

*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 2023 Bonds (including any original issue discount properly allocable to an owner thereof) 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 2023 Bonds have not been designated "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Interest on the Series 2023B Bonds is not excluded from income for State of Iowa income tax purposes. Interest on the Series 2023C 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®

**\$111,735,000**  
**REVENUE BONDS**  
**(LIFESPAC E COMMUNITIES, INC.)**

consisting of

**\$82,140,000**  
**IOWA FINANCE AUTHORITY**  
**REVENUE BONDS**  
**(LIFESPAC E COMMUNITIES, INC.),**  
**SERIES 2023B**

**\$29,595,000**  
**PALM BEACH COUNTY HEALTH**  
**FACILITIES AUTHORITY**  
**REVENUE BONDS**  
**(LIFESPAC E COMMUNITIES, INC.),**  
**SERIES 2023C**

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 \$82,140,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2023B (the "Series 2023B Bonds") and the Palm Beach County Health Facilities Authority (the "Florida Authority" and, together with the Iowa Authority, the "Authorities" and each, an "Authority") is issuing its \$29,595,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2023C (the "Series 2023C Bonds" and, together with the Series 2023B Bonds, the "Series 2023 Bonds") the proceeds of which will be loaned to Lifespace Communities, Inc. (the "Corporation") pursuant to two 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 2023 Bonds will be issued and secured under the terms of two separate Bond Trust Indentures (together, the "Bond Indentures"). Except as described in this Official Statement, each series of the Series 2023 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 2023 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") among the Corporation, Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek ("Querencia" and, together with the Corporation, the "Members of the Obligated Group") and U.S. Bank Trust Company, National Association, as successor master trustee (the "Master Trustee"). The sources of payment of, and security for, the Series 2023 Bonds are more fully described in this Official Statement.

The Series 2023 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 2023 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 2023 Bonds involves a certain degree of risk related to the nature of the business of the Members of the Obligated Group, the regulatory environment, and the provisions of the principal documents. Prospective Bondowners are advised to read "**SECURITY FOR SERIES 2023 BONDS,**" "**SECURITY FOR THE MASTER NOTES,**" "**REGULATORY ENVIRONMENT**" and "**RISK FACTORS**" herein for a description of the security for the Series 2023 Bonds and for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2023 Bonds.

THE SERIES 2023 BONDS WILL BE SUBJECT TO OPTIONAL, MANDATORY AND EXTRAORDINARY OPTIONAL REDEMPTION, AS MORE FULLY DESCRIBED HEREIN.

**Each series of the Series 2023 Bonds are special, limited obligations of the related Authority payable solely from the proceeds of such Series 2023 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 or interest on any Series 2023 Bonds except from said pledged 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 or interest on the Series 2023 Bonds. The Authorities have no taxing power.**

The Series 2023 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 2023 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, Chapman and Cutler LLP, Chicago, Illinois; and for the Obligated Group by its counsel, Dorsey & Whitney LLP, Des Moines, Iowa. It is expected that the Series 2023 Bonds in definitive form will be available for delivery through The Depository Trust Company in New York, New York on or about December 14, 2023.



## MATURITY SCHEDULES

**\$82,140,000**  
**IOWA FINANCE AUTHORITY**  
**REVENUE BONDS**  
**(LIFESPACE COMMUNITIES, INC.),**  
**SERIES 2023B**

**Dated: Date of Delivery**

**Due: May 15, as shown below**

The Series 2023B Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2023B Bonds will be payable on each May 15 and November 15, commencing on May 15, 2024.

\$10,500,000 6.600% Term Bond due May 15, 2028, Priced: 100.00% to yield 6.600%, CUSIP<sup>†</sup>: 46247SFC3  
\$13,445,000 6.750% Term Bond due May 15, 2033, Priced: 100.00% to yield 6.750%, CUSIP<sup>†</sup>: 46247SFD1  
\$17,750,000 7.250% Term Bond due May 15, 2038, Priced: 100.00% to yield 7.250%, CUSIP<sup>†</sup>: 46247SFE9  
\$40,445,000 7.500% Term Bond due May 15, 2053, Priced: 97.674% to yield 7.700%, CUSIP<sup>†</sup>: 46247SFF6

**\$29,595,000**  
**PALM BEACH COUNTY HEALTH**  
**FACILITIES AUTHORITY**  
**REVENUE BONDS**  
**(LIFESPACE COMMUNITIES, INC.), SERIES 2023C**

**Dated: Date of Delivery**

**Due: May 15, as shown below**

The Series 2023C Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2023C Bonds will be payable on each May 15 and November 15, commencing on May 15, 2024.

\$8,695,000 7.500% Term Bond due May 15, 2053, Priced: 97.674% to yield 7.700%, CUSIP<sup>†</sup>: 696507VS8  
\$20,900,000 7.625% Term Bond due May 15, 2058, Priced: 97.907% to yield 7.800%, CUSIP<sup>†</sup>: 696507VT6

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<sup>†</sup> A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference and none of the Authority, the Corporation or the Underwriter take responsibility for the accuracy of such data.

**Lifespace Communities, Inc.**  
**The Florida Communities**



**Abbey Delray**



**Abbey Delray South**



**Harbour's Edge**



**The Waterford**



**Village on the Green**

**Lifespace Communities, Inc.  
Other Communities**



**Beacon Hill**



**Claridge Court**



**Friendship Village of Bloomington**



**Friendship Village of South Hills**



**Oak Trace**



**Querencia**

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## REGARDING USE OF THIS OFFICIAL STATEMENT

IN CONNECTION WITH THE OFFERING OF THE SERIES 2023 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2023 BONDS AT LEVELS ABOVE THOSE THAT 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 2023 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Except where otherwise indicated, this Official Statement speaks as of the date hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the Obligated Group since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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, and is not to be construed as a representation, by either Authority or the Underwriters. Neither Authority has participated in the preparation of this Official Statement or reviewed or approved any information in this Official Statement and has not verified the accuracy of any information contained herein, except information relating to such Authority under the headings “**THE FLORIDA AUTHORITY**” and “**LITIGATION – The Florida Authority**” and “**THE IOWA AUTHORITY**” and “**LITIGATION – The Iowa Authority.**” Any approval by the Authorities of this Official Statement or its use does not constitute approval of information contained herein, other than such aforesaid information contained herein. 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 2023 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 2023 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2023 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 2023 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 2023 Bonds. No assurance can be given that the CUSIP numbers will remain the same after the date of issuance and delivery of the Series 2023 Bonds.

This Official Statement is being provided to prospective purchasers in either bound or printed format (“Original Bound Format”), or in electronic format on the following website: [www.munios.com](http://www.munios.com). This Official Statement may be relied on only if it is in its Original Bound Format, or if it is printed or saved in full directly from the aforementioned website or [www.emma.msrb.org](http://www.emma.msrb.org).

## OFFICIAL STATEMENT

**\$111,735,000**  
**REVENUE BONDS**  
**(LIFESPACE COMMUNITIES, INC.)**

consisting of

**\$82,140,000**  
**IOWA FINANCE AUTHORITY**  
**REVENUE BONDS**  
**(LIFESPACE COMMUNITIES, INC.),**  
**SERIES 2023B**

**\$29,595,000**  
**PALM BEACH COUNTY HEALTH**  
**FACILITIES AUTHORITY**  
**REVENUE BONDS**  
**(LIFESPACE COMMUNITIES, INC.),**  
**SERIES 2023C**

## 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 \$82,140,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2023B (the “Series 2023B Bonds”) and by the Palm Beach County Health Facilities Authority (the “Florida Authority” and, together with the Iowa Authority, the “Authorities” and each, an “Authority”) of its \$29,595,000 Revenue Bonds (Lifespace Communities, Inc.), Series 2023C (the “Series 2023C Bonds” and, together with the Series 2023B Bonds, the “Series 2023 Bonds”). Certain capitalized terms used in this Official Statement and not otherwise defined herein are defined in **APPENDIX D**. The Official Statement speaks only as of its date, and the information contained herein is subject to change.

### The Authorities

The Iowa Authority is a public instrumentality and agency of the State of Iowa. The Iowa Authority is authorized by Chapter 16 of the Code of Iowa, as amended (the “Iowa Act”), to issue the Series 2023B Bonds and lend the proceeds thereof to the Corporation and to secure the Series 2023B Bonds by a pledge of amounts payable by the Corporation under the Series 2023B Loan Agreement and the Series 2023B Bond Indenture (each as hereinafter defined). 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 2023C 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 2023 Bonds**

The Series 2023B Bonds will be issued pursuant to the Iowa Act, a resolution of the Iowa Authority (the “Iowa Resolution”) and a Bond Trust Indenture (Series 2023B), dated as of December 1, 2023 (the “Series 2023B Bond Indenture”), by and between the Iowa Authority and U.S. Bank Trust Company, National Association, as bond trustee (the “Bond Trustee”). The proceeds of the Series 2023B Bonds will be loaned to Lifespace Communities, Inc. (the “Corporation”), an Iowa nonprofit corporation, pursuant to a Loan Agreement (Series 2023B) dated as of December 1, 2023 (the “Series 2023B Loan Agreement”), by and between the Corporation and the Iowa Authority.

The Series 2023C Bonds will be issued pursuant to the Florida Act, a resolution of the Florida Authority (the “Florida Resolution”) and a Bond Trust Indenture (Series 2023C), dated as of December 1, 2023 (the “Series 2023C Bond Indenture” and, together with the Series 2023B Bond Indenture, the “Bond Indentures”), by and between the Florida Authority and the Bond Trustee. The proceeds of the Series 2023C Bonds will be loaned to the Corporation, pursuant to a Loan Agreement (Series 2023C) dated as of December 1, 2023 (the “Series 2023C Loan Agreement” and, together with the Series 2023B Loan Agreement, the “Loan Agreements”), by and between the Corporation and the Florida Authority.

See “**THE OBLIGATED GROUP**” below for a description of the Corporation.

## **Purpose of the Series 2023 Bonds**

The Corporation will use the proceeds from the sale of the Series 2023 Bonds, together with other available funds, to (i) finance improvements to certain of the Corporation’s continuing care retirement communities (collectively, the “Project”) and fund a portion of the interest due with respect to the Series 2023C Bonds; (ii) provide the funds required to refund the outstanding Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2023A (the “Refunded Bonds”), \$52,500,000 of which are currently outstanding; (iii) fund a deposit to the herein described Master Reserve Fund created under the Master Indenture (as herein defined); and (iv) pay costs associated with the issuance of the Series 2023 Bonds. A more detailed description of the use of the proceeds from the sale of the Series 2023 Bonds is included under the captions “**PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

## **Security for the Series 2023 Bonds**

**Limited Obligations.** The Series 2023B Bonds, any premium thereon and the interest thereon constitute special, limited obligations of the Iowa Authority, payable solely from proceeds of the Series 2023B Bonds, the revenues pledged to the payment thereof pursuant to the Series 2023B Loan Agreement, and the funds and accounts held under and pursuant to the Series 2023B Bond Indenture and pledged therefor. The Series 2023B 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 of the State of Iowa 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 2023B Bonds. The issuance of the Series 2023B 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 whatever to the payment of the principal of or interest on the Series 2023B Bonds or any other payments or costs incident thereto. The Iowa Authority has no taxing power. See **“SECURITY FOR THE SERIES 2023 BONDS”** herein.

The Series 2023C 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 2023C Bonds and other costs incidental thereto only from the sources specified in the Series 2023C 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 2023C Bonds. No owner of any Series 2023C 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 2023C Bonds. The Florida Authority does not have the power to levy taxes for any purpose whatsoever. See **“SECURITY FOR THE SERIES 2023 BONDS”** herein.

**The Master Indenture and the Master Notes.** The Series 2023B Bonds are limited obligations of the Iowa Authority and will be secured by the Corporation’s Master Indenture Note, Series 2023B in a principal amount equal to the aggregate principal amount of the Series 2023B Bonds (the “Series 2023B Master Note”). The Series 2023C Bonds are limited obligations of the Florida Authority and will be secured by the Corporation’s Master Indenture Note, Series 2023C in a principal amount equal to the aggregate principal amount of the Series 2023C Bonds (the “Series 2023C Master Note” and, together with the Series 2023B Master Note, the “Series 2023 Master Notes”). The Series 2023 Master Notes will be issued by the Corporation pursuant to that certain Master Trust Indenture dated as of November 1, 2010, by and among the Corporation, Barton Creek Senior Living Center, Inc. d/b/a Querencia at Barton Creek, a Texas nonprofit corporation (“Querencia”), and U.S. Bank Trust Company, National Association, as successor master trustee (the “Master Trustee”), as supplemented and amended to date including by that certain Supplemental Master Trust Indenture No. 14, dated as of December 1, 2023 (as so supplemented and amended and as hereafter supplemented and amended in accordance with its terms, the “Master Indenture”), by and between the Corporation, as Obligated Group Representative on behalf of itself and the other Obligated Group Members, 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.”

The Iowa Authority will pledge and assign the Series 2023B Master Note and certain of its rights under the Series 2023B Loan Agreement to the Bond Trustee as security for the Series 2023B Bonds, and the Florida Authority will pledge and assign the Series 2023C Master Note and certain of its rights under the Series 2023C Loan Agreement to the Bond Trustee as security for the Series 2023C Bonds. The terms of each Series 2023 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 of Series 2023 Bonds. The Series 2023 Master Notes will entitle the 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.

Heretofore, pursuant to the Master Indenture, as of September 30, 2023, the Corporation has issued and has outstanding 21 Master Notes (the “Prior Master Notes”) with an aggregate principal amount of approximately \$725 million (not including the Master Notes that secure the Obligated Group’s obligations under covenant agreements relating to certain series of bonds but including \$25,000,000 relating 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 2023 Master Notes and the satisfaction and discharge of the Master Note securing the Refunded Bonds, the Corporation will have 22 Master Notes outstanding in the aggregate principal amount of approximately \$784 million. 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 2023 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 2023 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.

The Master Notes are parity obligations and are secured equally and ratably under the Master Indenture (except with respect to the hereinafter described Master Reserve Fund established under the Master Indenture, which secures only the Master DSRF Secured Notes as defined 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 2023 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.

**Master Reserve Fund.** Payment of the principal of and interest on the Series 2023 Master Notes will be additionally secured by moneys deposited to the credit of the Master Reserve Fund created under the Master Indenture. See “**SECURITY FOR THE MASTER NOTES – Master Reserve Fund**” below.

**Consent to Amendments to the Master Indenture.** The purchasers of the Series 2023 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 – Consent to Amendments to the Master Indenture**” below. As described under such subheading, such amendments will not take effect until receipt of the consent of all of the Master

Notes outstanding at any given time, which consent is not expected to be obtained until all Master Notes issued before 2019 are no longer Outstanding.

**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 2023 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 2023 Master Notes). As further described below, the Master Reserve Fund under the Master Indenture may secure one or more series of Master Notes, as provided in the Master Indenture. See **“SECURITY FOR THE MASTER NOTES – Additional Debt.”**

**Querencia Master Indenture.** The Corporation is also a member of the obligated group created 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 Trust Company, National Association, as successor master trustee. Currently, two Obligations are outstanding under the Querencia Master Indenture. One Obligation 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”), outstanding in the aggregate principal amount of \$41,840,000 as of September 30, 2023. The Barton Creek Senior Living Center, Inc. Series 2021 Note (the “Series 2021 Querencia Obligation”) evidences and secures Querencia’s obligation to make payments with respect to all Master Notes outstanding under the Master Indenture. The Series 2021 Querencia Obligation constitutes a “Guaranty” for purposes of the Querencia Master Indenture. The Corporation issued its Master Indenture Note, Series 2021E (the “Series 2021E Master Note”) under the Master Indenture 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. The Series 2021E Master Note constitutes a “Guarantee” for purposes of the Master Indenture. 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.

**Potential Subsequent Financing Plans.** The Corporation is evaluating and exploring a repositioning project for The Waterford, commencing in the spring of 2024. Such repositioning project may be financed with indebtedness incurred by the Obligated Group and secured by the Master Indenture and the Querencia Master Indenture. See **APPENDIX A – “IMPROVEMENTS TO THE COMMUNITIES.”**

## THE OBLIGATED GROUP

### General

The Corporation is an Iowa nonprofit corporation organized for the purpose of owning and operating continuing care retirement communities in several locations throughout the United States. Querencia is a Texas nonprofit corporation organized for the purpose of construction, ownership and operation of a senior living community known as Querencia at Barton Creek. The Corporation is the sole member of Querencia. 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. See also **APPENDIX B** and **APPENDIX C** 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 2023 MASTER NOTES, THE PRIOR MASTER NOTES OR THE SERIES 2023 BONDS.

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## Outstanding Master Notes

As of September 30, 2023, the Corporation had previously issued and had outstanding the following Master Notes:

Master Note	Outstanding Principal Amount
2004A (Harbour's Edge)	\$405,000
2004B (Harbour's Edge)	2,655,000
2015A (Obligated Group)	25,545,000
2015B (Obligated Group)	30,890,000
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) <sup>(1)</sup>	25,000,000
2019A (Obligated Group)	26,530,000
2019B (Obligated Group)	52,685,000
2021A (Obligated Group)	73,450,000
2021B (Obligated Group)	30,000,000
2021C (Obligated Group)	16,715,000
2021D-1 (Obligated Group)	26,821,866
2021D-2 (Obligated Group) <sup>(2)</sup>	-
2021E (Obligated Group) <sup>(3)</sup>	41,840,000
2022A (Obligated Group)	85,000,000
2022B (Obligated Group) <sup>(4)</sup>	-
2023A (Obligated Group) <sup>(5)</sup>	52,500,000
	\$724,506,866

<sup>(1)</sup> Secures a revolving line of credit.

<sup>(2)</sup> Secures Obligated Group's obligations under the covenant agreement relating to the Series 2021D Bonds.

<sup>(3)</sup> Secures Querencia 2015 Bonds.

<sup>(4)</sup> Secures Obligated Group's obligations under the covenant agreement relating to the Series 2022 Bonds.

<sup>(5)</sup> Will be discharged in conjunction with the refunding of the Refunded Bonds.

## Excluded Property

Pursuant to the Master Indenture, certain property of the Members of the Obligated Group is "Excluded Property," which can be transferred by the Members without restriction under the provisions of the Master Indenture. Excluded Property 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 that 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 that 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 D 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 2023 Bonds**

The Corporation will use the proceeds from the sale of the Series 2023 Bonds, together with other available funds, to (i) pay or reimburse the Corporation for costs of the Project; (ii) provide the funds required to refund the Refunded Bonds; (iii) fund a deposit to the Master Reserve Fund; (iv) fund a funded interest fund for the Series 2023C Bonds; and (v) pay costs associated with the issuance of the Series 2023 Bonds. A more detailed description of the use of the proceeds from the sale of the Series 2023 Bonds is included under the caption “**ESTIMATED SOURCES AND USES OF FUNDS.**”

### **The Project**

The Project consists of paying costs of completing (or reimbursing the Corporation for the payment of costs of completing) remodeling, renovating, improving, constructing and equipping, to various extents, the Obligated Group’s continuing care retirement facilities located in Kansas, Minnesota, Pennsylvania, Illinois and Florida. The Project also consists of a repositioning project at Harbour’s Edge in Florida. See **APPENDIX A – “IMPROVEMENTS TO THE COMMUNITIES.”**

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. See also **APPENDIX C – “FINANCIAL FEASIBILITY STUDY” for more information.**

### **The Refunding**

**The Iowa Authority issued the Refunded Bonds on May 25, 2023, which Refunded Bonds were purchased by Goldman Sachs & Co. LLC, one of the underwriters of the Series 2023 Bonds. The Corporation will use a portion of the proceeds from the sale of the Series 2023 Bonds to redeem the Refunded Bonds on the date of issuance of the Series 2023 Bonds at a redemption price of par, plus accrued interest to the date of redemption.**

## ESTIMATED SOURCES AND USES OF FUNDS

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

### *SOURCES OF FUNDS*

Series 2023B Bonds	\$82,140,000
Series 2023C Bonds	29,595,000
Original Issue Discount	(1,580,433)
Corporation Funds	291,258
<b>Total Sources of Funds</b>	<b><u><u>\$110,445,825</u></u></b>

### *USES OF FUNDS*

Project Costs	\$28,179,133
Reimbursement of Capital Expenditures	19,210,234
Capitalized Interest	1,586,961
Refunding of Refunded Bonds	52,838,333
Deposit to Master Reserve Fund <sup>(1)</sup>	6,136,814
Costs of Issuance <sup>(2)</sup>	2,494,350
<b>Total Uses of Funds</b>	<b><u><u>\$110,445,825</u></u></b>

Figures rounded to nearest dollar.

<sup>(1)</sup> See "SECURITY FOR THE MASTER NOTES – Master Reserve Fund."

<sup>(2)</sup> Includes Underwriters' discount, legal, accounting, financial feasibility study, administrative and miscellaneous fees and expenses associated with the issuance of the Series 2023 Bonds.

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## 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 2023 Bonds and the Prior Master Notes after giving effect to the refunding of the Refunded Bonds and the anticipated redemption and prepayment of principal on the Series 2021B Bonds and Series 2021D Bonds from anticipated Initial Entrance Fees (as described in the footnotes to the following table). The following table does not include debt service on a \$25,000,000 line of credit secured by the Master Note, Series 2018C.

FYE December 31,	Series 2023B Bonds		Series 2023C Bonds		Prior Master Notes <sup>(1)(2)(3)</sup>	Funded Interest <sup>(4)</sup>	Initial Entrance Fee Receipts <sup>(5)</sup>	Total Net Debt Service
	Principal	Interest	Principal	Interest				
2023	-	-	-	-	\$40,012,585	(\$4,662,595)	-	\$35,349,990
2024	\$2,215,000	\$5,370,740	-	\$2,064,842	84,029,898	(1,641,818)	(\$45,898,000)	46,140,662
2025	1,875,000	5,712,723	-	2,245,750	45,785,091	-	(9,120,000)	46,498,563
2026	1,995,000	5,585,013	-	2,245,750	53,019,010	-	(15,000,000)	47,844,772
2027	2,135,000	5,448,723	-	2,245,750	37,603,817	-	-	47,433,289
2028	2,280,000	5,303,028	-	2,245,750	37,624,605	-	-	47,453,383
2029	2,435,000	5,145,606	-	2,245,750	37,764,586	-	-	47,590,942
2030	2,535,000	4,977,869	-	2,245,750	35,698,021	-	-	45,456,639
2031	2,715,000	4,800,681	-	2,245,750	37,904,449	-	-	47,665,880
2032	2,835,000	4,613,369	-	2,245,750	40,124,914	-	-	49,819,033
2033	2,925,000	4,418,969	-	2,245,750	40,442,804	-	-	50,032,522
2034	3,140,000	4,206,425	-	2,245,750	40,402,180	-	-	49,994,355
2035	3,265,000	3,974,244	-	2,245,750	40,369,413	-	-	49,854,406
2036	3,510,000	3,728,650	-	2,245,750	40,487,023	-	-	49,971,423
2037	3,780,000	3,464,388	-	2,245,750	40,945,929	-	-	50,436,067
2038	4,055,000	3,180,369	-	2,245,750	40,960,492	-	-	50,441,611
2039	4,370,000	2,869,500	-	2,245,750	40,919,975	-	-	50,405,225
2040	4,710,000	2,529,000	-	2,245,750	40,904,488	-	-	50,389,238
2041	2,925,000	2,242,688	-	2,245,750	37,477,264	-	-	44,890,701
2042	3,155,000	2,014,688	-	2,245,750	37,456,079	-	-	44,871,516
2043	3,405,000	1,768,688	-	2,245,750	37,432,942	-	-	44,852,380
2044	3,665,000	1,503,563	-	2,245,750	37,410,751	-	-	44,825,064
2045	3,955,000	1,217,813	-	2,245,750	37,392,365	-	-	44,810,927
2046	4,260,000	909,750	-	2,245,750	37,366,846	-	-	44,782,346
2047	1,370,000	698,625	\$740,000	2,218,000	37,344,144	-	-	42,370,769
2048	1,480,000	591,750	795,000	2,160,438	37,319,631	-	-	42,346,818
2049	1,590,000	476,625	860,000	2,098,375	24,426,191	-	-	29,451,191
2050	1,715,000	352,688	925,000	2,031,438	24,422,694	-	-	29,446,819
2051	1,850,000	219,000	995,000	1,959,438	24,392,504	-	-	29,415,942
2052	1,995,000	74,813	1,075,000	1,881,813	23,864,408	-	-	28,891,033
2053	-	-	3,305,000	1,717,563	18,502,500	-	-	23,525,063
2054	-	-	3,570,000	1,457,519	18,520,688	-	-	23,548,206
2055	-	-	3,850,000	1,174,631	18,364,638	-	-	23,389,269
2056	-	-	4,155,000	869,441	5,053,653	-	-	10,078,093
2057	-	-	4,485,000	540,041	-	-	-	5,025,041
2058	-	-	4,840,000	184,525	-	-	-	5,024,525
	<u>\$82,140,000</u>	<u>\$87,399,981</u>	<u>\$29,595,000</u>	<u>\$69,764,561</u>	<u>\$1,231,746,576</u>	<u>(\$6,304,413)</u>	<u>(\$70,018,000)</u>	<u>\$1,424,323,705</u>

Numbers may not foot due to rounding.

