; (2) the Supplemental Master Indenture described in paragraph (a) above has been duly authorized, executed and delivered and the Master Indenture (including such Supplemental Master Indenture) constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to the applicable exceptions set forth in the Master Indenture; (3) 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; (4) the Person which is to become a Member is liable on all Master Notes Outstanding under the Master Indenture, as if such Master Notes were originally issued by such Person, subject only to the applicable exceptions set forth in the Master Indenture; and (5) under then existing law such person becoming a Member of the Obligated Group will not subject any Master Notes to the registration provisions of the Securities Act of 1933, as amended (or that such Master Notes have been so registered if registration is required) and will not subject the Master Indenture to the qualification provisions of the Trust Indenture Act of 1939, as amended (or that the Master Indenture has been so qualified if qualification is required); and

(f) If all amounts due or to become due on all Related Bonds which bear interest that is not includible in gross income under the Internal Revenue Code have not been paid to the owners thereof, the Master Trustee, each Related Bond Trustee and each Related Bond Issuer for such Related Bonds receives an Opinion of Bond Counsel to the effect that, under then existing law, the entrance of the Person into the Obligated Group would not cause the interest on such Related Bonds to become includible in gross income under the Internal Revenue Code.

Withdrawal From the Obligated Group

No Member shall take any action, corporate or otherwise, which will cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to not be a Member, and no Member shall cease to be a Member, unless the following terms and conditions are satisfied:

(a) The Obligated Group Representative, by appropriate action of its Governing Board, approves and consents to the withdrawal of such Person from the Obligated Group;

(b) The Master Trustee receives an Officer's Certificate which certifies that (1) immediately upon such Member withdrawing as a Member, (A) the Obligated Group would not, as a result of the withdrawal of the Member from the Obligated Group, be in default in the performance or observance of any covenant or condition to be performed or observed under the Master Indenture, (B) no Member would, as a result of such withdrawal, be in default under or in violation of, any Related Bond Documents, and (C) the number of Days Cash on Hand either (i) would not be less than 120 or (ii) would be greater as a result of such withdrawal; and (2) assuming that the withdrawal of the Member from the Obligated Group occurred at the beginning of the most recent Fiscal Year for which

audited financial statements of the Obligated Group are available, the Historical Maximum Annual Debt Service Coverage Ratio for that Fiscal Year would not have been less than 1.20; or (B) would have been greater as a result of such withdrawal, which Officer's Certificate shall contain demonstrations of the satisfaction of those conditions;

(c) The Master Trustee receives either (1) an Officer's Certificate which certifies that no Master Notes or Related Bonds were rated by a Rating Agency immediately before such Person withdraws as a Member, or (2) evidence from each Rating Agency maintaining such rating, satisfactory to the Master Trustee, that its rating or ratings for any Master Notes or Related Bonds will not be reduced or withdrawn as a result of such Person withdrawing as a Member; or (3) evidence satisfactory to the Master Trustee from a Rating Agency evidencing that, immediately after such Person withdraws as a Member, such Rating Agency will maintain an investment grade rating (BBB- or Baa3 or higher) for the Master Notes or the Related Bonds;

(d) If all amounts due or to become due on all Related Bonds which bear interest that is not includible in gross income for federal income tax purposes have not been paid to the owners thereof, the Master Trustee, each Related Bond Trustee and each Related Bond Issuer for such Related Bonds receives an Opinion of Bond Counsel to the effect that, under then existing law, the withdrawal of the Member from the Obligated Group would not cause the interest on such Related Bonds to become includible in gross income for federal income tax purposes.

Upon satisfaction of the foregoing provisions for a Member to withdraw from the Obligated Group, the Master Trustee shall execute and deliver such appropriate instruments as reasonably requested by the Obligated Group Representative evidencing that such Member has withdrawn from the Obligated Group and has ceased to be a Member and releasing such Member from its liabilities and obligations under the Master Indenture and the Master Notes, except as otherwise provided in the next sentence. Any Member that withdraws from the Obligated Group shall remain liable on all Outstanding Master Notes that were issued for the primary benefit of such Member and for which such Member is primarily liable in accordance with the Master Indenture unless another Member has assumed such primary liability in writing. In any event, all other Members shall also remain liable thereon. The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such withdrawal complies with this Section and that it is proper for the Master Trustee under this Section to join in the execution of any instrument required to be delivered by this Section.

Covenants as to Legal Existence, Maintenance of Property, and Similar Matters

(a) *Maintenance of Legal Existence.* Except as otherwise expressly provided in the Master Indenture, each Member shall (1) preserve its corporate or other separate legal existence, and (2) be and remain in good standing and duly qualified to conduct its business and affairs in the state of its incorporation or organization and in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification. If a Member changes its state of incorporation, changes its form of organization, changes its name, or takes any other action that could affect the proper location for filing Uniform Commercial Code financing statements or continuation statements or which could render existing filings seriously misleading or invalid, that Member shall immediately provide written notice of the change to the Master Trustee, and thereafter promptly deliver to the Master Trustee such amendments and/or replacement financing statements, together with an Opinion of Counsel to the effect that those amendments and/or replacement financing statements have been properly filed so as to create a perfected security interest in the collateral securing the Master Indenture affected by the change to the extent the same may be perfected by filing, and such additional information or documentation regarding the change as the Master Trustee may reasonably request.

(b) *Maintenance and Use of Property.* Each Member shall cause all its Property used or useful in the conduct of its business and operations to be maintained, preserved and kept in good repair, working order and condition and in as safe condition as its operations will permit and make all proper repairs, renewals, replacements and improvements thereof necessary for the efficient, proper and advantageous conduct of its

business and operations; provided that nothing contained in the Master Indenture shall be construed (1) to prevent it from discontinuing the operation of any of its Property or from removing or demolishing any building or buildings, if such discontinuance is, in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by its Governing Board), desirable in the conduct of its business and not disadvantageous in any material respects to the Owners of the Master Notes or if any such removal or demolishing is in connection with a construction or remodeling project, or (2) 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 Board, useful in the conduct of its business. So long as the Member is in full compliance with the Master Indenture, the Member may possess, use and enjoy its Property and appurtenances thereto free of claims of the Master Trustee.

(c) *Compliance with Laws and Regulations.* Each Member shall comply in all material respects with all valid laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court applicable to any of its affairs, business, operations and Property, except as permitted by subparagraph (j).

(d) *Payment of Taxes and Other Charges.* Each Member shall pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon such Member or its Property or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Master Trustee or of the Master Noteowners in the Trust Estate, so that (to the extent aforesaid) the lien of the Master Indenture shall at all times be wholly preserved at the cost of the Members and without expense to the Master Trustee or the Master Noteowners, except as permitted by subparagraph (j).

(e) *Payment of Obligations.* Each Member shall promptly pay or otherwise satisfy and discharge all of its obligations and Debt and all demands and claims against it as and when the same become due and payable, except as permitted by subparagraph (j).

(f) *Encumbrances.* Each Member shall not create or incur or permit to be created or incurred or to exist any Encumbrance upon its Property except Permitted Encumbrances, and shall promptly discharge or terminate all Encumbrances on its Property that are not Permitted Encumbrances. Each Member shall at all times comply in all material respects with all terms, covenants and provisions contained in any Encumbrance at such time existing upon its Property or any part thereof or securing any of its Debt, except as permitted by subparagraph (j).

(g) *Licenses and Permits.* Each Member shall procure and maintain all necessary or desirable licenses and permits and, so long as reasonably deemed by its Governing Board to be in the best interests of the Obligated Group and the Owners of Master Notes, use its best efforts to maintain the status of its applicable business and affairs (other than those not currently having such status or not having such status on the date the Person owning or operating such facilities becomes a Member under the Master Indenture) as providers of services eligible for payment or reimbursement under those third-party payment programs that are significant sources of revenue for the Obligated Group.

(h) *Maintenance of Tax-Exempt Status.* Each Member or the sole member of each Member that is a limited liability company (except any Member that has represented that it is not a Tax-Exempt Organization at the time it becomes a Member in the Supplemental Master Indenture executed pursuant to the provisions described in subparagraph (a) under “Entrance Into the Obligated Group” or has ceased to be a Tax-Exempt Organization in accordance with this Section), so long as all amounts due or to become due on all Related Bonds have not been fully paid to the Owners thereof, shall take no action, fail to take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status or its sole member’s status as a Tax-Exempt Organization, that could cause the interest on any Related Bond to become includible in gross income for federal income tax purposes. The foregoing notwithstanding, any Member, or the sole member of any Member that is a limited liability company, may cease to be a

Tax-Exempt Organization, or take actions which could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee, each Related Bond Trustee and each Related Bond Issuer an Opinion of Bond Counsel to the effect that such action would not adversely affect the exemption from federal income taxation of interest payable on any Related Bond otherwise entitled to such exemption and an Opinion of Counsel to the effect that such action will not subject any Master Notes to the registration provisions of the Securities Act of 1933, as amended (or that such Master Notes have been so registered if registration is required), will not subject the Master Indenture to the qualification provisions of the Trust Indenture Act of 1939, as amended (or that the Master Indenture has been so qualified if qualification is required), and will not adversely affect the enforceability in accordance with their terms of the Master Indenture and the Master Notes against any Member.

(i) *Advances.* If any Member fails (i) to pay any tax, charge, assessment or imposition to the extent required under the Master Indenture, (ii) to remove any lien or terminate any lease to the extent required under the Master Indenture, (iii) to maintain its Property in repair to the extent required under the Master Indenture, (iv) to procure the insurance required by the Master Indenture, in the manner therein described, or to provide adequate proof of the existence of such insurance, or (v) to make any other payment or perform any other act required to be performed under the Master Indenture, and is not contesting the same in accordance with subparagraph (j), then and in each case the Master Trustee may (but shall not be obligated to) remedy such failure for the account of such Member and make advances for that purpose. No such performance or advance shall operate to release such Member from any such failure and any sums so advanced by the Master Trustee shall be repayable by such Member on demand and shall bear interest at the Master Trustee's announced prime rate plus 2% per annum from time to time in effect, from the date of the advance until repaid. The Master Trustee shall have the right of entry on such Member's Property or any portion thereof, in order to effectuate the purposes on this Section, subject to the permission of a court of competent jurisdiction, if required by law. Any insurance purchased under the Master Indenture at the cost of any Member, as provided above, may, but need not, protect the interests of such Member. The coverage that the Master Trustee purchases, may, but need not, pay any claim that such Member may make or that is made against such Member in connection with the Property of the Member.

(j) *Contests.* No Member of the Obligated Group shall be required to pay any tax, levy, charge, fee, rate, assessment or imposition referred to in this Section, to remove any Encumbrance required to be removed under this Section, pay or otherwise satisfy and discharge its obligations, Debt (other than any Master Notes), demands and claims against it or to comply with any Encumbrance, law, ordinance, rule, order, decree, decision, regulation or requirement referred to in this Section, 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, Debt, demand, claim or Encumbrance so contested, and the sale, forfeiture, or loss of its Property or any material part thereof, provided that no such contest shall subject any Related Bond Issuer, any Related Bond Trustee, any Master Noteowner 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, Debt, demand, claim or Encumbrance being contested unless such Member agrees to settle such contest. 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 Members shall save all Related Bond Issuers, all Related Bond Trustees, all Master Noteowners 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. If the Master Trustee shall notify such Member that, in the Opinion of Counsel, by nonpayment of any of the foregoing items the Property of such Member or any material 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.

Insurance

Each Member shall maintain insurance, which may include one or more self-insurance or other alternative risk management programs described below, with respect to its Property and operations covering such risks that are of an insurable nature and of the character customarily insured against by health care organizations operating similar properties and engaged in similar operations (including property, business interruption, worker's compensation, general and professional liability and employee dishonesty) and in such amounts as, in its judgment, are customary for health care organizations operating similar properties and engaged in similar operations and are available at commercially reasonable rates. All such insurance must be effected with responsible insurance carriers. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to the Member and the Master Trustee of cancellation.

Annually, within 150 days after the close of each Fiscal Year, the Obligated Group Representative shall file with the Master Trustee an Officer's Certificate stating that the Obligated Group Representative has reviewed the insurance, self-insurance and other alternative risk management programs in force upon the Property and operations of each Member on a date therein specified (which date shall be within 30 days of the filing of such Officer's Certificate) and stating that the Obligated Group is in compliance with this Section.

In addition, the Obligated Group Representative shall cause a review to be conducted at least once every Fiscal Year by an Insurance Consultant and shall cause a report of such Insurance Consultant to be delivered to the Master Trustee which indicates whether the insurance then being maintained by the Members is customary and adequate. Each Member shall follow any recommendations of the Insurance Consultant, except to the extent that its Governing Board determines that such recommendations are not feasible, the reasons for such determination to be set forth in an Officer's Certificate delivered to the Master Trustee which states the Obligated Group Representative's concurrence with such decision. The Obligated Group Representative shall cause copies of such review, or the report of the Insurance Consultant, to be delivered promptly to the Master Trustee.

In lieu of maintaining the insurance coverage stated above (other than property insurance in excess of customary deductibles for Property), the Members shall have the right to adopt alternative risk management programs that the Governing Board of the Obligated Group Representative determines to be reasonable and in the best interests of such Member, including to self-insure in whole or in part, individually or in connection with other institutions or organizations, to participate in programs of captive insurance companies and/or to create and operate such captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal laws now or hereafter in existence limiting medical malpractice liability, or to establish or participate in other alternative risk management programs.

Each Member shall also comply with any additional applicable insurance provisions contained in any Mortgage, to the extent compliance with those provisions would not result in a violation of this Section.

Damage, Destruction and Condemnation

(a) Each Member will notify the Master Trustee immediately in the event of damage or destruction of the facilities of a Member or any portion thereof as a result of fire or other casualty, or the condemnation or sale of such facilities or any portion thereof pursuant to any condemnation proceedings in exercise of the power of eminent domain or under the threat thereof.

(b) If the Net Proceeds are estimated to exceed the Net Proceeds Threshold, each Member irrevocably assigns to the Master Trustee all of its rights, title and interest in and to any of the Net Proceeds.

(c) The Net Proceeds shall be applied as follows:

(i) If the Net Proceeds are not expected to exceed the Net Proceeds Threshold, the Net Proceeds shall be paid directly to the affected Member. Each Member will expend or contract to expend an amount not less than the amount of any such Net Proceeds either (A) to repair, replace or restore the Property with respect to which the Net Proceeds were received, (B) to acquire or construct additional capital assets, or (C) to prepay Master Notes or repay the principal portion of any other Debt incurred by any Member to acquire or construct capital assets or refinance Debt incurred for such purpose.

(ii) If the Net Proceeds are expected to exceed the Net Proceeds Threshold, the Obligated Group Representative shall immediately notify the Master Trustee and, within 12 months after the date on which the amount of Net Proceeds are finally ascertained, deposit when received the Net Proceeds with the Master Trustee or another depository satisfactory to the Master Trustee for use in accordance with this Section and deliver to the Master Trustee an Officer's Certificate certifying that the Net Proceeds have been applied, or will be diligently applied, to (A) repair, replace or restore the damaged, destroyed or condemned facilities (in which event the Net Proceeds shall be deposited with the Master Trustee to be held in a construction fund and disbursed within 24 months of receipt to pay or reimburse a Member for costs of the repair, replacement or restoration), and shall include a list of the expenditures to be made and stating that such Net Proceeds, together with other monies legally available, will be sufficient to repair, replace or restore the damaged, destroyed or condemned facilities, and attached to the Officer's Certificate shall be the written statement from an independent architect certifying that the amount of Net Proceeds together with other available monies will be sufficient to repair, replace or restore the damaged, destroyed or condemned facilities, and (B) to the extent a portion or all of the Net Proceeds have not been deposited with the Master Trustee pursuant to clause (A) and subject to provisions set forth in the Master Indenture, prepay or redeem the principal portion of any Debt incurred by any one or more Members in such order of maturities and proportions as the Obligated Group Representative shall determine.

(iii) If any Mortgage covering a Facility or any Related Bond Document contains different provisions requiring a Member to use the Net Proceeds to repair, reconstruct or replace that Facility or any part thereof or to pay all or a portion of any Debt and those provisions conflict with this subparagraph (c), the Net Proceeds shall be applied in accordance with that Mortgage or Related Bond Document rather than this subparagraph (c) so long as no Event of Default exists.

Sale or Other Disposition of Property

Each Member will not in any Fiscal Year sell, lease, transfer or otherwise dispose of Property, except for transfers of Property as follows:

(a) Each Member may freely transfer Property to any other Member.

(b) Each Member may transfer Property to any Person in the ordinary course of business upon fair and reasonable terms.

(c) Each Member may transfer Property to any Person in return for other Property of equal or greater value and usefulness.

(d) Each Member may transfer Property to any Person if, in the reasonable judgment of the Member, such Property has, or within the next succeeding 24 calendar months is reasonably expected to, become inadequate, obsolete or worn out, or otherwise unsuitable, unprofitable, undesirable or unnecessary for the operation of the Member's primary business.

(e) Each Member may transfer Property to any Person, if such Property consists solely of assets that are specifically restricted by the donor or grantor to a particular purpose that is inconsistent with their use for payment on Long-Term Debt of a Member.

(f) Each Member may transfer Property as part of a merger, consolidation, sale or conveyance permitted by the provisions described below under “Consolidation, Merger, Conveyance or Transfer.”

(g) Each Member may pay to an Affiliate or other Person management or similar fees for the management of that Member’s Facilities that do not exceed fees that are considered acceptable in the industry for such management.

(h) Property in an amount that, together with all other Property transferred by Members in any consecutive 12-month period pursuant to this subparagraph (h) and subparagraph (i), aggregates less than 3% (the “Basket Percentage”) of the total value of the Property of the Obligated Group (calculated on the basis of the Book Value or, if the Obligated Group Representative so elects, on the basis of Current Value) if the Unrestricted Cash and Investments of the Obligated Group would be not less than 120 Days Cash on Hand after giving effect to the transfer; provided that, if the Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available would have been not less than 1.20, assuming the transfer occurred at the beginning of that Fiscal Year (which assumption, in the case of a transfer of any Unrestricted Cash and Investments, shall include a reduction of Revenues for that Fiscal Year by one year’s estimated interest earnings attributable to the Unrestricted Cash and Investments to be transferred using, at the option of the Obligated Group Representative, either (1) the average investment rate for that Fiscal Year for all of the Obligated Group’s Unrestricted Cash and Investments, as certified in an Officer’s Certificate, or (2) the actual average investment rate for that Fiscal Year for the Unrestricted Cash and Investments to be transferred, as certified in a report of a Consultant), then:

(i) the Basket Percentage will be increased to 5% if the Unrestricted Cash and Investments of the Obligated Group would be not less than 300 Days Cash on Hand after giving effect to the transfer,

(ii) the Basket Percentage will be increased to 7.5% if the Unrestricted Cash and Investments of the Obligated Group would not have been less than 400 Days Cash on Hand after giving effect to the transfer; and

(iii) the Basket Percentage will be increased to 10% if the Unrestricted Cash and Investments of the Obligated Group would not have been less than 500 Days Cash on Hand after giving effect to the transfer.

(i) no Member will transfer Property to a Corporate Headquarters Account held by a Member so long as it is held by a Member except for Property that, together with all other Property transferred by Members in any consecutive 12-month period pursuant to this subparagraph (i) and subparagraph (h), aggregates less than the Basket Percentage specified in subparagraph (h); or

The Master Trustee shall release and discharge the lien of any Mortgage on any Property transferred pursuant to this Section to an entity that is not a Member.