- (1) The Series 2021B Bonds and the Series 2021D Bonds mature on May 15, 2056, and August 25, 2031, respectively, and are subject to mandatory bond sinking fund redemption. The foregoing notwithstanding, the Series 2021D Bonds are subject to mandatory redemption from certain Initial Entrance Fees. Management of the Obligated Group anticipates redeeming the Series 2021D Bonds from Initial Entrance Fees on or before December 31, 2025. 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 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 2021D Bonds and the Series 2021B Bonds (if any) may differ from the anticipated timing because of timing differences in the receipt of Initial Entrance Fees. Assumes the Series 2021B Bonds and the Series 2021D Bonds are prepaid as shown based on management's expectations.
- (2) Excludes the Refunded Bonds, other than interest through the expected closing date of the Series 2023 Bonds.
- (3) Assumes that the Series 2021D Bonds bear interest at a rate of 5.44% per annum. Assumes that \$15 million in principal amount of the Series 2021B Bonds bears interest at a rate of 1.0% per annum in accordance with an associated interest rate cap through May 15, 2025, and 3.25% per annum thereafter. Assumes that \$15 million in principal amount of the Series 2021B Bonds bears interest at a rate of 4.0% per annum through May 15, 2025, and 3.25% per annum thereafter.

<sup>(4)</sup> Includes funded interest deposits made in connection with the issuance of the Series 2021A Bonds, the Series 2021D Bonds, the Series 2022 Bonds and the Series 2023C Bonds and anticipated earnings thereon. No assurances can be given that investment earnings will be received in the estimated amounts.

<sup>(5)</sup> Reflects application of Initial Entrance Fee receipts to the repayment of the Series 2021B Bonds and the Series 2021D Bonds as described in note (1) above.

## THE SERIES 2023 BONDS

*The following is a summary of certain terms and provisions of the Series 2023 Bonds. Reference is hereby made to the Series 2023 Bonds and the provisions with respect thereto in the related Bond Indenture and related Loan Agreement for the detailed terms and provisions thereof.*

### General

The Series 2023 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 Series 2023 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 Series 2023 Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on the Series 2023 Bonds will be made and such notices and communications will be given as described in the related Bond Indenture.

The Series 2023 Bonds will be issued in book-entry only form as fully registered Series 2023 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 Series 2023 Bonds shall bear interest from their date or from the most recent interest payment date to which interest has been paid, payable on May 15, 2024, and thereafter semiannually on May 15 and November 15 of each year. The Series 2023 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. The interest payable on each Series 2023 Bond on any Interest Payment Date shall be paid by the Bond Trustee to the Person in whose name such Bond is registered on the Bond Register at the close of business on the Record Date for such interest.

### Registered Owners, Transfer and Exchange

The person in whose name any Series 2023 Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner of such Series 2023 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 2023 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 2023 Bond, including the interest thereon, to the extent of the sum or sums so paid.

So long as the Series 2023 Bonds are held in book-entry form, transfers of the Series 2023 Bonds by Beneficial Owners may only be made as described under “**BOOK-ENTRY ONLY SYSTEM.**” At any other time, any Series 2023 Bond may be transferred or exchanged only upon the books kept for the registration and transfer of Series 2023 Bonds as provided in the related Bond Indenture.

## Redemption

The Series 2023 Bonds are subject to extraordinary, mandatory and optional redemption to the extent and as described below.

**Optional Redemption.** The Series 2023 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, 2030, at the Redemption Price (expressed as a percentage of principal) corresponding to the date of redemption as set forth in the following table, plus accrued interest to the redemption date:

<u>Optional Redemption Dates</u>	<u>Redemption Price</u>
May 15, 2030 through May 14, 2031	103%
May 15, 2031 through May 14, 2032	102%
May 15, 2032 through May 14, 2033	101%
May 15, 2033 and thereafter	100%

### Scheduled Mandatory Redemption

*Term Bonds.* The Series 2023B Bonds maturing on May 15, 2028 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:

<u>May 15 of the Year</u>	<u>Principal Amount</u>
2024	\$2,215,000
2025	1,875,000
2026	1,995,000
2027	2,135,000
2028 <sup>†</sup>	2,280,000

<sup>†</sup>Final Maturity

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The Series 2023B Bonds maturing on May 15, 2033 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:

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2029	\$2,435,000
2030	2,535,000
2031	2,715,000
2032	2,835,000
2033 <sup>†</sup>	2,925,000

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<sup>†</sup>Final Maturity

The Series 2023B Bonds maturing on May 15, 2038 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:

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2034	\$3,140,000
2035	3,265,000
2036	3,510,000
2037	3,780,000
2038 <sup>†</sup>	4,055,000

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<sup>†</sup>Final Maturity

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The Series 2023B 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 follows:

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2039	\$4,370,000
2040	4,710,000
2041	2,925,000
2042	3,155,000
2043	3,405,000
2044	3,665,000
2045	3,955,000
2046	4,260,000
2047	1,370,000
2048	1,480,000
2049	1,590,000
2050	1,715,000
2051	1,850,000
2052	1,995,000
2053 <sup>†</sup>	0

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<sup>†</sup>Final Maturity

The Series 2023C 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:

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2047	\$740,000
2048	795,000
2049	860,000
2050	925,000
2051	995,000
2052	1,075,000
2053 <sup>†</sup>	3,305,000

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<sup>†</sup>Final Maturity



The Series 2023C Bonds maturing on May 15, 2058 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:

<b>May 15 of the Year</b>	<b>Principal Amount</b>
2054	\$3,570,000
2055	3,850,000
2056	4,155,000
2057	4,485,000
2058 <sup>†</sup>	4,840,000

<sup>†</sup>Final Maturity

The deposits described above shall be reduced (i) by the amount of Series 2023 Bonds acquired and delivered in the open market at a price not exceeding the redemption price in accordance with the provisions of the related Bond Indenture in satisfaction of such Debt Service Fund requirements and (ii) in connection with a partial redemption of Series 2023 Bonds if the Corporation elects to reduce mandatory Debt Service Fund redemptions for the Series 2023 Bonds in the manner provided in the related Bond Indenture.

In lieu of redeeming Series 2023 Bonds, the Bond Trustee may, at the Written Request of the Corporation, use such funds otherwise available under the related Bond Indenture for redemption of Series 2023 Bonds to purchase for cancellation Series 2023 Bonds specifically designated by the Corporation in the open market at a price not exceeding the redemption price then applicable under the related Bond Indenture. In the case of any optional or extraordinary redemption (as described below under the caption “– **Extraordinary Optional Redemption**”) or any purchase and cancellation of term Series 2023 Bonds, the Corporation shall receive credit against its required Debt Service Fund deposits with respect to the Series 2023 Bonds of the same series and 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.

### **Extraordinary Optional Redemption**

The Series 2023 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 Iowa or Florida, 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 related 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 2023 Bonds from gross income for purposes of federal income taxation.

### **Selection of Series 2023 Bonds to be Redeemed**

If less than all Series 2023 Bonds of a series are to be redeemed and paid prior to maturity, such Series 2023 Bonds shall be redeemed from the series and maturity or maturities selected by the Corporation. If less than all Series 2023 Bonds of any maturity of a series are to be redeemed, the particular Series 2023 Bonds to be redeemed shall be selected by the Bond Trustee by lot.

### **Notice of Redemption**

Unless waived by any Registered Owner of Series 2023 Bonds to be redeemed, official notice of redemption shall be given by the Bond Trustee upon the written direction of the Corporation, on behalf of the Iowa Authority or the Florida Authority, as applicable, by mailing a copy of an official redemption notice by registered, certified or first class mail at least 20 days and not more than 60 days prior to the redemption date to each Registered Owner of such Series 2023 Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Trustee.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2023 Bonds, the 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 Iowa

Authority, the Florida Authority, the Bond Trustee 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 2023 Bond, to notify the beneficial owner of the Series 2023 Bond so affected, and such failure shall not affect the validity of the redemption of such Series 2023 Bond. See “**BOOK-ENTRY ONLY SYSTEM**” herein.

Any notice of redemption of any Series 2023 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 Bond Trustee in an amount sufficient to pay the redemption price of all the Series 2023 Bonds or portions of Series 2023 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 related Bond Indenture (and the deposit of money with the Bond Trustee sufficient to pay the redemption price if the redemption is contingent upon that deposit), the principal amount of each Series 2023 Bond or portion thereof called for redemption shall become due and payable on the redemption date at the redemption price and such Series 2023 Bond or portion thereof 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 2023 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 2023 Bonds of any series to be tendered for purchase, at any time and from time to time on the same dates as Series 2023 Bonds of that series are subject to optional redemption as described under the caption “**Optional Redemption**” above at a purchase price equal to the then applicable optional redemption price for those Series 2023 Bonds. To exercise its option, the Corporation is required to give the Bond Trustee and Authority a Written Request exercising its option within the time period specified in the related Bond Indenture as though that Written Request was a Written Request for redemption. The Bond Trustee shall then give the Owners of such Series 2023 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 2023 Bonds are to be purchased rather than redeemed. The purchase of Series 2023 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 2023 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 2023 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 2023 Bonds against delivery thereof. In the case of the purchase of less than all of the Series 2023 Bonds of a series, the particular Series 2023 Bonds to be purchased shall be selected in accordance with the selection process for redemption of such Series 2023 Bonds. Notwithstanding the foregoing, no such purchase of the Series 2023 Bonds shall be made unless

the Corporation has delivered to the Bond Trustee and the related Authority concurrently with that purchase an Opinion of Bond Counsel to the effect that the purchase and any resale of those Series 2023 Bonds will not affect the validity of any Series 2023 Bonds of such series or any exemption from federal income taxation to which the interest on any Series 2023 Bonds of such series would otherwise be entitled.

## **SECURITY FOR THE SERIES 2023 BONDS**

See “**SECURITY FOR THE MASTER NOTES**” for more information with respect to security for the Series 2023 Bonds.

### **Limited Obligations**

The Series 2023B 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 2023B Bonds and other costs incidental thereto only from the sources specified in the Series 2023B Bond Indenture. 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 2023B Bonds. No owner of any Series 2023B 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 2023B 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 2023C Bonds.

The Series 2023C 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 2023C Bonds and other costs incidental thereto only from the sources specified in the Series 2023C 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 2023C Bonds. No owner of any Series 2023C 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 2023C 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 2023B Bonds.

### **Bond Indentures**

Under each Bond Indenture, 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 related series of

Series 2023 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 2023 Master Note, and (iii) all moneys and securities deposited in the funds (except moneys and securities held in the Rebate Fund) established thereunder. See **APPENDIX D – "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 of Series 2023 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 2023 Bonds. Each Loan Agreement will also terminate when the related series of Series 2023 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 2023 Master Note to be issued and secured under the Master Indenture. Each Series 2023 Master Note will entitle the Bond Trustee, as the holder thereof, to the protection and benefit of the covenants, restrictions and other obligations imposed on the Obligated Group by the Master Indenture.

## **SECURITY FOR THE MASTER NOTES**

### **General**

The Master Indenture provides that payments on the Series 2023 Master Notes and all other Master Notes (including the Prior 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."**

### **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 its Communities are located, subject to Permitted Encumbrances, and (ii) a security interest in personal property and fixtures located in such Communities, subject to Permitted Encumbrances, to secure the Obligated Group's obligations under the Master Indenture. See **APPENDIX D – "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 2023 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 2023 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 D – “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.

### **Master Reserve Fund**

Capitalized terms used in this subheading shall have the meanings ascribed thereto in **APPENDIX D – “Definitions and Summaries of Principal Documents.”** The Series 2023 Master Notes constitute Master DSRF Secured Notes as defined under the Master Indenture and, as such, will be secured by the Master Reserve Fund. At the time of issuance, the Series 2019 Master Notes and the Series 2023 Master Notes will be the only Master DSRF Secured Notes. The Obligated Group may issue additional Master DSRF Secured Notes in accordance with, and to the extent permitted by, the Master Indenture, if among other things, the Obligated Group demonstrates to the Master Trustee that the Master Reserve Fund Balance is equal to the Master Reserve Fund Requirement. All Master DSRF Secured Notes are secured by the Master Reserve Fund on a parity basis.

If a bond trustee, as 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.

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. The determination by the Master Trustee of the fair market value of the Master Reserve Fund Balance shall be binding upon the Obligated Group. 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.

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, or at the direction of, the Corporation.

**See APPENDIX D – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Master Reserve Fund.”**

The following table sets forth the debt service reserve balance for each outstanding series of bonds secured by a Prior Master Note (each a “Specified Reserve Fund” for purposes of the Master Indenture), the aggregate amount required to be on deposit for all such bonds secured by Prior Master Notes and the Series 2023 Bonds, and the required initial deposit to the Master Reserve Fund on the date of issuance of the Series 2023 Bonds to meet the Master Reserve Fund Requirement as of that date.

<b>Bonds/Master Note</b>	<b>Specified Reserve Fund Balance<sup>(1)</sup></b>
2004AB (Harbour’s Edge)	\$375,393
2015A (Obligated Group)	2,399,031
2015B (Obligated Group)	488,940
2015C (Obligated Group)	3,477,814
2016A (Obligated Group)	4,232,894
2016B (Obligated Group)	1,980,666
2018A (Obligated Group)	12,955,400
2018B (Obligated Group)	3,042,135
Total:	\$28,952,273
Aggregate amount required to be on deposit for all Master DSRF Secured Notes and all Master Notes secured by a Specified Reserve Fund <sup>(2)</sup>	\$35,089,087
Required Master Reserve Fund Deposit <sup>(3)</sup>	\$6,136,814

<sup>(1)</sup> Debt service reserve is held by the respective trustee under the applicable bond indenture. Each debt service reserve secures only the corresponding indebtedness. As of November 30, 2023. Rounded to the nearest whole dollar.

<sup>(2)</sup> 125% of the average future annual debt service on all Master DSRF Notes and all Master Notes secured by a Specified Reserve Fund, which is 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

<sup>(3)</sup> Computed in accordance with definition of Master Reserve Fund Requirement.

“Master Reserve Fund Requirement” means, as of the date of determination, 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.

As reflected in the table above, the Master Reserve Fund Requirement on the date of issuance of the Series 2023 Bonds is \$6,136,814, and on that date the Series 2019 Master Notes and the Series 2023 Master Notes will be the only Master DSRF Notes Outstanding under the Master Indenture.

### **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. The Excluded Property 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 D** 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 2023 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 2023 Master Notes). See **APPENDIX D – “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 D – “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.

As described under the heading **“INTRODUCTION – Security for the Series 2023 Bonds – Potential Subsequent Financing Plans,”** the Obligated Group may incur indebtedness to finance a repositioning project with respect to The Waterford that may be secured by the Master Indenture.

For so long as the Series 2023 Master Notes are outstanding, the Members of the Obligated Group shall not enter into any Liquidity Support Agreement that would cause the Members of the Obligated Group to have aggregate obligations outstanding at any one time under Liquidity Support Agreements in excess of \$35 million. For purposes of this paragraph, “Liquidity Support Agreement” means any agreement by a Member of the Obligated Group to provide financial support to any Affiliate that is not a Member of the Obligated Group.

## **Querencia**

The Corporation is a member of the obligated group under the Querencia Master Indenture. There are currently two Obligations outstanding under the Querencia Master Indenture. One Obligation evidences and secures the obligations of Querencia with respect to the Querencia 2015 Bonds outstanding in the aggregate principal amount of \$41,840,000 as of September 30, 2023. The Series 2021 Querencia Obligation evidences and secures Querencia’s obligation to make payments with respect to all Master Notes outstanding under the Master Indenture. The Series 2021 Querencia Obligation constitutes a “Guaranty” for purposes of the Querencia Master Indenture. The Corporation issued its Series 2021E Master Note to secure the Obligated Group’s 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 constitutes a “Guarantee” for purposes of the Master Indenture.

Subject to the provisions thereof, Querencia may 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.

### **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 D**.

**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 D – "Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Approval of Consultants."**

Also see **APPENDIX D – "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 the 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 D – "Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Approval of Consultants."**

Notwithstanding any other provision of the Master Indenture to the contrary, for so long as the Series 2023 Master Notes are outstanding, it shall constitute an Event of Default if Days Cash on Hand of the Obligated Group decreases below 120 on any Liquidity Testing Date as a result of a deposit made by a Member of the Obligated Group to the Edgemere Resident Trust. For purposes of the preceding sentence, "Edgemere Resident Trust" means the trust created pursuant to the Order confirming the bankruptcy plan in Case No. 22-30659 (MVL) of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division case In re: Northwest Senior Housing Corporation, et al. See "**EDGEMERE RESIDENTS TRUST DEPOSITS**" in **APPENDIX A** hereto for more information.

Also see **APPENDIX D – "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 D – “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 D – “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.

### **Consent to Amendments to the Master Indenture**

The purchasers of the Series 2023 Bonds, by their purchase, will be deemed to have consented to the amendment 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, which consent is not expected to be obtained until all Master Notes issued before 2019 are no longer Outstanding:

*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.

### **Existing Bank Covenants**

In connection with the issuance of the Series 2021D Bonds and the Series 2022 Bonds, the Obligated Group entered into covenant agreements with the purchaser of such bonds. The covenant agreements contain certain covenants and restrictions solely for the benefit of such purchaser, which covenants are in addition to, and in certain cases more restrictive than, the covenants in the Master Indenture. Such covenants may be waived, modified or amended by such purchaser in its sole discretion and without notice to or consent by the Bond Trustee, the Master Trustee, the holders of outstanding bonds, the holders of any Master Notes or any other Person. Violation of any of such covenants may result in an event of default under the related covenant agreement, which may result in an event of default under the Master Indenture, which could result in acceleration of all of the Master Notes, including the Series 2023 Master Notes. The Obligated Group has posted copies of the covenant agreements on EMMA (<http://emma.msrb.org>) (“EMMA”), the information repository of the Municipal Securities Rulemaking Board.

## **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as the depository for the Series 2023 Bonds. The Series 2023 Bonds will be issued as fully-registered 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 2023 Bond for each maturity within a series, 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](http://www.dtcc.com).

Purchases of the Series 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2023 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 2023 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 2023 Bonds, except in the event that use of the book-entry system for the Series 2023 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023 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 2023

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 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023 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 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond Documents. For example, Beneficial Owners of Series 2023 Bonds may wish to ascertain that the nominee holding the Series 2023 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 2023 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 2023 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 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 2023 Bonds are credited on the Record Date (identified in a listing attached to the "Omnibus Proxy").

Principal and interest payments on the Series 2023 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 2023 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 2023 Bonds for all purposes, including payments, notices and voting.

Under each Bond Indenture, 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 related Series 2023 Master Note, to the extent of the payments so made.

None of the Authorities, Underwriters, Obligated Group nor the Bond Trustee 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 2023 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 2023 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 2023 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 2023 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 2023 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Series 2023 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2023 Bonds, (iii) registering transfers with respect to the Series 2023 Bonds, and (iv) the selection of Series 2023 Bonds for redemption.

DTC may discontinue providing its services as depository with respect to the Series 2023 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 2023 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 2023 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 2023B Bonds, lend the proceeds thereof to the Corporation, and to secure the Series 2023B Bonds with a pledge of amounts payable by the Corporation under the Series 2023B Loan Agreement and the Series 2023B Bond

Indenture. The Iowa Authority is not issuing, and has no liability whatsoever with respect to, the Series 2023C Bonds.

**The Series 2023B Bonds are issued under and pursuant to the Iowa Act and pursuant to a resolution adopted by the Iowa Authority. The Series 2023B Bonds constitute special, limited obligations of the Iowa Authority, payable solely from proceeds of the Series 2023B Bonds, the revenues pledged to the payment thereof pursuant to the Series 2023B Loan Agreement, and the funds and accounts held under and pursuant to the Series 2023B Bond Indenture and pledged therefor. The Series 2023B 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 2023B Bonds. The issuance of the Series 2023B 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 2023B 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 Florida 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
James Sugarman	Consultant/Life Coach
Eugenia Millender, Ph.D.	Clinical Nurse
Jerry Fedele	Retired Hospital Administrator

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 for the Series 2023C 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 2023B 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 AUTHORITY MAKES NO REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.**

## **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, eleven 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, Minnesota and Pennsylvania 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 increases, 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 that 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, subject to an

exception proposal process. 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, Harbour's Edge, The Waterford, Village on the Green**

**General.** The Florida Continuing Care Law (Chapter 651, Florida Statutes) requires every continuing care facility to maintain a certificate of authority from the Office of Insurance Regulation (the "OIR") to operate. All of the Obligated Group's Florida Communities are currently licensed to provide continuing care and each has 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 Florida 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 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 held under certain bond indentures related solely to the Florida

Communities, including the Series 2023C Bond Indenture, 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 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 with respect to the Florida Communities upon the occurrence of any two of the following:

- the Obligated Group's debt service coverage ratio is less than 1.20:1 as of the most recent annual report date;
- 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 Florida Communities establish a corrective action plan (or revised corrective action plan) satisfying the applicable statutory requirements, enhancing the Florida Communities' 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 "Insurers Rehabilitation and Liquidation Act"), the OIR may petition for an appropriate court order or pursue such other relief as is afforded under Part I of 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 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 Obligated Group'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 Florida Community 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"). Beacon Hill's and Oak Trace's health centers are currently licensed by the Illinois Department of Public Health (the "IDPH") as long-term care facilities with skilled nursing beds under the Illinois Nursing Home Care Act. Oak Trace also is currently licensed as an "assisted living establishment" with Alzheimer units by the IDPH in accordance with the Illinois Assisted Living and Shared Housing Act. Beacon Hill also is currently licensed as a Home Services Agency by the IDPH to provide its assistance in living services for its independent living residents.

**Continuing Care.** The Illinois Life Care Act authorizes the IDPH to regulate residency agreements to provide to a person for the duration of such person's life or for a term in excess of one year, nursing services, medical services or personal care services, in addition to maintenance services for such person in a facility, conditioned upon the transfer of an entrance fee to the



provider of such services in addition to or in lieu of the payment of regular periodic charges for the care and services involved (“Life Care Contracts”). Among other things, providers who operate a life care facility and enter into Life Care Contracts must (1) obtain a permit from the IDPH before entering into a Life Care Contract with a resident, (2) abide by regulations governing the form and substance of the Life Care Contract, (3) submit yearly audited financial statements to the IDPH and provide a financial disclosure statement to residents, (4) annually administer or arrange for certain resident vaccinations, and (5) establish and maintain with a financial institution located in Illinois either (i) a letter of credit in amount and form acceptable to the IDPH, or (ii) an escrow account funded in accordance with certain requirements described below under “Debt Service Reserve Escrow”. IDPH may suspend or revoke a Life Care Facility permit for failure to comply with any provision of the Illinois Life Care Act or implementing regulations.

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 Reserve Escrow. The Illinois Life Care Act requires 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 life care 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 the 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 Illinois 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 an established capital expenditure minimum for the relevant facility type (as of July 1, 2023, the capital expenditure minimum was \$9,349,491 for long-term care facilities), 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”). 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 Claridge Court health center is licensed by the Kansas Department of Aging as a nursing facility.

**Health Center Licensure Requirements.** The operations of the 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**

**General.** Friendship Village of Bloomington is registered as a provider of continuing care in the State of Minnesota pursuant to the Minnesota “Continuing Care Facility Disclosure and Rehabilitation Act, Chapter 80D, Minnesota Statutes Annotated (“Minnesota Continuing Care Act”). Friendship Village of Bloomington’s health center is licensed to provide nursing care and boarding care services pursuant to the Minnesota Nursing Homes and Home Care Act (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 the Minnesota Housing with Services Establishment Act (Chapter 144D, Minnesota Statutes Annotated) and as a “Class A” Home Care Provider pursuant to the Minnesota Nursing Homes and Home Care Act

**Continuing Care.** Per the Minnesota Continuing Care Act, 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 containing statutorily required information, a verified statement of the escrow agent that escrow accounts required under the Minnesota Continuing Care Act (discussed below under “Entrance Fee Escrow”) have been established, and a filing fee has been paid. A residency agreement must set forth the terms and provisions for reimbursement of entrance fees upon termination, may not require more than 120 days’ written notice by any resident desiring to terminate, and may not require any additional fees for termination of residency.

The Minnesota Continuing Care Act provides for a lien on the real and personal property of the facility to secure the facility's obligations pursuant to existing and future contracts for continuing care. The lien may be foreclosed upon the liquidation of the facility or the insolvency or bankruptcy of the provider, and in that event the proceeds are to be used in full or partial satisfaction of obligations of the provider pursuant to contracts for continuing care then in effect.

Entrance Fee Escrow. Entrance fee deposits and, if required, balance payments received from prospective residents are placed in escrow as required by the Minnesota Continuing Care Act. 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.

**Nursing Home Bed Moratorium.** Minnesota currently has a moratorium on any new nursing home beds, subject to written exception proposals to the Minnesota Commissioner of Health.

### **Pennsylvania – Friendship Village of South Hills**

**General.** Friendship Village of South Hills is registered as a continuing care facility 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.

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 (the "PDOH"), 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 PDOH in connection with the licensure of its skilled nursing facilities. 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.

**Continuing Care.** The operations of Pennsylvania continuing care retirement facilities 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 Obligated Group has a certificate of authority to operate its Pennsylvania continuing care retirement community.

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.

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 – Querencia at Barton Creek**

**General.** Querencia at Barton Creek is licensed in Texas as a continuing care facility pursuant to the Continuing Care Facilities Act, Chapter 246 of the Texas Health and Safety Code (the “Texas Continuing Care Act”). It is also licensed as a nursing home pursuant to the Nursing Home Act (described below) and as an assisted living facility pursuant to the Assisted Living Act (described below).

**Continuing Care.** Continuing care facilities in Texas are regulated by the Texas State Board of Insurance Commissioner in accordance with the Texas Continuing Care Act. The Texas Continuing Act requires, among other things, the continuing care facility (i) obtain a certificate of authority from the Texas Insurance Commissioner, (ii) deliver a disclosure statement that sets forth certain information related to the operation and financial standing of the facility and the form of residency agreement, (iii) establish an entrance fees escrow account with an escrow agent located in the state, and (iv) establish and maintain a reserve fund escrow account with an escrow agent located in the state equal to the total of all principal and interest

payments due during the next 12 months on any first mortgage loan or other long-term financing arrangement for the facility. The reserve fund escrow requirements may be met in whole or in part by other reserve funds held for the purpose of meeting loan obligations if the total amount equals or exceeds the amount required by the Texas Continuing Care Act.