Consolidation, Merger, Conveyance or Transfer

Each Member shall not (i) consolidate with or merge into any other Person that is not a Member, (ii) allow a Person that is not a Member to merge into it, or (iii) convey or transfer its Property substantially as an entirety to any Person that is not a Member, unless the following conditions are met:

(a) Such merger, consolidation, conveyance or transfer shall be on such terms as shall fully preserve the lien and security of the Master Indenture and all other liens and security interests described in subparagraph (a) of the definition of “Permitted Encumbrances” set forth under “DEFINITIONS” and the rights and powers of the Master Trustee and the Owners of the Master Notes under the Master Indenture;

(b) If the resulting, surviving or transferee entity is to be a Person that is not a Member, such Person shall be a corporation or other legal entity organized and existing under the laws of the United States of America or any state thereof and shall execute and deliver to the Master Trustee a Supplemental Master Indenture or other written instrument, in any case in form satisfactory to the Master Trustee, and containing (i) an assumption by such Person of all of the obligations of the Member under the Master Indenture and the Master Notes and its agreement to perform and observe every obligation, covenant and condition of the Master Indenture to be performed or observed by the Member and (ii) representations and warranties by such Person substantially similar to those contained in the Master Indenture with respect to the Member;

(c) The Master Trustee shall have received an Officer’s Certificate to the effect that, (1) immediately after giving effect to such transaction, (A) no event that constitutes, or with the giving of notice or the passage of time or both would constitute, an Event of Default shall have occurred and be continuing; and (B) the number of Days Cash on Hand either (i) would not be less than 120 or (ii) would be greater as a result of such transaction; and (2) assuming that such transaction occurred at the beginning of the most recent Fiscal Year for which audited financial statements of the Obligated Group are available, the Historical Maximum Annual Debt Service Coverage Ratio for that Fiscal Year either (A) would not have been less than 1.20; or (B) would be greater as a result of such transaction, which Officer’s Certificate shall contain any demonstrations required to satisfy said conditions;

(d) The Master Trustee receives either (1) an Officer’s Certificate which certifies that, as of the time immediately before giving effect to such transaction, no Master Notes or Related Bonds are rated by a Rating Agency, or (2) evidence satisfactory to the Master Trustee from each Rating Agency maintaining a rating or ratings for any Master Notes or Related Bonds that such rating or ratings will not be reduced or withdrawn as a result of such transaction; or (3) evidence satisfactory to the Master Trustee from a Rating Agency evidencing that, immediately after such transaction becomes effective, such Rating Agency will maintain an investment grade rating (BBB- or Baa3 or higher) for the Master Notes or the Related Bonds;

(e) The Master Trustee receives an Opinion of Counsel to the effect that (1) such consolidation, merger, conveyance or transfer and any Supplemental Master Indenture comply with this Section and that all conditions precedent in the Master Indenture provided for relating to such transaction have been complied with and that it is proper for the Master Trustee under the Master Indenture and this Section to join in the execution of any instrument required to be executed and delivered by this Section; (2) such merger, consolidation, sale or conveyance will not adversely affect the status as a Tax-Exempt Organization of any Member (except any Member that has represented that it is not a Tax-Exempt Organization at the time it became a Member in the Supplemental Master Indenture executed pursuant to subparagraph (a) under “Entrance Into the Obligated Group” or has ceased to be a Tax-Exempt Organization in accordance with subparagraph (h) under “Covenants as to Legal Existence, Maintenance of Property, and Similar Matters”); (3) the Person that is the resulting, surviving or transferee entity is a Member and is liable on all Master Notes Outstanding under the Master Indenture, as if such Master Notes were originally issued by such Person, subject only to the applicable exceptions set forth in the Master Indenture is a legal, valid and binding agreement of such Person enforceable in accordance with its terms subject to the applicable exceptions set forth in the Master Indenture; and (4) under then existing law such merger, consolidation, sale or conveyance will not subject any Master Notes to the registration provisions of the Securities Act of 1933, as amended

(or that such Master Notes have been so registered if registration is required) and will not subject the Master Indenture to the qualification provisions of the Trust Indenture Act of 1939, as amended (or that the Master Indenture has been so qualified if qualification is required); and

(f) If all amounts due or to become due on any Related Bonds that bear interest that is not includable in gross income for federal income tax purposes have not been fully paid to the owners thereof, the Master Trustee, each Related Bond Trustee and each Related Bond Issuer for such Related Bonds receives an Opinion of Bond Counsel to the effect that, under then existing law the consummation of such merger, consolidation, sale or conveyance would not cause the interest payable on such Related Bonds to become includable in gross income for federal income tax purposes.

Upon any such consolidation or merger or any conveyance or transfer of a Member's Property substantially as an entirety in accordance with this Section, the resulting, surviving or transferee entity shall succeed to and be substituted for, and shall have all of the obligations of and may exercise every right and power of, the Member under the Master Indenture with the same effect as if such resulting or surviving entity had been named as the Member therein.

No such conveyance or transfer of a Member's Property substantially as an entirety shall have the effect of releasing the Member from its liability as obligor and maker on any of the Master Notes, unless such conveyance or transfer is followed by the complete liquidation of such Member.

Rate Covenant

(a) Each Member agrees to operate its facilities on a revenue producing basis and to charge such rates and charges for its facilities and services and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Debt, 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. In addition, each Member agrees to, 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 this Section.

(b) Each Member agrees to operate its facilities on a revenue producing basis and to charge such rates and charges for its facilities and services and to exercise such skill and diligence such that the Historical Debt Service Coverage Ratio is at least 1.20 for each Fiscal Year.

(c) In calculating the Historical Debt Service Coverage Ratio for each Fiscal Year, if the conditions in subparagraph (4) below are met, there shall be excluded from the calculation of Debt Service for Long-Term Debt any additional Debt incurred under subparagraph (a) under "Permitted Debt" and the Revenues and Expenses of any project described in subparagraph (1) or (2) below, until the first full Fiscal Year following:

(1) In the case of the acquisition, construction, renovation, or replacement of revenue-producing facilities financed with the proceeds of such additional Debt if the Consultant's report or Management Report described in subparagraph 4(A) below includes a projection of Stable Occupancy, the earlier of (A) the Fiscal Year in which Stable Occupancy occurs or (B) the fourth full Fiscal Year following the incurrence of such additional Debt;

(2) In any other case in which the acquisition, construction, renovation or replacement of facilities is financed with the proceeds of such additional Debt, the earlier of (A) the Fiscal Year in which the completion of those facilities occurs or (B) six months following the date that such completion is projected to occur in the Consultant's report or Management Report described in subparagraph 4(A) below;

(3) In any other case, the Fiscal Year in which the additional Debt is incurred;

(4) For an exclusion set forth in subparagraph (1), (2) or (3) above to be effective for a calculation period, the following conditions must be met for that calculation period:

(A) the Master Trustee must have been furnished a written report of a Consultant (or, if no report of a Consultant is required by subparagraph (a) under “Permitted Debt” for the incurrence of that Long-Term Debt, a Management Report delivered to the Master Trustee at the time such Long-Term Debt is incurred) to the effect that the Projected Debt Service Coverage Ratio will not be less than 1.20 for the Fiscal Year following (x) in the case of the acquisition, construction, renovation or replacement of revenue-producing facilities to be financed with the proceeds of such additional Debt if Stable Occupancy is projected in such report to occur no later than during the fourth full Fiscal Year following the incurrence of such additional Debt, the Fiscal Year in which Stable Occupancy is projected in such report to occur; (y) in all other cases in which the acquisition, construction, renovation or replacement is to be financed with the proceeds of such additional Debt, the Fiscal Year in which such completion is projected in such report to occur; or (z) in any other case, the Fiscal Year in which such additional Debt is incurred; provided however, if the Consultant delivers a report stating that state or federal laws do not permit the Obligated Group to achieve a Projected Debt Service Coverage Ratio of 1.20, then the required Projected Debt Service Coverage Ratio shall be reduced to that permitted by law, but in no event shall the required Projected Debt Service Coverage Ratio be less than 1.00,

(B) interest on such Long-Term Debt during the calculation period is funded from the proceeds of such Long-Term Debt,

(C) no principal of such Long-Term Debt is paid during the calculation period (except principal paid from Initial Entrance Fees collected), and

(D) any projected start-up losses for those facilities during the calculation period are paid from proceeds of such Long-Term Debt, projected Initial Entrance fees or other funds not included in Revenues.

Notwithstanding the foregoing, if the foregoing conditions are met for a portion, but not all, of a calculation period described in subparagraph (1), (2) or (3), then the exclusion shall apply for the portion of that calculation period during which they are met.

(d) If the Historical Debt Service Coverage Ratio for any such Fiscal Year is less than the level required by subparagraph (b) above, the Obligated Group Representative shall engage a Consultant 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 increase the Historical Debt Service Coverage Ratio for subsequent Fiscal Years to at least 1.20, subject to subparagraph (e) below. The Obligated Group Representative shall select the Consultant and notify the Master Trustee of the selection within 30 days of the date the Officer’s Certificate described in subparagraph (d) under “Financial Statements and Other Information” specifying the Historical Debt Service Coverage Ratio is filed with the Master Trustee and shall thereafter engage a consultant in accordance with the provisions described under “Approval of Consultants.” A copy of the report of such Consultant and recommendations, if any, shall be filed with each Required Information Recipient within 60 days after the Consultant is engaged. Each Member shall follow each recommendation of the Consultant applicable to it unless compliance with the recommendation is not permitted by law or has been determined by the Governing Board of such Member by resolution not to be feasible. This Section 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 this Section. If the Historical Debt Service Coverage Ratio for any Fiscal Year is less than otherwise required by subparagraph (b) above, the Obligated Group shall be deemed to have complied with subparagraph (b) for that Fiscal Year and the failure of the Obligated Group to achieve the Historical Debt Service Ratio otherwise required by subparagraph (b) for that Fiscal Year will not constitute an Event of Default so long as (i) the Obligated Group Representative retains a Consultant as required by this subparagraph, (ii) each Member follows each recommendation contained in the report of the Consultant applicable to it to the extent required by this subparagraph, and (iii) the Historical Debt Service Coverage Ratio for that Fiscal Year or the immediately preceding Fiscal Year was at least 1.00. (Failure to achieve a Historical Debt Service Coverage Ratio of at least 1.00 for any two consecutive Fiscal Years shall constitute an Event of Default after the giving of notice thereof in accordance with the Master Indenture.)

(e) The foregoing provisions notwithstanding, if the Historical Debt Service Coverage Ratio, as calculated at the end of any Fiscal Year, is less than the level specified for that Fiscal Year in subparagraph (b) above, the Obligated Group Representative shall not be required to maintain the Historical Debt Service Coverage Ratio at that level for that Fiscal Year or to retain a Consultant to make recommendations pursuant to subparagraph (b) if (i) there is filed with the Master Trustee a written report of a Consultant that contains an opinion of such Consultant to the effect that federal, state or other applicable governmental laws or final regulations placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the Members for the use of their facilities or the services furnished by the Members have prevented the Obligated Group from generating Net Income Available for Debt Service during such Fiscal Year in an amount sufficient to cause the Historical Debt Service Coverage Ratio to equal or exceed that level and such report is accompanied by a concurring Opinion of Counsel as to any conclusions of law supporting the opinion of such Consultant; (ii) 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 Net Income Available for Debt Service reasonably practicable given such laws or regulations; and (iii) the Historical Debt Service Coverage Ratio for that Fiscal Year was at least 1.00. 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 Representative provides to the Master Trustee an Opinion of Counsel to the effect that applicable laws or regulations underlying the Consultant's report delivered in respect of the previous Fiscal Year have not changed in any material way.

Liquidity Covenant

Each Member of the Obligated Group will conduct its business so that the Obligated Group will have at least 120 Days Cash on Hand on each June 30 and December 31 (each such date being a "Liquidity Testing Date").

If the Obligated Group fails to have at least 120 Days Cash on Hand on any Liquidity Testing Date, the Obligated Group Representative shall, within 30 days after delivery of the Officer's Certificate disclosing the deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Board of the Obligated Group Representative to the Required Information Recipients setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to increase the number of Days Cash on Hand to 120 for future Liquidity Testing Dates.

If the Obligated Group does not have at least 120 Days Cash on Hand on the first Liquidity Testing Date occurring after the delivery of the Officer's Certificate required in the preceding paragraph, the Obligated Group Representative shall engage a Consultant 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 increase the number of Days Cash on Hand to 120 for future Liquidity Testing Dates. The Obligated Group Representative shall select the Consultant and notify the Master Trustee of the selection within 30 days of the date the Officer's Certification disclosing the deficiency is filed with the Master

Trustee and shall thereafter engage a Consultant in accordance with the provisions described under “Approval of Consultants.” A copy of the report of such Consultant and recommendations, if any, shall be filed with each Required Information Recipient within 60 days after the Consultant is engaged. 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 Board of the Member) and permitted by law.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to have at least 120 Days Cash on Hand on any Liquidity Testing Date shall not constitute an Event of Default if the Obligated Group takes all action necessary to comply with the requirements set forth above for adopting a plan or obtaining a Consultant’s report (whichever is required) and follows that plan or each recommendation contained in that plan or Consultant’s report (whichever is applicable) to the extent feasible (as determined by the Governing Board of the Obligated Group Representative) and permitted by law.

Permitted Debt

No Member shall incur any Debt other than Existing Debt and the following Debt:

(a) *Long-Term Debt.* A Member may incur Long-Term Debt to finance capital expenditures by a Member or Members if before incurrence thereof or, if such Long-Term Debt was incurred in accordance with another subparagraph of this Section and the Obligated Group Representative wishes to have such Debt reclassified as having been issued under this subparagraph (a), before such reclassification, there is delivered to the Master Trustee:

(1) *Historical Pro Forma Debt Service Coverage Test:* An Officer’s Certificate demonstrating that the Historical Pro Forma Debt Service Coverage Ratio, after giving effect to the incurrence of such Debt, for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available was not less than 1.20; or

(2) *Historical and Projected Debt Service Coverage Test:* (A) An Officer’s Certificate demonstrating that the Historical Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available was not less than 1.20; and (B) a written report of a Consultant (which report shall include forecast balance sheets, statements of revenues and expenses and statements of cash flow and a statement of the relevant assumptions upon which such forecasted statements are based) to the effect that the Projected Debt Service Coverage Ratio is not less than 1.25 for the first Fiscal Year following (i) in the case of acquisition, construction, renovation or replacement of revenue-producing facilities being financed in whole or in part with the proceeds of such Long-Term Debt if Stable Occupancy is projected in the Consultant’s report to occur no later than during the fourth full Fiscal Year following the incurrence of such Long-Term Debt, interest on such Long-Term Debt and projected start-up losses for those facilities are funded from the proceeds of such Long-Term Debt or other funds designated for that purpose until Stable Occupancy is projected to occur and no principal of such Long-Term Debt is scheduled to come due during that period except Debt that comes due as the result of the collection of Initial Entrance Fees during that period, the Fiscal Year in which Stable Occupancy is projected in the Consultant’s report to occur, (ii) in any other case in which the Long-Term Debt is being incurred to finance the acquisition, construction, renovation or replacement of facilities if interest on such Long-Term Debt and start-up losses for those facilities are funded from the proceeds of such Long-Term Debt or other funds designated for that purpose until completion of those facilities is projected to occur and no principal of such Long-Term Debt is scheduled to come due during that period, the Fiscal Year in which those facilities are projected to be completed, or (iii) in any other case, the Fiscal Year in which the Long-Term Debt is to be incurred.

(b) *Commitment Debt.* A Member may incur Commitment Debt if the Debt supported by such Commitment Debt was incurred in accordance with one of the provisions of this Section.

(c) *Completion Debt.* A Member may incur Completion Debt to complete facilities of the Obligated Group in a principal amount not in excess of the lesser of (i) 10% of the principal amount of the Long-Term Debt originally incurred to finance those facilities or (ii) the amount required to provide completed and equipped facilities of substantially the same type and scope contemplated at the time such prior Long-Term Debt was originally incurred, to provide for capitalized interest during the period of construction, to provide any reserve fund relating to such Completion Debt and to pay the costs and expenses of issuing or incurring such Completion Debt, if before the incurrence thereof there is delivered to the Master Trustee an Officer's Certificate stating: (1) that at the time the original Long-Term Debt for the facilities to be completed was incurred, the Obligated Group Representative had reason to believe that the proceeds of such Debt together with other moneys then expected to be available would provide sufficient moneys for the completion of such facilities; (2) the amount estimated to be needed to so complete the facilities; and (3) that the proceeds of such Completion Debt 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 bank loans (including letters or lines of credit) and any other moneys reasonably expected to be available, will be in an amount not less than the estimated amount needed to complete the facilities set forth in such Officer's Certificate.

(d) *Guaranties.* A Member may execute a Guarantee, if the conditions for the incurrence of Debt set forth in this Section are satisfied where it is assumed that the obligation guaranteed by a Member is Debt of such Member, and any calculation required by the applicable subparagraph of this Section is made in accordance with the requirements and assumptions contained in subparagraph (g) under "Calculation of Debt Service."

(e) *Debt Assumed In Connection With Gifts.* A Member may incur Debt assumed in connection with a gift, bequest or devise of Property, if the principal amount of such Debt does not exceed the Current Value of the Member's interest in such Property.

(f) *Non-Recourse Debt.* A Member may incur Non-Recourse Debt without limit.

(g) *Refunding Debt.* A Member may incur Refunding Debt for the purpose of refunding (whether in advance of maturity or otherwise) any Outstanding Long-Term Debt, if the Maximum Annual Debt Service for all Long-Term Debt of the Obligated Group, after giving effect to the issuance of the Refunding Debt and the application of the proceeds thereof, is not more than 110% of the Maximum Annual Debt Service for all Long-Term Debt of the Obligated Group immediately before the issuance of the Refunding Debt.

(h) *Short-Term Debt.*

(1) A Member may incur Short-Term Debt if, immediately after the incurrence of such Short-Term Debt, the total principal amount of Outstanding Short-Term Debt of the Members under this subparagraph (h)(1) will not exceed 10% of Revenues for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available; provided that for a period of at least 20 consecutive calendar days in each Fiscal Year the total amount of such Short-Term Debt of the Obligated Group Outstanding under this subparagraph (h)(1) shall be not more than 5% of Revenues for the preceding Fiscal Year.

(2) A Member may incur Short-Term Debt in such amount as the Obligated Group Representative certifies in an Officer's Certificate is (A) attributable to Short-Term

Debt 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.

(i) *Subordinated Debt.* A Member may incur Subordinated Debt without limit.

(j) *Other Debt.* A Member may incur other Debt if, immediately after incurring such Debt, the aggregate principal amount of other Debt Outstanding under this subparagraph (j) will not exceed 10% of Revenues for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available; provided that the total principal amount of Outstanding Debt pursuant to subparagraph (h)(1) and this subparagraph (j) plus the total principal amount of Balloon Debt deemed payable in accordance with subparagraph (a)(3) under “Calculation of Debt Service” does not exceed 15% of the Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available.

(k) *Entrance Fee Debt.* *The Master Indenture is proposed to be amended, subject to receipt of approval by the Owners of not less than a majority in principal amount of Master Notes Outstanding, to provide for the incurrence of Entrance Fee Debt as described below under “SUMMARY OF PENDING AMENDMENTS TO THE MASTER INDENTURE.”*

Debt may be classified and incurred under any of the above-referenced subparagraphs with respect to which the tests set forth in such subparagraphs are met. Each Member may elect to have Debt that was classified and issued pursuant to one subparagraph, reclassified as having been incurred under another subparagraph, by demonstrating compliance with such other subparagraph on the assumption that such Debt is being reissued on the date of delivery of the materials required to be delivered under such other subparagraph. From and after such demonstration, such Debt shall be deemed to have been incurred under the subparagraph with respect to which such compliance has been demonstrated until any subsequent reclassification of such Debt.

Each Member shall, before the incurrence of any Debt by such Member, deliver to the Master Trustee an Officer’s Certificate that identifies the Debt to be incurred, identifies the subparagraph pursuant to which such Debt was incurred and demonstrates compliance with such subparagraph.

Calculation of Debt Service

For purposes of the various calculations under the Master Indenture, the amount of Long-Term Debt, the amortization schedule of such Debt and the Debt Service with respect to such Debt shall be calculated in accordance with the actual amortization schedule for such Debt, except as follows:

(a) *Balloon Debt.* The future Debt Service on Balloon Debt may be deemed to be payable as follows:

(1) If a Member has incurred and there is in effect at the time any such Debt is incurred Commitment Debt to provide refinancing sufficient to pay the principal amount of any such Balloon Debt becoming due in each Fiscal Year in which 25% or more of the original principal amount of such Balloon Debt comes due, such Debt may be deemed to be Long-Term Debt payable on a level annual debt service basis over 30 years (or such shorter period as set forth and deemed reasonable in a written report of a Consultant) from the date of issuance or incurrence of such Debt, bearing interest on the unpaid principal balance at the rate equal to the Projected Rate; and

(2) Balloon Debt for which there is no Commitment Debt in effect that satisfies the requirements of subparagraph (1), in a principal amount not in excess of 10% of Revenues for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available, may be deemed to be Long-Term Debt payable on a level annual debt service

basis over 30 years (or such shorter period as set forth and deemed reasonable in a written report of a Consultant) from the date of issuance or incurrence of such Debt, bearing interest on the unpaid principal balance at the rate equal to the Projected Rate;

(3) If the Balloon Debt has a remaining term of five years or longer and the Obligated Group Representative delivers an Officer's Certificate to the Master Trustee that establishes an amortization schedule for any such Debt, which provides for payments of principal and interest for each Fiscal Year that are sufficient to make any actual payments required to be made in such Fiscal Year by the terms of such Debt; and the Obligated Group Representative agrees in such Officer's Certificate that such Member will deposit for each Fiscal Year with a bank or trust company (pursuant to an agreement between such Member and such bank or trust company, which agreement shall be satisfactory in form and substance to the Master Trustee) the amount of principal shown on such amortization schedule net of any amount of principal actually paid on such Debt during such Fiscal Year (other than from amounts on deposit with such bank or trust company), which deposit shall be made before 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, then such Debt may be deemed to be payable in accordance with the terms of such amortization schedule and agreement; and

Principal on any other Balloon Debt shall be deemed to be payable when it becomes due and payable (either by maturity or scheduled mandatory redemption), or may become due and payable or required to be purchased or redeemed upon demand of the holder.

The Master Indenture is proposed to be amended, subject to receipt of approval by the Owners of not less than a majority in principal amount of Master Notes Outstanding, to provide for additional methodologies for calculating debt service with respect to Balloon Debt as described below under "SUMMARY OF PENDING AMENDMENTS TO THE MASTER INDENTURE."

(b) *Put Debt.* The future Debt Service on Put Debt may be deemed to be payable as follows:

(1) Put Debt in a principal amount not in excess of 10% of Revenues for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available, may be deemed to be Long-Term Debt payable on a level annual debt service basis over 30 years (or such shorter period as set forth and deemed reasonable in a written report of a Consultant) from the date of issuance or incurrence of such Debt, bearing interest on the unpaid principal balance at the rate equal to the Projected Rate; and

(2) If a Member has incurred and there is in effect at the time any such Debt in excess of the Put Debt described in subparagraph (b)(1) is incurred Commitment Debt to provide refinancing sufficient to pay the principal amount of any such Put Debt in the event it is payable or required to be redeemed or purchased at the option of the holder thereof before its maturity date, such Debt may be deemed to be Long-Term Debt payable on a level annual debt service basis over 30 years (or such shorter period as set forth and deemed reasonable in a written report of a Consultant) from the date of issuance or incurrence of such Debt, bearing interest on the unpaid principal balance at the rate equal to the Projected Rate.

Principal on any other Put Debt shall be deemed to be payable when it becomes due and payable (either by maturity or scheduled mandatory redemption), or may become due and payable or required to be purchased or redeemed upon demand of the holder.

(c) *Extendable Debt.* The Debt Service on Extendable Debt shall be deemed payable in accordance with the principal amortization applicable on the Extendable Debt without regard to the right of the holders thereof to tender the Extendable Debt for purchase. The future interest rate

applicable to such Extendable Debt shall be the interest rate then in effect for such Extendable Debt at the time of calculation.

(d) *Capital Appreciation Debt.* The principal amount of Debt that constitutes “Capital Appreciation Debt” (defined below) shall be deemed to be the “accreted value” (defined below) thereof as of the relevant date. “Capital Appreciation Debt” means any Long-Term Debt for which interest is payable only at the maturity of such Debt, upon the prepayment or redemption of such Debt before maturity, or upon the conversion of such Debt to Debt with interest payable periodically in installments before maturity. “Accreted value” means with respect to any Capital Appreciation Debt (a) as of any “Valuation Date” (defined below), the amount set forth in the Supplemental Master Indenture authorizing such Debt or in the Related Bond Documents as the value of such Debt on such Valuation Date and (b) as of any date other than a Valuation Date the sum of (i) the accreted value on the next preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (B) the difference between the accreted values for such Valuation Dates. “Valuation Date” means with respect to any Capital Appreciation Debt the date or dates set forth in the Supplemental Master Indenture relating to such Debt or the Related Bond Documents on which specific accreted values are assigned to the Capital Appreciation Debt.

(e) *Capital Leases.* The principal amount of Debt in the form of a Capital Lease shall be deemed to be the amount, as of the date of determination, at which the aggregate “Net Rentals” (defined below) due and to become due under such Capital Lease would be reflected as a liability on the balance sheet of the lessee, and the Debt Service on a Capital Lease for the period of time for which calculated shall be deemed to be the aggregate amount of Net Rentals to be payable under such Capitalized Lease during such period. “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 such lease 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.

(f) *Commitment Debt.* No debt service shall be deemed payable with respect to Commitment Debt until such time as the obligation to make payments under the commitment actually rises (and only to the extent of advances actually made under such Commitment Debt) except as provided in subparagraphs (a), (b) or (h). 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 Debt and the actual interest rate and amortization schedule applicable thereto. No new Debt shall be deemed to arise when any funding occurs under any such commitment.

(g) *Guarantees.* When calculating the principal and the Debt Service attributable to a Guarantee, including the Debt Service of any Master Note issued to evidence or secure a Guarantee:

(1) The principal amount of such Debt shall be deemed to equal the principal amount of the obligation guaranteed by the Member.

(2) The Debt Service on such Debt shall be deemed to be:

(A) For purposes of calculating the Historical Debt Service Coverage Ratio, the actual amount paid under the Guarantee.

(B) For purposes of calculating the Historical Pro Forma Debt Service Coverage Ratio or the Projected Debt Service Coverage Ratio,

(i) 20% of the debt service requirements (calculated in the same manner as Debt Service) on the guaranteed obligation, if a Member has not been called upon to make a payment under the Guarantee within the 24 months immediately preceding the date of the calculation; or

(ii) 100% of the debt service requirements (calculated in the same manner as Debt Service) on the guaranteed obligation, if a Member has made any payment in respect of the debt service requirements on the guaranteed obligation within the 24 months immediately preceding the date of the calculation.

(h) *Long-Term Debt Supported By Commitment Debt.* The future Debt Service on Long-Term Debt with respect to which a Member has incurred Commitment Debt that would refinance such Debt for a period extending beyond its original maturity date, may be deemed to be payable in accordance with the terms of such Commitment Debt.

(i) *Variable Rate Debt.* In determining the future Debt Service on any Debt other than Extendable Debt which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Debt and which for any future period of time is not susceptible of precise determination, the interest rate on such Debt for any period before the date of calculation or for which the interest rate has been determined shall be the actual interest payable during such period, and for each year in which such Debt is Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Debt for the period of determination shall be deemed to be the average annual rate of interest payable on such Debt during the 12 months immediately preceding the date of calculation, or if such Debt is to be incurred or was incurred less than 12 months preceding such date, the initial rate or the average annual rate of interest payable on such Debt during such period immediately preceding the date of calculation.

(j) *Interest Rate Conversions.* No new Debt is incurred by the conversion of interest on Debt from one rate to another rate or from one method of determining interest to another method.

(k) *Interest Rate Exchange Agreements.* In the case of any Interest Rate Exchange Agreement, the net amount be paid by such Member (computed in accordance with this sentence) shall be taken into account in calculating Debt Service; if such net amount is less than zero, such net amount may be credited against other interest coming due in so calculating Debt Service so long as the swap counterparty (or any guarantor thereof) is rated by a nationally recognized rating agency in one of the three highest rating categories (without regard to modifiers) by a nationally recognized rating agency.

Financial Statements and Other Information

The Members shall keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the properties, business and affairs of the Obligated Group in accordance with generally accepted accounting principles. The Obligated Group Representative shall furnish, or cause to be furnished, to each Required Information Recipient the following:

- (a) *Monthly Reports.* As soon as practicable after it is available but in no event more than 45 days after the completion of each month, until such time as the Plan (as defined in the Official Statement for the Related Bonds and as the same shall be modified or extended from time to time) has been completed, the following information relating to the Plan:
- (i) an update to the permitting, guaranteed maximum price and liquidated damages information of the same general nature as that contained in APPENDIX A under the heading “IMPROVEMENTS TO THE COMMUNITIES – Permitting and Construction Status” in the final Official Statement for the Bonds;
 - (ii) a description of any new material variances to the construction or renovation budget or timetable together with a brief explanation of the cause of such variance and copies of the revised budget and construction timetable, if applicable;
 - (iii) the anticipated remaining costs of the Plan (as defined in the final Official Statement for the Bonds) as well as the amount of bond proceeds and initial entrance fees remaining available for the payment thereof; and
 - (iv) prior to the receipt of an occupancy certificate in connection therewith, marketing and pre-sale information for any independent living units being constructed as part of the Plan;
- (b) *Quarterly Reports.* As soon as practicable after they are available but in no event more than 45 days after the end of each quarterly fiscal period of each Fiscal Year, the following:
- (i) the unaudited financial statements for that period, including a statement of revenues and expenses together with a comparison to the operating budget for such period, a statement of cash flow during that period, and a balance sheet as of the end of that period, in each case on either a combined or combining basis for the Obligated Group;
 - (ii) a calculation of the number of Days Cash on Hand and the Historical Debt Service Coverage Ratio as of the end of that fiscal quarter, all of the foregoing to be in reasonable detail and certified, subject to year-end adjustment, by the chief executive officer, the chief financial officer or other authorized financial officer of the Obligated Group Representative;
 - (iii) a management’s discussion and analysis regarding that fiscal quarter.
- (c) *Annual Financial Statements.* As soon as practicable after they are available but in no event more than 150 days after the last day of each Fiscal Year, beginning with the Fiscal Year ending December 31, 2010, the audit report of the Obligated Group’s independent certified public accountants and audited combined financial statements of the Obligated Group for that Fiscal Year, including a balance sheet as of the end of that Fiscal Year and a statement of revenues and expenses and a statement of cash flow for that Fiscal Year, in each case on audited combined basis and showing in each case in comparative form the financial figures for or as of the end of the preceding Fiscal Year as appropriate.
- (d) *Annual Compliance Certificate.* At the time of delivery of each audit report and financial statements referred to in subsection (b), an Officer’s Certificate signed by the chief executive officer or the chief financial officer of the Obligated Group Representative:

- (i) stating that a review of the activities of the Obligated Group during the last completed Fiscal Year and the performance of the Obligated Group under the Master Indenture and all Related Bond Documents has been made by the signer thereof or under the signer's supervision, and to the best of the signer's knowledge, based on such review, the Obligated Group and the Members have fulfilled all their obligations under the Master Indenture and all Related Bond Documents throughout that Fiscal Year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default known to the signer and the nature and status thereof; and
 - (ii) calculating and certifying the number of Days Cash on Hand and the Historical Debt Service Coverage Ratio as of the end of or for the most recently completed Fiscal Year as appropriate if required to be calculated by the provisions described under "Rate Covenant" and "Liquidity Covenant;" and
 - (iii) attaching a copy or summary of the Obligated Group's annual operating and capital budget for the current Fiscal Year.
- (e) *Other Items Promptly Upon Receipt.* Promptly, copies of (i) any board-approved revisions to the annual budget provided pursuant to subsection (c)(iii), (ii) any actuarial study (or a summary thereof) relating to the business of any Member, and (iii) any correspondence to or from the Internal Revenue Service questioning or contesting the status of a Member (or the sole member of any Member that is a limited liability company) as a Tax-Exempt Organization or with respect to the tax-exempt status of any Related Bonds the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes.
- (f) *Consultant Reports.* A copy of each report of a Consultant required under the Master Indenture within 10 days of receipt of the report.
- (g) *Notice Regarding Privately-Placed Financial Obligation.* Notice of the occurrence of either of the following, in each case within **10** business days after such occurrence:
- (i) the incurrence any material privately-placed financial obligation secured by a Master Note, including a summary of any covenants that are in addition to or more restrictive than those contained in the Master Indenture and to which any Obligated Group Member has agreed to be bound in connection with the incurrence of such indebtedness; or
 - (ii) any event of default under or termination of any material privately placed financial obligation secured by a Master Note.

Each Member will at any and all times, upon the written request of the Master Trustee and at the expense of the Member, permit the Master Trustee by its representatives to inspect the properties, books of account, records, reports and other papers of the Member, except donor records, nonfinancial patient and resident records, personnel records, and any other confidential records, and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Member will furnish to the Master Trustee any and all information as the Master Trustee may reasonably request, with respect to the performance by the Member of its covenants in the Master Indenture.

Combined financial statements of the Obligated Group as referred to in the Master Indenture shall be prepared in accordance with generally accepted accounting principles and shall include financial data of all Members and may include financial data pertaining to such other Persons, as the Obligated Group

Representative may determine, that are not Members but are permitted or required to be included in such combined financial statements under generally accepted accounting principles; provided that such combined financial statements include financial data of Persons that are not Members only if (i) such combined financial statements include such schedules consolidating such financial data for the Obligated Group as is necessary or appropriate to determine compliance with the requirements of the Master Indenture or (ii) the Obligated Group Representative represents that for or as of the end of the subject period the total revenues and the total assets of such Persons, in the aggregate, do not exceed 10% of the total combined revenues or 10% of the total combined assets for or as of the end of the subject period as reflected in such financial statements.

Approval of Consultants

(a) If at any time the Obligated Group Representative is required to engage a Consultant under the Master Indenture, the Consultant shall be engaged in the manner set forth below in this Section.

(b) Upon selecting a Consultant as required under the Master Indenture, the Obligated Group Representative will notify the Master Trustee of the selection. The Master Trustee shall, as soon as practicable but in no case longer than five Business Days after receipt of notice, notify the Owners of all Master Notes Outstanding 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 each Owner of a Master Note will be deemed to have consented to the selection of the Consultant named in such notice unless such Owner submits an 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 Owners. No later than two Business Days after the end of 15-day objection period, the Master Trustee shall notify the Obligated Group Representative of the number of objections. If two-thirds or more in aggregate principal amount of the Owners of the Outstanding Master Notes have been deemed to have consented to the selection of the Consultant, the Obligated Group Agent shall engage the Consultant within five days after receiving notice of that consent. If more than one-third in aggregate principal amount of the Owners of the Master Notes Outstanding have objected to the Consultant selected, the Obligated Group Agent shall select another Consultant within 14 days after receiving notice of such objection, which Consultant may be engaged upon compliance with the procedures of this Section.

(c) When the Master Trustee notifies the Owners of Master Notes of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subparagraph (b) to the owners of all of the Related Bonds Outstanding and the issuer of any Credit Facility securing any Related Bonds. Such Related Bond Trustee shall, as the Owner of a Master Note securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the responses received and the Master Indenture.

(d) The 15-day notice period described in subparagraph (b) above may be extended by the Master Trustee in order to permit each Related Bond Trustee to give registered owners of the Related Bonds and the issuer of any Credit Facility securing any Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of a Master Note securing any Related Bonds, the Related Bond Trustee agrees to comply with this Section.

(e) All Consultant reports required under the Master Indenture shall be prepared in accordance with then-effective industry-appropriate standards.

(f) If a Consultant is required to be engaged under two or more Sections described in the Master Indenture, the requirements of those Sections may be (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.

(g) 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.

(h) 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 12-month period.

Events of Default

The term "Event of Default," wherever used in the Master Indenture, means any one of the following events (whatever the reason for such event and whether it is voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Master Note when such interest becomes due and payable; or

(b) default in the payment of the principal of (or premium, if any, on) any Master Note when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or

(c) default in the performance, or breach, of any covenant or agreement of any Member in the Master Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of 60 days after there has been given to such Member and the Obligated Group Representative by the Master Trustee or to such Member, the Obligated Group Representative and the Master Trustee by the Owners of at least 25% in principal amount of the Master Notes Outstanding a written notice specifying such default or breach and requiring it to be remedied or such longer period as shall be required to remedy such default if such default cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, and the Member shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(d) any representation or warranty made by any Member in the Master Indenture or in any written statement or certificate furnished to the Master Trustee or the purchaser of any Master Note in connection with the sale of any Master Note or Related Bonds 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, if the same may be corrected or brought into compliance so that the interests of the Master Trustee, all Related Bond Trustees, all Related Bond Issuers and all Master Noteowners are not materially adversely affected by such untruth, shall not be corrected or brought into compliance within 60 days after there has been given to such Member and the Obligated Group Representative by the Master Trustee or to such Member, the Obligated Group Representative and the Master Trustee by the Owners of at least 25% in principal amount of the Master Notes Outstanding, a written notice specifying such untruth and requiring it to be remedied or such longer period as shall be required to remedy such untruth if such untruth cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, and the Member shall immediately upon receipt of such notice commence the curing of such untruth and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(e) default in the payment of the principal of or premium, if any, or interest on any Debt other than a Master Note when the same becomes due and payable, and any applicable grace period shall have expired, or an event of default as defined in any mortgage, indenture or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Debt;

provided that such default shall not constitute an Event of Default if payment of such Debt has not been accelerated under the terms of payment of such Debt or if within 60 days, or within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Debt, any Member in good faith commences proceedings to contest the obligation to pay or the existence or payment of such Debt; and provided further that a default in payment thereunder shall not constitute an Event of Default unless the unpaid principal amount of such Debt, together with the unpaid principal amount of all other Debt so in default, exceeds the greater of (i) 5% of Revenues for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available or (ii) 10% of the Book Value of the Obligated Group's Property, Plant and Equipment; or

(f) any judgment which is final, writ or warrant of attachment or 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 60 days; provided 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 (i) 5% of Revenues for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available or (ii) 10% of the Book Value of the Obligated Group's Property, Plant and Equipment; or

(g) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of any Member, or adjudging any Member as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of any Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for any Member or any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or

(h) the commencement by any Member of a voluntary case, or the institution by it of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement or relief under the United States Bankruptcy Code or any other applicable federal or state law, or the consent or acquiescence by it to the filing of any such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any Member or any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability or its failure to pay its debts generally as they become due, or the taking of corporate action by any Member in furtherance of any such action; or

(i) failure of the Obligated Group to achieve an Historical Debt Service Coverage Ratio of at least 1.00 for any two consecutive Fiscal Years and notice thereof has been given to the Obligated Group Representative by the Master Trustee or to the Obligated Group Representative and the Master Trustee by the Owners of at least 25% in principal amount of the Master Notes Outstanding; or

(j) declaration of the principal of any Master Note to be due and payable as the result of a default or event of default under any Related Bond Document or other instrument related to that Master Note.

Promptly after any officer of the Obligated Group Representative may reasonably be deemed to have knowledge of a default under the Master Indenture, the Obligated Group Representative will deliver to the Master Trustee a written notice specifying the nature and period of existence thereof and the action the Obligated Group Representative is taking and proposes to take with respect thereto.

Acceleration of Maturity; Rescission and Annulment

If an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and if requested by the Owners of not less than 25% in principal amount of the Master Notes Outstanding shall, by written notice to the Obligated Group Representative, declare the principal of all the Master Notes and the interest accrued thereon to be due and payable immediately, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Master Notes has been obtained by the Master Trustee as provided in the Master Indenture, the Owners of a majority in principal amount of the Master Notes Outstanding may, by written notice to the Obligated Group Representative and the Master Trustee, rescind and annul such declaration and its consequences if

- (a) the Members have deposited with the Master Trustee a sum sufficient to pay
 - (1) all overdue installments of interest on all Master Notes,
 - (2) the principal of and premium, if any, on any Master Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Master Notes,
 - (3) interest upon overdue installments of interest at the rate or rates prescribed therefor in the Master Notes, and
 - (4) all sums paid or advanced by the Master Trustee under the Master Indenture and the compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and
- (b) all Events of Default, other than the non-payment of the principal of Master Notes which have become due solely by such declaration of acceleration, have been cured or have been waived as provided under “SUMMARY OF THE MASTER INDENTURE – Waiver of Past Defaults.”