The Texas Continuing Care Act empowers the Texas Insurance Commissioner to take certain actions to protect the interests of residents in a continuing care retirement community, such as (i) filing a lien on the real and personal property of the continuing care retirement community to secure the obligations of the continuing care facility pursuant to its contracts with its current and future residents; (ii) revoking the certificate of authority; or (iii) seeking the appointment of a trustee to rehabilitate or liquidate the continuing care facility.

**Nursing and Assisted Living Care.** Nursing facilities in Texas are regulated and inspected by the Texas Health and Human Services Commission (“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 nursing home and assisted living facility licensure, Querencia at Barton Creek 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. The Centers for Medicare & Medicaid Services (“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 Texas 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 Obligated Group's 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, including reimbursement rates.

**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*" or the "*ACA*"), which were designed to overhaul the United States health care system and regulate many aspects of health care delivery and financing, have significantly changed the United States health care delivery system, addressing almost all aspects of health care facility and provider operations, including the delivery of health care services, the financing of health care costs, health care provider reimbursement and the legal obligations of health care providers, insurers, employers and consumers. Key changes include cost containment measures, including new payment models which may result in lower health care provider reimbursement and utilization changes; quality improvement and clinical integration initiatives; fraud and abuse enforcement enhancements; health insurance market reforms; and Medicaid expansion. Additionally, the ACA includes a number of initiatives that impact skilled nursing facility reimbursement. ACA initiatives have required health care providers to assess, and potentially alter, their business strategy and practices. While the ACA may result in many providers receiving reduced payments for care, millions of previously uninsured Americans have obtained health insurance coverage as a result of the ACA. There is no assurance that federal payments made as a result of reimbursement reform measures will not have an adverse impact on the Obligated Group's operations or financial condition. Because of the complexity of the ACA generally, additional legislation may continue to be considered and enacted over time. In addition, implementing regulations may continue to be introduced or revised. Some provisions of the ACA may adversely affect some of the Obligated Group's operations more significantly than others.

Due to the controversial nature of health care reform generally, implementation of the ACA has been, and remains, politically controversial. Since its enactment, the ACA has faced a

stream of opposition from Republican lawmakers calling for its repeal and/or replacement, along with a string of lawsuits challenging various aspects of the law. To date, the ACA has survived several major Supreme Court challenges and no bills wholly repealing the ACA have passed both chambers of Congress. While the majority of the ACA remains law, new legal or legislative challenges to the ACA may occur in the future which could materially impact the business or financial condition of senior living providers. In particular, a repeal or replacement of the ACA could directly affect the Obligated Group in various ways, including affecting (1) the health insurance coverage and costs provided by the Obligated Group to its employees, (2) Medicare and Medicaid reimbursement, (3) the costs to residents of services provided by the Obligated Group, and (4) the willingness of prospective residents to consider the Obligated Group Communities as a retirement option.

A federal focus on health care reform, generally, 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 Obligated Group 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. 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.

Due to health care reform as well as continuing political and financial pressures, the legal and regulatory environment surrounding the Medicare and Medicaid programs has been changing and is expected to continue to change. Future changes to federal health care program regulations may alter program features including: (1) services eligible for payment; (2) rates of payment; (3) eligibility requirements to participate in or qualify for different levels of payment/reimbursement; (4) consequences of violations; (5) rates and requirements relating to additional payments unrelated to services offered to patients; (6) guidelines relating to interactions between participating health care providers, third party payors and federal and state governments; and (7) payment methodologies.

The federal government is subject to a debt “ceiling” established by Congress. In the past several years political disputes concerning authorization of a federal debt ceiling increase have led to shutdowns of substantial portions of the federal government and other federal budget authorization delays have occurred. Federal budget delays and federal government shutdowns are unpredictable and may occur in the future. Any failure by Congress to increase the federal debt ceiling may impact the federal government’s ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs. The Corporation is unable to predict what impact any future budget authorization delay or government shutdown may have on the operations and financial condition of the Obligated Group, although such impact may be material.

**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 Obligated Group. 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 HHS. Only covered services, upon the satisfaction of certain criteria, are eligible for Medicare reimbursement. Unless a specific waiver or pilot program applies, skilled nursing facility (“SNF”) services are covered by the Medicare program only if the patient spends at least three consecutive days as a hospital inpatient for a related condition prior to admission to the SNF and if the patient was admitted to the SNF within 30 days of discharge from a qualifying hospital stay. Medicare Part A reimburses the SNF for such post hospital inpatient nursing services it provides for up to 100 days for each spell of illness, subject to coinsurance and deductible payments from the patient.

Medicare reimburses SNFs pursuant to a prospective payment system (“PPS”). Historically, Medicare PPS payments to SNFs were based upon certain resource utilization group (“RUG”) per diem payment rates developed by CMS that provided various levels of reimbursement based upon a patient case-mix classification system. Effective October 1, 2019 the RUG payment methodology was replaced with a revised payment methodology called the “SNF Patient-Driven Payment Model” (“PDPM”). Reimbursement under the PDPM is determined based on ICD-10 diagnosis codes and patient characteristics and adjusted based on the services rendered in order to account for varying costs throughout the stay. Per CMS, the goals of the PDPM are to tie payment to patient conditions and needs rather than the volume of services and to reduce provider paperwork burdens. There is no assurance that Medicare PPS



payments will be sufficient to cover a SNF's costs. Additionally, the Corporation cannot predict with any reasonable degree of certainty or reliability the ultimate effects of the PDPM payment model on the Obligated Group's operations or financial condition, though revenues may be negatively affected.

All SNFs paid under Medicare's PPS are subject to the SNF Value-Based Purchasing Program ("SNF VBP Program") and the SNF Quality Reporting Program ("SNF QRP"). The SNF VBP Program either positively or negatively adjusts a SNF's reimbursement payments based on its performance on the program's hospital readmission measure. Under the SNF QRP, SNFs that fail to submit the required quality data to CMS will be subject to a 2% reduction in the otherwise applicable annual market basket percentage update with respect to that fiscal year. The Corporation cannot predict the Obligated Group's performance under these programs or the corresponding effects on the Obligated Group's operations or financial condition.

CMS has also increased its efforts to recover Medicare overpayments through its Recovery Audit Contractor ("RAC") program. RACs search for potentially improper Medicare payments from prior years that may not have been detected through existing CMS 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 RAC program has been implemented in all 50 states. RAC 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 individuals and families who fit into an eligibility group that is recognized by federal and state law, that is jointly funded by the federal government and the states. See "**HEALTH CENTER OCCUPANCY AND PAYOR MIX**" in **APPENDIX A** for historical information regarding Medicaid payments received by the Obligated Group.

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 Medicaid providers. Regulations promulgated by CMS 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.

## Health Care Fraud Laws

Certain federal laws, including the laws commonly known as the Anti-Kickback Statute, the Stark Law and the False Claims Act, are designed to protect the federal health care programs from fraud and abuse (collectively, the “Federal Health Care Fraud Laws”). The Federal Health Care Fraud Laws are complex, heavily enforced and subject to frequent amendment. In addition, qui tam or “whistleblower” lawsuits under the False Claims Act (discussed below) allows private individuals to bring actions on behalf of the government. Violation of the Federal Health Care Fraud Laws may result in significant financial penalties, fines, exclusion from the federal health care programs and/or criminal liability. Additionally, many states, including certain states in which the Obligated Group operates, have passed healthcare fraud and abuse laws similar in scope to the Federal Healthcare Fraud Laws, but have expanded the prohibitions to private insurers. Violation of state fraud and abuse laws may also result in significant financial penalties, fines, exclusion from the federal health care programs and/or criminal liability.

Although the Obligated Group has a compliance program designed to help promote material compliance with laws, rules and regulations affecting the health care industry, including the Federal Healthcare Fraud Laws and similar state laws, these policies and procedures may not be wholly effective. If an Obligated Group Member is alleged or found to have violated such laws, rules or regulations or if government health care program payments are suspended due to an allegation of fraud, the Obligated Group’s operations and the financial condition of the Obligated Group could be materially adversely affected.

**Anti-Kickback Law.** 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. In addition, conviction results in mandatory exclusion from participation in federal health care programs. 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 HHS. 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. In addition, submission of a claim for services or items generated in violation of the Anti-Kickback Law constitutes a false or fraudulent claim subject to additional penalties under the federal False Claims Act (discussed below). 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.

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. 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. Statutory and regulatory exceptions to the Stark Law's referral prohibition can protect a broad range of common financial relationships between referring physicians and a designated health services provider (e.g., employment relationships, relocation arrangements, leases, group practice arrangements, or medical directorships). If the relationship does not squarely meet the elements of a Stark Law exception, it will result in violation of the law. The sanctions under the Stark Law include denial and refund of payments, civil monetary penalties and exclusion from the Medicare and Medicaid programs. In addition, the submission of a claim for services or items generated in violation of the Stark Law may constitute a false or fraudulent claim, and thus create additional penalties under the federal False Claims Act (discussed below). In light of the scarcity of case law interpreting the Stark Law, there can be no assurances that the Obligated Group will not be found to have violated the Stark Law, 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.** The federal False Claims Act ("FCA") prohibits knowingly submitting a false or fraudulent claim to the federal government (e.g., the Medicare or Medicaid programs) for reimbursement. Because the term "knowingly" is defined broadly under the law to include not only actual knowledge but also deliberate ignorance or reckless disregard of the facts, the FCA can be used to punish a wide range of conduct. Accordingly, FCA investigations and cases have become common in the health care industry and may cover a range

of activity from intentionally inflated billings to highly technical billing infractions, to allegations of unnecessary or inadequate care. Additionally, a claim connected to a Stark Law or Anti-Kickback Law violation may be deemed a false claim in violation of the FCA. The ACA further expanded the reach of the FCA to include, among other things, failure to report and return known overpayments within statutory limits. Filing false claims in violation of the FCA can result in civil fines, substantial per claim penalties and monetary penalties up to three times the amount of damages sustained by government (e.g., the amount falsely billed to the Medicare or Medicaid program). These fines can add up quickly and result in multimillion dollar judgments or settlements. Additionally, violation or alleged violation of the FCA can result in payment suspension pending investigation, the imposition of corporate integrity agreements, or exclusion from Medicare and Medicaid.

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 FCA 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 FCA provides that an individual may bring a civil action for a violation of the FCA. 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 whistleblower, then he/she could receive as much as 25% of any judgment or settlement. If the government chooses to not intervene, the *Qui Tam* plaintiff is entitled to between 25% and 30% of any judgment or settlement. In recent years, there has been a large increase in the number of FCA *Qui Tam* actions. Because *Qui Tam* lawsuits are kept under seal while the federal government evaluates whether the United States will join the lawsuit, it is difficult to determine whether any such actions are pending. No assurance can be given that an FCA action will not be filed and a violation found. Any sanctions imposed as a result of an FCA or state false claims law violation could have a material adverse effect on the Obligated Group's business or financial condition.

## **Federal and State Privacy Laws**

Specific state and federal laws govern the use and disclosure of confidential patient health information, as well as patients' rights to access and amend their own health information. The Obligated Group has developed policies, procedures and practices that management believes comply with federal and state privacy laws, but if it was determined that an Obligated Group Member was not in compliance there could be criminal and civil penalties imposed.

**HIPAA.** The Health Insurance Portability and Accountability Act, as amended by the Health Information Technology for Economic and Clinical Health Act and as it may further be amended from time to time, and its implementing regulations (collectively, "HIPAA") provide data privacy and security requirements for safeguarding medical information. HIPAA, which applies to health plans, health care clearinghouses, and health care providers who conduct the standard health care transactions electronically, includes both (1) a "privacy rule," which sets forth national standards for the protection of individually identifiable protected health information ("PHI"), and (2) a "security rule," which sets forth national standards for protecting

the confidentiality, integrity, and availability of electronic PHI. Failure to comply with HIPAA can result in both criminal and civil fines and penalties. Mandatory breach notification and reporting requirements increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach. Additionally, states may have privacy or consumer protection laws that are broader than HIPAA and, unlike HIPAA, authorize a private right of action. Any sanctions imposed as a result of a HIPAA or state privacy law violation could have a material adverse effect on the Obligated Group's business or financial condition.

**HITECH Act.** 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 its implementing regulations, also expand the scope and application of the administrative simplification provisions of HIPAA. Among other things, the HITECH Act and its implementing 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 2023 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 2023 Bonds,**” the principal of, premium, if any, and interest on the Series 2023 Bonds, except to the extent that the Series 2023 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 2023 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 2023 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 2023 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, the duration, scope and aftereffects of a pandemic or other public health emergency; 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 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 2023 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 2023 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. Additionally, broad economic factors—such as inflation, unemployment rates, instabilities in consumer spending, or instabilities in the housing market—could adversely affect the Obligated Group’s business and its ability to collect outstanding receivables.

Economic conditions that from time to time may adversely affect Obligated Group revenues and expenses, and, consequently, its ability to make payments on the Series 2023 Master Notes, include but are not limited to: (1) an inability to access financial markets on acceptable terms at a desired time or increased borrowing costs, (2) significant investment portfolio losses, (3) increased business failures and consumer and business bankruptcies, (4) federal and state budget challenges resulting in reduced or delayed federal health care program (e.g. Medicare) reimbursement or pension benefit cuts, (5) a reduction in the demand for health care or senior care services, (6) increases in lawsuits or increased insurance expenses, (7) a

shortage of professional and non-professional healthcare personnel or medical supplies, (8) inflation and increased operating costs, (9) a reduction in the receipt of grants and charitable contributions, or (10) increased competition from other senior care or health care institutions.

Like the rest of the country, the senior living sector has recently experienced significant increases in costs of food and energy, in addition to associated wage and salary pressures. Management of the Obligated Group anticipates that inflation, particularly in wages, food, and energy prices, will continue for the foreseeable future. The inability of the Obligated Group to increase fees and charges to keep pace with inflation could adversely affect the Obligated Group's financial condition and results of operations.

### **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 2023 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 D – “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 2023 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 2023 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 2023 Master Note. The ability of the Corporation to make payments under the Loan Agreements and the Obligated Group to make payments under

the Series 2023 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, future economic conditions, including as impacted by a pandemic or other public health emergency, inflation, and changing demographics, increased competition from other senior living providers, and other conditions that are unpredictable and that may affect revenues and payment of principal of and interest on the Series 2023 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 2023 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 2023 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 2023 Bonds. See the Financial Feasibility Study in **APPENDIX C** to this Official Statement. **The Financial Feasibility Study should be read in its entirety, including Management's notes and assumptions set forth therein.**

### **Utilization and 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; (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; (v) governmental, commercial and individual responses to a pandemic or other public health emergency; and (vi) general disruptions in the health care, long-term care or insurance markets resulting from health care reform efforts or otherwise.

### **COVID-19 or Other Public Health Emergency**

General. The occurrence of a public health emergency, including a pandemic similar to the COVID-19 pandemic discussed below, and governmental and public responses to such



emergency, may directly or indirectly affect the operations and financial condition of senior living facility operations in a multitude of ways. There can be no assurance that a future pandemic or other public health emergency will not result in material adverse consequences to the operations or financial condition of the Obligated Group. The extent to which business interruption insurance would be available in connection with a pandemic or other public health emergency is fact-dependent and there can be no assurance that any available coverage would be sufficient to cover losses.

COVID-19 Pandemic. The COVID-19 pandemic had significant negative effects on the economy generally as well as direct health care and senior care related consequences. The pandemic resulted in volatility in equity markets and the public markets for the issuance and trading of all securities. The pandemic caused business failures and cutbacks attributable to “social distancing” practices and changes in market behavior, the complete effects of which are still unclear. National, state, and local governmental actions taken during the pandemic, including the passage of laws and regulations, caused substantial changes to the way health care and senior care are provided and how society in general functions and may have long-term consequences for the way health care services are provided generally. Although the full effect of the COVID-19 pandemic cannot be ascertained or predicted at this time, it materially and adversely affected the Obligated Group’s operations and finances, and some negative effects are likely to continue. See “**MANAGEMENT DISCUSSION AND ANALYSIS**” in **APPENDIX A**.

### **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. Existing and potential competitors may not be subject to various restrictions applicable to the Obligated Group, and competition may, in the future, arise from new sources not currently anticipated or prevalent. There can be no assurance that additional competing facilities will not be constructed in the future or that medical and technological advances, including in the home health care technology sector, will not reduce demand for the Obligated Group’s programs and services, generally. See “**MARKET AREA AND COMPETITION**” in **APPENDIX A**. See also “**Changing Capabilities of Home Health Care Technology; Impact on Demand for Facility**” below.

### **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 qualifying 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. Increases in third party therapy services and other ancillary costs such as drugs and medical supplies may also increase costs. Such cost increases may be exacerbated by a pandemic or inflation.

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

Natural disasters, including hurricanes, tornadoes, wildfires, 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 or other significant weather 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 D – “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 Bond Indentures 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.

### **Minimum Staffing Requirements**

On September 1, 2023, CMS issued the “*Minimum Staffing Standards for Long-Term Care Facilities and Medicaid Institutional Payment Transparency Reporting*” proposed rule (the “Staffing Proposed Rule”). If finalized, the Staffing Proposed Rule would require long term care facilities, which include SNFs with respect to Medicare reimbursement and nursing facilities with respect to Medicaid reimbursement, among other things, to: (1) have a Registered Nurse (“RN”) onsite 24 hours a day, seven days a week available to provide direct resident care, (2) provide at least .55 hours per resident day of care from a RN (in addition to the required full-time RN), (3) provide 2.45 hours per resident day of care from nursing aides, and (4) implement more robust staffing if resident acuity needs exceed the minimum staffing requirements as determined by an assessment of the facility’s residents. Staffing hours per resident day are the total number of hours worked by each type of staff divided by the total number of residents. For example, the Staffing Proposed Rule requires that a facility with 100 residents provide a total of 55 RN hours and 245 nursing aid hours over the course of a day.

CMS acknowledges that it may be challenging for certain facilities to reach these goals, so the agency has proposed to phase the requirements in over time (three years for urban facilities and five years for rural facilities). CMS has also proposed to allow for temporary hardship exemptions (one year at a time) in limited circumstances where certain criteria are met by the requesting facility. Exemptions will be posted on Medicare.gov Care Compare to ensure current and prospective residents are aware that a facility has levels of staffing lower than the standard. Failure to meet the requirements of any related final rule could result in fines or penalties, including revocation of licensure and/or certification as a Medicare and Medicaid provider.

If the Staffing Proposed Rule is finalized in its current form, many long-term care facilities will need to hire new staff to meet the minimum staffing requirements. CMS estimates that approximately 75% of nursing homes would need to increase their staffing to meet the Staffing Proposed Rule requirements. While Management cannot predict whether the Staffing Proposed Rule will be revised or whether any additional staffing requirements will be imposed, any minimum staffing requirement which exceeds the Communities’ current staffing levels may adversely affect the operations and financial condition of the Obligated Group. Compounding the compliance challenge are workforce shortages in the senior care industry discussed below.

In addition, if the Staffing Proposed Rule is finalized, workforce shortages in the senior housing and long-term care industry may be compounded and have a significant impact on expenses of the Obligated Group.

### **Nursing and other Staffing Shortages**

The health care and senior care industries have historically experienced regular turnover in certain health care and dietary personnel, particularly, nurses, nurses’ aides, dietary staff and

certain housekeeping positions. Staffing shortages may result in increased costs and lost revenues from time to time due to the need to hire temporary nurses or other personnel at higher rates and increased compensation levels, and the inability to operate at full capacity. Currently, a nationwide staffing shortage at both the professional and non-professional level is affecting the senior living sector and is forcing many such facilities to reduce admissions, rely on overtime shifts, increase wages, and hire staff through outside staffing agencies at increased hourly rates. Such increased costs and lost revenues could adversely affect the operations or financial condition of the Obligated Group. There can be no assurance that the Obligated Group will be able to attract enough full- and part-time employees to meet its staffing needs. The ability to maintain adequate staffing has been complicated by a pandemic and related vaccination mandates. As discussed above under “Minimum Staffing Requirements”, any federal or state minimum staffing mandate would exacerbate the staffing shortage on a national level, which may adversely affect the operations and financial condition of the Obligated Group. .

The Members of the Obligated Group have historically experienced regular turnover in certain health care and dietary personnel, particularly, nurses or 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 since the cessation of COVID-19, 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. Furthermore, while the impacts of COVID-19 have not resulted in increased use of agency staffing in the past Fiscal Year, the Staffing Proposed Rule, the future impacts of a public health crisis or similar health issues could affect the staffing needs of the Obligated Group and the availability of experienced personnel.

### **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 2023 Bonds of the related series 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 D – “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 its obligations under the Loan Agreements, the Master Indenture and the Series 2023 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 programs, 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. See also “**REGULATORY ENVIRONMENT – Medicare and Medicaid Programs**” herein.

**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 rehabilitate existing facilities, change bed capacity, or make major capital expenditures without government approval. Failure to comply with certification procedures in the states in which it operates could have a material adverse effect on the Obligated Group.

**Continuing Care Facility Debt Service Reserves; Escrows.** Illinois, Florida, Minnesota, Pennsylvania and Texas 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 prior notice 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.

### **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.

### **Changes to Tax Treatment of the Series 2023 Bonds**

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. Such legislative proposals, if enacted, could alter the federal and/or state tax treatment described under the heading "**TAX MATTERS**" herein. Whether or not enacted, such proposals could adversely affect the market value or marketability of the Series 2023 Bonds. Certain legislative proposals, if enacted, could impose a tax on all or a portion of the interest on tax exempt bonds, including the Series 2023 Bonds, for certain taxpayers under the regular income tax, the alternative minimum tax or otherwise, and could apply to bonds issued before, on, or after the date of enactment.

It is unclear whether any legislation will be enacted affecting the tax treatment of interest on the Series 2023 Bonds. If any such legislation is retroactive and applies to the Series 2023 Bonds, the adoption of any such legislation could adversely affect the market value or marketability of the Series 2023 Bonds and the financial condition of the Obligated Group. In addition, the adoption of any such legislation could increase the cost to the Obligated Group of financing future capital needs.

## **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 Obligated Group 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 2023 Bond proceeds, could cause interest on the related series of Series 2023 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 2023 Bonds nor provides that any additional interest will be paid to the owners of such Series 2023 Bonds. See **APPENDIX D – “Definitions and Summaries of Principal Documents – Summary of the Bond Indenture – Events of Default.”**

The current Obligated Group Members are nonprofit corporations, 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 nonprofit tax-exempt organizations, the Obligated Group Members are 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 Obligated Group 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 and Querencia, like any other senior living and community service organization, are 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 2023 Master Notes and the Prior Master Notes. Any such additional parity Debt would be entitled to share ratably in the security interest with the owners of the Series 2023 Master Notes and the Prior Master Notes, except the Master Reserve Fund will secure only Master DSRF Secured 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 D**

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 2023 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 Series 2023 Master Notes and the Prior 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 2023 Master Notes or Notes pledged under the Bond Indentures as security for the Series 2023 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 2023 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 2023 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, Pennsylvania or Texas fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under Florida, Illinois, Iowa, Kansas, Minnesota, Pennsylvania or Texas 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, Pennsylvania or Texas 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, Pennsylvania, and Texas 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 Obligated Group Members have 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 2023 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 2023 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 – Consent to Amendments to the Master Indenture**” above, there are pending amendments to the Master Indenture that 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 2023 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 Trustee, the Authorities or the Owners of the Series 2023 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.

In addition to the environmental, health and safety laws and regulations that typically apply to entities and operations such as those comprising the Obligated Group, compliance with COVID-19-related (or future pandemic-related) occupational health and safety laws may increase operating costs or affect the Obligated Group's ability to recruit and retain employees.

### **Interest Rate Swap and Other Hedge Risk**

The Obligated previously executed an interest rate cap to manage and hedge interest rate risk related to the Series 2021B Bonds. The Obligated Group Members may enter into similar agreements 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.



## **Strategic Positioning**

The Corporation is continuously reviewing potential acquisitions or affiliations with providers of long-term care throughout the country. If the Corporation were to acquire an additional community, the Corporation could be required to commit resources of the Obligated Group in the form of liquidity support or an equity contribution to support such community. The Obligated Group could also finance the acquisition with additional indebtedness. In addition to potential acquisitions and affiliations, the Corporation continuously considers the need to reposition by adding or divesting the Corporation of certain facilities. While the Corporation has no present intent to add any additional communities to, or divest of any community from, the Obligated Group at the present time, any acquisition, affiliation or divestiture could impact the financial condition of the Obligated Group.

## **Project Delays or Cost Increase**

Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary licenses, approvals or permits, strikes, shortages of qualified contractors or materials, tariff on materials, supply chain issues, and adverse weather conditions. Cost overruns may occur due to change orders, delays in construction schedules, scarcity of building materials, inflation, tariffs, and other factors. Cost overruns could cause project costs to exceed estimates and require more funds than originally allocated or require the Obligated Group to expend or borrow additional funds to complete the Project. See “IMPROVEMENTS TO THE COMMUNITIES” in APPENDIX A.

## **Actual Results May Differ from Financial Projections**

Management’s financial forecast contained in the Financial Feasibility Study included in **APPENDIX C** was based on certain assumptions made by Management. There usually will be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected and those differences may be material. In addition, the financial forecast covers only the five years ending December 31, 2027 and, consequently, does not cover the entire period during which the Series 2023 Bonds may be outstanding. **The Financial Feasibility Study should be read in its entirety, including Management’s notes and assumptions set forth therein.**

The financial forecast is a “forward-looking statement” and is subject to the qualifications and limitations described under “Cautionary Statements Regarding Forward Looking Statements in this Official Statement” under the caption “**REGARDING USE OF THIS OFFICIAL STATEMENT.**”

The financial forecast, in the opinion of the Management, was prepared using reasonable assumptions, reflects the best currently available estimates and judgments, and presents the expected future financial performance of the Obligated Group. However, because there is no assurance that the actual events will correspond with the assumptions made by Management, prospective investors should not place undue reliance upon the financial forecast. Actual financial results may be affected by many uncontrollable factors including, without limitation, increased costs, lower than anticipated revenues, governmental controls, changes in governmental regulation, changes in demographic trends, changes in the retirement living and health care industries and general economic conditions.

## **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. Cyber-attacks, such as malware attacks or ransomware attacks, specifically targeting health care facilities have been occurring more frequently, and in some recent cases, have resulted in the interruption or temporary cessation of services. 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 Obligated Group's revenues and may have an adverse financial impact on the ability of the Obligated Group 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 authorized 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.

## **Financial Assistance to Residents**

The Members of the Obligated Group generally enter into residency agreements with residents believed to be creditworthy. The Members of the Obligated Group may provide, but do not guarantee, financial assistance to residents unable to pay the monthly service fees by reasons of circumstances beyond their control and through no fault of their own. Additionally, the Members of the Obligated Group may elect, in their sole discretion, to provide the resident with a credit against all or a portion of the monthly service fees due. Established criteria will determine an individual's eligibility for the subsidy or credit, and the application and review process will be administered by the Members of the Obligated Group. There may be circumstances under which the requirements for greater financial assistance may have a material adverse effect on the financial condition of the Obligated Group or any Member of the Obligated Group that qualifies as an organization described under Section 501(c)(3) of the Code.

## **Discounting or Refunding of Entrance Fees**

The Members of the Obligated Group may feel compelled to offer discounts to entrance fees in the future to achieve desired levels of occupancy of the Communities. Certain assumptions regarding the operations of the Communities will be directly affected by the discounting of initial entrance fees. Additionally, under certain circumstances, the applicable Members of the Obligated Group are obligated to refund a resident's entrance fees. See "**RESIDENCY AGREEMENTS**" in **APPENDIX A**. Discounting of entrance fees or the payment of refunds could significantly affect Obligated Group cash flow and the Obligated Group's ability to redeem the Series 2023 Bonds and to pay amounts due under the Loan

Agreement, and the ability of the Obligated Group to pay amounts due on the Series 2023 Master Notes.

### **Lack of Marketability for the Bonds**

The Underwriters are not obligated to make a market for the Series 2023 Bonds. There can be no assurance that there will be a secondary market for the Series 2023 Bonds, and the absence of such a market for the Series 2023 Bonds could result in investors not being able to resell the Series 2023 Bonds should they need to or wish to do so.

### **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, prevailing or required minimum 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 charity 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;

- 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;
- The outcome of political elections or political or civil unrest; or
- Public health emergency, pandemic or other significant event particularly impactful to the health and well-being of senior adults.

## **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 2023 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”) certain information as described in **APPENDIX D – “Definitions and Summaries of Principal Documents – Summary of the Master Indenture – Financial Statements and Other Information.”**

### **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 the Series 2023 Bonds is a limited obligation of the related Authority, each Authority has determined that no financial or operating data concerning it is material to any decision to purchase, hold or sell the Series 2023 Bonds, and it 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 2023 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 community improvement projects are completed, certain items with respect to Harbour’s Edge and The Waterford (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 2023 Bonds (including persons holding Series 2023 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2023 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 D – “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 the information described therein.

The information will be made available to Owners of the Series 2023 Bonds through EMMA 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 2023 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 2023 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,**” “**AVERAGE OCCUPANCY OF THE COMMUNITIES,**” “**HEALTH CENTER OCCUPANCY AND PAYOR MIX,**” “**MANAGEMENT DISCUSSION AND ANALYSIS,**” and “**PRO FORMA AND HISTORICAL MASTER NOTE DEBT SERVICE**” (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 community improvement projects shall be completed, the Monthly Report will contain or incorporate by reference at least the following items with respect to Harbour's Edge and The Waterford:

(a) a description of the permitting, a guaranteed maximum price and liquidated damages information;

(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 community improvement projects;  
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 with proceeds of the Series 2023 Bonds.

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.** During the previous two years, the Obligated Group failed to post certain annual operating information required by the continuing disclosure agreement relating to the Querencia 2015 Bonds.

**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 2023B Bonds or questioning or affecting the validity of the Series 2023B Bonds or the proceedings or authority under which the Series 2023B Bonds are to be issued. None of 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 Series 2023B Bond Indenture, the Series 2023B Loan Agreement or the Series 2023B Purchase Contract, or to secure the Series 2023B Bonds in the manner provided in the Series 2023B Bond Indenture, the Series 2023B 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 2023C Bonds or questioning or affecting the validity of the Series 2023C Bonds or the proceedings or authority under which the Series 2023C Bonds are to be issued. None of 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 Series 2023C Bond Indenture, the Series 2023C Loan Agreement or the Series 2023C Purchase Contract, or to secure the Series 2023C Bonds in the manner provided in the Series 2023C Bond Indenture, the Series 2023C 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 the Obligated Group 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 2023 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 2023 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, Chapman and Cutler 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 2023 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 2023 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 2023 Bonds,” “THE SERIES 2023 BONDS,” “SECURITY FOR THE SERIES 2023 BONDS,” “SECURITY FOR THE MASTER NOTES,” “FINANCIAL REPORTING AND CONTINUING DISCLOSURE – Financial Reporting under the Master Indenture”** and **“TAX MATTERS,”** (3) **APPENDIX D – “Definitions and Summaries of Principal Documents”** and (4) **APPENDIX E – “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 Obligated Group from time to time in transactions unrelated to the issuance of the Series 2023 Bonds but is not representing the Underwriters or the Obligated Group in connection with the issuance of the Series 2023 Bonds.

## TAX MATTERS

The following is a summary of the material federal and States of Iowa and Florida income tax consequences of holding and disposing of the Series 2023 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 2023 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 Iowa and Florida, 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 2023 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 2023 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 2023 Bonds: (i) the interest on the Series 2023 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes; (ii) the interest on the Series 2023 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax; and (iii) the Series 2023 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 2023 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 2023 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 2023 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2023 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2023 Bonds.

***No Iowa State Tax Exemption.*** The interest on the Series 2023B 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 2023 Bonds, the interest on the Series 2023 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 2023 Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2023 Bond is the sum of all payments on the Series 2023 Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2023 Bond is generally the first price at which a substantial amount of the Series 2023 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 2023 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2023 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 2023 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.

**Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The stated redemption price at maturity of a Bond is the sum of all payments on the Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

**Sale, Exchange or Retirement of Series 2023 Bonds.** Upon the sale, exchange or retirement (including redemption) of a Series 2023 Bond, an owner of the Series 2023 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 actually or constructively received on the sale, exchange or retirement of the Series 2023 Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2023 Bond. To the extent a Series 2023 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 2023 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 2023 Bonds, and to the proceeds paid on the sale of the Series 2023 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 2023 Bonds should be aware that ownership of the Series 2023 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain applicable corporations subject to the corporate alternative minimum tax, 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 2023 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2023 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 2023 Bonds, including the possible application of state, local, foreign and other tax laws.

Bond Counsel notes that for tax years beginning after December 31, 2022, the interest on the Series 2023 Bonds may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

## **FINANCIAL STATEMENTS**

The consolidated financial statements of the Obligated Group as of and for the fiscal years ended December 31, 2021 and 2022 appearing in **APPENDIX B** to this Official Statement have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in their report appearing therein. The consolidated financial statements of the Obligated Group as of and for the fiscal year ended December 31, 2022 are the most recent audited financial statements.

Certain unaudited financial information of the Obligated Group as of and for the nine-month periods ended September 30, 2022 and 2023 is included in **APPENDIX A** hereto. Such unaudited financial information for the nine-month period ended September 30, 2023 is not necessarily indicative of the financial results of the Obligated Group for the fiscal year ending December 31, 2023.

## **RATING**

The Series 2023 Bonds have received a long-term rating of "BBB" from Fitch, Inc. with a negative outlook.

The rating and an explanation of its significance may be obtained from the rating agency furnishing such rating. Such rating reflects only the view of the rating agency. The Corporation has furnished the rating agency with certain information and materials relating to the Series 2023 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 above 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 2023 Bonds any proposed revision or withdrawal of the rating of the Series 2023 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 2023 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. 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 2023C 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 2023C Bonds.

### **FINANCIAL FEASIBILITY STUDY**

Management’s financial forecast for the five years ending December 31, 2027, included as part of the Financial Feasibility Study included in **APPENDIX C** hereto, has been examined by CliftonLarsonAllen LLP, independent certified public accountants, as stated in their report dated November 15, 2023 appearing in **APPENDIX C**. As stated in the Financial Feasibility Study, there will usually be differences between the forecasted data and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. The Financial Feasibility Study should be read in its entirety, including Management’s notes and assumptions set forth therein.

## UNDERWRITING

Pursuant to a Bond Purchase Agreement (the “Series 2023B Purchase Contract”) by and among the Iowa Authority, the Corporation, on behalf of itself and Querencia, and Herbert J. Sims & Co. Inc., as representative on behalf of itself and Goldman Sachs & Co. LLC (together, the “Underwriters”), the Underwriters will purchase the Series 2023B Bonds at a purchase price of \$80,377,849.30, which purchase price reflects \$821,400.00 of underwriters’ discount and \$940,750.70 of original issue discount. The Series 2023B Purchase Contract will provide that the Underwriters will purchase all of the Series 2023B Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2023B Bonds to the public. The Series 2023B Purchase Contract will provide for the Obligated Group to indemnify the Underwriters and the Iowa Authority against certain liabilities. The obligation of the Underwriters to accept delivery of the Series 2023B Bonds will be subject to various conditions set forth in the Series 2023B Purchase Contract.

Pursuant to a Bond Purchase Agreement (the “Series 2023C Purchase Contract”) by and among the Florida Authority, the Corporation, on behalf of itself and Querencia, and Herbert J. Sims & Co. Inc., as representative on behalf of the Underwriters, the Underwriters will purchase the Series 2023C Bonds at a purchase price of \$28,659,367.30, which purchase price reflects \$295,950.00 of underwriters’ discount and \$639,682.70 of original issue discount. The Series 2023C Purchase Contract will provide that the Underwriters will purchase all of the Series 2023C Bonds if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2023C Bonds to the public. The Series 2023C Purchase Contract will provide for the Obligated Group to indemnify the Underwriters and the Florida Authority against certain liabilities. The obligation of the Underwriters to accept delivery of the Series 2023C Bonds will be subject to various conditions set forth in the Series 2023C Purchase Contract.

## MISCELLANEOUS

The references herein to the Iowa Act, the Florida Act, the Master Indenture, the Series 2023 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 Iowa Act, the Florida Act, the Master Indenture, the Series 2023 Master Notes, the Bond Indentures, the Loan Agreements, the Mortgages, the Prior Master Notes and the Disclosure Agreement. Following the delivery of the Series 2023 Bonds, copies of such documents, as applicable, will be on file at the office of the 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 2023 Bonds, but neither the failure to print such numbers on any Series 2023 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 2023 Bonds.

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

The Corporation, on behalf of itself and Querencia, has reviewed the information contained herein which relates to the Obligated Group, their affiliates, their 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**

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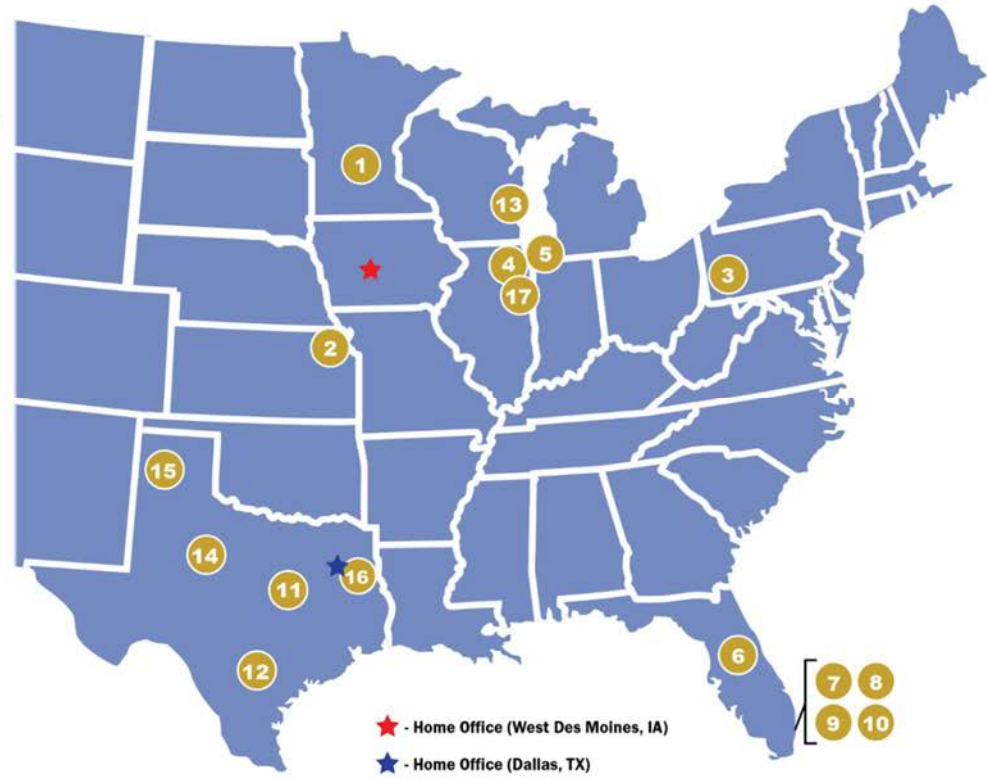
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## COMMUNITIES OWNED BY LIFESPACE AND ITS AFFILIATES

- 1 Friendship Village of Bloomington  
Bloomington, MN
- 2 Claridge Court  
Prairie Village, KS
- 3 Friendship Village of South Hills  
Upper St. Clair, PA
- 4 Oak Trace  
Downers Grove, IL
- 5 Beacon Hill  
Lombard, IL
- 6 Village on the Green  
Longwood, FL
- 7 Abbey Delray  
Delray Beach, FL
- 8 Abbey Delray South  
Delray Beach, FL
- 9 Harbour's Edge  
Delray Beach, FL

- 10 The Waterford  
Juno Beach, FL
- 11 The Stayton at Museum Way \*  
Fort Worth, TX
- 12 Querencia at Barton Creek  
Austin, TX
- 13 Newcastle Place \*  
Mequon, WI
- 14 Wesley Court \*  
Abilene, TX
- 15 The Craig \*  
Amarillo, TX
- 16 Meadow Lake \*  
Tyler, TX
- 17 GreenFields \*  
Geneva, IL



\* Denotes community that is not part of the Obligated Group

## 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*”). The Corporation is the sole corporate member of Barton Creek Senior Living Center, Inc. d/b/a Querencia (“*Querencia*”). Currently, the Corporation and Querencia own eleven CCRCs (collectively the “*Communities*”) in six states that make up the Obligated Group (as defined herein). In addition, the Corporation currently operates six other CCRCs in three states that are owned by affiliates of the Corporation that are not members of the Obligated Group.

The following Communities are part of the Obligated Group:

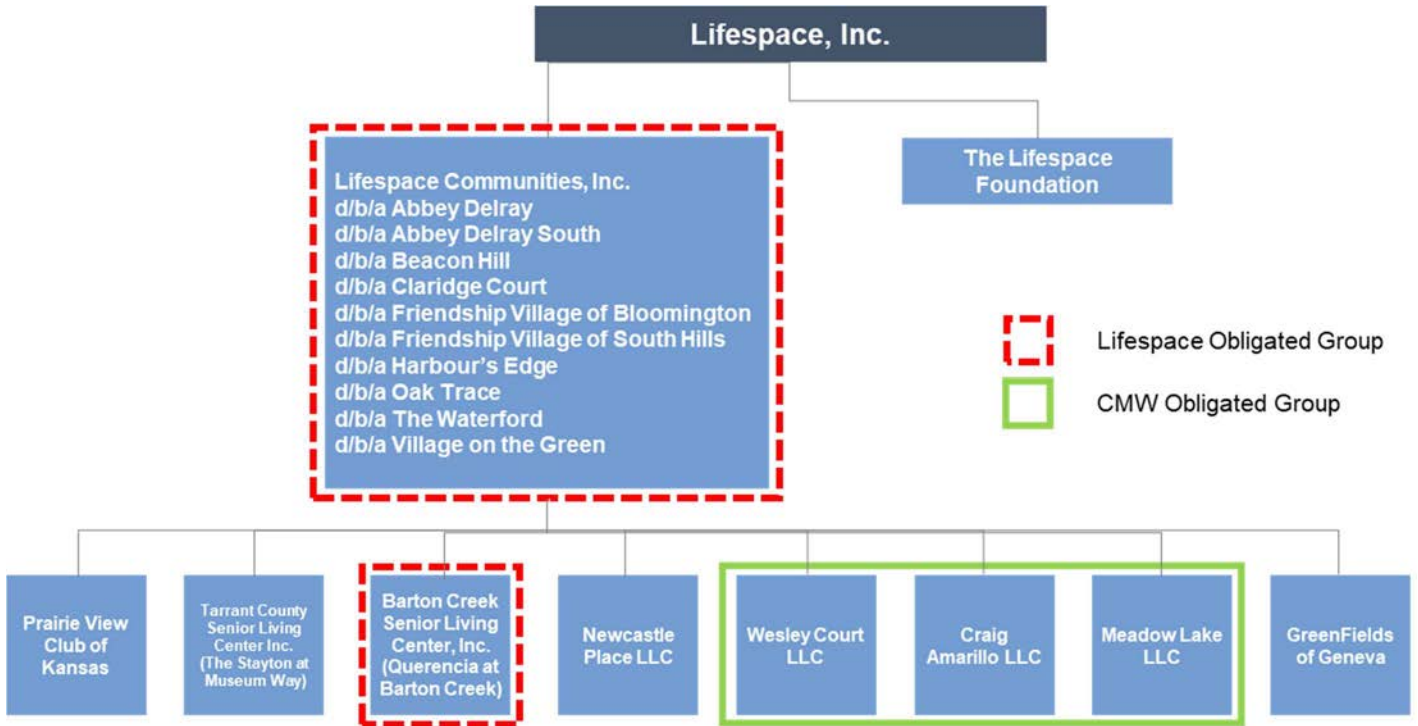
- Abbey Delray in Delray Beach, Florida
- Abbey Delray South in Delray Beach, Florida
- Beacon Hill in Lombard, Illinois
- Claridge Court in Prairie Village, Kansas
- Friendship Village of Bloomington in Bloomington, Minnesota
- Friendship Village of South Hills in Upper St. Clair, Pennsylvania
- Harbour’s Edge in Delray Beach, Florida
- Oak Trace in Downers Grove, Illinois
- Querencia in Austin, Texas
- The Waterford in Juno Beach, Florida
- Village on the Green in Longwood, Florida

For additional information on the Communities, see “THE COMMUNITIES” in this Appendix A.

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.

The Corporation and its affiliates operate 17 CCRCs in seven states from corporate offices located in West Des Moines, Iowa and Dallas, Texas. The following page titled “Organizational Chart – Lifespace, Inc.” includes an organizational chart for the Corporation and its affiliated entities. Except as shown in the organizational chart, the Corporation is not presently affiliated with any religious or other charitable or nonprofit organizations. The Corporation and Querencia are the only Members of the Obligated Group under the Master Indenture. ALL OTHER AFFILIATE ENTITIES ARE NOT MEMBERS OF THE OBLIGATED GROUP AND HAVE NO OBLIGATIONS WITH RESPECT TO THE MASTER INDENTURE, THE SERIES 2023 BONDS OR THE SERIES 2023 MASTER NOTES.

**ORGANIZATIONAL CHART – LIFESPACE, INC.**



## MISSION, VISION AND VALUES

The mission of the Corporation is through personalized experiences to create communities where people are empowered to live their aspirations.

The vision of the Corporation is that Lifespace will be a recognized innovator, creating curated experiences where each person thrives.

The Corporation's values are as follows:

- Thrive through teamwork,
- Deliver personalized experiences,
- Own it,
- Be excellent, and
- Learn and grow.

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.

## 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 (each, a "Director"), subject to revision as set forth in the Corporation's bylaws. The Board size is based on the Corporation's needs. Generally, the terms of each Director are four calendar years, and directors are limited to serving no more than three, four-year terms. The resident Director serves a single, two-year term. The Corporation's President and Chief Executive Officer serves as an ex-officio, non-voting member of the Board. A majority of the Board constitutes a quorum except that action by two-thirds of the Board is 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. Each Director must sign a conflict of interest and ethics policy upon becoming a Director and annually thereafter. The following table sets forth the names, positions and terms for the current Directors:

<b>Name/Location</b>	<b>Current or Former Position</b>	<b>Term Began</b>
Ana Dutra Vero Beach, FL	CEO, Mandala Global Advisors	2016
Patrick D. Spangler Golden Valley, MN	CFO, On Target Laboratories	2016
Neal Yanofsky Dallas, TX	Advisor and Strategy Consultant to CEOs in retail, consumer services, restaurant industries and to private equity and venture capital firms that invest in these businesses.	2016



Joyce Darkey-Hrinya Kansas City, MO	Managing Partner, A&R Strategy Partners	2017
Venita Fields Evanston, IL	Private Equity Investor, Partner, Pelham S2k Managers, LLC	2018
Gary Blackford Eden Prairie, MN	Chair of the Board for Avanos Medical, Inc., as Lead Director of ReShape Life Sciences, Inc., and Chair of the Board for Minnesota’s Children’s Hospitals & Clinics.	2022
Jonathan Sokeye Waxhaw, NC	CFO, Carolina Complete Health Inc.	2022
David Williams Los Angeles, CA	CEO, Care3, Inc.	2022
Claus Jensen Kirkland, WA	CIO, Teladoc Health	2023
Jenifer Salamino Stamford, CT	President, SaVida Health	2023
Amy McDonough Lafayette, CA	Managing Director & General Manager for Fitbit Health Solutions at Google	2023
Clyde Stretch Delray Beach, FL	Retired, Former Director, Rehabilitation Services at Bethesda Hospital	2023

## Committees

The Corporation has created several committees to assist with specific review and responsibilities of the Corporation. The committees include the Executive Committee, the Compensation Committee, the Finance and Investment Committee, the Governance and Nominating Committee, the Risk Management, Quality and Audit Committee and the Mergers, Acquisitions and Restructuring 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 by the Corporation’s 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 Directors 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, Quality and Audit Committee.* The primary function of the Risk Management, Quality 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.

*Mergers, Acquisitions and Restructuring Committee.* The Mergers, Acquisitions and Restructuring Committee is a special committee of the Board of Directors, with a primary function to carry out the responsibilities of the Board to provide oversight and guidance to the management team charged with the evaluation and review of potential acquisitions, growth opportunities requiring material financial commitments, capital restructuring for the Corporation, capital restructuring for related entities or entities for which the Corporation serves as a member, and divestitures.

## **Querencia Board of Directors**

The members of the Board of Directors of Querencia are selected by the Corporation. The members of the Querencia Board of Directors are Jesse Jantzen (President and CEO), Nick Harshfield (Treasurer) and Brian Robbins (Secretary). See further information regarding these directors 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 included 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.

### *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 he 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.

*Brian Robbins, Chief Operating Officer*

Brian joined Lifespace Communities in December 2022 as Chief Operating Officer. Following a 13-year U.S. Navy career, Brian gained nearly 20 years of senior living experience in a variety of positions of increasing responsibility, including Human Resources Director, Administrator, Executive Director, regional operations, and COO roles. He leads the operations function and teams in driving operational excellence, delivering exceptional quality care, and experience to residents while seeking innovative ways to transform the aging experience. Brian earned his Bachelor of Business Administration in Accounting from Fort Hays State University and is a licensed administrator in Texas and Nebraska.

*Tim Gorman, General Counsel*

Tim Gorman joined Lifespace Communities in July 2022 as General Counsel, bringing more than 27 years of extensive legal experience to Lifespace. Prior to joining Lifespace, Tim served as Senior Attorney for Ascension, providing general counsel support for its senior living division, Ascension Living, including legal and strategic advice for issues including mergers and acquisitions, employment, corporate, health law, and governance. Tim earned his Bachelor of Science in Business and Accounting from Eastern Illinois University and his Juris Doctor from the University of Missouri-Columbia School of Law. He is also a Certified Public Accountant.

*Nikki Kresse, Chief People and Communications Officer*

Nikki joined Lifespace Communities as Chief People and Communications 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.

*Mike Roach, Chief Strategy Officer*

Mike joined Lifespace Communities in March 2022. Mike has more than 14 years of extensive experience in strategy and operations, particularly in consumer markets. Mike plays a vital role in the development, oversight, and implementation of strategy planning throughout the Lifespace organization and markets. Mike assists in identifying, assessing, developing, and managing innovative offerings for residents and seniors, both within the walls of Lifespace's Communities and beyond.

## THE COMMUNITIES

### General

The Obligated Group 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*” or “*ILUs*”), 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 table displays the number of units by level of living for each Community. As described in the footnotes to the table below and under the caption “Description of the Communities” under this heading, the Corporation periodically adjusts the unit mix of the Communities in response to market conditions. Management of the Corporation continuously reviews obsolescence of all Communities with respect to unsellable units while also developing plans for the highest and best use for each Community’s units.

A summary of the unit mix at each of the Obligated Group Communities is set forth below.