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Exercise of Remedies by the Master Trustee

Upon the occurrence and continuance of any Event of Default, unless the same is waived as provided in the Master Indenture, the Master Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Master Indenture or by law:

- (a) *Uniform Commercial Code Remedies; Mortgages.* With respect to the Unrestricted Receivables, and any other Property that is subject to a security interest securing the Master Notes and that is subject to the Uniform Commercial Code in the state where the Property is located, the Master Trustee may exercise any and all remedies available under the applicable Uniform Commercial Code or other applicable law. With respect to the Mortgages, exercise any and all rights and remedies available under the Mortgages (including foreclosure).
- (b) *Lockbox.* The Master Trustee may direct the Members to (and upon such direction the Members shall) deposit or cause to be deposited, as directed by the Master Trustee, all Unrestricted Receivables with the Master Trustee or a depository designated by the Master Trustee to

hold the same on behalf of the Master Trustee. All amounts so deposited shall be applied as described under “Application of Moneys Collected” provided that such amounts may be used to pay Total Expenses of the Obligated Group if and to the extent the Master Trustee determines in its sole discretion that it is in the best interests of the Master Noteowners to do so.

(c) *Right to Bring Suit, Etc.* The Master Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and premium, if any, and interest on the Master Notes Outstanding, including interest on overdue principal and premium, if any, and on overdue installments of interest, and any other sums due under the Master Indenture, to realize on, or to foreclose, any of its interests or liens under the Master Indenture, to enforce and compel the performance of the duties and obligations of the Members as set forth in the Master Indenture and to enforce or preserve any other rights or interests of the Master Trustee under the Master Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(d) *Exercise of Remedies at Direction of Master Noteowners.* If requested in writing to do so by the Owners of not less than 25% in principal amount of Master Notes Outstanding and if indemnified as provided in the Master Indenture, the Master Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Master Indenture as the Master Trustee shall deem most expedient in the interests of the Owners of the Master Notes.

(e) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and of the Master Noteowners, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(f) *Suits to Protect the Trust Estate.* The Master Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Master Indenture and to protect its interests and the interests of the Master Noteowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Master Indenture or be prejudicial to the interests of the Master Noteowners or the Master Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Master Noteowners in any judicial proceeding to which any Member is a party and which in the judgment of the Master Trustee has a substantial bearing on the interests of the Master Noteowners.

(g) *Enforcement Without Possession of Master Notes.* All rights of action under the Master Indenture or any of the Master Notes may be enforced and prosecuted by the Master Trustee without the possession of any of the Master Notes or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, and subject to the provisions set forth under “Application of Moneys Collected,” be for the equal and ratable benefit of the Owners of the Master Notes in respect of which such judgment has been recovered.

(h) *Restoration of Positions.* If the Master Trustee or any Master Noteowner has instituted any proceeding to enforce any right or remedy under the Master Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Master Trustee or to such Master Noteowner, then and in every case the Members, the Master Trustee and the Master Noteowners shall,

subject to any determination in such proceeding, be restored to their former positions and rights under the Master Indenture, and thereafter all rights and remedies of the Master Trustee and the Master Noteowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Master Noteowners

No Owner of any Master Note shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Master Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Master Indenture, unless

- (a) such Owner has previously given written notice to the Master Trustee of a continuing Event of Default;
- (b) the Owners of not less than 25% in principal amount of the Master Notes Outstanding shall have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee under the Master Indenture;
- (c) such Owner or Owners have offered to the Master Trustee indemnity as provided in the Master Indenture against the fees, costs, expenses and liabilities including agents' and counsels' fees and expenses to be incurred in compliance with such request;
- (d) the Master Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Master Trustee during such 30-day period by the Owners of a majority in principal amount of the Outstanding Master Notes;

it being understood and intended that no one or more Owners of Master Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Master Indenture to affect, disturb or prejudice the lien of the Master Indenture or the rights of any other Owners of Master Notes, or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Master Indenture, except in the manner provided for in the Master Indenture and for the equal and ratable benefit of all Outstanding Master Notes.

Notwithstanding the foregoing or any other provision in the Master Indenture, however, the Owner of any Master Note shall have the right which is absolute and unconditional to receive payment of the principal of and premium, if any, and interest on such Master Note on the respective stated maturities expressed in such Master Note (or, in the case of redemption, on the redemption date) and nothing contained in the Master Indenture shall affect or impair the right of any Owner to institute suit for the enforcement of any such payment.

Control of Proceedings by Master Noteowners

The Owners of a majority in principal amount of the Master Notes Outstanding shall have the right, during the continuance of an Event of Default, provided indemnity pursuant to the Master Indenture has been provided to the Master Trustee:

- (a) to require the Master Trustee to proceed to enforce the Master Indenture or the Mortgages or both, either by judicial proceedings for the enforcement of the payment of the Master Notes and the foreclosure of the Master Indenture or the Mortgages or both, or otherwise; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee under the Master Indenture, provided that

(1) such direction shall not be in conflict with any rule of law or the Master Indenture, and

(2) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction, and

(3) the Master Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction, and

(4) the Master Trustee has not received an Opinion of Counsel to the effect that exercising such trust or power may be in conflict with the terms of the Master Indenture, the Master Notes or any applicable law.

Application of Moneys Collected

Any moneys collected by the Master Trustee pursuant to remedies pursued upon an Event of Default (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys except as otherwise provided in subparagraph (b) under “Exercise of Remedies by the Master Trustee”) together with any other sums then held by the Master Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, upon presentation of the Master Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) First: To the payment of all amounts due the Master Trustee under the Master Indenture and the creation of a reasonable reserve for the payment of anticipated fees, costs and expenses;

(b) Second: To the payment of the whole amount then due and unpaid upon the Outstanding Master Notes for principal and premium, if any, and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Master Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Master Notes) on overdue principal and premium, if any, and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Master Notes, then to the payment of such principal, premium and interest, without any preference or priority, ratably according to the aggregate amount so due;

(c) Third: To the payment of any other sums required to be paid by any Member under the Master Indenture, the Master Notes or the Mortgages; and

(d) Fourth: To the payment of the remainder, if any, to the Obligated Group Representative or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

The Master Trustee may cooperate with any Related Bond Trustee in such manner as the Master Trustee in its sole discretion considers appropriate in connection with the payment of any moneys held by that Related Bond Trustee for distribution to pay amounts due and unpaid upon Outstanding Master Notes.

Whenever moneys are to be applied by the Master Trustee pursuant to this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, 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 Owner of any unpaid Note until such Note shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Notes and interest thereon have been paid under this Section and all compensation, expenses, disbursements and advances 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 Representative on behalf of the Members.

Waiver of Past Defaults

Before any judgment or decree for payment of money due has been obtained by the Master Trustee as provided in the Master Indenture, the Owners of a majority in principal amount of the Master Notes Outstanding may, by written notice delivered to the Master Trustee and the Obligated Group Representative, on behalf of the Owners of all the Master Notes waive any past default under the Master Indenture and its consequences, except a default

(a) in the payment of the principal of or premium, if any or interest on any Master Note,
or

(b) in respect of a covenant or provision of the Master Indenture which under the Master Indenture cannot be modified or amended without the consent of the Owner of each Outstanding Master Note affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Master Indenture; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

The Master Trustee

The Master Indenture contains various provisions relating to the rights, duties and responsibilities of the Master Trustee and limitations on the Master Trustee's liabilities under the Master Indenture.

No resignation or removal of the Master Trustee and no appointment of a successor Master Trustee shall become effective until the successor Master Trustee has accepted its appointment under the Master Indenture. The Master Trustee may resign or be removed at any time as follows:

(a) The Master Trustee may resign at any time by giving written notice thereof to the Obligated Group Representative and to all Owners of Outstanding Master Notes. If an instrument of acceptance by a successor Master Trustee is not delivered to the Master Trustee within 30 days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

(b) If the Master Trustee has or shall acquire any conflicting interest (as defined in the Trust Indenture Act of 1939, as amended), it shall, within 90 days after ascertaining that it has a conflicting interest, or within 30 days after receiving written notice from the Obligated Group Representative (so long as the Obligated Group is not in default under the Master Indenture) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in subparagraph (a).

(c) The Master Trustee may be removed at any time by an instrument or concurrent instruments in writing signed by the Owners of a majority in principal amount of the Outstanding Master Notes, delivered to the Master Trustee and to the Obligated Group Representative.

(d) The Master Trustee may be removed at any time (so long as no Event of Default or condition that with the giving of notice or passage of time, or both, would constitute an Event of Default, has occurred and is continuing under the Master Indenture), by an instrument in writing signed by the Obligated Group Representative and delivered to the Master Trustee and the Owners of the Outstanding Master Notes.

If the Master Trustee resigns, is removed or becomes incapable of acting, or if a vacancy occurs in the office of the Master Trustee for any cause, then the Obligated Group Representative (so long as the Obligated Group is not in default under the Master Indenture), or the Owners of a majority in principal amount of Master Notes Outstanding (if the Obligated Group is in default under the Master Indenture), by an instrument or concurrent instruments in writing delivered to the Obligated Group Representative, the retiring Master Trustee and all Owners of Outstanding Master Notes, shall promptly appoint a successor Master Trustee. If all or substantially all of the Trust Estate is in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Master Trustee is so appointed by the Master Noteowners. If a successor Master Trustee is appointed in the manner provided in the Master Indenture, the successor Master Trustee so appointed will, forthwith upon its acceptance of such appointment, become the successor Master Trustee and supersede the successor Master Trustee appointed by such receiver or trustee. If no successor Master Trustee is so appointed and accepted appointment in the manner provided in the Master Indenture within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, any Master Noteowner or the Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court will immediately and without further act be superseded by any successor appointed as above provided. Every such successor Master Trustee must be a bank or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of this Section.

Supplemental Master Indentures

Without Consent of Master Noteowners. The Members and the Master Trustee may, from time to time, without the consent of or notice to the Owners of any Master Notes, enter into one or more Supplemental Master Indentures for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of the Master Indenture, or better to assure, convey and confirm unto the Master Trustee any property subject or required to be subjected to the lien of the Master Indenture, or to subject to the lien thereof additional property; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Master Notes, as set forth in the Master Indenture, additional conditions, limitations and restrictions thereafter to be observed; or

(c) to authorize the issuance of Master Notes and make such other provisions as provided in the Master Indenture; or

(d) to modify or eliminate any of the terms of the Master Indenture; provided that

(1) such Supplemental Master Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Master Note Outstanding created before the execution of such Supplemental Master Indenture; and

(2) the Master Trustee may, in its discretion, decline to enter into any such Supplemental Master Indenture which, in its opinion, may not afford adequate protection to the Master Trustee when the same becomes operative; or

(e) to evidence the succession of another corporation to a Member and the assumption by any such successor of the obligations and covenants of the Member contained in the Master Indenture and in the Master Notes; or

(f) to add to the covenants of the Members or to the rights, powers and remedies of the Master Trustee for the benefit of the Owners of all or any series of Master Notes or to surrender any right or power under the Master Indenture conferred upon the Members; or

(g) to cure any ambiguity, to correct or supplement any provision of the Master Indenture which may be inconsistent with any other provision therein or to make any other provisions, with respect to matters or questions arising thereunder, which shall not be inconsistent with the Master Indenture, provided such Supplemental Indenture shall not, in the judgment of the Master Trustee, materially adversely affect the interests of the Owners of the Master Notes; or

(h) to modify, eliminate or add to the Master Indenture to such extent as shall be necessary to effect the qualification thereof under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, or to permit the qualification of any Master Notes for sale under the securities laws of the United States or any state of the United States; or

(i) to effect the addition of a Member to or withdrawal of a Member from the Obligated Group (including the addition or deletion of any Excluded Property of such new or withdrawing Member set forth in the Master Indenture); or

(j) to make any modification, amendment or supplement to the Master Indenture in such a manner as to establish or maintain the exclusion of interest on any Related Bonds from gross income for federal income tax purposes; or

(k) to make any other change which, in the judgment of the Master Trustee, does not materially adversely affect the interests of Owners of the Master Notes and, in the judgment of each Related Bond Trustee, does not materially adversely affect the owners of the Related Bonds with respect to which it acts as trustee.

With Consent of Master Noteowners. With the consent of the Owners of not less than a majority in principal amount of all Master Notes then Outstanding affected by such Supplemental Master Indenture, the Members and the Master Trustee may enter into one or more Supplemental Master Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any provision of the Master Indenture or of modifying in any manner the rights of the Owners of the Master Notes thereunder; provided that no such Supplemental Master Indenture shall, without the consent of the Owner of each Outstanding Master Note affected thereby,

(a) change the stated maturity of the principal of, or any installment of interest on, any Master Note, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Master Note, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(b) reduce the percentage in principal amount of the Outstanding Master Notes, the consent of whose Owners is required for any such Supplemental Master Indenture, or the consent of

whose Owners is required for any waiver provided for in the Master Indenture of compliance with certain provisions thereof or certain defaults thereunder and their consequences; or

(c) modify the obligation of the Members to make payment on or provide funds for the payment of any Master Note; or

(d) modify this Section, except to increase any percentage set forth in this Section or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Owner of each Master Note affected thereby; or

(e) permit the creation of any lien ranking before or on a parity with the lien of the Master Indenture with respect to any of the Trust Estate or terminate the lien thereof on any Property at any time subject thereto or deprive the Owner of any Master Note of the security afforded by the lien of the Master Indenture.

The Master Trustee may in its discretion determine whether or not any Master Notes would be affected by any Supplemental Master Indenture and any such determination shall be conclusive upon the Owners of all Master Notes, whether theretofore or thereafter authenticated and delivered under the Master Indenture. The Master Trustee shall not be liable for any such determination made in good faith.

Supplemental Mortgages

Without Consent of Master Noteowners. Without the consent of or notice to the Owners of any Master Notes, any Member and the Master Trustee may from time to time enter into one or more Supplemental Mortgages for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of a Mortgage, or better to assure, convey and confirm unto the Master Trustee any property subject or required to be subjected to the lien of a Mortgage, or to subject to the lien of a Mortgage additional property; or

(b) to release from the lien of a Mortgage any Property to be released from that lien in accordance with the terms of that Mortgage or the Master Indenture; or

(c) in connection with the issuance of Master Notes to the extent, if any, to have the lien of a Mortgage extend to those Master Notes; or

(d) to modify or eliminate any of the terms of a Mortgage; provided that

(1) such Supplemental Mortgage shall expressly provide that any such modifications or eliminations shall become effective only when there is no Master Note Outstanding created before the execution of such Supplemental Mortgage; and

(2) the Master Trustee may, in its discretion, decline to enter into any such Supplemental Mortgage which, in its opinion, may not afford adequate protection to the Master Trustee when the same becomes operative; or

(e) to evidence the succession of another corporation to a Member and the assumption by any such successor of the obligations and covenants of the Member contained in the Master Indenture and in a Mortgage; or

(f) to add to the covenants of the Members or to the rights, powers and remedies of the Master Trustee for the benefit of the Owners of all or any series of Master Notes or to surrender any right or power conferred upon the Members under the Master Indenture; or

(g) to cure any ambiguity, to correct or supplement any provision therein which may be inconsistent with any other provision therein or to make any other provisions, with respect to matters or questions arising under a Mortgage, which shall not be inconsistent with a Mortgage, provided such Supplemental Mortgage shall not, in the judgment of the Master Trustee, materially adversely affect the interests of the Owners of the Master Notes; or

(h) to make any modification, amendment or supplement to a Mortgage in such a manner as to establish or maintain the exclusion of interest on any Related Bonds from gross income for federal income tax purposes; or

(i) to make any other change which, in the judgment of the Master Trustee, does not materially adversely affect the interests of Owners of the Master Notes and, in the judgment of each Related Bond Trustee, does not materially adversely affect the owners of the Related Bonds with respect to which it acts as trustee.

With Consent of Master Noteowners. With the consent of the Owners of not less than a majority in principal amount of all Master Notes then Outstanding affected by such Supplemental Mortgage, the Members and the Master Trustee may enter into one or more Supplemental Mortgages for the purpose of adding any provisions to or changing in any manner or eliminating any provision of a Mortgage or of modifying in any manner the rights of the Owners of the Master Notes under a Mortgage.

The Master Trustee may in its discretion determine whether or not any Master Notes would be affected by any Supplemental Mortgage and any such determination shall be conclusive upon the Owners of all Master Notes, whether theretofore or thereafter authenticated and delivered under the Master Indenture. The Master Trustee shall not be liable for any such determination made in good faith.

Payment, Discharge and Defeasance of Master Notes

The Master Notes of a particular series or a portion of such series (subject to the provisions described under “Satisfaction of Related Bonds”) will be deemed to be paid and discharged and no longer Outstanding under the Master Indenture and will cease to be entitled to any lien, benefit or security thereunder if the Obligated Group has paid or provided for the payment of the entire debt on such Master Notes in any one or more of the following ways: (a) by paying or causing to be paid the principal of and premium, if any, and interest on such Master Notes, as and when the same become due and payable; (b) by delivering such Master Notes to the Master Trustee for cancellation; or (c) by depositing with the Master Trustee or other Paying Agent, in trust, moneys and Escrow Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the debt on such Master Notes at or before their respective maturity dates (including the payment of the principal of and premium, if any, and interest payable on such Master Notes to the maturity or redemption date thereof), provided that, if any such Master Notes are to be redeemed before the maturity thereof, notice of such redemption is given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee are made for the giving of such notice.

The foregoing notwithstanding, the liability of the Obligated Group in respect of such Master Notes will continue, but the Owners thereof will thereafter be entitled to payment only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid. Moneys so deposited with the Master Trustee pursuant to this Section will not be a part of the Trust Estate but will constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys shall be applied by the Master Trustee to the payment (either directly or through any Paying Agent, as the Master Trustee may determine) to the Persons entitled thereto, of the principal and premium, if any, and interest for whose payment such moneys have been deposited with the Master Trustee.

Satisfaction and Discharge of Master Indenture

The Master Indenture and the lien, rights and interests created thereby will cease, determine and become null and void if (a) the principal of and premium, if any, and interest on all Master Notes is paid or is deemed to be paid and discharged by meeting the conditions of the Master Indenture; and (b) the Obligated Group has paid or caused to be paid all other sums payable under the Master Indenture by the Obligated Group with respect to such Master Notes.

Thereupon the Master Trustee, upon written request of the Obligated Group Representative, and upon receipt by the Master Trustee of an Officer's Certificate and an Opinion of Counsel, each to the effect that all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, shall forthwith execute proper instruments acknowledging satisfaction and discharge thereof and the lien thereof. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to indemnification and to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection therewith.

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 thereof, forthwith be transferred, paid over and distributed to the Obligated Group Representative.

Satisfaction of Related Bonds

The provisions of the Master Indenture notwithstanding, any Master Note which secures a Related Bond will not be deemed paid and will continue to be entitled to the lien, benefit and security under the Master Indenture unless and until such Related Bond shall cease to be entitled to any lien, benefit or security under the Related Bond Document pursuant to the provisions thereof.

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SUMMARY OF PENDING AMENDMENTS TO THE MASTER INDENTURE

The following is a summary of certain proposed amendments to the Master Indenture, which will become effective upon the approval of thereof by the Owners of not less than a majority in principal amount of Outstanding Master Notes. The following is not a comprehensive description of the proposed amendments, however, and is qualified in its entirety by reference to Supplemental Master Trust Indenture No. 9 for a complete recital of its terms and a copy of which will be provided to any purchaser or prospective purchaser of the Series 2021 Bonds upon request submitted to the Underwriters named in this Official Statement.