#### Summary of Units Operated per Community as of September 30, 2023

	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 <sup>(1)</sup>	249	28	48	30	70	30	455	2
Abbey Delray South <sup>(1)</sup>	229	44		28	46		347	4
Beacon Hill	372			26	84		482	5
Claridge Court <sup>(2)</sup>	125			17	28		170	4
Friendship Village of Bloomington <sup>(3)</sup>	361	12	42	66		32	513	5
Friendship Village of South Hills <sup>(4)</sup>	267	18	50	35	54	32	456	3
Harbour's Edge	266			50	4		320	5
Oak Trace	215	16	66	84	20	28	429	5
Querencia	157	10	40	38	4	23	272	5
The Waterford <sup>(1)</sup>	226	18		30	30		304	3
Village on the Green	204	58	36	40	8	18	364	4
<b>Total</b>	<b>2,671</b>	<b>204</b>	<b>282</b>	<b>444</b>	<b>348</b>	<b>163</b>	<b>4,112</b>	

\* The CMS 5-Star ratings are as of September 2023.

#### **Change in units from December 31, 2022**

- (1) Total independent living apartments have been reduced by 83. Upon management's review of current inventory at Abbey Delray, Abbey Delray South and The Waterford, various floorplans were determined obsolete and/or unsellable. Generally, apartments of less than 600 square feet have been deemed unsellable for these three communities and have been removed from available inventory. Management is in the process of reviewing all communities for obsolete and/or unsellable units and developing plans for the highest and best use for these units.
- (2) Claridge Court combined smaller apartments, which reduced inventory by two in the first quarter 2023.
- (3) Friendship Village of Bloomington has combined smaller apartments which reduced inventory by nine and opened two new apartments that were a part of the redevelopment plan in the second quarter 2023.
- (4) Friendship Village of South Hills has combined smaller apartments, which reduced inventory by one in the first quarter and by two in second quarter 2023.

## AVERAGE OCCUPANCY OF THE COMMUNITIES

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

Community	2021				2022				Twelve Months Ended November 30, 2023			
	ILUs	Health Center	ALUs	Memory Support	ILUs	Health Center	ALUs	Memory Support	ILUs (e)	Health Center	ALUs	Memory Support
Abbey Delray, FL	60.1%	92.4%	74.1%	60.6%	58.7%	92.5%	92.1%	77.7%	63.9%	92.2%	93.5%	87.7%
Abbey Delray South, FL	66.3%	75.5%	NA	NA	66.8%	90.0%	NA	NA	68.5%	93.4%	NA	NA
Beacon Hill, IL	87.0%	89.6%	NA	NA	80.7%	87.5%	NA	NA	76.9%	90.2%	NA	NA
Claridge Court, KS	81.2%	89.3%	NA	NA	84.5%	95.6%	NA	NA	88.2%	93.6%	NA	NA
Friendship Village of Bloomington, MN (a)	81.2%	79.6%	55.2%	91.6%	77.1%	89.3%	89.5%	93.4%	77.9%	95.2%	92.4%	96.9%
Friendship Village of South Hills, PA	81.3%	76.6%	75.4%	90.0%	78.8%	82.1%	94.4%	97.8%	77.4%	87.2%	94.0%	98.4%
Grand Lodge, NE (b)	85.2%	NA	85.4%	NA	NA	NA	NA	NA	NA	NA	NA	NA
Harbour's Edge, FL	83.3%	92.3%	NA	NA	89.7%	92.8%	NA	NA	91.7%	92.0%	NA	NA
Oak Trace, IL	86.2%	93.4%	64.8%	88.1%	84.2%	94.1%	86.7%	97.9%	81.8%	94.4%	96.7%	96.4%
Querencia, TX (c)	97.9%	81.3%	96.0%	90.1%	96.3%	95.5%	95.8%	87.8%	98.3%	94.8%	96.3%	87.4%
The Waterford, FL	79.5%	83.3%	NA	NA	77.4%	89.2%	NA	NA	81.6%	88.7%	NA	NA
Village on the Green, FL (d)	72.2%	78.2%	46.2%	72.6%	71.1%	92.7%	95.6%	96.7%	75.0%	94.4%	95.6%	97.8%
Obligated Group	78.7%	85.0%	69.7%	82.8%	77.3%	90.5%	91.8%	91.7%	78.8%	92.1%	94.8%	94.2%

Community	Eleven Months Ended November 30, 2022				Eleven Months Ended November 30, 2023			
	ILUs	Health Center	ALUs	Memory Support	ILUs (e)	Health Center	ALUs	Memory Support
Abbey Delray, FL	58.8%	92.7%	91.7%	78.3%	63.6%	92.2%	93.2%	89.1%
Abbey Delray South, FL	66.8%	89.9%	NA	NA	68.4%	93.6%	NA	NA
Beacon Hill, IL	81.0%	87.5%	NA	NA	76.9%	90.4%	NA	NA
Claridge Court, KS	84.2%	95.5%	NA	NA	88.3%	93.3%	NA	NA
Friendship Village of Bloomington, MN (a)	77.0%	89.1%	89.7%	93.0%	77.9%	95.2%	93.2%	96.8%
Friendship Village of South Hills, PA	79.0%	82.0%	94.3%	98.0%	77.5%	87.6%	94.0%	98.5%
Harbour's Edge, FL	89.4%	93.2%	NA	NA	91.7%	92.5%	NA	NA
Oak Trace, IL	84.3%	94.2%	85.6%	98.3%	81.8%	94.6%	96.4%	96.7%
Querencia, TX (c)	96.3%	95.5%	95.8%	87.9%	98.4%	94.8%	96.5%	87.4%
The Waterford, FL	77.3%	89.5%	NA	NA	81.6%	88.5%	NA	NA
Village on the Green, FL (d)	70.9%	92.8%	95.7%	96.3%	75.3%	94.3%	95.5%	98.2%
Obligated Group	77.3%	90.5%	91.5%	91.8%	78.8%	92.2%	94.8%	94.6%

Community	As of November 30, 2023			
	ILUs	Health Center	ALUs	Memory Support
Abbey Delray, FL	75.5%	83.0%	95.8%	88.6%
Abbey Delray South, FL	67.4%	86.5%	NA	NA
Beacon Hill, IL	79.3%	90.9%	NA	NA
Claridge Court, KS	91.7%	93.3%	NA	NA
Friendship Village of Bloomington, MN	82.8%	89.4%	97.6%	96.9%
Friendship Village of South Hills, PA	79.8%	88.8%	92.0%	90.6%
Harbour's Edge, FL	94.0%	96.3%	NA	NA
Oak Trace, IL	83.1%	99.0%	98.5%	85.7%
Querencia, TX	97.6%	95.2%	95.0%	87.0%
The Waterford, FL	84.0%	93.3%	NA	NA
Village on the Green, FL	77.5%	97.9%	94.4%	94.4%
Obligated Group	81.8%	91.5%	95.7%	90.5%

- (a) The new assisted living and memory support opened in February 2021. The new apartments opened in July 2021. The new health center opened in June 2022.
- (b) Grand Lodge was disposed as of August 1, 2021.
- (c) Querencia joined the Lifespace Obligated Group as of August 31, 2021 in conjunction with the Series 2021 financing. Lifespace affiliated with Querencia on June 20, 2019. Occupancy prior to this date is not reflected above.
- (d) The new assisted living opened in March 2021. The memory support and new independent villas opened in April 2021. The replacement health center opened in May 2021.
- (e) The rolling twelve months and the eleven months living units are impacted by the reduction of 83 smaller obsolete units as mentioned on the Summary of Units Operated per Community page.

## Descriptions of the Communities

*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 277 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 273 Independent Living Units, 44 of which are villas, and a Health Center with 74 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 372 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 125 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 373 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 has completed 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, two 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 the first quarter of 2021. First occupancy in the new Independent Living Units occurred during the third quarter of 2021. The replacement of the health center opened in second quarter of 2022. The remainder of the plans for the repositioning project include two more independent living units, an independent living kitchen and dining area, an administration area and a marketing center. This project was substantially completed in the third quarter of 2023. The total cost for the projected is estimated at \$117.0 million. See “**IMPROVEMENTS TO THE COMMUNITIES** – *Friendship Village of Bloomington.*”

*Friendship Village of South Hills.* Friendship Village of South Hills opened for occupancy in 1984. It is located on 73 acres and consists of 285 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. The Corporation is undertaking a repositioning project for Harbour's Edge with a portion of the Series 2023 Bonds. See "**IMPROVEMENTS TO THE COMMUNITIES – Harbour's Edge**" herein.

*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 231 Independent Living Units, 16 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. An additional project which includes 140 new Independent Living Units was funded by proceeds of the Series 2021 Bonds and is scheduled to be completed in the first quarter of 2024. See "**IMPROVEMENTS TO THE COMMUNITIES – Oak Trace.**"

*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 244 Independent Living Units, 18 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. The Corporation is evaluating and exploring a repositioning project for The Waterford that could commence as early as the spring of 2024. At this time, the Corporation does not have any definitive plans as to when it would pursue the repositioning, nor its specific finance plan. See "**IMPROVEMENTS TO THE COMMUNITIES – The Waterford.**"

*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, 18 Memory Support Units, and a Health Center with 48



skilled nursing beds for both long term-stay and rehabilitation stays, and a clubhouse. Each Independent Living Unit 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 completed construction on a major repositioning project for Village on the Green at a cost of approximately \$59.0 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.

See “**IMPROVEMENTS TO THE COMMUNITIES**” below for a description of current and planned improvements to certain of the Communities.

## **SERVICES**

### **Independent Living**

Residents of the Independent Living Units at the Communities generally receive one meal a day in the dining areas designated by the Community or the equivalent through other dining options, 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 Hills, 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.

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## RESIDENCY AGREEMENTS

Below is a summary of the contract types, entrance fees and monthly service fees for each Community as of September 30, 2023.

Community Name	Contract Type		Range of Entrance Fees (\$000's) (a)	Range of Monthly Fees (b)	Second Person Entrance Fees (c)	Second Person Monthly Fee (d)	
Abbey Delray South (FL)	Type A	Traditional:	\$108 - \$525	\$3,139 - \$5,422	\$ 25,000	\$ 1,977	
Beacon Hill (IL)	Type A	Traditional:	\$89 - \$424	\$3,391 - \$6,981	\$ 21,012	\$ 2,031	
		50% ROC:	\$99 - \$470	\$3,391 - \$6,981			
		90% ROC:	\$136 - \$648	\$3,391 - \$6,981			
Claridge Court (KS)	Type A	90% ROC:	\$225 - \$1,211	\$4,665 - \$9,850	\$ 21,000	\$ 1,648	
Friendship Village of Bloomington (MN)	Type A	Traditional:	\$140 - \$798	\$3,465 - \$7,043	\$ 21,630	\$ 1,937	
		90% ROC:	\$215 - \$1,228	\$3,465 - \$7,043			
Friendship Village of South Hills (PA)	Type A & Type B	Traditional:	\$70 - \$621	Type A \$3,355 - \$7,339 Type B \$2,705 - \$6,689	\$ 22,943	\$ 1,945	Type A
		50% ROC:	\$88 - \$722	Type A \$3,355 - \$7,339 Type B \$2,705 - \$6,689		\$ 1,295	Type B
		90% ROC:	\$117 - \$959	Type A \$3,355 - \$7,339 Type B \$2,705 - \$6,689			
Harbour's Edge (FL)	Type A	Traditional:	\$312 - \$1,250	\$5,885 - \$10,603	\$ 32,000	\$ 2,333	
		75% ROC:	\$432 - \$1,736	\$5,885 - \$10,603			
Oak Trace (IL)	Type A & Type B	Type A - Traditional:	\$104 - \$419	\$3,590 - \$6,007	\$ 27,578	\$ 1,990	Type A
		Type A - 50% ROC:	\$130 - \$523	\$3,590 - \$6,007			
		Type A&B - 90% ROC:	\$168 - \$642	\$3,590 - \$6,007		\$ 1,709	Type B
Querencia (TX)	Type A	90% ROC:	\$567 - \$1,962	\$4,790 - \$10,738	N/A	\$ 1,969	
The Waterford (FL)	Type A	Traditional:	\$96 - \$694	\$2,709 - \$5,751	\$ 21,240	\$ 1,818	
Village on the Green (FL)	Type A	Traditional:	\$143 - \$587	\$3,859 - \$5,789	\$ 21,952	\$ 1,672	
		75% ROC:	\$190 - \$815	\$3,859 - \$5,789			
Abbey Delray (FL)	Rental	Premier	\$10 - \$25	\$2,600 - \$5,000			
		Classic	\$8 - \$14	\$2,100 - \$3,800			

- (a) Second person entrance fees at all Communities except Querencia range from \$21,000 - \$32,000. Querencia does not have second person entrance fees.
- (b) Does not include the second person fee. Second person fees range from \$1,295 - \$2,333.
- (c) Second persons do not pay additional for the community fee.
- (d) Second persons do pay a monthly fee of \$750 for a Classic and \$1,000 for a Premier.

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 7.9% annually in each of the last five fiscal years. In recent years, there have been mid-year increases at various communities if needed. Entrance fees have ranged between a decrease of 10.8% to an increase of 8.0% 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. Friendship Village of South Hills and Oak Trace communities provide 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. Querencia’s refunds are on a refund queue which means they are paid out when entrance fee funds are available and are not based on re-occupancy of a specific unit. 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, which govern continuing care contracts.

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.

A rental contract (the "*Rental Contract*") is offered at Abbey Delray. Each Rental Contract is for an initial term of 12 months and renews automatically for successive periods. The Rental Contract requires residents to pay a community fee and a monthly rental fee. The Rental Contract provides the same amenities as the Type A and Type B contract, with the exception of services provided in the Health Center, Assisted Living and Memory Support. Any services in the Health Center, Assisted Living or Memory Support 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 rental residents at Abbey Delray and Limited Life Care Residents at Friendship Village of South Hills and 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 its Health Centers with people who are not residents of the related Community. The following table breaks down sources of revenue by payor category and includes for Life Care Residents and Limited Life Care Residents, private pay, non-Life Care Residents/non-Limited Life Care Residents, Medicare and Medicaid. The amount for Medicare and Medicaid consists 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 Obligated Group’s Health Centers, in the aggregate, are as follows:

### Health Center Payor Mix and Occupancy

Payor	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
Lifecare	11.6%	11.7%	11.7%	12.9%
Private Pay	24.0%	27.0%	27.0%	24.9%
Medicare	48.1%	45.0%	45.3%	44.9%
Medicaid	8.5%	6.6%	6.6%	5.9%
Other	7.8%	9.7%	9.4%	11.4%
Total Patient Mix	100%	100%	100%	100%
Year-To-Date Average Service Units Available	809	792	792	792
Year-To-Date Average Occupancy Percentage	85.0%	90.5%	90.3%	91.9%

### STRATEGIC AND OPERATIONAL INITIATIVES

In addition to the significant capital projects at the Communities, Management is continuously reviewing operations for efficiency and best practice improvements. In past 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 2022 and 2023 strategic and operational initiatives include:

- Management adjusts the unit mix of the Communities in response to market conditions. Adjustments have included and will include adding Assisted Living Units and Memory Support Units and reducing or eliminating small obsolete units that are not responsive to market needs.
- The Corporation is focused on building occupancy to higher levels and reducing attrition rates, particularly for Independent Living Units.
- Management implemented an enterprise-wide Human Capital Management System (HCMS) which consolidated the functionality of 14 other individual systems into one. In addition, the human resource processes are streamlined and the team member experience is improved.
- Management has finished implementing an enterprise wide procure to pay system called Coupa. This system brings Lifespace up to industry standard and allows Lifespace to track spending.
- Lifespace hired a Chief Strategy Officer (see “**MANAGEMENT OF THE COMMUNITIES**”), whose role is to develop enterprise strategy and identify

opportunities to push forward to future goals. Lifespace has adopted the Objective and Key Results (OKR) approach to accomplish the goals set forth.

- Information Technology migrated to a cloud-based infrastructure to meet industry standards and improve system availability and reliability.

### **IMPROVEMENTS TO THE COMMUNITIES**

The Corporation undertakes capital reinvestment for its Communities 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 the Communities planned or ongoing include:

- Harbour's Edge
- The Waterford
- Oak Trace
- Friendship Village of Bloomington

The projected amounts and timing described in the following paragraphs are based on current expectations but are subject to change.

*Harbour's Edge.* Harbour's Edge campus repositioning includes use of a portion of the proceeds of the Series 2023 Bonds for the addition of 24 Assisted Living Units and 16 Memory Support units, expected to be completed in summer of 2025. Construction has not commenced and appropriate permits are being obtained. The Corporation has not yet executed a construction contract, however, significant design work has been performed and finalized with respect to the project. Total repositioning of Harbour's Edge is expected to cost approximately \$18,900,000.

*The Waterford.* The Corporation financed a project with Series 2022 Bonds to build 8 additional single-story residential living duplexes as well as renovations to the existing health center, wellness center and pool, and other areas. The new units are expected to open in quarter three of 2024 with renovations completed in late 2025. In addition, the Corporation anticipates a significant repositioning of The Waterford to commence in the spring of 2024. The Waterford campus repositioning is being constructed in phases and may be financed within the Obligated Group. The Waterford repositioning is expected to ultimately result in the addition of 84 Independent Living Units, 24 Assisted Living Units and 16 Memory Support Units. Approximately \$18,700,000 has been spent on the initial phases of The Waterford project. It is anticipated the project costs associated with the total repositioning of the Waterford will be in excess of \$100,000,000.

*Oak Trace:* The Oak Trace repositioning project is budgeted for approximately \$118.6 million, of which approximately \$77,873,000 has been expended through September 30, 2023. This repositioning project includes 140 new Independent Living Units, a new clubhouse and renovated commons. The project is expected to be completed in the first quarter of 2024.

Near term approvals and construction milestones include completion of the kitchen in the commons building, completion of carpentry work in the North apartment wing and heating and air ventilation work in the South apartment wing. Marketing for Oak Trace continues to include campaign and depositor retention events. As of October 6, 2023, Oak Trace has secured 109 net 10% reservation deposits, representing 77.9% of the new Independent Living Apartments (140).

*Friendship Village of Bloomington:* The Friendship Village of Bloomington campus repositioning includes the addition of 42 Assisted Living Units and 32 Memory Support Units which had first occupancy beginning in the first quarter of 2021. The repositioning also includes the replacement of a Health Center which will include 66 skilled nursing beds. The development expanded 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.

Total construction of the Friendship Village of Bloomington repositioning was complete as of July 31, 2023. Approximately \$114.9 million in project costs are expected to be incurred with total dollars spent through September 30, 2023, at approximately \$111.7 million. In August approximately 80 apartments were occupied apartments (88.0%).

The following table summarizes the expected total Obligated Group unit additions described above with respect to ongoing and expected improvements at Harbour’s Edge, The Waterford<sup>1</sup> and Oak Trace.

	Total Obligated Group		
	Prior	Additions	Total
Independent Living Apartments	2,671	140	2,811
Villas, Carriage or Town Homes	204	8	212
Assisted Living Units	282	24	306
Memory Support Units	163	16	179
Health Center Units	792	0	792
<b>Total</b>	<b>4,112</b>	<b>188</b>	<b>4,300</b>

In addition to the repositioning projects described above, the Series 2023 Bonds are anticipated to fund approximately \$28,470,000 in unit and common area refurbishment projects, which have been completed, across six different communities:

<b><u>Community</u></b>	<b><u>Description</u></b>	<b><u>Total Project Cost</u></b>
Beacon Hill	Exterior restoration, patio replacement, corridor redevelopment, apartment refurbishments, sidewalk and curb replacement	\$7,655,000
Claridge Court	Health center resident room refresh and apartment refurbishments	\$3,105,000
Friendship Village Bloomington	Apartment refurbishments	\$2,540,000

<sup>1</sup> Unit numbers do not include the repositioning of The Waterford that is anticipated for spring of 2024.



Friendship Village of South Hills	Corridor redevelopment, apartment refurbishments	\$5,150,000
Oak Trace	Window replacements, apartment refurbishments	\$3,770,000
Village on the Green	Apartment refurbishments	\$6,250,000

## ACQUISITIONS AND DIVESTITURES

The Corporation has completed a number of mergers, acquisitions, and divestitures since 2021 in an effort to further the mission and long-term strategic plan of Lifespace. The Corporation employs a disciplined approach as it continues to evaluate potential acquisitions and affiliations as well as thoroughly reviewing the existing portfolio. At this time, the Corporation does not have any active binding agreements or letters of intent that would result in changes to its organizational structure or the Obligated Group.

- Newcastle Place, LLC (“Newcastle”), located in Mequon, Wisconsin, is a limited liability company held by Lifespace and acquired in July 2021. Newcastle is not part of the Obligated Group;
- Concurrent with the Series 2021 financing, Querencia was admitted to the Obligated Group;
- Grand Lodge at the Preserve (“Grand Lodge”), located in Lincoln, Nebraska, was sold to a third party in August 2021 and was no longer part of the Obligated Group as of the sale date;
- Deerfield Retirement Community, Inc. (“Deerfield”), located in suburban Des Moines, Iowa, was sold in August 2021 to the same third party as Grand Lodge. Deerfield was not part of the Obligated Group. However, the Obligated Group had previously guaranteed certain outstanding long-term indebtedness of Deerfield. Those guaranties were discharged in connection with the sale of Deerfield and the Obligated Group has no further outstanding long-term indebtedness or guarantee obligations with respect to Deerfield;
- In July 2022, three limited liability companies to be held by Lifespace were created to acquire three CCRCs known as: The Craig (Amarillo, Texas), Meadow Lake (Tyler, Texas), and Wesley Court (Abilene, Texas). The LLCs collectively form the “CMW Obligated Group”. The CMW Obligated Group is not part of the Obligated Group;
- In February 2023, Lifespace Communities, Inc. was substituted as the sole member of Friendship Village of Mill Creek, NFP (“GreenFields of Geneva”), located in Geneva, Illinois. GreenFields of Geneva is not part of the Obligated Group;
- Northwest Senior Housing, Inc. (“Edgemere”) was sold in June 2023 following its emergence from Chapter 11 bankruptcy. While Edgemere was not part of the Obligated Group, in connection with the sale, Lifespace committed to making annual payments to a Residents Trust connected to Edgemere, subject to achievement of certain financial considerations. See “EDGEMERE RESIDENTS TRUST DEPOSITS” herein; and

- Tarrant County Senior Living Center, Inc. d/b/a/ The Stayton at Museum Way (“The Stayton”) gave notice on January 19, 2023, that it entered into the Forbearance Agreement on January 13, 2023. Pursuant to the Forbearance Agreement, The Stayton retained Houlihan Lokey to market The Stayton and its assets in pursuit of a strategic transaction. The marketing process of The Stayton remains underway, and The Stayton continues to pursue a strategic transaction. The Corporation is evaluating the opportunity to seek to retain The Stayton and if possible, may provide cash, liquidity support and/or participate in a financing in order to retain The Stayton as an affiliate of the Corporation. If an agreement can be reached with The Stayton’s bondholders, management is evaluating several options, including possible admission into the Obligated Group, but only if, based upon its analysis, management determines that admission into the Obligated Group contributes to the long-term strength of the Obligated Group. Any future support from the Obligated Group would also be limited by the terms of the Master Indenture and other existing Obligated Group financial covenants. As described under the heading “**LIQUIDITY SUPPORT AND OTHER COMMUNITIES-The Stayton,**” the Corporation has fully funded a liquidity support agreement for The Stayton.

For certain affiliates that are not part of the Obligated Group, Lifespace has made certain financial commitments. See “**LIQUIDITY SUPPORT AND OTHER COMMUNITIES**” herein.

### **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 Obligated Group for the fiscal years ended December 31, 2021 and 2022 and the nine months ended September 30, 2022 and 2023. The annual financial information was derived from the 2022 audited consolidated financial statements of the Obligated Group whereas the interim period ended September 30, 2022 and 2023 financial information was obtained from the management-prepared unaudited consolidated financial statements of the Obligated Group. Such unaudited consolidated financial statements include all adjustments that the Corporation considers necessary for a fair presentation. Such unaudited consolidated financial information is not necessarily indicative of the results of the Obligated Group for the fiscal years ending December 31, 2022 and 2023.

Grand Lodge was sold on August 1, 2021. Querencia became a member of the Obligated Group on August 31, 2021, concurrent with the issuance of the Series 2021 Bonds. The prior period financial information presented below has been restated to include Querencia and re-class Grand Lodge activity to discontinued operations.