The purchasers of the Series 2021 Bonds in this offering will be deemed to have consented to the amendments to the Master Indenture described below. Such consents, together with consents or deemed consents previously obtained, will constitute approximately 45% of principal amount of the Master Notes Outstanding as of the date of issuance of the Series 2021 Master Notes.

Entrance Fee Debt. An Obligated Member may incur Entrance Fee Debt without limit as to principal amount if (1) prior to the incurrence of such Debt, there is delivered to the Master Trustee an Officer's Certificate stating that such principal of that Debt is projected to be paid prior to maturity solely from Initial Entrance Fees expected to be received by the Obligated Group, and (2) the Obligated Group was in compliance with the Historical Debt Service Coverage Ratio as provided in the Master Indenture for the most recent Fiscal Year for which audited financial statements for the Obligated Group are available.

Historical Debt Service Coverage - Entrance Fee Debt. In calculating Historical Debt Service Coverage Ratio for each Fiscal Year, there shall be excluded from the calculation of Debt Service for Long-Term Debt any Debt Service on Entrance Fee Debt to the extent such Entrance Fee Debt was paid from Initial Entrance Fees.

Balloon Debt. In addition to provisions for computing future debt service on Balloon Debt described above under "SUMMARY OF THE MASTER INDENTURE – Calculation of Debt Service – Balloon Debt," the Obligated Group may also calculate future Debt Service on Balloon Debt by treating any Balloon Debt as Long-Term Debt payable on a level annual debt service basis over a period specified by the Obligated Group Representative up to 30 years from the date of issuance or incurrence of such Debt, bearing interest on the unpaid principal balance at the rate equal to the Projected Rate; provided, however, that if the Projected Rate cannot be determined, the rate shall be assumed to be a fixed rate of interest equal to the most recently public Bond Buyer 30-year Revenue Bond Index or a similar index.

The following is a summary of certain proposed amendments to the Master Indenture, which will become effective only when all Master Notes issued prior to 2019 are no longer Outstanding under the Master Indenture. The purchasers of the Series 2021 Bonds in this offering will be deemed to have consented to the amendments to the Master Indenture described below.

Release of Florida Mortgages. The Master Indenture is proposed to be amended by the addition of a new Section 805, permitting the release of the Florida Mortgages (as described below) subject to the conditions set forth in the proposed Section 805.

Section 805. Release of Florida Mortgages.

(a) The Master Trustee, at the expense and direction of the Corporation, shall release and cancel the Florida Mortgages, unless any Supplemental Master Indenture entered into after December 1, 2019, instructs the Master Trustee not to do so,

(i) upon the payment or provision for payment in full, without the exercise of remedies under the Mortgages, of the Master Notes Outstanding before 2019; or

- (ii) if the Release Requirements (as defined below) have been met.

“Release Requirements” means the delivery to the Master Trustee and each Related Bond Trustee of an Officer’s Certificate stating that (i) no Event of Default has occurred and is continuing under this Master Indenture, (ii) for the most recent Fiscal Year for which audited financial statements required by **Section 415** are available the Obligated Group met the Liquidity Requirement and the Historical Debt Service Coverage Ratio as of and for the end of such Fiscal Year, and (iii) the Related Bonds are rated in one of the three highest rating categories (without regard to modifiers) by one of the Rating Agencies.

(b) Upon receipt of the Officer’s Certificate specified in **Section 805(a)** the Master Trustee is authorized and directed to execute and deliver to the Obligated Group Representative such deeds of release and UCC-3 terminations statements, each in form and substance acceptable to the Master Trustee, as the Obligated Group Representative may request to effect the release of the Florida Mortgages pursuant to this **Section 805**. the Master Trustee shall be entitled to receive, and, subject to **Section 601**, shall be fully protected in relying upon, an Opinion of Counsel stating that the conditions to the release of the Florida Mortgages is authorized or permitted by and in compliance with this Master Indenture, which Opinion of Counsel may be based upon certifications by the Obligated Group Representative or a Consultant as to factual matters pertaining to the Release Requirements.

(c) For purposes of this **Section 805**, **“Florida Mortgages”** means any Mortgage granted by the Obligated Group to the Master Trustee to secure Master Notes and encumbering any Facilities of the Obligated Group located in the State of Florida.

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SUMMARY OF THE BOND INDENTURE

The following is a summary of certain provisions contained in the applicable Bond Indenture for the Bonds. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Bond Indenture for a complete recital of its terms. All references to a percentage of Bonds outstanding or a majority of Bonds outstanding shall mean the percentage or majority of the applicable series of Bonds.

See "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2021B BONDS" for additional definitions and provisions applicable only to the Series 2021B Bonds as set forth in the Bond Indenture relating to the Series 2021B Bonds.

Trust Estate

In order to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds and to secure the performance and observance by the Authority of all the covenants, agreements and conditions in the Bond Indenture and in the Bonds, the Authority transfers, pledges and assigns to the Bond Trustee and grants a security interest unto the Bond Trustee, in the following property:

(a) All right, title and interest of the Authority (including the right to enforce any of the terms thereof other than the Unassigned Authority Rights) in, to and under (1) the Loan Agreement and the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable,, and all payments derived by the Authority from the Corporation including Loan Payments and other amounts to be received by the Authority and paid by the Corporation under and pursuant to and subject to the Loan Agreement and the Series 2021A Note, Series 2021B Note or Series 2021C Note, as applicable (but excluding the Authority's rights to payment of its fees and expenses and to indemnification as set forth in the Loan Agreement and as otherwise expressly set forth therein), and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and

(b) All moneys and securities from time to time held by the Bond Trustee under the terms of the Bond Indenture (except moneys and securities held in the Rebate Fund), and any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Bond Indenture by the Authority or by anyone in its behalf or with its written consent, to the Bond Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

Creation of Funds and Accounts

There are established in the custody of the Bond Trustee the following special trust funds in the name of the Authority to be designated as follows: (a) Project Fund; (b) Issuance Costs Fund; (c) Debt Service Fund; (d) Refunding Account, (e) Funded Interest Fund; and (f) Rebate Fund.

Issuance Costs Fund

Moneys in the Issuance Costs Fund shall be paid out from time to time by the Bond Trustee upon Written Requests of the Corporation, in substantially the form attached to the Bond Indenture, in amounts equal to the amount of Issuance Costs certified in such Written Requests. At such time as the Bond Trustee is furnished with a Certificate of the Corporation Representative stating that all such fees and expenses have been paid, and in any case not later than six months from the closing date, the Bond Trustee shall transfer any moneys remaining in the Issuance Costs Fund to the Debt Service Fund.

Project Fund

Moneys in the Project Fund shall be paid out from time to time by the Bond Trustee upon Written Requests of the Corporation, in substantially the form attached to the Bond Indenture, solely for the purpose of paying the Project Costs, including any alterations in or amendments to said plans and specifications deemed advisable by the Corporation.

In making payments and determinations pursuant to this Section, the Bond Trustee may rely upon such Written Requests and shall not be required to make any independent investigation in connection therewith. If for any reason the Corporation should decide prior to the mailing or release of payment by the Bond Trustee of any item not to pay such item, it shall give written notice of such decision to the Bond Trustee and thereupon the Bond Trustee shall not make such payment. If the Authority so requests, a copy of each Written Request submitted to the Bond Trustee for payment under this Section shall be promptly provided by the Bond Trustee to the Authority. The Bond Trustee shall keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom, and shall file periodic statements of activity regarding the Project Fund with the Corporation.

Upon completion of the Project, the Corporation shall deliver to the Bond Trustee within 90 days thereafter the following Officer's Certificate:

- (1) stating that the Project has been fully completed and the date of completion of the Project; and
- (2) stating that such officer has made such investigation of such sources of information as are deemed by him to be necessary, including pertinent records of the Corporation, and such officer is of the opinion that the Project Costs have been fully paid for and no claim or claims exist against the Authority or the Corporation or against the Project out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the Corporation intends to contest such claim or claims in accordance with the Loan Agreement, in which event such claim or claims shall be described; provided, further, that it shall be stated that moneys are on deposit in the Project Fund or are available through enumerated bank loans (including letters of credit) or other sources sufficient to make payment of the full amount which might in any event be payable in order to satisfy such claim or claims; and
- (3) stating if any item was added to, deleted from or substituted for the Project and providing any documentation, certificates or opinions required by the Loan Agreement.

If after payment by the Bond Trustee of all disbursement requests theretofore tendered to the Bond Trustee under the provisions of this Section and after receipt by the Bond Trustee of the Officer's Certificate required by this Section and after all rebatable earnings have been transferred to the Rebate Fund pursuant to the Bond Indenture, there shall remain any moneys in the Project Fund, such moneys shall be deposited in the Debt Service Fund to pay the next interest payment on the Bonds to become due, to pay the next maturing principal on the Bonds and thereafter to redeem the Bonds at the earliest permissible date under the Bond Indenture, or, in the discretion of the Corporation, shall be applied for any other purpose that, based on an Opinion of Bond Counsel, will not cause the interest on the Bonds to be includible in gross income for federal income tax purposes.

If an Event of Default specified in the Bond Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Bond Indenture, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Bond Indenture, shall without further authorization be deposited in the Debt Service Fund by the Bond Trustee with advice to the Corporation and to the Authority of such action.

Debt Service Fund

The Bond Trustee shall make deposits and credits to the Debt Service Fund, as and when received, as set forth below.

- (1) All Loan Payments paid by the Corporation pursuant to the Loan Agreement.
- (2) All other moneys received by the Bond Trustee under the Loan Agreement or any other Bond Document, when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Debt Service Fund.

Except as otherwise provided in the Bond Indenture, moneys in the Debt Service Fund shall be expended solely in accordance with the Bond Indenture to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity, upon redemption, by acceleration or otherwise.

Refunding Account

Moneys deposited in the Refunding Account will be used to refund and redeem the Refunded Bonds.

Funded Interest Fund

Moneys deposited in the Funded Interest Fund shall be paid by the Bond Trustee to pay the interest on the Bonds. On each Interest Payment Date, the Bond Trustee shall transfer moneys from the Funded Interest Fund to the Debt Service Fund in an amount equal to the interest on the Bonds coming due on such Interest Payment Date, until moneys on deposit in the Funded Interest Fund are depleted. The Funded Interest Fund shall be closed at such time that there is no longer any money on deposit in the Funded Interest Fund.

Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Bond Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the Corporation, the Authority nor the owner of any Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by the Bond Indenture and by the Tax Agreement.

Payments Due on Saturdays, Sundays and Holidays

In any case where the date of maturity of principal of or redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a Saturday, a Sunday or a legal holiday or other day that is not a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Bond Trustee, all liability to the Owner thereof for the payment of such Bond, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such funds in trust in a separate trust account, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any

claim of whatever nature on his part under the Bond Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within one year following the date when such Bond becomes due, whether by maturity or otherwise, the Bond Trustee shall repay to the Corporation the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Corporation, and the Owner thereof shall be entitled to look only to the Corporation for payment, and then only to the extent of the amount so repaid, and the Corporation shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Investment of Moneys

Moneys held in each of the funds and accounts under the Bond Indenture shall, pursuant to written direction of the Corporation Representative, be invested and reinvested by the Bond Trustee in accordance with the provisions of the Bond Indenture and the Tax Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. Notwithstanding any other provision of the Bond Indenture, if the Bond Trustee fails to receive written directions of the Corporation regarding investment of funds pursuant to this Section, moneys held in any fund or account under the Bond Indenture shall be invested or reinvested in Permitted Investments described in subparagraph (a) of the definition of Permitted Investments. The Bond Trustee may make any investments permitted by this Section through its own bond department or short-term investment department and may pool moneys for investment purposes, except moneys held in the yield restricted portion of any fund or account, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest earned on and any profit realized from Permitted Investments held in any fund, account or subaccount under the Bond Indenture shall be deposited into the Debt Service Fund. Any loss resulting from such Permitted Investments shall be charged to such fund, account or subaccount in which such Permitted Investments generating the loss are held. Any fees for investment of moneys in a fund, account or subaccount may be charged to that fund, account or subaccount. The Bond Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account.

Events of Default

If any one or more of the following events occur, it is defined as and declared to be and to constitute an “Event of Default” under the Bond Indenture:

(a) default in the due and punctual payment of any interest on any Bond when the same becomes due and payable; or

(b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity or accelerated maturity thereof, or upon proceedings for redemption thereof; or

(c) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Bond Indenture, or there shall be a default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Indenture or any Supplemental Bond Indenture on the part of the Authority to be performed, and such incapacity or default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Corporation by the Bond Trustee (which notice may be given by the Bond Trustee in its discretion and shall be given at the written request of the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding); provided, however, if any such default shall be correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Authority or the Corporation within such period and diligently pursued until the default is corrected; or

(d) any Event of Default as specified in the Loan Agreement has occurred and is continuing and has not been waived; or

(e) any Event of Default as specified in the Master Indenture has occurred and is continuing and has not been waived.

With regard to any alleged default concerning which notice is given to the Corporation under this Section, the Authority grants the Corporation full authority for account of the Authority to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Authority, with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts in order to remedy such default. Upon the occurrence of an Event of Default for which the Bond Trustee has received notice or for which the Bond Trustee is required to take notice, the Bond Trustee shall, within 30 days give written notice thereof by first-class mail to all Bondowners.

Acceleration of Maturity in Event of Default

If the Bond Note has been declared by the Master Trustee to be immediately due and payable, then all Bonds Outstanding shall become and be immediately due and payable, anything in the Bonds or in the Bond Indenture to the contrary notwithstanding. In addition, if an Event of Default shall have occurred and be continuing, the Bond Trustee may, and if requested by the Owners of not less than 25% in principal amount of the Bonds Outstanding shall, by notice in writing delivered to the Authority and the Corporation, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided that if at any time after the principal of the Bonds then Outstanding shall have so become due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such acceleration or before the completion of the enforcement of any other remedy under the Bond Indenture, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect to which such default shall have occurred, and all arrears of payments of principal when due, as the case may be, and all fees and expenses of the Bond Trustee in connection with such default shall have been paid or provided for, and all other existing Events of Default shall have been cured or waived, and if any acceleration of the Bond Note is annulled in accordance with the Master Indenture, then, upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding, the acceleration of the Bonds then Outstanding and the consequences of such acceleration shall be annulled or rescinded, but no such annulment or rescission shall extend to or affect any subsequent acceleration of the Bonds then Outstanding, or impair any right consequent thereon.

Exercise of Remedies by the Bond Trustee

Upon the occurrence and continuance of any Event of Default under the Bond Indenture, unless the same is waived as provided in the Bond Indenture, the Bond Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Bond Indenture or by law:

- (a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Bond Indenture, to realize on or to foreclose any of its interests or liens under the Bond Indenture or any other Bond Document, to enforce and compel the performance of the duties and obligations of the Authority as set forth in the Bond Indenture and to enforce or preserve any other rights or interests of the Bond Trustee under the Bond Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity; provided that, notwithstanding any

provision to the contrary, the only remedy available against the Authority is a remedy of specific performance of its obligations under the Bond Indenture.

- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the Owners of not less than 25% in principal amount of Bonds Outstanding and if indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Bond Indenture as the Bond Trustee shall deem most expedient in the interests of the Owners.
- (c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Owners under the Bond Indenture, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.
- (d) *Suits to Protect the Trust Estate.* The Bond Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Bond Indenture and to protect its interests and the interests of the Owners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Bond Indenture or be prejudicial to the interests of the Owners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Owners in any judicial proceeding to which the Authority or the Corporation is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the Owners.
- (e) *Enforcement Without Possession of Bonds.* All rights of action under the Bond Indenture or any of the Bonds may be enforced and prosecuted by the Bond Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and subject to the provisions described under “Application of Moneys in Event of Default,” be for the equal and ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.
- (f) *Restoration of Positions.* If the Bond Trustee or any Owner has instituted any proceeding to enforce any right or remedy under the Bond Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee or to such Owner, then and in every case the Authority, the Bond Trustee, the Corporation and the Owners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Bond Indenture, and thereafter all rights and remedies of the Bond Trustee and the Owners shall continue as though no such proceeding had been instituted.

Notwithstanding any provision in the Bond Indenture to the contrary, the Authority may enforce and seek remedies with respect to its Unassigned Authority Rights.

Limitation on Exercise of Remedies by Bondowners

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture or for the execution of any trust thereunder or for the appointment of a receiver or any other remedy thereunder, unless (a) a default has occurred of which the Bond

Trustee has been notified as provided in the Bond Indenture or of which by said section the Bond Trustee is deemed to have notice, (b) such default shall have become an Event of Default, (c) the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Bond Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name, and shall have offered to the Bond Trustee indemnity as provided in the Bond Indenture, and (d) the Bond Trustee shall thereafter fail or refuse to exercise the powers granted in the Bond 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 Bond Trustee, to be conditions precedent to the execution of the powers and trusts of the Bond Indenture, and to any action or cause of action for the enforcement of the Bond Indenture, or for the appointment of a receiver or for any other remedy thereunder, it being understood and intended that no one or more Owners of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the Bond Indenture by its, his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Bond Indenture, and for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in the Bond Indenture contained shall, however, affect or impair the right of any Bondowner to payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation to pay the principal of, redemption premium, if any, and interest on each of the Bonds to their respective Owners at the time, place, from the source and in the manner expressed in the Bond Indenture and in the Bonds or affect or interfere with the right of any owner to institute suit for the enforcement of any such payment. If the Bond Trustee receives conflicting directions from two or more groups of Owners, each with combined holdings of not less than 25% of the principal amount of Outstanding Bonds, the directions given by the group of Owners that holds the largest percentage of Bonds shall be the controlling and the Bond Trustee shall follow such directions to the extent required in the Bond Indenture.

Right of Bondowners to Direct Proceedings

Except as provided under “Limitations on Exercise of Remedies by Bondowners,” the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, or for the appointment of a receiver, custodian or any other proceedings under the Bond Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Indenture and provided, further, that the Bond Trustee shall have the right to decline to follow any such direction if the Bond Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability for which it has not been indemnified in accordance with the Bond Indenture.

Application of Moneys in Event of Default

Any moneys held or received by the Bond Trustee (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys and costs and expenses of the Authority) together with any other sums then held by the Bond Trustee as part of the Trust Estate (other than the Rebate Fund), shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (a) First: To the payment of all amounts due the Bond Trustee under the Bond Indenture;
- (b) Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal and premium, if any, and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal and premium, if any, and on overdue installments of interest; and in case such proceeds shall be insufficient

to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

(c) Third: To the payment of the remainder, if any, to the Corporation or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied at such times and from time to time as the Bond Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Bond 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 dates shall cease to accrue. The Bond 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 Owner of any unpaid Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under this Section, and all expenses and charges of the Bond Trustee and the Authority have been paid, and all amounts owing to the United States Government under Section 148 of the Internal Revenue Code have been paid, any balance remaining in the Debt Service Fund shall be paid to the Corporation as set forth in the Bond Indenture.

Waivers of Events of Default

The Bond Trustee shall waive any Event of Default under the Bond Indenture and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding in the case of any default; provided that there shall not be waived without the consent of the Owners of all the Bonds Outstanding (a) an Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission of the Event of Default referred to in (a) or (b) above, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect to which such default shall have occurred, and all arrears of payments of principal when due, as the case may be, and all expenses of the Bond Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Bond Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every case the Authority, the Corporation, the Bond Trustee and the Bondowners shall be restored to their former positions, rights and obligations under the Bond Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

The Bond Trustee

The Bond Indenture contains various provisions regarding the performance by the Bond Trustee of its duties under the Bond Indenture and various limitations on the liability of the Bond Trustee.

No resignation or removal of the Bond Trustee and no appointment of a successor Bond Trustee pursuant to the Bond Indenture shall become effective until the acceptance of appointment by the successor Bond Trustee thereunder.

The Bond Trustee may resign at any time by giving written notice thereof to the Authority, the Corporation and each Owner of Bonds Outstanding as their names and addresses appear in the Bond Register maintained by the Bond Trustee. If an instrument of acceptance by a successor Bond Trustee shall not have been delivered to the Bond Trustee within 30 days after the giving of such notice of resignation, the resigning

Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.

If the Bond Trustee has or shall acquire any conflicting interest, it shall, within 90 days after ascertaining that it has a conflicting interest, or within 30 days after receiving written notice from the Corporation (so long as the Corporation is not in default under the Bond Indenture) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in the preceding subparagraph.

The Bond Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Authority and the Bond Trustee and signed by the Owners of a majority in principal amount of the Outstanding Bonds, or, so long as the Corporation is not in default under the Loan Agreement, by the Corporation. The Authority, the Corporation or any Bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

If the Bond Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Bond Trustee for any cause, the Corporation (so long as no Event of Default under the Bond Indenture or under the Loan Agreement has occurred and is continuing), or the Owners of a majority in principal amount of Bonds Outstanding (if an Event of Default under the Bond Indenture or under the Loan Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered personally or sent by first class mail, postage prepaid, to the Authority and the retiring Bond Trustee, shall promptly appoint a successor Bond Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Bond Trustee shall be so appointed by the Corporation or the Bondowners. If a successor Bond Trustee shall be appointed in the manner provided in the Bond Indenture, the successor Bond Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Bond Trustee and supersede the retiring Bond Trustee and any temporary successor Bond Trustee appointed by such receiver or trustee. If, within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, no successor Bond Trustee shall have been so appointed and accepted appointment in the manner provided in the Bond Indenture, any Bondowner or the Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, until 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 Bond Trustee appointed pursuant to this Section shall be a bank with trust powers or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Bond Indenture.

Supplemental Bond Indentures

Without Consent of Bondowners. The Authority, at the written request of the Corporation, and the Bond Trustee may from time to time, without the consent of or notice to any of the Bondowners, enter into such Supplemental Bond Indenture or Supplemental Bond Indentures, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Bond Indenture or to release property from the Trust Estate which was included by reason of an error or other mistake as certified by the Corporation Representative;
- (b) To grant to or confer upon the Bond Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Bond Trustee or either of them;
- (c) To subject to the Bond Indenture additional revenues, properties or collateral;

(d) To modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(e) To provide for the refunding or advance refunding of any Bonds;

(f) To evidence the appointment of a separate trustee or the succession of a new trustee under the Bond Indenture;

(g) To preserve the tax-exempt status of the Bonds or to maintain any rating on the Bonds; or

(h) To make any other change which, does not materially adversely affect the interests of the Bondowners.

With Consent of Bondowners. With the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, and with the written consent of the Corporation, the Authority, at the written request of the Corporation, and the Bond Trustee may from time to time enter into such other Supplemental Bond Indenture or Supplemental Bond Indentures as shall be deemed necessary or desirable by the Bond Trustee for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any Supplemental Bond Indenture; provided that nothing in the Bond Indenture contained shall permit or be construed as permitting without the written consent of every Bondowner affected thereby:

(a) a change of the maturity date of the principal of any Bond, any mandatory sinking fund redemption schedule for any of the Bonds, the scheduled date of payment of interest on any Bond or the earliest optional redemption date for any Bond, or

(b) a reduction in the principal amount, redemption premium or any interest payable on any Bond, or

(c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or

(d) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Bond Indenture, or

(e) the modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee.

Opinion of Bond Counsel. Notwithstanding anything to the contrary described under “Supplemental Bond Indentures,” before the Authority and the Bond Trustee enter into any Supplemental Bond Indenture pursuant to said Section, there shall have been delivered to the Authority and the Bond Trustee an Opinion of Bond Counsel stating that such Supplemental Bond Indenture is authorized or permitted by the Bond Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority in accordance with its terms and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on the Bonds. The Authority and the Bond Trustee may conclusively rely on such opinion when executing and consenting to such supplement.

Supplemental Loan Agreements

Without Consent of Bondowners. The Authority, at the written request of the Corporation, and the Bond Trustee may, without the consent of or notice to the Bondowners, consent to the execution of any Supplemental Loan Agreements by the Authority and the Corporation as may be required: (a) by the Loan

Agreement and the Bond Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement, (c) to grant to or confer upon the Authority or the Bond Trustee, for the benefit of the Bondowners, any additional rights, remedies, powers or authorities that lawfully may be granted to or conferred upon the Authority or the Bond Trustee, (d) to amend or modify the Loan Agreement, or any part thereof, in any manner specifically required or permitted by the terms thereof, including, without limitation, as may be necessary to preserve the tax-exempt status of the Bonds or to maintain any rating on the Bonds; or (e) in connection with any other change therein which does not materially adversely affect the interests of the Bondowners.

With Consent of Bondowners. With the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, the Bond Trustee may consent to the execution of any Supplemental Loan Agreements by the Authority, at the written request of the Corporation, and the Corporation; provided that no such Supplemental Loan Agreement shall be entered into which permits: (a) an extension of the maturity of the principal of or the interest on the Series 2021A Note, Series 2021B Note or Series 2021C Note, or (b) a reduction in the principal amount of the Series 2021A Note, Series 2021B Note, or Series 2021C Note or the premium or rate of interest payable thereon.

Opinion of Bond Counsel. Anything to the contrary described under “Supplemental Loan Agreements,” before the Authority executes and the Bond Trustee consents to any Supplemental Loan Agreement, there shall have been delivered to the Authority and the Bond Trustee an Opinion of Bond Counsel stating that such amendment is authorized or permitted by the Bond Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Authority (if the Authority is a party thereto) in accordance with its terms and will not adversely affect the validity of the Bonds or the exclusion from federal gross income of interest on the Bonds. The Authority and the Bond Trustee may conclusively rely on such opinion when executing and consenting to such supplement.

Bonds Deemed To Be Paid

Any Bond or Bonds or series of Bonds shall be deemed to be paid and no longer Outstanding under the Bond Indenture and shall cease to be entitled to any lien, benefit or security under the Bond Indenture if the Bonds are paid in full or provision for the payment of such Bond or Bonds has been made 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 such Bond or Bonds or series of Bonds, as and when the same become due and payable; (b) by delivering and surrendering to the Bond Trustee, for cancellation by it, such Bond or Bonds or series of Bonds; or (c) by depositing with the Bond Trustee in trust, (1) moneys or Defeasance Obligations in such amounts and with maturities as the Bond Trustee shall determine will be, together with other moneys deposited therein and together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, fully sufficient to pay or redeem (when redeemable) and discharge the debt on such Bond or Bonds or series of Bonds at or before their respective maturity dates and to pay the interest thereon as it comes due, and (2) in the case of Bonds which do not mature or will not be redeemed within 90 days of the deposit referred to in (1) above, a verification report of an independent certified public accounting firm as to the adequacy of the trust funds to fully pay the Bonds deemed to be paid.

Notwithstanding the foregoing, in the case of any Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (c) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the Bond Indenture or irrevocable written instructions shall have been given to the Bond Trustee to give such notice.

Notwithstanding any provisions of any other Section of the Bond Indenture which may be contrary to this Section, all moneys or Defeasance Obligations set aside and held in trust pursuant to this Section for the payment of Bonds (including redemption premium thereon, if any) shall be held irrevocably in trust for the Owners of such Bonds and applied to and used solely for the payment of the particular Bonds (including

redemption premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust.

Satisfaction and Discharge of the Bond Indenture

If the principal of, redemption premium, if any, and interest on all of the Bonds shall have been paid in accordance with their terms, or provision has been made for such payment as provided in the Bond Indenture, and provision shall also be made for paying all other sums payable under the Bond Indenture, including the payment of any rebatable arbitrage to the United States and the fees, charges and expenses of the Authority, the Bond Trustee and any Paying Agent to the date of retirement of the Bonds, then the right, title and interest of the Bond Trustee in respect thereof shall thereupon cease, determine and be void, and thereupon the Bond Trustee, upon Written Request of the Corporation, and upon receipt by the Bond Trustee and the Authority of an Opinion of Bond Counsel to the effect that all conditions precedent to the satisfaction and discharge of the Bond Indenture have been complied with, shall cancel, discharge and release the Bond Indenture and shall execute, acknowledge and deliver to the Authority such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the Bond Indenture, and shall assign and deliver to the Authority, the Corporation or other Person entitled thereto as their respective interests may appear, any property and revenues at the time subject to the Bond Indenture which may then be in its possession, other than moneys or obligations held by the Bond Trustee for the payment of the principal of and interest and redemption premium, if any, due or to become due on the Bonds.

Provision for payment of the Bonds Outstanding under the Bond Indenture may not be made as aforesaid nor may the Bond Indenture be discharged if under any circumstances the interest on such Bonds is thereby made subject to federal income taxation. In determining the foregoing, the Bond Trustee and the Authority may rely upon an Opinion of Bond Counsel (which opinion may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be subject to federal income taxation under Section 103(a) of the Internal Revenue Code, notwithstanding the satisfaction and discharge of the Bond Indenture.

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SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2021B BONDS

The following is a summary of certain provisions contained in the Bond Indenture for the Series 2021B Bonds. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Bond Indenture for a complete recital of its terms. This Summary should be read in conjunction with "SUMMARY OF THE BOND INDENTURE" above.

Definitions

In addition to terms defined elsewhere in this Official Statement and above under the caption "DEFINITIONS," the following are definitions of certain terms used in the Bond Indenture and the Loan Agreement relating to the Series 2021B Bonds unless the context clearly otherwise requires. Reference is hereby made to the Bond Indenture and the Loan Agreement for complete definitions of all terms.

"Applicable Percentage" means (a) during the Initial Index Rate Period, **70%** if the Index is based on SOFR and **100%** if the Index is based on the SIFMA Index; and (b) during any other Index Rate Period, the percentage determined by the Remarketing Agent in accordance with the Bond Indenture.

"Applicable Spread" means (i) during the Initial Index Rate Period, 55 basis points (0.55%); and (ii) with respect to any other Index Rate Period, the number of basis points or schedule of basis points determined by the Remarketing Agent in accordance with the Bond Indenture (which may include a schedule for the Applicable Spread based upon the credit rating or ratings then assigned to the long-term, unenhanced senior debt of the Corporation or the Obligated Group issued or incurred pursuant to or secured by the Master Indenture) that, when added to the product of the product of (a) Index and (b) the Applicable Percentage would equal the minimum interest rate per annum that would enable the Bonds to be purchased on such date at a price equal to the principal amount thereof, plus accrued interest, if any, thereon.

"Authorized Denomination" means (i) during any Term Rate Mode, \$5,000 and integral multiples of \$1,000 in excess thereof, and (ii) during the Index Rate Mode, \$5,000 and any integral multiple thereof.

"Calculation Agent" means Hedge Star or such other calculation agent designated by the Corporation.

"Conversion" means a conversion of the Bonds from one Mode to another Mode (including the establishment of a new interest period within the Term Rate Mode or a new Index Rate Period or establishment of a new Index within an Index Rate Period).

"Conversion Date" means any Index Rate Conversion Date.

"Immediate Notice" means notice by Electronic Means to such address as the addressee shall have provided in writing, promptly followed by written notice by first class mail, postage prepaid; provided, however, that if any Person required to give an Immediate Notice shall not have been provided with the necessary information as to the telephone, email transmission or telecopier number of an addressee, Immediate Notice shall mean written notice by first class mail, postage prepaid.

"Index" means any of (a) the SIFMA Index, (b) SOFR or (c) any other index which is chosen by the Corporation, approved by the Authority in consultation with the Remarketing Agent, and procedurally acceptable to the Calculation Agent; provided, however that prior to the conversion of the interest rate on the Bonds to an interest rate based on an Index referred to above, the Bond Trustee shall have received an opinion of Bond Counsel to the effect that the use of such Index does not adversely affect any exclusion from federal income tax to which interest on the Bonds would otherwise be entitled.

“Index Rate” means the per annum interest rate with respect to any Bonds equal to the sum of (a) the product of the Applicable Percentage and the applicable Index and (b) the Applicable Spread. The Index Rate shall be rounded to the second decimal place if the Index is based on SOFR and the third decimal place if the Index is based on the SIFMA Index.

“Index Rate Conversion Date” means a date on which the Bonds begin to bear interest at an Index Rate in the Index Rate Mode (other than the Closing Date) (ii) a date on which a new Index Rate Period begins as described below under “Changes in Mode, Rate Period or Index,” or (iii) the date on which the Bonds begin to bear interest at a new Index.

“Index Rate Mode” means the period during which the Bonds bear interest at an Index Rate.

“Index Rate Period” means initially, the Initial Index Rate Period, and thereafter the period commencing on the first day following the most recent Index Rate Purchase Date or any Index Rate Conversion Date to but not including the next succeeding Index Rate Purchase Date.

“Index Rate Purchase Date” means, initially, May 15, 2026, and thereafter the day immediately succeeding the day designated by the Corporation as described below under “Determination of Index Rates” as the last day of an Index Rate Period.

“Initial Index Rate Period” means the period from the Closing Date to (but not including) the earliest to occur of (i) May 15, 2026, (ii) the Conversion Date next succeeding the Closing Date, and (iii) the date on which the Bonds are purchased or redeemed in full.

“Interest Payment Date” means: (i) during an Index Rate Mode, the first Business Day of each calendar month, commencing October 1, 2021, (ii) each Conversion Date, and (iii) the Maturity Date.

“Interest Period” means the period of time that an interest rate remains in effect, which period, with respect to Bonds in an Index Rate Mode, means the period commencing on the first day that Bonds begin to accrue interest in the Index Rate Mode (or in the case of the Initial Index Rate Period, the Closing Date) to but not including the next succeeding Rate Reset Date, and thereafter commencing on such Rate Reset Date to but not including the next succeeding Rate Reset Date.

“Mandatory Tender Date” means any date on which a Bondowner is required to tender any Bond for purchase as described below under as described below under “Mandatory Tenders During Index Rate Modes” or “Mandatory Purchase on Conversion Date.”

“Maturity Date” means May 15, 2056.

“OBFR” means, with respect to any date of determination, the Overnight Bank Funding Rate on the Federal Reserve’s Website as of 3:00 p.m. on the Rate Determination Date as provided by the Federal Reserve’s Website for each related SOFR Reference Date.

“OBFR Index Cessation Date” means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the OBFR), ceases to publish the OBFR, or the date as of which the OBFR may no longer be used.

“OBFR Index Cessation Event” means the occurrence of one or more of the following events:

- (1) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the OBFR) announcing that it has ceased to publish or provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide an OBFR; or

- (2) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the OBFR) has ceased to provide the OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue, to publish or provide the OBFR.

“Par Call Date” means the date one year prior to the end of the Index Rate Period for the Bonds (May 15, 2025 for the Initial Index Rate Period), unless the Index Rate Period is less than two years in duration, in which case it is the first Business Day succeeding the then current Index Rate Period.

“Purchase Date” means during the Index Rate Mode each Index Rate Purchase Date.

“Rate Determination Date” means the date on which the interest rate with respect to the Bonds shall be determined, which, (i) in the case of the Index Rate Mode in which the interest rate on the Bonds is determined using the SIFMA Index, Wednesday of each week, or if any Wednesday is not a Business Day, the first Business Day preceding the Rate Reset Date; and (ii) in the case of the Index Rate Mode in which the interest rate on the Bonds is determined using SOFR, with respect to any Rate Reset Date, the U.S. Government Securities Business Day that is two U.S. Government Securities Business Days immediately preceding such Rate Reset Date.

“Rate Reset Date” means (i) during each Index Rate Period in which the interest rate on the Bonds is determined using the SIFMA Index, Thursday of each week, and (ii) during each Index Rate Period in which the interest rate on the Bonds is determined using SOFR, each U.S. Government Securities Business Day.

“Remarketing Agent” means any remarketing agent appointed by the Corporation in accordance with the Bond Indenture and at the time serving as such under the Remarketing Agreement for the Bonds. As of the date of this Official Statement, no Remarketing Agent has been appointed by the Corporation.

“SIFMA Index” means, on any date, a rate known as the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index, which is determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Calculation Agent and effective from such date. If such index is no longer published or otherwise not available, the SIFMA Index means instead an index that the Corporation, after consultation with the Remarketing Agent, determines most closely approximates the SIFMA Index, and which is procedurally acceptable to the Calculation Agent; provided that prior to selection of such index the Bond Trustee shall have received an opinion of Bond Counsel to the effect that the use such Index does not adversely affect any exclusion from federal income tax to which interest on the Bonds would otherwise be entitled.

“SOFR” means, as of any date of determination, the Secured Overnight Financing Rate as of 3:00 p.m. on the Federal Reserve’s Website on the Rate Determination Date for each related SOFR Reference Date. The **“SOFR Reference Date”** is the U.S. Government Securities Business Day immediately preceding the related Rate Determination Date (for example, the Secured Overnight Financing Rate for the Rate Reset Date of August 26, 2021, will be the rate on the Federal Reserve’s Website on the Rate Determination Date, August 24, 2021, as of 3:00 p.m., for the SOFR Reference Date of August 23, 2021.) The Secured Overnight Financing Rate is published every U.S. Government Securities Business Day at 8:00 a.m. and may be revised until 2:30 p.m. as described herein. For purposes hereof, SOFR shall be rounded to the second decimal place.

If the Secured Overnight Financing Rate cannot be determined with respect to such Rate Determination Date as specified in the preceding paragraph, unless both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, SOFR shall be the Secured Overnight Financing Rate in respect of the last U.S. Government Securities Business Day for which such Secured Overnight Financing Rate was published on the Federal Reserve’s Website. If a SOFR Index Cessation Event and SOFR Index Cessation Date have occurred, the Calculation Agent shall calculate the Index Rate as if references to SOFR were references to the rate that was recommended as the replacement for the Secured Overnight Financing Rate by

the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator and which rate may include any adjustments or spreads as determined by the Corporation in consultation with the Remarketing Agent and procedurally acceptable to the Calculation Agent). If no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, the Calculation Agent shall calculate the Index Rate as if references to SOFR were references to OBFR for any Rate Reset Date after the SOFR Index Cessation Date (it being understood that OBFR for any Rate Reset Date will be OBFR appearing as of 3:00 p.m. on Bloomberg on the Rate Determination Date for each related SOFR Reference Date). If the Calculation Agent is required to use the OBFR in the preceding sentence and an OBFR Index Cessation Event has occurred, then for any Rate Reset Date after the OBFR Index Cessation Date, the Calculation Agent shall use the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve's Website, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range).

“SOFR Index Cessation Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate) ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used.

“SOFR Index Cessation Event” means the occurrence of one or more of the following events: (1) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or (2) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate.

“Tender Price” means 100% of the principal amount of the Bonds subject to mandatory tender plus, if a Mandatory Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Mandatory Tender Date.

“U.S. Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

Determination of Index Rates

Method of Determining Index Rate, Index Rate Period and Purchase Date During Index Rate Mode. During each Index Rate Period, Bonds shall bear interest at the Index Rate based on the Index selected by the Corporation as described in subsection (2) below. On the Closing Date, the Bonds shall bear interest at the Index Rate based on SOFR.

- (1) (A) While Bonds bear interest at the Index Rate, the Calculation Agent shall determine the Index Rate for each Interest Period on the Rate Determination Date immediately preceding such Interest Period, and such rate shall become effective for the Interest Period on the first day of such Interest Period immediately succeeding such Rate Determination Date.