Copies of the audited consolidated financial statements of the Lifespace Obligated Group for fiscal years ended December 31, 2022 and 2021 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.**

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## FINANCIAL STATEMENTS

### Lifespace Communities, Inc. Obligated Group Consolidated Balance Sheets (In Thousands)

ASSETS	Year Ended December 31 (Audited)		Nine Months Ended September 30 (Unaudited)	
	2021	2022	2022	2023
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$20,422	\$38,138	\$25,850	\$ 18,422
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	159,745	118,692	121,250	109,055
Accounts and Other Receivables	10,185	15,359	12,904	25,049
Receivable from Lifespace Communities, Inc.	1,999	896	287	777
Inventories	850	701	796	695
Prepaid Insurance and Other	5,752	5,501	6,243	6,351
Assets Whose Use is Limited - Current	112,962	120,834	74,717	75,998
Total Current Assets	311,915	300,121	242,047	236,347
<b>ASSETS WHOSE USE IS LIMITED</b>				
Noncurrent	87,860	79,901	78,726	81,634
<b>PROPERTY AND EQUIPMENT, AT COST</b>				
Land and Improvements	71,115	71,959	71,172	72,664
Buildings and Improvements	1,070,219	1,117,666	1,090,725	1,141,239
Furniture and Equipment	85,992	93,371	86,611	96,500
Construction-in-Progress	47,207	103,442	97,580	175,682
	1,274,533	1,386,438	1,346,088	1,486,085
Less: Accumulated Depreciation and Amortization	533,188	587,225	572,406	628,873
Net Property and Equipment	741,345	799,213	773,682	857,212
<b>GOODWILL</b>	41,824	35,730	37,253	31,159
<b>DEFERRED EXPENSES</b> , Net of Accumulated Amortization	1,861	2,833	2,341	4,124
<b>INTANGIBLE ASSETS</b> , Net of Accumulated Amortization	10,839	9,369	9,737	8,267
Total Assets	\$1,195,644	\$1,227,167	\$1,143,786	\$1,218,023

**Lifespace Communities, Inc.**  
**Obligated Group Consolidated Balance Sheets (continued)**  
**(In Thousands)**

	Year Ended December 31 (Audited)		Nine Months Ended September 30 (Unaudited)	
	2021	2022	2022	2023
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable:				
Trade	\$24,509	\$32,810	\$11,728	\$ 15,528
Lifespace Communities, Inc.	1,885	4,223	2,472	2,983
Accrued Liabilities:				
Employee Compensation Expense	9,011	10,868	13,553	14,249
Interest	3,081	3,468	9,146	9,839
Property Taxes	2,094	2,282	4,835	4,602
Other	4,422	3,874	3,624	6,574
Entrance Fee Refunds	10,557	8,975	9,019	3,488
Reserve for Health Center Refunds	27,830	32,635	29,689	32,012
Long-Term Debt Due within One Year	12,704	10,486	22,175	10,945
Obligation under Leases Due within One Year	655	425	696	439
Total Current Liabilities	<u>96,748</u>	<u>110,046</u>	<u>106,937</u>	<u>100,659</u>
<b>LONG-TERM LIABILITIES</b>				
Entrance Fee Deposits	5,888	7,124	5,542	9,457
Wait List Deposits	1,201	1,215	1,284	1,369
Long-Term Debt Due After One Year	567,332	642,993	560,884	708,514
Settlement Payable				90,951
Obligation under Leases Due after One Year	623	1,219	116	1,200
Deferred Entrance Fees	165,153	183,450	179,604	187,503
Refundable Entrance and Membership Fees	512,943	543,117	534,512	561,223
Total Long-Term Liabilities	<u>1,253,140</u>	<u>1,379,118</u>	<u>1,281,942</u>	<u>1,560,217</u>
Total Liabilities	1,349,888	1,489,164	1,388,879	1,660,876
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
	<u>(154,244)</u>	<u>(261,997)</u>	<u>(245,093)</u>	<u>(442,133)</u>
Total Liabilities and Net Assets without Donor Restrictions	<u><u>\$1,195,644</u></u>	<u><u>\$1,227,167</u></u>	<u><u>\$1,143,786</u></u>	<u><u>\$ 1,218,743</u></u>

**Lifespace Communities, Inc.**  
**Obligated Group Consolidated Statement of Operations and Changes in Net Assets**  
**(In Thousands)**

	Year Ended December 31 (Audited)		Nine Months Ended September 30 (Unaudited)	
	2021	2022	2022	2023
<b>REVENUES</b>				
Independent Living Fees	\$129,744	\$139,981	\$103,255	\$ 113,539
Entrance Fees Earned and Nonrefundable Fees	29,804	33,522	24,574	26,004
Skilled Nursing, Assisted Living Fees and Memory Support	115,176	129,208	96,584	105,282
Other	1,127	313	75	83
Total Revenues	<u>275,851</u>	<u>303,024</u>	<u>224,488</u>	<u>244,908</u>
<b>EXPENSES</b>				
Operating Expenses:				
Salaries and Benefits	122,914	149,347	109,595	116,778
General and Administrative	65,700	70,257	51,541	55,100
Plant Operations	17,861	19,699	13,965	14,749
Housekeeping	1,499	1,264	856	1,085
Dietary	21,737	24,869	18,744	20,938
Medical and Other Resident Care	14,406	12,920	10,464	7,294
Depreciation	52,224	54,553	39,217	41,649
Amortization	12,225	12,427	9,125	8,473
Interest	17,468	18,816	14,098	16,081
Loss on Disposal of Fixed Assets	12	5	5	6
Extinguishment of Debt	214	-	-	-
Total Expenses	<u>326,260</u>	<u>364,157</u>	<u>267,610</u>	<u>282,153</u>
<b>NONOPERATING INCOME (LOSS)</b>				
Investment Income (Loss)	18,328	(24,386)	(30,705)	14,060
Settlement Loss	-	-	-	(159,911)
Total Nonoperating Income (Loss)	<u>18,328</u>	<u>(24,386)</u>	<u>(30,705)</u>	<u>(145,851)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>				
	(32,081)	(85,519)	(73,827)	(183,096)
<b>DISCONTINUED OPERATIONS</b>				
Gain from Operations of Discontinued Operations	985	-	-	-
Gain from Sale of Property and Equipment	11,921	-	-	-
Loss on Sale of Related Party Investment	(14,648)	-	-	-
Total Discontinued Operations	<u>(1,742)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Financing for Lifespace, Inc.	-	-	-	9,589
Contributions to Lifespace Communities, Inc.	(18,705)	(22,234)	(17,022)	(6,629)
Total Other Changes in Net Assets	<u>(18,705)</u>	<u>(22,234)</u>	<u>(17,022)</u>	<u>2,960</u>
<b>CHANGE IN NET ASSETS</b>				
	(52,528)	(107,753)	(90,849)	(180,136)
Net Assets at Beginning of Year	<u>(101,716)</u>	<u>(154,244)</u>	<u>(154,244)</u>	<u>(261,997)</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$(154,244)</u></u>	<u><u>\$(261,997)</u></u>	<u><u>\$(245,093)</u></u>	<u><u>\$ (442,133)</u></u>

**Lifespace Communities, Inc.**  
**Obligated Group Consolidated Statement of Cash Flows**  
**(In Thousands)**

	Year Ended December 31 (Audited)		Nine Months Ended September 30 (Unaudited)	
	2021	2022	2022	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Changes in Net Assets	\$(52,528)	\$(107,753)	\$(90,849)	\$ (180,856)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:				
Reconciling Items Included in Discontinued Operations	(6,718)	-	-	-
Entrance Fees Earned	(29,802)	(33,522)	(24,574)	(26,004)
Proceeds from Nonrefundable Entrance Fees and Deposits	51,372	54,692	40,048	35,487
Refunds of Entrance Fees	(4,354)	(2,676)	(854)	(3,367)
Depreciation and Amortization	64,449	66,980	48,342	50,122
Amortization of Financing Costs	474	577	469	509
Net Accretion of Original Issue Premium and Discounts	(1,498)	(1,975)	(1,504)	(1,465)
Change in Unrealized (Appreciation) Depreciation of Investments	(14,953)	27,006	34,677	(4,705)
Net (Purchases) Sales of Trading Investments	(36,617)	69,219	51,197	57,445
Loss on Disposal of Property and Equipment	12	5	5	6
Change in Entrance Fee and Wait List Deposits	(6,646)	1,250	(263)	2,487
Extinguishment of Debt	214	-	-	-
Contributions to Lifespace Communities, Inc.	18,705	22,234	17,022	6,629
(Gain) Loss on Sale of Discontinued Operations	(11,921)	-	-	159,911
Loss on Sale of Related Party Investment	14,648	-	-	-
Changes in Operating Assets and Liabilities:				
Accounts and Other Receivables, Receivables from Lifespace, Inc., Inventories, and Prepaid Insurance and Other	(3,150)	(2,495)	(2,401)	(12,132)
Trade Accounts Payable and Accrued Liabilities	7,598	12,523	356	(3,750)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(10,715)</b>	<b>106,065</b>	<b>71,671</b>	<b>80,317</b>

**Lifespace Communities, Inc.**  
**Obligated Group Statement of Cash Flows (continued)**  
**(In Thousands)**

	Year Ended December 31 (Audited)		Nine Months Ended September 30 (Unaudited)	
	2021	2022	2022	2023
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of Property and Equipment	\$(87,242)	\$(111,705)	\$(71,753)	\$ (99,426)
Proceeds from Sale of Property and Equipment	32	-	-	-
Net Cash Used by Investing Activities	<u>(87,210)</u>	<u>(111,705)</u>	<u>(71,753)</u>	<u>(99,426)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Financing Costs Incurred	(2,896)	(820)	(50)	(2,144)
Advances from Line of Credit	2,837	8,943	8,658	-
Proceeds from New Financings	132,520	85,000	-	74,476
Advances to Lifespace Communities, Inc.	-	(3,361)	-	-
Repayment of Long-Term Debt	(33,826)	(18,282)	(4,552)	(5,396)
Extinguishment of Prior Debt	(39,642)	-	-	-
Payments for Settlement	-	-	-	(68,960)
Payments on Leases	(381)	(355)	(270)	(233)
Proceeds from Disposal of a Community	14,117	-	-	-
Proceeds from Refundable Entrance Fees and Deposits	99,562	87,819	65,109	49,629
Refunds of Refundable Entrance Fees	(50,288)	(58,268)	(46,363)	(41,350)
Contributions to Lifespace Communities, Inc.	(18,705)	(22,234)	(17,022)	(6,629)
Net Cash Provided (Used) by Financing Activities	<u>103,298</u>	<u>78,442</u>	<u>5,510</u>	<u>(607)</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	5,373	72,802	5,428	(19,716)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>58,712</u>	<u>64,085</u>	<u>20,422</u>	<u>38,138</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at END OF YEAR</b>	<u><u>64,085</u></u>	<u><u>136,887</u></u>	<u><u>25,850</u></u>	<u><u>18,422</u></u>



**Lifespace Communities, Inc.**  
**Obligated Group**  
**Selected Financial Ratios (b)**  
**(In Thousands)**

	Year Ended		Nine Months Ended	
	December 31 (Audited)	2022	September 30 (Unaudited)	2023
	2021	2022	2022	2023
<u>Historical Debt Service Coverage</u>				
Revenues over (under) expenses	(32,081)	(85,519)	(73,827)	(183,096)
Less:				
Entrance fees earned	(29,802)	(33,522)	(24,574)	(26,004)
First time entrance fees received	(41,862)	(19,475)	(12,963)	(7,036)
Add:				
Depreciation	52,224	54,553	39,217	41,649
Amortization	12,225	12,427	9,125	8,473
Interest Expense	17,468	18,816	14,098	16,081
Expenses paid by long-term issuances	1,719	1,234	676	1,027
Unrealized (gain) loss on securities	(14,953)	27,006	34,677	(4,705)
Realized loss on sale of assets	12	5	5	6
Loss on extinguishment of debt	214	0	0	0
Loss on settlement	0	0	0	159,911
Entrance fee proceeds (less refunds)	96,292	81,567	57,940	40,399
Income available for debt service	61,456	57,092	44,374	46,705
Annual debt service payment	27,213	27,717	27,717	32,212
Annual debt service coverage (c)	2.3	2.1	2.1	1.9
Maximum annual debt service payment	34,748	40,586	40,586	45,944
Maximum annual debt service coverage (c)	1.8	1.4	1.5	1.4
<u>Cash to Debt</u>				
Unrestricted cash and investments (a)	214,073	189,702	178,901	163,571
Debt service reserve fund	34,245	32,359	32,172	32,413
	248,318	222,061	211,073	195,984
Bonds outstanding long-term	567,332	642,993	560,884	708,514
Maximum annual debt service	34,748	40,586	40,586	45,944
Ratio of total unrestricted cash & investments with debt service reserve to bonds outstanding	0.4	0.3	0.4	0.3
Ratio of total unrestricted cash & investments with debt service reserve to maximum annual debt service	7.1	5.5	5.2	4.3
Department operating expenses (excluding expenses paid by long-term debt issuances) plus interest	259,866	295,938	218,587	230,988
Daily expenses	712	811	801	846
Days of unrestricted cash & investments on hand (c)	301	234	223	193
<u>Other Ratios</u>				
Net operating margin (c)	0.8%	-3.3%	-2.6%	1.4%
Net operating margin, adjusted (c)	18.8%	16.1%	16.2%	14.4%
Adjusted debt to capitalization (c)	98.2%	113.7%	112.7%	154.8%

(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 Lifespace 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%.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Operation Discussion – Nine Months Ended September 30, 2023, versus Nine Months Ended September 30, 2022 (Unaudited).** The average year-to-date independent living occupancy through September 30, 2023, was 2,258 independent living homes (78.4% of the 2,880 average available homes). The average year-to-date occupancy through September 30, 2022 was 2,305 independent living homes (77.4% of the 2,977 average available homes). During the third quarter, the number of occupied independent living apartments increased from 2,255 on June 30, 2023 to 2,302 on September 30, 2023, a net increase of 47. The decrease in average available homes from September 30, 2022 to the same period in 2023 is due to four communities that combined smaller apartments, one community demolishing townhomes to support future redevelopment efforts and three communities that took smaller obsolete apartments out of inventory.

Revenues from independent living monthly fees and related charges amounted to \$113,539,000 in 2023, a 10.0% increase over the \$103,255,000 from the same revenue sources in 2022. The increase is due mainly to monthly fee increases and contributions from the Lifespace Foundation. Monthly fees increased 7.9% on January 1, 2023 and two communities had mid-year increases of 10.0% that were in effect on April 1, 2023.

Revenues from the health center, assisted living, and memory support fees were \$105,282,000 in 2023 compared to \$96,584,000 in 2022, an increase of 9.0%. This increase is the result of the monthly fee increases effective January 1, 2023, and improved occupancies in all higher levels of living. The monthly fee increases effective January 1, 2023 range from 7.4% to 8.0%.

As of September 30, 2023, the Obligated Group received a total of \$83,000 in COVID relief related funding. The Obligated Group received \$48,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services and \$35,000 from the State of Kansas's Department for Aging and Disability Services. As of September 30, 2022 the Obligated Group received \$75,000 in COVID relief related funding from the State of Texas.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were \$215,944,000 in 2023, an increase of \$10,779,000 or 5.3% from comparable expenses of \$205,165,000 in 2022. Salaries and benefits increased \$7,183,000 or 6.6% due primarily to merit increases effective January 1, 2023, filled positions that were vacant in the prior period, and no wages re-classed to general and administrative COVID expense. General and administrative expense increased \$3,559,000 or 6.9% due primarily to property and liability insurance. Plant operations expense increased \$784,000 or 5.6% due primarily to utilities. Dietary costs increased \$2,194,000 or 11.7% due primarily to inflation and occupancy. Medical and other resident care expenses decreased \$3,170,000 or 30.3%, due primarily to less agency costs.

The Net Operating Margin Ratio increased from (2.6%) at September 30, 2022 to 1.4% at September 30, 2023. The Net Operating Margin, Adjusted Ratio decreased from 16.2% at September 30, 2022 to 14.4% at September 30, 2023. The annual debt service coverage ratio decreased from 2.1 at September 30, 2022 to 1.9 at September 30, 2023. The Net Operating Margin, Adjusted and the Debt Service Coverage Ratio are impacted by the decrease in net entrance fees excluding the initial entrance fees. Further details on net entrance fees are stated in the Liquidity and Capital Requirements section below.

Investment income increased when comparing the nine months ended September 30, 2023 to the same period in 2022. Excluding the unrealized gain/loss, investment income represents an increase of \$5,383,000, which impacts the debt service coverage ratio in a positive manner. The following chart shows the components of investment income in thousands of dollars.

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Interest and Dividend Income	\$6,818	\$2,224
Realized Gain/(Loss)	2,537	1,748
Unrealized Gain/(Loss)	<u>4,705</u>	<u>(34,677)</u>
Total	\$14,060	(\$30,705)

The Adjusted Debt to Capitalization increased from 112.7% at September 30, 2022 to 154.8% at September 30, 2023. Both periods are above the benchmark of 54.0%.

**Liquidity and Capital Requirements – Nine Months Ended September 30, 2023, versus Nine Months Ended September 30, 2022 (Unaudited).** Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds and including initial entrance fees, were \$40,399,000 for the nine months ended September 30, 2023 compared to \$57,940,000 for the same period in 2022. The number of entrance fee move-ins was 213 in the nine months ended September 30, 2023 compared 238 reoccupancies in the nine months ended September 30, 2022. One community started to offer rental contracts in July 2023. The rental contracts do not require an entrance fee. There were 33 rental contracts sold in the third quarter of 2023. Combining entrance fee and rental contracts, move-ins totaled 246 in the nine months ended September 30, 2023.

Daily operating expenses for 2023 increased to \$846,000 from \$801,000 in 2022, an increase of 5.7%. The overall unrestricted cash position decreased from \$178,901,000 at September 30, 2022 to \$163,571,000 at September 30, 2023, a change of 8.6%. The Days Cash on Hand Ratio decreased from 223 days at September 30, 2022 to 193 days at September 30, 2023.

Capital expenditures for the communities for the nine months ended September 30, 2023 were \$99,426,000, while depreciation expense for the same period was \$41,649,000. The remaining redevelopment projects mentioned below account for \$53,530,000 of this year-to-date 2023 expenditure balance. In addition, various community projects were funded by the Series 2018, 2019, 2021 and 2022 financings in the amount of \$11,891,000 for the nine months ended September 30, 2023. Capital expenditures for the communities for the nine months ended September 30, 2022 were \$71,753,000, while depreciation expense for the same period was \$39,217,000. As stated below, the redevelopment projects account for \$25,861,000 of this year-to-date 2022 expenditure balance. In addition, various community projects were funded by the Series 2018, 2019 and 2021 financing in the amount of \$9,820,000 for the nine months ended September 30, 2022.

**Operation Discussion – Fiscal year 2022 versus fiscal year 2021.** The average year-to-date independent living occupancy through December 31, 2022, was 2,299 independent living homes (77.3% of the 2,975 average available homes). The average year-to-date occupancy, excluding Grand Lodge which is disclosed as a discontinued operations, through December 31, 2021 was 2,312 independent living homes (78.6% of the 2,943 average available homes). The decline in occupancy for 2022 was primarily driven by unusually high attrition throughout the year. While independent living sales and move-ins remained strong, occupancy was outpaced by a second consecutive year of high attrition rates. The increase in average

available homes from December 31, 2021 to the same period in 2022 is due to opening independent living apartments at two communities to support the redevelopment efforts discussed under Liquidity and Capital Requirements. In addition, offsetting the additions were five communities that combined smaller apartments and one community demolishing townhomes to support future redevelopment efforts.

Revenues from independent living monthly fees and related charges amounted to \$139,981,000 in 2022, a 7.9% increase over the \$129,744,000 from the same revenue sources in 2021. Monthly fees increased in the range of 3.8% to 6.0% on January 1, 2022 and again on August 1, 2022, with a range of 2.5% to 6.2%. High attrition rates impacted revenues by approximately \$1,488,000.

Revenues from the health center, assisted living, and memory support fees were \$129,208,000 in 2022 compared to \$115,176,000 in 2021, an increase of 12.2%. This increase is the result of the monthly fee increases effective January 1, 2022, the mid-year monthly fee increase effective August 1, 2022, and improved occupancies with these higher levels of living. 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 over several months. Village on the Green added assisted living rooms which opened at the end of March of 2021, added and opened memory support in April of 2021 and opened the replacement health center in May of 2021. The monthly fee increases effective January 1, 2022 range from 2.7% to 6.1% and the mid-year monthly fee increases were 5.0%.

As of December 31, 2022, the Obligated Group received a total of \$313,000 in COVID relief related funding compared to \$1,127,000 for the same period in 2021. During 2022, the Obligated Group received \$75,000 from the State of Texas and \$238,000 from The Department of Health and Human Services. During 2021, the Obligated Group received \$1,036,000 from Department of Health and Human Services in infection quality control payments and relief under the CARES Act's Public Health and Social Services Relief Fund, \$78,000 in stimulus funds from third party payors that is in accordance with their contract with Commonwealth of Pennsylvania's Department of Human Services and an additional \$13,000 in other COVID relief funds. The Department of Health and Human Services continues to update guidance regarding the distribution of these funds.

Total operating expenses, excluding depreciation, amortization, interest expense, and loss on disposal of property were \$278,356,000 in 2022, an increase of \$34,239,000 or 14.0% from comparable expenses of \$244,117,000 in 2021. Salaries and benefits increased \$26,433,000 or 21.5% due primarily to substantial wage increases for culinary, nursing and housekeeping team members that took effect November 1, 2021 and for all remaining team members that took effect January 1, 2022. In addition, further wage increases for culinary, nursing, and housekeeping team members took effect August 1, 2022. These market driven wage increases exceeded the combined January and August resident rate increases by approximately \$4,542,000. General and administrative expense increased \$4,557,000 or 6.9% due primarily to additional legal reserves for prior year claims (totaling approximately \$1,645,000) and higher real estate taxes (primarily a result of the redevelopment projects). Plant expense increased \$1,838,000 or 10.3% due primarily to higher costs in consulting and outsourcing services, security services and equipment, utilities, and costs from Hurricane Ian in September 2022 (totaling approximately \$773,000). Dietary costs increased \$3,132,000 or 14.4% due primarily to higher raw food costs. Medical and other resident care expenses decreased \$1,486,000 or 10.3%, due primarily to less agency costs. Agency costs were \$5,804,000 as of December 31, 2022 compared to \$7,785,000 in the same period of 2021. While a decrease of \$1,981,000,

agency usage persisted during the first several months of 2022 substantially above pre-pandemic levels. However, during 2022, agency expenses declined from over \$1,100,000 for the month of January 2022 to below \$100,000 for the month of December 2022. 2022 also continued to see high levels of expenses related to COVID-19. Primarily incurred during the first half of 2022, direct COVID-19 expenses total approximately \$2,408,000 compared to approximately \$3,760,000 in 2021. However, as noted above, in 2021 \$1,127,000 of COVID relief funds were received which helped offset that year's expenses, while only \$313,000 was received in 2022.

**Liquidity and Capital Requirements – Fiscal Year 2022 versus fiscal year 2021.** Cash proceeds from entrance fees and deposits (refundable and non-refundable), net of refunds and including initial entrance fees, were \$81,567,000 for the year ended December 31, 2022 compared to \$96,292,000 for the same period in 2021. The number of closings decreased to 336 in the year ended December 31, 2022 from 348 reoccupancies in the year ended December 31, 2021. There were initial entrance fees at two communities of \$19,202,000 (28 closings) in the year ended December 31, 2022 and \$41,862,000 (64 closings) for the same period in 2021.

Capital expenditures for the communities for the year ended December 31, 2022 were \$111,705,000, while depreciation expense for the same period was \$54,553,000. The remaining redevelopment projects mentioned below account for \$56,166,000 of this year-to-date 2022 expenditure balance. In addition, various community projects were funded by the Series 2021 and Series 2022 financings in the amount of \$15,357,000 for the year ended December 31, 2022. Capital expenditures for the communities for the year ended December 31, 2021 were \$87,242,000, while depreciation expense for the same period was \$52,224,000. As stated below, the five redevelopment projects account for \$52,874,000 of this year-to-date 2021 expenditure balance. In addition, various community projects were funded by the Series 2021 financing in the amount of \$4,939,000 for the year ended December 31, 2021.

## 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 long-term indebtedness 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*"). As of September 30, 2023, the full amount of the Unfunded Liquidity Support will have been drawn to support the operations of The Stayton. As a result of the full funding of the Unfunded Liquidity Support Lifespace is not otherwise obligated to make additional 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 provide an \$8,000,000 equity contribution and provided a Liquidity Support Agreement (the "*Newcastle LSA*") for the Newcastle long-term indebtedness which Newcastle LSA 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.

**CMW Obligated Group.** The CMW Obligated Group issued its own indebtedness pursuant to which its property and revenues are pledged. In conjunction with the acquisition of the CMW Obligated Group the Corporation provided a Liquidity Support Agreement (the “*CMW LSA*”) for the CMW long-term indebtedness which CMW LSA is outstanding in the maximum aggregate amount of \$7,412,300 as of September 30, 2023.

**Greenfields of Geneva.** On February 1, 2023, as part of a member substitution of Greenfields of Geneva the Corporation provided the following financial support: (i) with respect to outstanding Illinois Finance Authority Revenue Bonds (GreenFields of Geneva Project), Series 2017 (the “GreenFields Bonds”) Lifespace entered a Liquidity Support Agreement (the “GreenFields LSA”) with a support amount not to exceed (a) \$2,000,000 through November 30, 2024 and (b) \$3,000,000 on and after December 1, 2024, provided any amounts provided by the Corporation under the FSO LSA (defined below) shall reduce the support amounts under the GreenFields LSA on a dollar for dollar basis; and (ii) with respect to outstanding FSO, Taxable Bonds, Series 2017A, Series 2017B and Series 2017C (GreenFields of Geneva Project) (the “FSO Bonds”) Lifespace entered a Liquidity Support Agreement (the “FSO LSA”) with a support amount not to exceed (a) \$2,000,000 through November 30, 2024 and (b) \$2,800,000 on and after December 1, 2024. Any amounts provided by Lifespace under the GreenFields LSA shall reduce the support amounts under the FSO LSA on a dollar for dollar basis.

#### **EDGEMERE RESIDENTS TRUST DEPOSITS**

Lifespace was the sole member of Northwest Senior Housing Corporation d/b/a Edgemere (“Edgemere”) and Senior Quality Lifestyles Corporation (“SQLC”, and together with Edgemere, the “Debtors”). In April, 2023, the United States Bankruptcy Court for the Northern District of Texas (the “Bankruptcy Court”) approved a plan of reorganization related to the Debtors (the “Plan”) and Edgemere was sold to a third party in accordance with the Plan. Pursuant to the Plan, Lifespace agreed to provide certain limited financial support for a Lifespace contribution to a trust (the “Residents Trust”) in an aggregate contribution payment amount and expense payment amount of \$143,410,608 payable during approximately 19 years and with a final effective date payment of December 31, 2042. On May 25, 2023, the Corporation received funds as a result of the issuance of Iowa Finance Authority Revenue Bonds, Series 2023, a portion of the proceeds of which were used to make an initial deposit for the resident trust payment deposit. On December 31, 2023, the Corporation intends to make an additional resident trust payment of \$11,470,234 for the payment due in 2024. Thereafter, on December 31 of each year the Corporation intends to make additional annual resident trust payments for the subsequent year (a “Payment Date”) pursuant to the schedule and terms set forth below.