- (B) Promptly following the determination of any Index Rate, the Calculation Agent shall give Immediate Notice thereof to the Corporation and the Bond Trustee. Upon Request, the Bond Trustee will give notice of such Index Rate to any Bondowner.
 - (C) The determination of any Index Rate by the Calculation Agent shall be conclusive and binding upon the Authority, the Corporation, the Bond Trustee and the Bondowners. In determining the interest rate the Bonds shall bear as provided in this subsection, the Calculation Agent shall not have any liability to the Authority, the Corporation, the Bond Trustee, the Paying Agent, the Registrar or any Bondowner except for its gross negligence or willful misconduct.
- (2) During the Index Rate Mode, the Corporation shall designate an Index Rate Period succeeding the immediately preceding Index Rate Period and the Index applicable to such Index Rate Period. Each such designation shall be made by the Corporation by giving Immediate Notice thereof to the Bond Trustee, the Calculation Agent, and the Remarketing Agent not later than the 10th Business Day preceding the first day of such proposed Index Rate Period. If there is no Remarketing Agent, the Corporation shall appoint a Remarketing Agent not less than 90 days prior to the end of the then current Index Rate Period in accordance with the provisions of the Bond Indenture and will notify the Bond Trustee and the Calculation Agent of such appointment. The Remarketing Agent shall determine the Applicable Percentage and the Applicable Spread to be used in calculating the Index Rate not later than 4:00 p.m. on the Rate Determination Date immediately preceding the commencement of the first Interest Period of the new Index Rate Period. The Applicable Percentage and the Applicable Spread shall be the lowest amounts which, when used to compute the Index Rate, in the reasonable judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the principal amount of the Bonds on the first day of the Index Rate Period. The Remarketing Agent's determination shall be based on the market for and the relative yields of the Bonds and other securities that bear interest at a variable rate or fixed rate that, in the judgment of the Remarketing Agent, are otherwise comparable to the Bonds, or any fact or circumstance relating to the Bonds or affecting the market for the Bonds or affecting any other comparable securities in a manner that, in the judgment of the Remarketing Agent, will affect the market for the Bonds. The Remarketing Agent shall make such information available by Electronic Means to any Bondowner requesting such information and to the Corporation, the Authority and the Bond Trustee on the Rate Determination Date.

In the case of any failure to determine a new interest rate for a new Index Rate Period or a failure by the Corporation to designate a new Index Rate Period prior to the Business Day next preceding the Index Rate Purchase Date for the Index Rate Period then in effect, the provisions described in this Official Statement under "THE SERIES 2021B BONDS – Failure to Determine Index Rates or Index Rate Periods" shall apply.

Changes in Mode, Rate Period or Index

Subject to the provisions of this section the Corporation may effect a change in Mode with respect to all but not less than all the Bonds by following the procedures set forth in this section.

Conversions. The Bonds may be changed from one Mode to another Mode, the length of any subsequent Index Rate Period for Bonds in that Mode may be changed, and Bonds in the Index Rate Mode may change from one Index to the other Index, as follows:

- (i) *Change Notice; Notice to Bondowners.* No later than the 20th day preceding the proposed Conversion Date, the Corporation shall give Immediate Notice to the Authority, the Bond Trustee, the Remarketing Agent (if any), and the Calculation Agent (if any), specifying its

intention to effect (a) a change in the Mode from the Mode then in effect to another Mode, (b) a change in the length of the Term Rate Period or Index Rate Period, or (c) a change from one Index to the other Index in the Index Rate Mode (each such change being a “**Conversion**”), all as specified in such written notice. The notice shall also include the length of the new Index Rate Period or Term Rate Period, as applicable, and the Index, as the case may be. Any notice of a change in the rate period shall include a designation of the new Term Rate Period’s or Index Rate Period’s length and related Purchase Date.

- (ii) *Determination of Interest Rates.* The new Mode shall commence on the Conversion Date and the interest rate with respect to the Bonds in the new Mode shall be determined in the manner as described above under “Determination of Index Rates.”
- (iii) *Conditions Precedent.* The following conditions must be satisfied for a change to the new Mode, to a new Term Rate Period or Index Rate Period, or to the Index on the Conversion Date:
 - (A) The Conversion Date shall be a Business Day.
 - (B) The Conversion Date in the case of a change from the Index Rate Mode or a change in the Index, shall be on or after the Par Call Date.
 - (C) The Authority, the Bond Trustee, and the Remarketing Agent (if any) shall have received on the Conversion Date a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to the Bond Trustee, the Authority, and the Remarketing Agent (if any).

Failure to Satisfy Conditions Precedent to Conversion. If any of the conditions precedent have not been satisfied on or prior to a Conversion Date, the new Mode, new Term Rate Period or Index Rate Period, or new Index shall not become effective, the Bonds shall remain in the Mode that was in effect immediately prior to the proposed change with interest rates established in accordance with the applicable provisions of the Bond Indenture, and the Bonds will not be subject to mandatory tender for purchase on the planned Conversion Date unless such date is also an Index Rate Purchase Date.

A failed Conversion shall not constitute an Event of Default.

Revocation of Notice of Conversion. The Corporation may revoke its election to effect a Conversion by giving written notice of such revocation to the Bond Trustee, the Calculation Agent (if any) and the Remarketing Agent at any time prior to the setting of the interest rate by the Remarketing Agent. If such revocation notice is delivered, such Conversion shall not occur and the Bonds shall bear interest in the same Mode at the interest rates determined in accordance with provisions of the Bond Indenture immediately prior to the proposed Conversion Date.

Insufficient Remarketing Proceeds in Index Rate Period. If sufficient remarketing proceeds are not available for the purchase of all the Bonds on the date that would have been the effective date of the Conversion, then the Corporation shall be deemed to have rescinded its election to make such Conversion and the Bonds will not be subject to mandatory tender for purchase on the planned Conversion Date unless such date is also an Index Rate Purchase Date, in which case the failure to purchase the Bonds would be an Event of Default under the Bond Indenture. The Bond Trustee shall give notice of the rescission by Electronic Means as soon as practicable and in any event not later than the same Business Day to the Bondowners.

Mandatory Tenders During Index Rate Modes

Index Rate Bonds. Bonds bearing interest at the Index Rate are subject to mandatory purchase on each Index Rate Purchase Date for the current Index Rate Period at the Tender Price.

Notice to Bondowners. The Bond Trustee shall give notice of a mandatory purchase pursuant to this section by mail to the Owners not less than 15 days prior to the Mandatory Tender Date. The notice shall state the Mandatory Tender Date, the Tender Price, that interest on the Bonds subject to mandatory purchase for which the Tender Price is paid shall cease to accrue from and after the Mandatory Tender Date and that the owners have no right to retain Bonds to be purchased on the Mandatory Tender Date. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice sent will be conclusively presumed to have been given, whether or not actually received by any Bondowner.

Mandatory Purchase on Conversion Date

Bonds are subject to mandatory purchase on each Conversion Date at the Tender Price. The Bond Trustee shall give Immediate Notice of such mandatory purchase to the Owners of such Bonds no less than 15 days prior to the Mandatory Tender Date. The notice shall state the Mandatory Tender Date, the Tender Price, that interest on such Bonds shall cease to accrue from and after the Mandatory Tender Date and that the owners have no right to retain Bonds to be purchased on the Mandatory Tender Date. The failure to give such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so given. Any notice sent will be conclusively presumed to have been given, whether or not actually received by any Owner.

The provisions of section shall be subject to the provisions of the Bond Indenture permitting the Corporation to rescind any Conversion.

Remarketing of Bonds

The Remarketing Agent shall use its best efforts to offer for sale and sell at par plus any accrued interest thereon all Bonds as to which notice of tender has been given pursuant to the provisions of the Bond Indenture. On each Mandatory Tender Date:

- (i) the Remarketing Agent shall give Immediate Notice to the Bond Trustee and the Corporation of receipt of the Tender Price of remarketed Bonds by 10:30 a.m.;
- (ii) the Remarketing Agent shall cause to be paid to the Bond Trustee the Tender Price of the remarketed Bonds by 12:00 noon;
- (iii) the Corporation shall cause to be deposited with the Bond Trustee by 12:00 noon, in accordance with the Loan Agreement, funds, to be applied together with the proceeds of the remarketing of the Bonds to enable the Bond Trustee to pay the Tender Price of the Bonds.

General Provisions Relating to Tenders

Purchase Fund. The Bond Trustee shall establish and maintain a special fund designated as the “Purchase Fund – Lifespace Communities, Inc. – Series 2021B,” and within such fund two separate accounts designated, respectively, as the “Remarketing Proceeds Account” and the “Corporation Account”. The money in the Purchase Fund shall be held in trust and applied solely as provided in this section.

The Bond Trustee shall deposit all moneys delivered to it pursuant by the Remarketing Agent for the purchase of Bonds into the Remarketing Proceeds Account and shall hold all such moneys in trust for the exclusive benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Owners tendering such Bonds.

The Bond Trustee shall deposit all moneys delivered to it by the Corporation pursuant to the Loan Agreement and as described under clause (iii) under “Remarketing of Bonds” for the purchase of Bonds into the Corporation Account.

Moneys in the Purchase Fund shall not be commingled with other funds held by the Bond Trustee and shall remain uninvested. Neither the Authority nor the Corporation shall have any right, title or interest in or to any moneys held in the Purchase Fund. The Bond Trustee shall not have any right, title or interest in or to any moneys held in the Purchase Fund other than for the payment of the Tender Price on the Bonds as set forth in this section.

Payment of Tender Price. At or before 2:30 p.m. on the Mandatory Tender Date and upon receipt by the Bond Trustee of the aggregate Tender Price of the tendered Bonds, the Bond Trustee shall pay the Tender Price of such Bonds to the Owners by bank wire transfer in immediately available funds. The Bond Trustee shall pay the Tender Price from the following accounts and in the following order of priority: (1) the Remarketing Proceeds Account to the extent funds are available therein, and (2) the Corporation Account.

Delivery of Bonds by Tendering Bondowners; Undelivered Bonds Deemed Purchased. All Bonds to be purchased on any date shall be required to be delivered to the Designated Office of the Bond Trustee at or before 11:00 a.m. on such Mandatory Tender Date. If the Owner of any Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Bond Trustee for purchase on the Mandatory Tender Date, and if the Bond Trustee is in receipt of the Tender Price therefor, such Bond (or portion thereof) shall nevertheless be deemed tendered and purchased on the day fixed for purchase thereof and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided below. Any Owner who fails to deliver such Bond for purchase shall have no further rights thereunder except the right to receive the Tender Price thereof upon presentation and surrender of said Bond to the Bond Trustee.

Delivery of Bonds to Purchasers. As long as the Bonds are held under the book- entry system of the Securities Depository, all tenders and deliveries of Bonds will be accomplished under the procedures of the Securities Depository.

No Purchases or Sales in Certain Circumstances. Anything in the Bond Indenture to the contrary notwithstanding, if (i) there shall have occurred and be continuing an Event of Default as in the payment of principal of or interest on the Bonds, or (ii) any conditions set forth in the Remarketing Agreement to the performance of the Remarketing Agent’s obligation thereunder to remarket tendered Bonds have not been satisfied, then the Remarketing Agent shall not remarket any Bonds.

The Calculation Agent

During the Index Rate Mode, a Calculation Agent shall be appointed by the Corporation and shall serve as such under the terms and provisions set forth in the Bond Indenture. The Calculation Agent and each successor Calculation Agent, if any, including the initial Calculation Agent, appointed in accordance with the Bond Indenture shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it by a written instrument of acceptance delivered to the Authority, the Bond Trustee, and the Corporation, under which the Calculation Agent will agree particularly:

- (i) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Corporation, the Authority and the Bond Trustee at all reasonable times; and
- (ii) to determine the Index Rate (based on the Applicable Percentage and the Applicable Spread provided to the Calculation Agent in accordance with the provisions of the Bond Indenture) and give notice of such determinations in accordance with the Bond Indenture.

The Calculation Agent may at any time resign and be discharged of the duties and obligations described in the Bond Indenture by giving at least 15 days' notice to the Corporation, the Authority, the Bond Trustee, and the Remarketing Agent (if any). Successor Calculation Agents may be appointed from time to time by the Corporation. The Calculation Agent may be removed upon 15 days' notice upon the Written Request of the Corporation, and, upon written notice to the Remarketing Agent (if any), the Authority and the Bond Trustee, so long as a successor Calculation Agent satisfactory to the Remarketing Agent, if any, shall have assumed the duties thereof by the effective date of such removal. No removal or resignation of the Calculation Agent shall be permitted until a successor has been appointed in accordance with the provisions hereof.

* * * * *

SUMMARY OF THE LOAN AGREEMENT

The following is a summary of certain provisions contained in the applicable Loan Agreement for the Series 2021A Bonds. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Loan Agreement for a complete recital of its terms. All references to a percentage of Bonds outstanding or a majority of Bonds outstanding shall mean the percentage or majority of the applicable series of Bonds.

Loan of Funds to the Corporation

The Authority agrees that, simultaneously with the execution and delivery of the Loan Agreement, it will make a loan to the Corporation, using the proceeds of the sale of the Bonds, and the Corporation agrees to receive the loan from the Authority, for the purposes set forth in the Loan Agreement and in the Bond Indenture. Upon the terms and conditions of the Loan Agreement and the Bond Indenture, the Authority shall make a loan to the Corporation by loaning to the Corporation the proceeds of the sale of the Bonds. The loan shall be made by depositing or transferring the Bond proceeds as provided in the Bond Indenture. The Corporation approves the Bond Indenture and the issuance of the Bonds by the Authority. The obligation of the Authority to make the loan as provided in the Loan Agreement shall be subject to the receipt by it of the proceeds of the sale of the Bonds.

As an inducement for the Authority to issue the Bonds and make the loan to the Corporation, and as evidence of and security for the Corporation's obligations to make Loan Payments, and to further provide for the Loan Payments under the Loan Agreement and the payment of the principal of and premium, if any, and interest on the Bonds, the Corporation shall cause the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, to be issued under the Master Indenture to the Authority and pledged and assigned to the Bond Trustee in substantially the form specified by the Supplemental Master Indenture.

The Corporation shall pledge to the Authority all its right, title and interest in and to the proceeds of the loan, including any securities purchased with those proceeds and any earnings thereon, to secure the payment of the Bonds, such pledge to be effected by the deposit of such proceeds in accordance with the Bond Indenture. Such pledge shall continue so long as such proceeds are held by the Bond Trustee, it being understood that the Bond Trustee shall be authorized to apply and disburse such proceeds as provided in the Bond Indenture. The Corporation consents to the Authority assigning and pledging its interest in such proceeds to the Bond Trustee (other than the Unassigned Authority Rights) to secure the payment of the Bonds as set forth in the Bond Indenture.

The proceeds of the Bonds shall be deposited with the Bond Trustee and disbursed and applied as provided in the Bond Indenture.

Completion of the Project

The Corporation will cause the Project to be diligently and continuously prosecuted and to be completed with reasonable dispatch, and to provide (from its own funds if required) all moneys necessary to complete the Project. The Corporation shall cause the Corporation Representative to deliver, within 90 days after the completion of the Project (or the portion thereof that is being financed with the proceeds of the Bonds), the certificate required by the Bond Indenture. In the event proceeds of the Bonds are not sufficient to complete acquisition, construction and installation of the Project, the Corporation agrees to provide sufficient funds to complete the Project, and the Authority shall have no obligation to provide any funds to complete the Project.

Changes or Amendments to the Project

The Corporation may make, authorize or permit such changes or amendments in the Project as it may reasonably determine necessary or desirable; provided, however, that no such change or amendment shall be made to the Project that would cause a material change in the cost, scope, nature, or function of the Project, unless the Corporation shall file with the Bond Trustee and the Authority the following:

(a) A Certificate of Corporation Representative to the effect that the Project will, after such change or amendment, constitute a project that may be financed or refinanced with proceeds of the Bonds under the Act and that such change or amendment will not result in the Project being used for any purpose prohibited by the Loan Agreement or otherwise result in the Corporation failing to comply with any provisions of the Loan Agreement;

(b) Both (1) an Opinion of Bond Counsel addressed to the Bond Trustee and the Authority to the effect that such change or amendment will not result in the interest on the Bonds becoming includable in gross income for purposes of federal income taxation and (2) a Certificate of Corporation Representative to the effect that such change or amendment will not cause the average maturity of the Bonds to exceed 120% of the average reasonably expected economic life of the facilities being financed or refinanced with proceeds of the Bonds as recalculated in accordance with the provisions of the Internal Revenue Code. In the case of any change that would render materially inaccurate the description of the Project, there shall be delivered to the Bond Trustee and the Authority a revised description of the Project that reflects the change in the Project, the accuracy of which shall have been certified by the Corporation; and

(c) A copy of each such change in or amendment to the Project.

If any material change or amendment is made in the facilities financed or refinanced with proceeds of the Bonds as described in this Section, the Corporation at the completion of such facilities shall recalculate the average reasonably expected economic life of such facilities. If any such recalculation of the average reasonably expected economic life of such facilities demonstrates that the combined average maturity of the Bonds exceeds 120% of the average reasonably expected economic life of such facilities, the Corporation will instruct the Bond Trustee to call Bonds for redemption pursuant to the Bond Indenture and to pay to the Bond Trustee for deposit in the Debt Service Fund held under the Bond Indenture, as a prepayment of a portion of the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable,, an amount which, when applied by the Bond Trustee to redeem Bonds, is sufficient, based on an Opinion of Bond Counsel (which opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Bond Trustee), to cause the combined average maturity of the Bonds to be no more than 120% of the average reasonably expected economic life of the facilities financed or refinanced with proceeds of the Bonds.

Loan Payments

The Corporation will duly and punctually pay amounts sufficient to pay the principal of and premium, if any, and interest on the Bonds on the dates and at the places and in the manner specified in the Bond Indenture and in the Loan Agreement, according to the true intent and meaning thereof. The Corporation agrees to make payments at the times and in the amounts (including principal, interest and premium, if any) equal to the amounts to be paid as interest, premium, if any, and principal whether at maturity or by mandatory redemption upon the Bonds from time to time Outstanding under the Bond Indenture. To provide for the payment of the principal of and premium, if any, and interest on the Bonds, the Corporation shall make the following payments directly to the Bond Trustee, for the account of the Authority, for deposit in the Debt Service Fund, on the following dates, and otherwise as set out below:

(1) *Debt Service Fund -- Interest:* With respect to the Series 2021A Bonds and Series 2021C Bonds, on or before the 10th day of each month, commencing September 10, 2021, an amount which is equal to one-third of the interest to become due on November 15, 2021, and commencing

December 10, 2021, an amount which is equal to one-sixth of the interest to become due on the next Interest Payment Date; provided that the Corporation may be entitled to certain credits on such payments as permitted under the Loan Agreement.

(2) *Debt Service Fund -- Principal:* On or before the 10th day of each month, an amount which is equal to one-twelfth of the installment of principal due on the Bonds on the next May 15 by maturity or mandatory sinking fund redemption; provided that the Corporation may be entitled to certain credits on such payments as permitted under the Loan Agreement.

(3) *Debt Service Fund -- Redemption:* On or before the date required by the Loan Agreement or the Bond Indenture, the amount required to redeem Bonds then Outstanding if the Corporation exercises its right to redeem Bonds under any provision of the Bond Indenture or if any Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Bond Indenture.

The payments required to be made under the Loan Agreement are sometimes referred to as “Loan Payments.”

Unpaid Loan Payments shall bear interest at the rate or rates of interest applicable to the corresponding payments on the Bonds. Any interest charged and collected on an unpaid Loan Payment shall be deposited to the credit of the Debt Service Fund and applied to pay interest on overdue amounts in accordance with the Bond Indenture.

Credits on Loan Payments

Notwithstanding any provision contained in the Loan Agreement or in the Bond Indenture to the contrary, in addition to any credits on the Loan Payments resulting from the payment or prepayment of Loan Payments from other sources:

(1) any moneys deposited by the Bond Trustee or the Corporation in the Debt Service Fund for the payment of interest (including moneys received as accrued interest from the sale of Bonds and any initial deposit made from the proceeds of the sale of the Bonds) shall be credited against the obligation of the Corporation to pay interest on the Bonds as the same become due;

(2) any moneys deposited by the Bond Trustee or the Corporation in the Debt Service Fund for the payment of principal shall be credited against the obligation of the Corporation to pay principal of the Bonds as the same become due or are subject to mandatory sinking fund redemption in the order of maturity thereof, except that prepayments for purposes of making an optional deposit into the Debt Service Fund for the redemption of Bonds shall be applied to the maturities of principal of the Bonds to be redeemed or purchased, delivered and cancelled from the proceeds of such optional deposit;

(3) the principal amount of Bonds of any maturity purchased by the Corporation and delivered to the Bond Trustee, or purchased by the Bond Trustee and cancelled, shall be credited against the obligation of the Corporation to pay principal of the Bonds so purchased (including installment payments corresponding to mandatory sinking fund payments, if any, on the Bonds); provided that deposit of a Bond of one maturity may not be credited against a payment which would be used, in the normal course, to retire a Bond of another maturity; and

(4) the amount of any moneys transferred by the Bond Trustee from any other fund held under the Bond Indenture and deposited in the Debt Service Fund for the payment of interest or principal shall be credited against the obligation of the Corporation to pay interest or principal, as the case may be, as the same become due.

Additional Payments

The Corporation will make the following Additional Payments to the following persons:

(a) *Authority Fees and Expenses.* To the Authority, the expenses of the Authority in connection with the issuance of the Bonds, including reasonable fees and disbursements of its counsel, and (ii) upon demand, all reasonable expenses, including attorneys' fees and any expenses related to the calculation or rebate, incurred by the Authority in relation to the Bonds and the transactions contemplated by the Bond Documents.

(b) *Bond Trustee Fees and Professional Fees.* To the Bond Trustee and any Paying Agent, registrars, counsel, accountants, engineers and other Persons when due, all reasonable fees, charges and expenses of such Persons for services rendered under the Bond Indenture and under any of the Bond Documents and expenses incurred in the performance of such services under the Bond Indenture and any of the Bond Documents for which such Persons are entitled to payment or reimbursement.

(c) *Advances.* To the Bond Trustee, the amount of all advances of funds made by it under the Loan Agreement, with interest thereon at the rate of interest per annum equal to the Prime Rate plus 1%.

(d) *Rebate Payments.* To the Bond Trustee, all rebate payments required under Section 148(f) of the Internal Revenue Code.

(e) *Indemnification of Authority and Bond Trustee.* The Corporation will, at its expense, pay and indemnify the Authority and the Bond Trustee and their respective current, former and future members, directors, officers and employees and agents from and against, all costs, expenses and charges, including reasonable counsel fees, incurred in enforcing any covenant or agreement of the Corporation or any other Member of the Obligated Group contained in any Bond Document. Such indemnification of the Authority shall be in addition to and not in lieu of the indemnification provisions contained in the Loan Agreement.

(f) *Trustee Replacement Fees.* To the Bond Trustee, any successor trustee and the Authority, an amount equal to all fees and expenses, including fees and expenses of Bond Trustee's and Authority's counsel, in connection with the removal and replacement of the Bond Trustee.

(g) *Taxes and Assessments.* All taxes and assessments of any type or character charged to the Authority or to the Bond Trustee affecting the amount available to the Authority or the Bond Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated thereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Bond Trustee, at the Corporation's expense, including reasonable attorneys' fees, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Bond Trustee.

(h) *Accountants and Expert Fees.* The other reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement or the Bond Indenture.

(i) *Other Payments.* All other payments of whatever nature which the Corporation has agreed to pay or assume under the Loan Agreement.

Obligations of the Corporation Unconditional

The Corporation shall pay all Loan Payments and Additional Payments due under the Loan Agreement and perform its obligations, covenants and agreements under the Loan Agreement, without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstances whatsoever, whether now existing or hereafter arising, and regardless of any change in the tax or other law of the United States of America, the State or any political subdivision of either thereof, any change in the Authority's legal organization or status, or any default of the Authority under the Loan Agreement, and regardless of the invalidity of any action of the Authority, and regardless of the invalidity of any portion of the Loan Agreement, and, to the extent permitted by law, the Corporation waives the provisions of any statute or other law now or hereafter in effect contrary to any of its obligations, covenants or agreements under the Loan Agreement or which releases or purports to release the Corporation therefrom. It is the intent of the Loan Agreement that the Corporation shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Loan Agreement and the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, for the benefit of the Owners of the Bonds. In furtherance of the foregoing, the Corporation shall bear all risk of damage or destruction in whole or in part to the Financed Facilities or any part of any thereof, including any loss, complete or partial, or interruption in the use, occupancy, or operation of the Financed Facilities or related property, or any manner or thing that for any reason interferes with, prevents or renders burdensome the use or occupancy of the Financed Facilities or related property or the compliance by the Corporation with the Loan Agreement.

Covenants under the Master Indenture or the Bond Indenture

The Corporation will faithfully perform and comply with all obligations and covenants contained in the Master Indenture, except to the extent they are waived thereunder. The Corporation will deliver to the Bond Trustee all reports, certificates, opinions and other documents required by the Master Indenture to be submitted to the Master Trustee at the times they are required to be submitted to the Master Trustee.

Maintenance and Use of the Project and Financed Facilities

Subject to the provisions of the Loan Agreement, the Master Indenture and the Acts, the Corporation and its Affiliates shall have the right to use the Financed Facilities for any purpose allowed by law and contemplated by the Acts. Except as provided in the Loan Agreement, the Authority reserves no power or authority with respect to the operation of the Financed Facilities by the Corporation and its Affiliates and activities incident thereto, it being the intention of the parties to the Loan Agreement that so long as the Corporation shall duly and faithfully observe and perform all of the terms covenants, provisions and agreements of the Loan Agreement, the Corporation shall manage, administer and govern the Financed Facilities in its activities and affairs on a continuing day-to-day basis, including matters relating to the professional staff and other functions customarily conducted or pursued by the independent managing and governing authority of a private not-for-profit health institution. The Corporation will not use or suffer or permit the use of any of the properties financed or refinanced by or for which it is reimbursed in whole or in part, out of the proceeds of the Bonds: (1) in a manner in violation of the Establishment Clause of the First Amendment to the Constitution of the United States; or (2) in an unrelated trade or business as defined in Section 513(a) of the Internal Revenue Code, or by any Person who is not, or whose sole member is not, an organization described in Section 501(c)(3) of the Internal Revenue Code, in either case in such manner or to any extent which could jeopardize the validity of the Bonds or result in the inclusion of interest on the Bonds in federal gross income under Section 103(a) of the Internal Revenue Code. The Corporation will operate or to cause the Project and the other Financed Facilities to be operated to the expiration of the term of the Loan Agreement as an eligible "project" (for purposes of the Acts) and will have complete lawful authority to operate or cause the Financed Facilities to be

operated for that purpose. Neither the Authority nor the Bond Trustee shall have any obligation to maintain or monitor the use of the Financed Facilities.

Tax Covenants

The Corporation will not take any action or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds and will take whatever action, or refrain from whatever action, necessary to comply with the requirements of the Internal Revenue Code to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds. The Corporation will comply with the Tax Agreement and will pay or provide for payment to the United States Government or the Bond Trustee, all rebate payments required under Section 148(f) of the Internal Revenue Code and the Tax Agreement, to the extent such amounts are not available to the Bond Trustee in the Rebate Fund held under the Bond Indenture. This covenant shall survive payment in full or defeasance of the Bonds.

Events of Default

The occurrence and continuance of any of the following events shall constitute an “Event of Default” under the Loan Agreement:

(a) failure of the Corporation to pay the Loan Payments or any installment of interest or principal, or any premium, on the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, when the same shall become due and payable, whether at maturity or upon any date fixed for prepayment or redemption or by acceleration or otherwise; or

(b) default in the performance, or breach, of any covenant or agreement of the Corporation in the Loan Agreement or the Tax Agreement (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of 60 days after there has been given to the Corporation by the Authority or the Bond Trustee or to the Corporation and the Bond Trustee by the owners of at least 10% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied or such longer period as shall be required to remedy such default if such default cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, and the Corporation has immediately upon receipt of such notice commenced the curing of such default and is pursuing such cure with due diligence and dispatch; or

(c) any representation or warranty made by the Corporation in the Loan Agreement or any other Bond Document or in any written statement or certificate furnished by the Corporation to the Authority or the Bond Trustee or the Original Purchaser in connection with the sale of any Bonds, or furnished by the Corporation pursuant thereto proves untrue in any material respect as of the date of the issuance or making thereof and, if the same may be corrected or brought into compliance so that the interests of the Bond Trustee, the Authority and the Bondowners are not materially adversely affected by such untruth, shall not be corrected or brought into compliance within 60 days after there has been given to the Corporation by the Authority or the Bond Trustee or to the Corporation and the Bond Trustee by the Owners of at least 10% in principal amount of the Bonds Outstanding, a written notice specifying such untruth and requiring it to be remedied or such longer period as is required to remedy such untruth if such untruth cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied and the Corporation has immediately upon receipt of such notice commenced the curing of such untruth and is pursuing such cure with due diligence and dispatch; or

(d) any “Event of Default” specified in the Bond Indenture or the Master Indenture that has not been waived.

Promptly after any officer of the Corporation may reasonably be deemed to have knowledge of a default under the Loan Agreement, the Corporation will deliver to the Bond Trustee a written notice specifying the nature and period of existence thereof and the action the Corporation is taking and proposes to take with respect thereto.

Remedies

During the occurrence and continuance of any Event of Default under the Loan Agreement, the Bond Trustee, as assignee of the Authority, shall have the following rights and remedies, in addition to any other remedies therein or by law provided:

(a) *Acceleration of Maturity; Waiver of Event of Default and Rescission of Acceleration.* The Bond Trustee as assignee of the Authority, if the Bond Trustee has declared the principal of all Bonds then Outstanding to be due and payable pursuant to the Bond Indenture shall, by written notice to the Master Trustee, the Obligated Group Representative and the Corporation request the Master Trustee to declare the principal of the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, and the Loan Payments to be due and payable immediately pursuant to the Master Indenture (but the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, and the Loan Payments shall become and be immediately due and payable as a result of such request only if the Master Trustee shall declare it to be due and payable in accordance with said Section). This provision, however, is subject to the condition that if, at any time after the principal of the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, shall have been so declared and become due and payable, all arrears of interest and principal then due, if any, upon the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, and the fees, costs, advances and expenses of the Authority and the Bond Trustee shall be paid by the Corporation, and every other default in the observance or performance of any covenant, condition or agreement contained in the Loan Agreement and the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, shall be made good, or be secured, to the satisfaction of the Bond Trustee, or provision deemed by the Bond Trustee to be adequate shall be made therefor, and the acceleration of the Bonds and its consequences has been annulled or rescinded pursuant to the Bond Indenture then and in every such case the Bond Trustee, by written notice to the Master Trustee, the Corporation and the Obligated Group Representative, may request the Master Trustee to waive the Event of Default by reason of which the principal of the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, shall have been so declared and become due and payable and to rescind and annul such declaration and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

(b) *Right to Bring Suit, Etc.* The Bond Trustee may in its discretion without notice or demand (1) proceed to protect and enforce its rights by a suit or suits in equity or at law, whether for damages or for the specific performance of any covenant or agreement contained in the Series 2021A Note, Series 2021B Note, or Series 2021C Note, as applicable, or the Loan Agreement, or in aid of the execution of any power therein granted or for the enforcement of any other appropriate legal or equitable remedy, as the Bond Trustee shall deem effectual to protect and enforce any of its rights or duties thereunder or (2) avail itself of all other rights or remedies available to it.

If the Bond Trustee exercises any of its rights under this Section, it shall give notice of such exercise to the Corporation (i) in writing in the manner provided in the Loan Agreement and (ii) by telephone or telegram, provided that failure to give such notice by telephone or telegram shall not affect the validity of the exercise of any right or remedy under this Section.

Application of Moneys Collected

Any moneys collected by the Bond Trustee pursuant to this Section (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Bond Trustee as part of the Trust Estate, shall be applied as provided in the Bond Indenture and, in case of the distribution of such money on account of principal or premium, if any, or interest on the Bonds, shall be credited against Loan Payments due under the Loan Agreement.

Assignment by the Corporation

The Loan Agreement may be assigned, as a whole or in part, by the Corporation without the necessity of obtaining the consent of the Bond Trustee, subject to each of the following conditions:

(a) No assignment shall relieve the Corporation from primary liability for any obligations under the Loan Agreement, and in the event of any such assignment the Corporation shall continue to remain primarily liable for payment of the amounts specified in the Loan Agreement and for performance and observance of the other agreements on its part provided in the Loan Agreement to be performed and observed by the Corporation to the same extent as though no assignment had been made, unless such assignment is pursuant to a merger permitted under the Master Indenture in which the Corporation is not the surviving entity and the surviving entity has assumed such liability;

(b) The assignee shall assume the obligations of the Corporation under the Loan Agreement to the extent of the interest assigned;

(c) The Bond Trustee and the Authority shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Bond Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Bond, would not cause the interest payable on such Bond to become includable in gross income under the Internal Revenue Code; and

(d) The Corporation shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Bond Trustee a true and complete copy of each assignment and assumption of obligation.

* * * * *

APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL – SERIES 2021A, 2021B and 2021D]

August 31, 2021

Iowa Finance Authority
Des Moines, Iowa

Lifespace Communities, Inc.
West Des Moines, Iowa

U.S. Bank National Association,
as Bond Trustee and Master Trustee
Fort Lauderdale, Florida

B.C. Ziegler and Company
Chicago, Illinois

Herbert J. Sims & Co., Inc.
Fairfield, Connecticut

BMO Harris Bank N.A.
Chicago, Illinois

Re: \$73,650,000 aggregate principal amount of Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2021A; \$30,000,000 aggregate principal amount of Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2021B; and \$55,000,000 maximum principal amount of Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2021D

Ladies and Gentlemen:

We have acted as bond counsel to the Iowa Finance Authority (the “Authority”) in connection with the issuance by the Authority of the above-captioned bonds (the “Bonds”), pursuant to Chapter 16 of the Code of Iowa, as amended (the “Act”), and three separate Bond Trust Indentures, each dated as of August 1, 2021 (a “Bond Indenture” and collectively, the “Bond Indentures”), each between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Indentures.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority and Lifespace Communities, Inc., an Iowa nonprofit corporation (the “Corporation”), contained in the Loan Agreement, the Tax Agreement and the other Bond Documents and certified proceedings and other certifications of the Authority, the Corporation and others furnished to us, without undertaking to verify them by independent investigation.

We have also relied on the legal opinion of Dorsey & Whitney, LLP, Des Moines, Iowa, counsel for the Corporation, dated the date of this opinion, regarding certain matters, including (a) the corporate status and due organization of the Corporation, (b) the status of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), (c) the corporate power of the Corporation to enter into and perform its obligations under the Loan Agreement, the Tax Agreement and the Bond Notes, and (d) the due authorization, execution and delivery of the Loan Agreement, the Tax Agreement and the Bond Notes by the Corporation and the binding effect and enforceability of those documents against the Corporation and the Obligated Group.

Based on and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and legally binding special, limited obligations of the Authority.

2. The Bonds are payable solely from loan payments made by the Corporation under the respective Loan Agreements and payments made by the Obligated Group on the respective Bond Notes and other funds held by the Bond Trustee and pledged under the Bond Indenture as security for the Bonds. As provided in the Act, the Bonds and the interest thereon and any other payments or costs incident thereto do not constitute an indebtedness or a loan of the credit of the Authority, the State of Iowa or any political subdivision thereof within the meaning of any constitutional or statutory provisions. The Authority does not pledge its faith or credit nor the faith or credit of the State of Iowa nor any political subdivision of the State of Iowa to the payment of the principal of, the interest on or any other payments or costs incident to the Bonds; and the Bonds are special, limited obligations of the Authority payable solely out of the payments and prepayments made by the Corporation under the Loan Agreement and the Bond Note and from other amounts payable or pledged under the Loan Agreement. The Authority has no taxing power.

3. Each Bond Indenture, each Loan Agreement and the Tax Agreement have been duly authorized, executed and delivered by the Authority and are valid and legally binding agreements of the Authority, enforceable against the Authority. The Bond Indentures creates a valid lien on the Trust Estate pledged and assigned by the Authority to the Bond Trustee under each Bond Indenture for the benefit and security of the owners of the Bonds of the corresponding series.

4. The interest on the Bonds is excludable from gross income for federal income tax purposes. Moreover, such interest is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinion set forth in this paragraph is subject to the condition that the Authority and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Corporation have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds are not “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is subject to income taxation by the State of Iowa.

We express no opinion regarding (a) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), (b) the perfection or priority of the lien on the Trust Estate pledged under the Bond Indenture, or (c) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Indentures, the Loan Agreements, the Tax Agreement and the Bond Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

[FORM OF OPINION OF BOND COUNSEL – SERIES 2021C]

August 31, 2021

Palm Beach County Health Facilities Authority
North Palm Beach, Florida

Lifespace Communities, Inc.
West Des Moines, Iowa

U.S. Bank National Association,
as Bond Trustee and Master Trustee
Fort Lauderdale, Florida

B.C. Ziegler and Company
Chicago, Illinois

Herbert J. Sims & Co., Inc.
Fairfield, Connecticut

Re: \$16,715,000 aggregate principal amount of Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2021C

Ladies and Gentlemen:

We have acted as bond counsel to the Palm Beach County Health Facilities Authority (the “Authority”) in connection with the issuance by the Authority of the above-captioned bonds (the “Bonds”), pursuant to Chapter 154, Part III and Chapter 159, Part II of the Florida Statutes, as supplemented and amended, an Interlocal Agreement dated as of October 11, 2016, between the Authority and Seminole County, Florida, and a Bond Trust Indenture dated as of August 1, 2021 (the “Bond Indenture”), between the Authority and U.S. Bank National Association, as bond trustee (the “Bond Trustee”). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Indenture.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority and Lifespace Communities, Inc., an Iowa nonprofit corporation (the “Corporation”), contained in the Loan Agreement, the Tax Agreement and the other Bond Documents and certified proceedings and other certifications of the Authority, the Corporation and others furnished to us, without undertaking to verify them by independent investigation.

We have also relied on the legal opinion of Dorsey & Whitney, LLP, Des Moines, Iowa, counsel for the Corporation, dated the date of this opinion, regarding certain matters, including (a) the corporate status and due organization of the Corporation, (b) the status of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), (c) the corporate power of the Corporation to enter into and perform its obligations under the Loan Agreement, the Tax Agreement and the Bond Note, and (d) the due authorization, execution and delivery of the Loan Agreement, the Tax Agreement and the Bond Note by the Corporation and the binding effect and enforceability of those documents against the Corporation and the Obligated Group.

Based on and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and legally binding special, limited obligations of the Authority.

2. The Bonds are payable solely from loan payments made by the Corporation under the Loan Agreement and payments made by the Obligated Group on the Bond Note and other funds held by the Bond Trustee and pledged under the Bond Indenture as security for the Bonds. The Bonds do not constitute a debt, liability or obligation of Palm Beach County, Florida, Seminole County, Florida, the State of Florida or any political subdivision of any thereof, and none of Palm Beach County, Florida, Seminole County, Florida, the State of Florida, or any political subdivision of any thereof shall be liable thereon. The Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation of the State of Florida. The Bonds do not, directly or indirectly obligate Palm Beach County, Florida, Seminole County, Florida, the State of Florida, or any political subdivision of any thereof to levy any form of taxation therefor or to make any appropriation for their payment, and the Bond do not and shall never constitute a charge against the general credit or taxing powers of Palm Beach County, Florida, Seminole County, Florida, the State of Florida, or any political subdivision of any thereof. The Authority has no taxing power.

3. The Bond Indenture, the Loan Agreement and the Tax Agreement have been duly authorized, executed and delivered by the Authority and are valid and legally binding agreements of the Authority, enforceable against the Authority. The Bond Indenture creates a valid lien on the Trust Estate pledged and assigned by the Authority to the Bond Trustee under the Bond Indenture for the benefit and security of the owners of the Bonds.

4. The interest on the Bonds is excludable from gross income for federal income tax purposes. Moreover, such interest is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinion set forth in this paragraph is subject to the condition that the Authority and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority and the Corporation have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds are not “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The interest on the Bonds is exempt from State of Florida taxes except estate taxes and taxes imposed by Chapter 220, Florida Statutes, as amended, with respect to interest, income or profits on obligations owned by corporations.

We express no opinion regarding (a) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), (b) the perfection or priority of the lien on the Trust Estate pledged under the Bond Indenture, or (c) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Indenture, the Loan Agreement, the Tax Agreement and the Bond Note may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

L I F E S P A C E

COMMUNITIES®



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