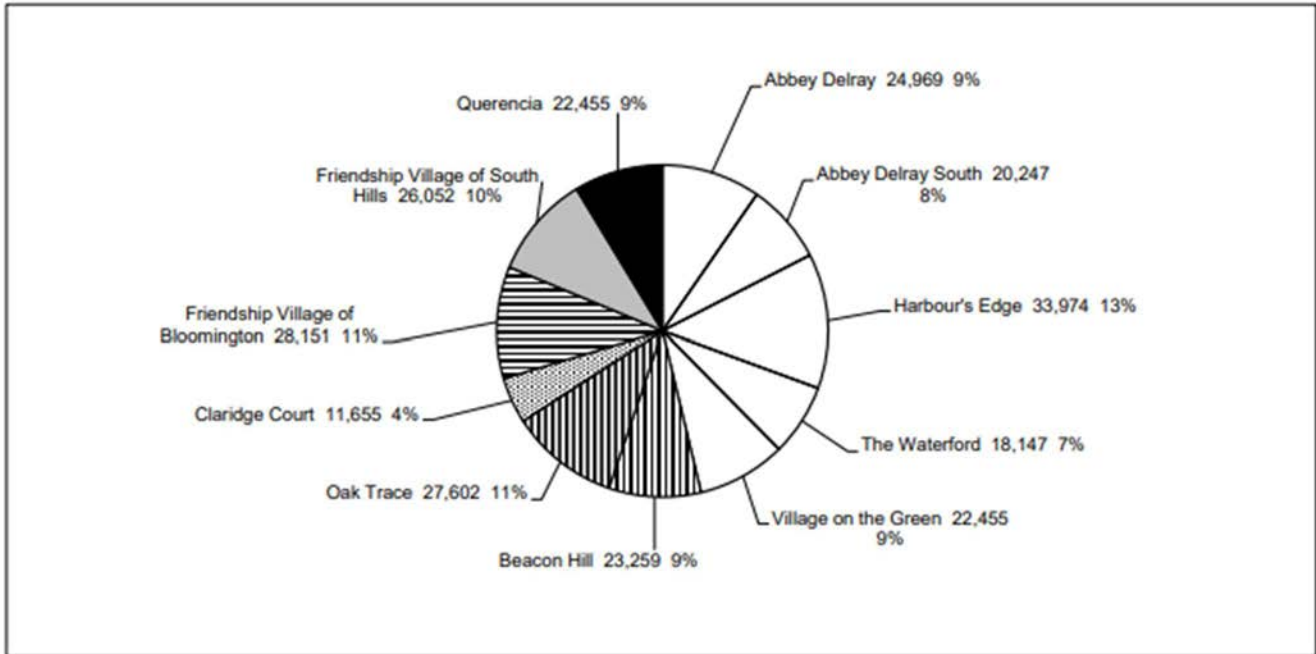
<u>Payment Date</u>	<u>Annual Payment</u>
2025	\$10,914,105
2026	\$10,043,057
2027	\$9,080,741
2028	\$7,976,979
2029	\$6,964,084
2030	\$6,041,775
2031	\$5,209,098
2032	\$4,434,664
2033	\$3,749,660
2034	\$3,153,130
2035	\$2,637,942
2036	\$2,204,252
2037	\$1,836,542
2038	\$1,521,837
2039	\$1,248,589
2040	\$1,006,568
2041	\$809,281
<u>2042</u>	<u>\$647,976</u>
<u>Total</u>	<u>\$79,480,280</u>

Commencing with the payment due for 2025, if any portion of the required annual payment would result in the Corporation failing to maintain at least 250 days of cash and cash equivalents on hand, then such portion of the annual payment may be deferred to the following year (a “Payment Deferral”). Any Payment Deferral that has accrued for two years is due to be paid in full the following year unless such payment would trigger an event of default pursuant to the Master Indenture. If any portion of any contribution to the Residents Trust would trigger an event of default pursuant to the Master Indenture, then any such portion may be deferred until such deferred portion would not trigger such event of default.

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**SOURCES OF REVENUE BY COMMUNITY**

**Lifespace Communities, Inc.  
Comparative Analysis of Gross Revenues  
Nine Months Ended September 30, 2023  
(\$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 in which 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 is 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:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
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 \$128,525,000 at September 30, 2023. The asset mix is as follows:

<u>Asset Description</u>	<u>Percentage</u>
Common Stock	34.6%
US Treasury	24.7%
Corporate Bond	14.4%
Money Market	5.6%
ETF -- Fixed	5.2%
Asset Back Securities (ABS)	4.7%
Exchange Traded Funds Equity	4.3%
Commercial Mortgage Backed Securities	3.6%
Foreign Domiciled U.S. Equity Securities	1.6%
RE Investment Funds	0.8%
MBS	0.5%
Total	100%

## 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 \$962,703,992 (Northern Communities: \$613,895,382; Texas Communities: \$183,869,180). The total policy limit for the Northern and Texas Properties is \$500,000,000 (consisting of Querencia and The Stayton). The total insured values of the Florida Communities, including business income, are \$704,178,979. The policy limit for the Florida property insurance is \$110,000,000. 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 \$50,000,000 each per occurrence and annual aggregate for the non-Florida locations, and \$25,000,000 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

The Corporation entered into an interest rate cap (the “2021 Interest Rate Cap”) to manage interest rate risk related to a portion of the Series 2021B Bonds. The 2021 Interest Rate Cap has a notional amount of \$15,000,000, a termination date of May 15, 2025 and provides for an interest rate cap of 1.00%. The Corporation paid an initial payment amount (the “2021 Interest Rate Cap Premium”) for the 2021 Interest Rate Cap in the amount of \$82,600. The Corporation has no further payment obligations pursuant to the 2021 Interest Rate Cap above the 2021 Interest Rate Cap Premium. The 2021 Interest Rate Cap does 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 the IRS 403(b) deferral contribution limit 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 offered 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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**APPENDIX B**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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**LIFESPACE OBLIGATED GROUP**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

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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 Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of the Lifespace Obligated Group, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Lifespace Obligated Group as of December 31, 2022 and 2021, and the results of their operations, changes in net assets, and their cash flows for the years then ended in accordance with the original master trust indenture dated as of November 1, 2010 and most recently amended November 1, 2022.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lifespace Obligated Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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 original master trust indenture dated as of November 1, 2010 and most recently amended November 1, 2022, 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the original master trust indenture dated as of November 1, 2010 and most recently amended November 1, 2022, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lifespace Obligated Group ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lifespace Obligated Group internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lifespace Obligated Group ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **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 original master trust indenture dated as of November 1, 2010 and most recently amended November 1, 2022. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### ***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, U.S. Bank, National Association, and the state of Pennsylvania and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota

April 26, 2023 except for Note 15, as to which the date is November 15, 2023

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 38,138	\$ 20,422
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	118,692	159,745
Accounts and Other Receivables	15,359	10,185
Receivable from Lifespace Communities, Inc.	896	1,999
Inventories	701	850
Prepaid Insurance and Other	5,501	5,752
Assets Whose Use is Limited - Current *	120,834	112,962
Total Current Assets	300,121	311,915
<b>ASSETS WHOSE USE IS LIMITED - Noncurrent *</b>	79,901	87,860
<b>PROPERTY AND EQUIPMENT, AT COST</b>		
Land and Improvements	71,959	71,115
Buildings and Improvements	1,117,666	1,070,219
Furniture and Equipment	93,371	85,992
Construction-in-Progress	103,442	47,207
Subtotal	1,386,438	1,274,533
Less: Accumulated Depreciation	587,225	533,188
Net Property and Equipment	799,213	741,345
<b>GOODWILL</b> , Net of Accumulated Amortization	35,730	41,824
<b>DEFERRED EXPENSES</b> , Net of Accumulated Amortization	2,833	1,861
<b>INTANGIBLE ASSET</b> , Net of Accumulated Amortization	9,369	10,839
Total Assets	\$ 1,227,167	\$ 1,195,644

\* \$5,678 included in these lines relate to Pennsylvania statutory reserves.

See accompanying Notes to Consolidated Financial Statements.

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable:		
Trade	\$ 32,810	\$ 24,509
Lifespace Communities, Inc.	4,223	1,885
Accrued Liabilities:		
Employee Compensation Expense	10,868	9,011
Interest	3,468	3,081
Property Taxes	2,282	2,094
Other	3,874	4,422
Total Accrued Liabilities	20,492	18,608
Entrance Fee Refunds	8,975	10,557
Reserve for Health Center Refunds	32,635	27,830
Long-Term Debt Due within One Year	10,486	12,704
Obligation under Leases Due within One Year	425	655
Total Current Liabilities	110,046	96,748
<b>LONG-TERM LIABILITIES</b>		
Entrance Fee Deposits	7,124	5,888
Wait List Deposits	1,215	1,201
Long-Term Debt Due after One Year	642,993	567,332
Obligation under Leases Due after One Year	1,219	623
Deferred Entrance Fees	183,450	165,153
Refundable Entrance and Membership Fees	543,117	512,943
Total Long-Term Liabilities	1,379,118	1,253,140
Total Liabilities	1,489,164	1,349,888
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
	(261,997)	(154,244)
Total Liabilities and Net Assets without Donor Restrictions	\$ 1,227,167	\$ 1,195,644

See accompanying Notes to Consolidated Financial Statements.

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

	2022	2021
<b>REVENUES</b>		
Independent Living Fees	\$ 139,981	\$ 129,744
Entrance Fees Earned and Nonrefundable Fees	33,522	29,804
Skilled Nursing and Assisted Living Fees	129,208	115,176
Other	313	1,127
Total Revenues	303,024	275,851
<b>EXPENSES</b>		
Operating Expenses:		
Salaries and Benefits	149,347	122,914
General and Administrative	70,257	65,700
Plant Operations	19,699	17,861
Housekeeping	1,264	1,499
Dietary	24,869	21,737
Medical and Other Resident Care	12,920	14,406
Depreciation	54,553	52,224
Amortization	12,427	12,225
Interest	18,816	17,468
Loss on Disposal of Property and Equipment	5	12
Extinguishment of Debt	-	214
Total Expenses	364,157	326,260
<b>NONOPERATING INCOME (LOSS)</b>		
Investment Income (Loss)	(24,386)	18,328
<b>DEFICIT OF REVENUES OVER EXPENSES</b>	(85,519)	(32,081)
<b>DISCONTINUED OPERATIONS</b>		
Gain from Operations of Discontinued Operations	-	985
Gain on Sale of Property and Equipment	-	11,921
Loss on Sale of Related Party Investment	-	(14,648)
Total Discontinued Operations	-	(1,742)
<b>OTHER CHANGES IN NET ASSETS</b>		
Contributions to Lifespace Communities, Inc.	(22,234)	(18,705)
<b>CHANGES IN NET ASSETS</b>	(107,753)	(52,528)
Net Assets - Beginning of Year	(154,244)	(101,716)
<b>NET ASSETS - END OF YEAR</b>	\$ (261,997)	\$ (154,244)

See accompanying Notes to Consolidated Financial Statements.

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (107,753)	\$ (52,528)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Reconciling Items Included in Discontinued Operations	-	(6,718)
Entrance Fees Earned	(33,522)	(29,802)
Proceeds from Nonrefundable Entrance Fees and Deposits	54,692	51,372
Refunds of Entrance Fees	(2,676)	(4,354)
Depreciation and Amortization	66,980	64,449
Amortization of Financing Costs	577	474
Net Accretion of Original Issue Premium and Discounts on Bonds	(1,975)	(1,498)
Change in Unrealized (Appreciation) Depreciation of Investments	27,006	(14,953)
Net (Purchases) Sales of Trading Investments	69,219	(36,617)
Loss on Disposal of Property and Equipment	5	12
Change in Entrance Fee and Wait List Deposits	1,250	(6,646)
Contributions to Lifespace Communities, Inc.	22,234	18,705
Loss on Extinguishment of Debt	-	214
Gain on Sale of Discontinued Operations	-	(11,921)
Loss on Sale of Related Party Investment	-	14,648
Changes in Operating Assets and Liabilities:		
Accounts and Other Receivables, Inventories, and Prepaid Insurance and Other	(2,495)	(3,150)
Trade Accounts Payable and Accrued Liabilities	12,523	7,598
Net Cash Provided (Used) by Operating Activities	106,065	(10,715)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(111,705)	(87,242)
Proceeds from Sale of Property and Equipment	-	32
Net Cash Used by Investing Activities	(111,705)	(87,210)

See accompanying Notes to Consolidated Financial Statements.

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Financing Costs Incurred	\$ (820)	\$ (2,896)
Proceeds from New Financings	85,000	132,520
Advances to Lifespace Communities, Inc.	(3,361)	-
Advances from Line of Credit, Net	8,943	2,837
Repayment of Long-Term Debt	(18,282)	(33,826)
Payments on Leases	(355)	(381)
Extinguishment of Prior Debt	-	(39,642)
Proceeds from Disposal of a Community	-	14,117
Proceeds from Refundable Entrance Fees and Deposits	87,819	99,562
Refunds of Refundable Entrance Fees	(58,268)	(50,288)
Contributions to Lifespace Communities, Inc.	(22,234)	(18,705)
Net Cash Provided by Financing Activities	78,442	103,298
 <b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	 72,802	 5,373
 Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	 64,085	 58,712
 <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	 \$ 136,887	 \$ 64,085

*See accompanying Notes to Consolidated Financial Statements.*



**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(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 senior residents 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.

Lifespace owns and operates 17 communities. Eleven communities and the home office are separate divisions. Six 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 original master trust indenture dated as of November 1, 2010 and most recently amended November 1, 2022. 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.

Lifespace is the sole member of Barton Creek Senior Living Center, Inc., d/b/a Querencia at Barton Creek (Querencia) located in Austin, Texas. On August 1, 2021, concurrent with the issuance of the Series 2021 bonds, Querencia became part of the Obligated Group.

On August 1, 2021, Grand Lodge was sold to a third party. Prior period information has been restated to include Querencia and reclass of Grand Lodge activity to discontinued operations.

The 11 communities creating the Lifespace Obligated Group are:

<b>Operating Name</b>	<b>Location</b>
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
Claridge Court*	Prairie Village, Kansas
Prairie View Club	Prairie Village, Kansas
Querencia at Barton Creek	Austin, Texas

\*Member of Lifespace Communities, Inc.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(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:

<b>Legal/ Operating Entity</b>	<b>Location</b>
Home Office	West Des Moines, Iowa
Edgemere	Dallas, Texas
The Stayton	Ft. Worth, Texas
Newcastle Place, LLC	Mequon, Wisconsin
Craig Amarillo, LLC	Amarillo, Texas
Meadow Lake, LLC	Tyler, Texas
Wesley Court, LLC	Abilene, Texas
Lifespace Foundation	West Des Moines, Iowa
Seniority, Inc.	Addison, Texas
SQLC	Addison, Texas
Augustine Home Health Texas, LLC (50%)	Dallas, Texas
Lifespace Management, Inc.	West Des Moines, Iowa
Lifespace Services, Inc.	West Des Moines, Iowa

Lifespace was the sole member of Deerfield Retirement Community, Inc. (Deerfield) a nonprofit organization that was organized to own and operate a CCRC in suburban Des Moines, Iowa. On August 1, 2021, Deerfield was sold to the same third party as Grand Lodge.

Lifespace Management, Inc. And Lifespace Services, Inc. were dissolved in May 2022.

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. Lifespace Obligated Group's portion of the home office allocation was \$21,514 and \$20,373 for the years ended December 31, 2022 and 2021, respectively.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

**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. The Lifespace Obligated 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.

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, 2022 and 2021, 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.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$1,285 and \$1,476 at December 31, 2022 and 2021, respectively.

**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, 2022 and 2021, the Lifespace Obligated Group's common reserve fund of \$43,364 and \$50,085, respectively, is reflected as current assets in the consolidated balance sheets in investments in trading portfolio, excluding those whose use is limited.

**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 December 31, 2022 and 2021, the Lifespace Obligated Group capitalized interest charges of \$5,449 and \$4,568, 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	
	2022	2021
Medicare	35 %	37 %
Medicaid	3	3
Residents and Other Third-Party Payors	62	60
Total	<u>100 %</u>	<u>100 %</u>

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

Inventory consists principally of food, maintenance supplies, and medical 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, funds held by trustees under bond indenture agreements and funds held as reserves for state requirements. 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.

**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, 2020, this goodwill is amortized on a straight-line basis over 10 years. The accumulated amortization was \$21,129 and \$15,847 at December 31, 2022 and 2021, respectively.

Goodwill of \$6,903 was recorded as part of the Querencia acquisition. Starting June 1, 2019, this goodwill is amortized on a straight-line basis over nine years. The accumulated amortization was \$2,867 and \$2,055 at December 31, 2022 and 2021, respectively.

**Deferred Expenses**

Net deferred expenses of \$2,833 and \$1,861 at December 31, 2022 and 2021, 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 \$673 and \$460 in 2022 and 2021, 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.

Intangible assets were recognized in the Querencia affiliation which include values assigned to the residency agreements in place at the time. 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 \$5,145 and \$3,675 at December 31, 2022 and 2021, respectively.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 the successor resident of the apartment. 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.

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	
	2022	2021
Deferred Entrance Fees	\$ 183,450	\$ 165,153
Refundable Entrance and Membership Fees	543,117	512,943
Total	\$ 726,567	\$ 678,096

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Entrance and Membership Fees (Continued)**

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, assisted living and skilled nursing fees to residents at the beginning of the month. The Lifespace Obligated Group bills third-party payors in the month following the services being performed. Revenue for all communities is recognized as performance obligations are satisfied.

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

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**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 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.

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 2022 or 2021.



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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

The composition of Resident care service revenue by primary payor for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Residency Plan Agreement	\$ 174,725	\$ 161,593
Private Pay	44,872	34,912
Medicare	35,399	35,181
Medicaid	6,439	7,631
HMO/Managed Care	6,863	4,933
Hospice	623	606
Other	268	64
Total	<u>\$ 269,189</u>	<u>\$ 244,920</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 on the lines of business for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Service Lines:		
Independent Living	\$ 139,981	\$ 129,744
Skilled Nursing Facility	87,332	80,501
Assisted Living and Memory Care	29,585	21,685
Home Health	12,291	12,990
Total	<u>\$ 269,189</u>	<u>\$ 244,920</u>

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**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 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.

The opening and closing balances were as followed:

	Accounts Receivables	Deferred Entrance Fees
Balances as of January 1, 2021	\$ 13,019	\$ 148,692
Balances as of December 31, 2021	10,185	165,153
Balances as of December 31, 2022	15,359	183,450

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 years ended December 31, 2022 and 2021, no unamortized costs were expensed as a result of the impairment analysis. At December 31, 2022 and 2021, the customer contract acquisition costs are \$3,506 and \$2,321, respectively. During the years ended December 31, 2022 and 2021, the Lifespace Obligated Group recognized amortization expense of \$446 and \$236, 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.

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 in independent living fees and skilled nursing and assisted living fees were \$2,391 and \$2,774 for the years December 31, 2022 and 2021, 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 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**

All members of the Lifespace Obligated Group have been granted exemptions from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have been designated as publicly supported organizations (rather than private foundations) excluding Prairie View Club of Kansas that is treated as for-profit corporation.

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, 2022 and 2021 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, 2019 through December 31, 2021.

**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.

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**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,	
	2022	2021
Cash and Cash Equivalents	\$ 38,138	\$ 20,422
Restricted Cash included in Assets Whose Use is Limited - Current	84,976	22,367
Restricted Cash included in Assets Whose Use Is Limited - Noncurrent	13,773	21,296
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statements of Cash Flows	<u>\$ 136,887</u>	<u>\$ 64,085</u>

During the years ended December 31, 2022 and 2021, the Lifespace Obligated Group received interest income of \$3,560 and \$4,415, respectively, and paid interest charges of \$25,276 and \$24,156, 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, 2022 and 2021.

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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), the state of Pennsylvania and the state of Texas. 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 relief funds, and has determined the conditions on which they depend were met, and therefore recognized the relief funds of \$313 and \$1,127 as revenue for the year ended December 31, 2022 and 2021, respectively in other revenues on the consolidated statements of operations and changes in net assets.

**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 4).

Fair value is defined as the price the Lifespace 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.

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**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).

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:

	December 31, 2022			
	Assets	Fair Value Hierarchy Level		
	Measured at Fair Value	Level 1	Level 2	Level 3
<b>ASSETS</b>				
Money Market Funds	\$ 101,264	\$ 101,264	\$ -	\$ -
Pooled Common Trust Funds	153,095	-	153,095	-
Corporate Bonds	34,559	-	34,559	-
U.S. Government and				
Federal Issues	20,392	-	20,392	-
Foreign Issues	10,117	10,117	-	-
Total Assets	<u>\$ 319,427</u>	<u>\$ 111,381</u>	<u>\$ 208,046</u>	<u>\$ -</u>

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**NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

	December 31, 2021			
	Assets	Fair Value Hierarchy Level		
	Measured at Fair Value	Level 1	Level 2	Level 3
<b>ASSETS</b>				
Money Market Funds	\$ 43,522	\$ -	\$ -	\$ -
Pooled Common Trust Funds	195,930	-	195,930	-
Corporate Bonds	70,543	-	70,543	-
U.S. Government and Federal Issues	19,853	-	19,853	-
Foreign Issues	30,719	30,719	-	-
Total Assets	\$ 360,567	\$ 30,719	\$ 286,326	\$ -

There were no investments measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2022 and 2021.

**NOTE 4 INVESTMENTS**

A summary of the investments is as follows:

	December 31	
	2022	2021
Money Market Funds	\$ 101,264	\$ 43,522
Pooled Common Trust Fund	153,095	195,930
Corporate Bonds	34,559	70,543
U.S. Government and Federal Agency Bonds	20,392	19,853
Foreign Domiciled U.S. Equity Securities	10,117	30,719
Total	\$ 319,427	\$ 360,567

The investments noted above are represented in the consolidated balance sheets in the following line items:

	December 31	
	2022	2021
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	\$ 118,692	\$ 159,745
Assets Whose Use is Limited – Current	120,834	112,962
Assets Whose Use is Limited – Noncurrent	79,901	87,860
Total	\$ 319,427	\$ 360,567

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**NOTE 4 INVESTMENTS (CONTINUED)**

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	
	2022	2021
Money Market Funds	4 %	5 %
U.S. Government Obligations	23	15
Corporate Bonds	21	26
Asset-Backed Securities	5	3
Common Stock	43	47
Mortgage Backed Securities	4	4
Total	<u>100 %</u>	<u>100 %</u>

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.

Investment income (loss) is comprised of the following:

	December 31	
	2022	2021
Dividend and Interest Income	\$ 3,560	\$ 4,415
Net Realized Gains (Losses) on Investments	(940)	8,004
Change in Unrealized Appreciation (Depreciation) of Investments	(27,006)	5,909
Total Investment Income (Loss)	<u>\$ (24,386)</u>	<u>\$ 18,328</u>

Investment management and custodial fees amounted to \$344 and \$468 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 5 LIQUIDITY AND AVAILABILITY**

As of December 31, 2022 and 2021, the Lifespace Obligated Group has a working capital surplus of \$190,075 and \$215,167 and days cash on hand of 234 and 301, respectively.



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**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,	
	2022	2021
Cash and Cash Equivalents	\$ 38,138	\$ 20,422
Investments in Trading Portfolio, at Fair Value	118,692	159,745
Accounts and Other Receivables	16,255	12,184
Assets Whose Use is Limited	200,735	200,822
Total Financial Assets	373,820	393,173
Less Amounts Unavailable to be Used		
Within One Year:		
Operating and Renewal and Replacement Funds	32,925	33,959
Funds Held by Trustee	153,103	147,200
Entrance Fee and Wait List Deposits	14,618	19,656
Team Member Appreciation Funds	89	7
Total Unavailable Within One Year	200,735	200,822
Financial Expenditures Available to Meet Cash Needs		
Within One Year	\$ 173,085	\$ 192,351

**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, 2022 and 2021, deposits of \$7,124 and \$5,888, respectively, had been received from future residents who have signed residency agreements and an approximate additional \$64,116 and \$52,992, 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, 2022 and 2021, the Lifespace Obligated Group had two and nine residents included in the deferred entrance fee contract, respectively, that will be paying their final portion of \$656 and \$1,428, respectively, in the following year. The remaining portion due is classified within trade accounts receivables.

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**NOTE 7 CONSTRUCTION IN PROGRESS**

The Lifespace Obligated Group has construction in progress of \$103,442 and \$47,207 at December 31, 2022 and 2021, respectively. A portion of this represents updates to common areas at various communities. For the years ended December 31, 2022 and 2021, \$9,189 and \$7,867 of construction payables are recorded in accounts payable trade on the consolidated balance sheets, respectively.

Two of the communities are in the process of significant construction while two other communities expect to finish their respective project in 2023. The construction in progress for these construction projects is \$75,937 and \$26,465 at December 31, 2022 and 2021, 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.

**NOTE 8 FINANCING AGREEMENTS**

Long-term debt for the consolidated entity consisted of the following:

	December 31	
	2022	2021
Revenue Bonds:		
Series 2022, 5.085%	\$ 85,000	\$ -
Series 2021, 4.0%	120,879	120,879
Series 2019, 2.875% - 5.0%	79,215	79,215
Series 2018, 4.125% - 5.0%	164,925	164,925
Series 2016, 5.00%	69,544	69,544
Series 2015, 1.5% - 5%	103,319	107,780
Series 2014, adjustable monthly	-	662
Series 2005, 3.375%	-	890
Series 2004, 6.00%	405	590
Series 2004, 4.00%	2,655	2,655
Series 2001, 3.40%	-	82
Other:		
Line of Credit	3,365	6,426
Unsecured Debt with Lifespace	2,675	2,675
Total	<u>631,982</u>	<u>556,323</u>
Plus: Net Unamortized Original Issue		
Premium/Discounts on Bonds	31,385	33,357
Less: Unamortized Financing Costs	<u>(9,888)</u>	<u>(9,644)</u>
Total	653,479	580,036
Less: Amounts Due within One Year	<u>10,486</u>	<u>12,704</u>
Long-Term Debt Due after One Year	<u>\$ 642,993</u>	<u>\$ 567,332</u>

The Lifespace Obligated Group line of credit has a variable interest rate and a maturity date in August 2023.

The Lifespace Obligated Group has unsecured debt with Lifespace, Inc. for operational needs as they occur.

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**NOTE 8 FINANCING AGREEMENTS (CONTINUED)**

**Revenue Bonds**

The Lifespace Obligated Group has entered into various 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.

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 \$13,779 and \$12,958 as of December 31, 2022 and 2021, respectively, which are being amortized over the life of the bonds issued in relation to the debt outstanding. The Lifespace Obligated Group added \$820 in new financing costs from the 2022 financing. The accumulated amortization was \$3,891 and \$3,314 in 2022 and 2021, respectively. The annual expense which is included in interest expense was \$577 and \$474 in 2022 and 2021, 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.

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:

	<u>Principal Payments</u>	
	<u>Next Payment</u>	<u>Final Payment</u>
Revenue Bonds:		
Series 2022	2025	2052
Series 2021	2023	2056
Series 2019	2049	2055
Series 2018	2031	2048
Series 2016	2031	2047
Series 2015	2023	2045
Series 2004	2023	2034

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**NOTE 8 FINANCING AGREEMENTS (CONTINUED)**

**Revenue Bonds (Continued)**

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, 2022, scheduled maturities (including mandatory sinking fund requirements) are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 10,486
2024	7,677
2025	8,077
2026	24,864
2027	10,407
Thereafter	570,471
Total	<u>\$ 631,982</u>

**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:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Operating and Renewal and Replacement Reserve Funds	\$ 32,872	\$ 33,906
Debt Service Reserve Funds	32,359	34,245
Principal and Interest Funds	9,983	9,697
Pennsylvania Liquid Reserve	53	53
Project Funds	110,751	103,214
Cost of Issuance Fund	10	44
Entrance Fee Deposits	12,780	17,521
Wait List Deposits	1,838	2,135
Team Member Appreciation Funds	89	7
Total	<u>200,735</u>	<u>200,822</u>
Less: Current Portion	<u>120,834</u>	<u>112,962</u>
Long-Term Portion	<u>\$ 79,901</u>	<u>\$ 87,860</u>

Fund amounts are classified as current to the extent that they may be used to pay construction costs or liabilities classified as current.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

**NOTE 8 FINANCING AGREEMENTS (CONTINUED)**

**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 2019, Series 2021, and Series 2022 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, 2022 calculation, South Hills is required to maintain \$3,373 in reserves. South Hills has \$5,678 in restricted accounts at December 31, 2022 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. Project 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. Cost of Issuance 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.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

**NOTE 8 FINANCING AGREEMENTS (CONTINUED)**

**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.

**NOTE 9 DISCONTINUED OPERATIONS**

Effective August 1, 2021, Lifespace Obligated Group sold Grand Lodge to an unrelated entity including substantially all of the assets for a purchase price of \$14,117. A portion of the proceeds were used to redeem certain bonds outstanding at that time.

In accordance with the accounting standard Accounting for the Impairment or Disposal of Long-Lived Assets, the operating activity for this entity is presented as discontinued operations in the consolidated statement of operations and changes in net assets.

The amounts included in discontinued operations as of December 31, 2021 consist of:

	2021
Total Revenues	\$ 4,444
Total Expenses	3,459
Net Gain from Discontinued Operations	\$ 985

Upon sale of the assets for this one entity a gain on sale of \$11,922 was recorded for the year ended December 31, 2021.

**NOTE 10 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, 2022						
	Program Services					Supporting Services	
	Independent Living	Home Health	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 46,540	\$ 12,632	\$ 62,080	\$ 16,460	\$ 137,712	\$ 11,635	\$ 149,347
General and Administrative	42,800	-	9,153	5,143	57,096	13,161	70,257
Plant Operations	13,914	-	3,704	2,081	19,699	-	19,699
Housekeeping	892	-	238	134	1,264	-	1,264
Dietary	17,565	-	4,676	2,628	24,869	-	24,869
Medical and Other Resident Care	1,072	613	8,932	2,303	12,920	-	12,920
Depreciation	36,603	-	9,746	5,476	51,825	2,728	54,553
Amortization	4,473	-	1,191	669	6,333	6,094	12,427
Interest	13,290	-	3,538	1,988	18,816	-	18,816
Total Expense	\$ 177,149	\$ 13,245	\$ 103,258	\$ 36,882	\$ 330,534	\$ 33,618	\$ 364,152

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

**NOTE 10 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)**

	Year Ended December 31, 2021						
	Program Services					Supporting Services	
	Independent Living	Home Health	Skilled Nursing	Assisted Living	Total Program Services	Management and General	Total
Salaries and Benefits	\$ 39,762	\$ 11,436	\$ 50,015	\$ 11,760	\$ 112,973	\$ 9,941	\$ 122,914
General and Administrative	39,914	-	8,700	4,888	53,502	12,198	65,700
Plant Operations	12,623	-	3,354	1,884	17,861	-	17,861
Housekeeping	1,060	-	281	158	1,499	-	1,499
Dietary	15,363	-	4,081	2,293	21,737	-	21,737
Medical and Other Resident Care	1,008	1,430	9,837	2,131	14,406	-	14,406
Depreciation	35,063	-	9,316	5,234	49,613	2,611	52,224
Amortization	8,066	-	2,143	1,204	11,413	812	12,225
Interest	12,345	-	3,280	1,843	17,468	-	17,468
Total Expense	<u>\$ 165,204</u>	<u>\$ 12,866</u>	<u>\$ 91,007</u>	<u>\$ 31,395</u>	<u>\$ 300,472</u>	<u>\$ 25,562</u>	<u>\$ 326,034</u>

The loss on the disposal of property and equipment is excluded for the years ending December 31, 2022 and 2021. The extinguishment of debt is excluded for the year ended December 31, 2021. Fundraising expenses were not material and are included in management and general for the years ended December 21, 2022, and 2021.

**NOTE 11 LEASES**

The Lifespace Obligated Group has operating lease agreements for office equipment. The right-of-use asset for these agreements is \$907 and \$675 at December 31, 2022 and 2021, respectively. Payment and the related expenses for these leases is \$305 and \$309 in 2022 and 2021, respectively. The leases have a weighted-average discount rate of 4.3% and a weighted-average remaining lease term of three years.

The Lifespace Obligated Group has financing leases for the purchase of community vehicles. The asset recorded within furniture and equipment on the balance sheet for these agreements is \$510 and \$355 at December 31, 2022 and 2021, respectively. The leases have a weighted-average discount rate of 6.8% and a weighted-average remaining lease term of under three 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>
2023	421	310
2024	127	234
2025	98	213
2026	90	154
2027	77	79
Thereafter	-	-
PV Discount	(76)	(83)
Total	<u>\$ 737</u>	<u>\$ 907</u>

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

**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. 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, 2022 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 results of operations.

**Construction in Progress**

As of December 31, 2022, 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, 2022 and 2021, were approximately \$202,434 and \$89,758, respectively.

**NOTE 13 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 \$1,920 and \$1,273 for the years ended December 31, 2022 and 2021, respectively.



**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(IN THOUSANDS)**

**NOTE 14 SUBSEQUENT EVENTS THROUGH APRIL 26, 2023**

The Lifespace Obligated Group has evaluated events or transactions that may have occurred since December 31, 2022, that would merit recognition or disclosure in the consolidated financial statements. This evaluation was completed through April 26, 2023, 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 and below.

In February 2023, Lifespace became the sole member of Friendship Village of Mill Creek, NFP, dba: Greenfields of Geneva (GreenFields) through a membership substitution. As a part of the membership substitution agreement Lifespace funded a \$3,000 deposit and entered into a liquidity support agreement with GreenFields to provide additional support up to a maximum amount of \$4,800.

**NOTE 15 SUBSEQUENT EVENTS THROUGH NOVEMBER 15, 2023**

Lifespace was the sole member of Northwest Senior Housing Corporation d/b/a Edgemere ("Edgemere") and Senior Quality Lifestyles Corporation ("SQLC", and together with Edgemere, the "Debtors"). In April, 2023, the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court") approved a plan of reorganization related to the Debtors (the "Plan") and Edgemere was sold to a third party in accordance with the Plan. Pursuant to the Plan, Lifespace agreed to provide certain limited financial support for a Lifespace contribution to a trust (the "Residents Trust") in an aggregate contribution payment amount and expense payment amount of \$143,410,608 payable during approximately 19 years and with a final effective date payment of December 31, 2042. On May 25, 2023, Lifespace received funds as a result of the issuance of Iowa Finance Authority Revenue Bonds, Series 2023, a portion of the proceeds of which were used to make an initial deposit for resident trust payment deposit. On December 31, 2023, Lifespace intends to make an additional resident trust payment of \$11,470,234 for the payment due in 2024. Thereafter, on December 31 of each year (a "Payment Date") Lifespace intends to make additional annual resident trust payments for the subsequent year pursuant to the schedule and terms set forth below.

**LIFESPACE OBLIGATED GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(IN THOUSANDS)

**NOTE 15 SUBSEQUENT EVENTS THROUGH NOVEMBER 15, 2023 (CONTINUED)**

<u>Payment Date</u>	<u>Annual Payment</u>
2025	\$10,914,105
2026	\$10,043,047
2027	\$9,080,741
2028	\$7,976,979
2029	\$6,964,084
2030	\$6,041,775
2031	\$5,209,098
2032	\$4,434,664
2033	\$3,749,660
2034	\$3,153,130
2035	\$2,637,942
2036	\$2,204,252
2037	\$1,836,542
2038	\$1,521,837
2039	\$1,248,589
2040	\$1,006,568
2041	\$809,281
2042	\$647,976
Total	\$79,480,280

If any portion of the required annual payment would result in Lifespace failing to maintain at least 250 days of cash and cash equivalents on hand (the "Lifespace Minimum DCOH") then such portion of the annual payment may be deferred to the following year (a "Payment Deferral"). Any Lifespace Payment Deferral that has accrued for two years is due to be paid in full the following year unless such payment would trigger an event of default pursuant to the Master Indenture.

**LIFESPACE OBLIGATED GROUP  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2022  
(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>ASSETS</b>														
<b>CURRENT ASSETS</b>														
Cash and Cash Equivalents	\$ 1,203	\$ -	\$ 351	\$ 288	\$ 306	\$ 177	\$ 313	\$ 595	\$ 3,320	\$ 534	\$ 621	\$ 7,708	\$ 30,430	\$ 38,138
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	(11,098)	8,583	18,133	9,379	23,704	12,961	49,424	(9,168)	33,974	2,551	(10,995)	127,448	(8,756)	118,692
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	1,891	1,078	694	1,081	437	880	4,061	722	946	1,503	2,066	15,359	-	15,359
Inventories	657	86	12	459	20	31	222	29	714	62	31	2,323	(1,427)	896
Prepaid Insurance and Other	65	34	65	37	97	59	68	69	60	72	75	701	-	701
Assets Whose Use is Limited - Current	595	473	354	155	380	1,082	803	259	452	507	441	5,501	-	5,501
Total Current Assets	4,456	7,545	393	88	20,552	2,286	3,685	21,774	693	45,807	13,555	120,834	-	120,834
	(2,231)	17,799	20,002	11,487	45,496	17,476	58,576	14,280	40,159	51,036	5,794	279,874	20,247	300,121
<b>ASSETS WHOSE USE IS LIMITED</b>														
Noncurrent	10,920	6,330	1,627	136	8,281	5,408	9,660	13,967	6,613	8,703	8,256	79,901	-	79,901
<b>PROPERTY AND EQUIPMENT, AT COST</b>														
Land and Improvements	5,847	2,313	6,067	2,403	5,407	7,639	12,204	9,757	8,354	7,125	4,843	71,959	-	71,959
Buildings and Improvements	116,979	77,527	86,415	43,019	195,843	116,052	133,221	86,877	64,941	85,054	111,738	1,117,666	-	1,117,666
Furniture and Equipment	10,453	8,414	7,853	6,418	13,573	16,159	8,369	7,365	1,649	4,745	8,373	93,371	-	93,371
Construction-in-Progress	1,453	10,085	4,341	5,016	4,978	1,411	1,757	53,427	3,815	13,401	3,758	103,442	-	103,442
Subtotal	134,732	98,339	104,676	56,856	219,801	141,261	155,551	157,426	78,759	110,325	128,712	1,386,438	-	1,386,438
Less: Accumulated Depreciation	68,902	55,478	65,669	31,643	78,732	68,514	84,568	27,925	6,923	53,477	45,394	587,225	-	587,225
Net Property and Equipment	65,830	42,861	39,007	25,213	141,069	72,747	70,983	129,501	71,836	56,848	83,318	799,213	-	799,213
<b>GOODWILL, Net of Accumulated Amortization</b>														
	-	-	-	-	-	-	-	31,694	4,036	-	-	35,730	-	35,730
<b>DEFERRED EXPENSES, Net of Accumulated Amortization</b>														
	241	229	290	128	448	277	279	228	175	228	310	2,833	-	2,833
<b>INTANGIBLE ASSET, Net of Accumulated Amortization</b>														
	-	-	-	-	-	-	-	2,755	6,614	-	-	9,369	-	9,369
Total Assets	\$ 74,760	\$ 67,219	\$ 60,926	\$ 36,964	\$ 195,294	\$ 95,908	\$ 139,498	\$ 192,425	\$ 129,433	\$ 116,815	\$ 97,678	\$ 1,206,920	\$ 20,247	\$ 1,227,167

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2022**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>LIABILITIES AND NET ASSETS</b>														
<b>CURRENT LIABILITIES</b>														
Accounts Payable:														
Trade	\$ 1,653	\$ 2,152	\$ 2,264	\$ 1,062	\$ 4,332	\$ 1,353	\$ 2,273	\$ 12,118	\$ 1,032	\$ 2,204	\$ 2,367	\$ 32,810	\$ -	\$ 32,810
Lifespace Communities, Inc.	1,322	540	286	783	297	396	626	382	288	505	225	5,650	(1,427)	4,223
Accrued Liabilities:														
Employee Compensation Expense	1,191	972	1,093	613	1,147	994	1,258	1,261	741	780	818	10,868	-	10,868
Interest	291	108	110	39	618	356	82	778	260	372	454	3,468	-	3,468
Property Taxes	-	-	191	70	1,194	-	-	493	334	-	-	2,282	-	2,282
Other	225	192	536	201	276	714	314	536	124	266	490	3,874	-	3,874
Entrance Fee Refunds	290	-	512	1,470	170	999	2,646	1,279	880	52	677	8,975	-	8,975
Reserve for Health Center Refunds	-	-	4,690	1,584	10,046	4,887	3,216	6,753	-	-	1,459	32,635	-	32,635
Long-Term Debt Due within One Year	40	395	539	198	332	597	841	65	1,530	4,115	1,834	10,486	-	10,486
Obligations under Leases														
Due within One Year	40	6	27	16	36	51	69	39	79	26	36	425	-	425
Total Current Liabilities	5,052	4,365	10,248	6,036	18,448	10,347	11,325	23,704	5,268	8,320	8,360	111,473	(1,427)	110,046
<b>LONG-TERM LIABILITIES</b>														
Entrance Fee Deposits	1	-	55	60	550	100	26	6,013	40	144	135	7,124	-	7,124
Wait List Deposits	-	1	14	36	86	38	20	-	1,011	6	3	1,215	-	1,215
Long-Term Debt Due After One Year	49,813	21,863	18,568	8,061	112,948	62,851	14,703	153,288	40,310	76,204	84,384	642,993	-	642,993
Obligations under Leases														
Due After One Year	109	49	108	43	110	175	278	194	54	11	88	1,219	-	1,219
Deferred Entrance Fees	19,561	22,644	13,972	3,443	21,856	16,248	29,749	4,829	6,996	25,121	19,031	183,450	-	183,450
Refundable Entrance and Membership Fees	-	-	47,683	44,878	113,699	50,267	95,077	48,653	105,713	-	37,147	543,117	-	543,117
Total Long-Term Liabilities	69,484	44,557	80,400	56,521	249,249	129,679	139,853	212,977	154,124	101,486	140,788	1,379,118	-	1,379,118
Total Liabilities	74,536	48,922	90,648	62,557	267,697	140,026	151,178	236,681	159,392	109,806	149,148	1,490,591	(1,427)	1,489,164
<b>NET ASSETS</b>														
Without Donor Restrictions	224	18,297	(29,722)	(25,593)	(72,403)	(44,118)	(11,680)	(44,256)	(29,959)	7,009	(51,470)	(283,671)	21,674	(261,997)
Total Net Assets	224	18,297	(29,722)	(25,593)	(72,403)	(44,118)	(11,680)	(44,256)	(29,959)	7,009	(51,470)	(283,671)	21,674	(261,997)
Total Liabilities and Net Assets	\$ 74,760	\$ 67,219	\$ 60,926	\$ 36,964	\$ 195,294	\$ 95,908	\$ 139,498	\$ 192,425	\$ 129,433	\$ 116,815	\$ 97,678	\$ 1,206,920	\$ 20,247	\$ 1,227,167

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Total Obligated Group
<b>REVENUES</b>														
Independent Living Fees	\$ 9,191	\$ 10,037	\$ 17,150	\$ 7,878	\$ 17,001	\$ 13,815	\$ 20,930	\$ 9,582	\$ 12,562	\$ 10,172	\$ 11,663	\$ 139,981	\$ -	\$ 139,981
Entrance Fees Earned and Nonrefundable Fees	4,143	3,976	2,733	751	3,269	2,893	5,403	1,045	1,094	5,089	3,126	33,522	-	33,522
Skilled Nursing and Assisted Living Fees	16,565	10,433	9,264	5,056	11,276	13,603	11,465	22,197	10,137	7,879	11,333	129,208	-	129,208
Other	32	24	35	14	21	28	17	33	75	19	15	313	-	313
<b>Total Revenues</b>	<b>29,931</b>	<b>24,470</b>	<b>29,182</b>	<b>13,699</b>	<b>31,567</b>	<b>30,339</b>	<b>37,815</b>	<b>32,857</b>	<b>23,868</b>	<b>23,159</b>	<b>26,137</b>	<b>303,024</b>	<b>-</b>	<b>303,024</b>
<b>EXPENSES</b>														
Operating Expenses:														
Salaries and Benefits	16,383	12,846	15,887	6,695	15,031	13,795	14,475	18,730	11,958	10,567	12,980	149,347	-	149,347
General and Administrative	7,600	6,778	6,499	2,576	6,635	7,314	7,898	7,403	4,395	6,999	6,160	70,257	-	70,257
Plant Operations	2,233	1,826	1,630	664	2,044	1,727	2,199	1,325	1,891	1,605	2,555	19,699	-	19,699
Housekeeping	153	75	112	50	176	181	99	146	120	73	79	1,264	-	1,264
Dietary	2,427	1,910	2,653	1,071	2,543	2,531	2,739	2,657	2,240	1,908	2,190	24,869	-	24,869
Medical and Other Resident Care	1,409	868	729	375	1,029	2,675	1,200	1,787	610	812	1,426	12,920	-	12,920
Depreciation	5,588	3,265	4,637	1,948	8,267	5,831	7,091	5,492	2,254	3,997	6,183	54,553	-	54,553
Amortization	52	45	51	17	47	33	55	5,324	6,718	49	36	12,427	-	12,427
Interest	1,990	220	810	16	3,020	2,586	431	3,613	2,147	1,268	2,715	18,816	-	18,816
Loss on Disposal of Property and Equipment	-	-	-	-	-	-	-	-	-	-	5	5	-	5
<b>Total Expenses</b>	<b>37,835</b>	<b>27,833</b>	<b>33,008</b>	<b>13,412</b>	<b>38,792</b>	<b>36,673</b>	<b>36,187</b>	<b>46,477</b>	<b>32,333</b>	<b>27,278</b>	<b>34,329</b>	<b>364,157</b>	<b>-</b>	<b>364,157</b>
<b>NONOPERATING LOSS</b>														
Investment Loss	(1,552)	(1,751)	(2,048)	(1,365)	(4,474)	(1,646)	(4,503)	(735)	(1,686)	(1,506)	(889)	(22,155)	(2,231)	(24,386)
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<b>(9,456)</b>	<b>(5,114)</b>	<b>(5,874)</b>	<b>(1,078)</b>	<b>(11,699)</b>	<b>(7,980)</b>	<b>(2,875)</b>	<b>(14,355)</b>	<b>(10,151)</b>	<b>(5,625)</b>	<b>(9,081)</b>	<b>(83,288)</b>	<b>(2,231)</b>	<b>(85,519)</b>
<b>OTHER CHANGES IN NET ASSETS</b>														
Contributions to Litespace Communities, Inc.	(253)	(193)	(263)	(114)	(27,276)	(261)	(291)	(294)	(223)	(180)	(6,447)	(35,795)	13,561	(22,234)
<b>CHANGES IN NET ASSETS</b>	<b>(9,709)</b>	<b>(5,307)</b>	<b>(6,137)</b>	<b>(1,192)</b>	<b>(38,975)</b>	<b>(8,241)</b>	<b>(3,166)</b>	<b>(14,649)</b>	<b>(10,374)</b>	<b>(5,805)</b>	<b>(15,528)</b>	<b>(119,083)</b>	<b>11,330</b>	<b>(107,753)</b>
Net Assets - Beginning of Year	9,933	23,604	(23,585)	(24,401)	(33,428)	(35,877)	(8,514)	(29,607)	(19,585)	12,814	(35,942)	(164,588)	10,344	(154,244)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 224</b>	<b>\$ 18,297</b>	<b>\$ (29,722)</b>	<b>\$ (25,593)</b>	<b>\$ (72,403)</b>	<b>\$ (44,118)</b>	<b>\$ (11,680)</b>	<b>\$ (44,256)</b>	<b>\$ (29,959)</b>	<b>\$ 7,009</b>	<b>\$ (51,470)</b>	<b>\$ (283,671)</b>	<b>\$ 21,674</b>	<b>\$ (261,997)</b>

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>														
Changes in Net Assets	\$ (9,709)	\$ (5,307)	\$ (6,137)	\$ (1,192)	\$ (38,975)	\$ (8,241)	\$ (3,166)	\$ (14,649)	\$ (10,374)	\$ (5,805)	\$ (15,528)	\$ (119,083)	\$ 11,330	\$ (107,753)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Entrance Fees Earned	(4,143)	(3,976)	(2,733)	(751)	(3,269)	(2,893)	(5,403)	(1,045)	(1,094)	(5,089)	(3,126)	(33,522)	-	(33,522)
Proceeds from Nonrefundable Entrance Fees and Deposits	6,186	8,003	2,805	754	5,601	4,933	9,802	2,177	2,618	6,063	5,750	54,692	-	54,692
Refunds of Entrance Fees	(577)	(1,195)	-	-	(21)	(22)	-	-	-	(845)	(16)	(2,676)	-	(2,676)
Depreciation and Amortization	5,640	3,310	4,688	1,965	8,314	5,864	7,146	10,816	8,972	4,046	6,219	66,980	-	66,980
Amortization of Financing Costs	41	18	24	9	95	57	36	178	-	34	85	577	-	577
Net Accretion of Original Issue Premium and Discounts	(143)	(108)	(116)	(49)	(384)	(224)	(99)	(396)	-	(156)	(300)	(1,975)	-	(1,975)
Change in Unrealized Appreciation of Investments	1,712	2,056	2,555	1,486	5,428	1,555	5,640	303	2,344	1,652	1,020	25,751	1,255	27,006
Net (Purchases) Sales of Trading Investments	5,791	4,328	4,365	1,635	28,371	1,896	(6,616)	28,301	(14,690)	3,373	9,927	66,681	2,538	69,219
Loss on Disposal of Property and Equipment	-	-	-	-	-	-	-	-	-	-	5	5	-	5
Change in entrance fee deposits	-	(3)	49	11	(95)	(4)	(14)	1,135	101	82	(12)	1,250	-	1,250
Contributions to Lifespace Communities, Inc.	253	193	263	114	27,276	261	291	294	223	180	6,447	35,795	(13,561)	22,234
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace Communities, Inc., Inventories, and Prepaid Insurance and Other	(1,168)	(68)	(142)	(1,016)	760	(255)	(577)	354	(255)	(364)	1,356	(1,375)	(1,120)	(2,495)
Accounts Payable and Accrued Liabilities	1,338	1,411	13	105	(3,418)	(232)	509	9,189	205	1,384	932	11,436	1,087	12,523
Net Cash Provided (Used) by Operating Activities	5,221	8,662	5,634	3,071	29,683	2,695	7,549	36,657	(11,950)	4,555	12,759	104,536	1,529	106,065

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>														
Purchases of Property and Equipment	\$ (4,452)	\$ (13,194)	\$ (4,404)	\$ (4,595)	\$ (16,047)	\$ (3,976)	\$ (5,432)	\$ (37,727)	\$ (2,042)	\$ (10,942)	\$ (8,894)	\$ (111,705)	\$ -	\$ (111,705)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>														
Financing Costs Incurred	(41)	(106)	-	-	-	-	(17)	-	-	(567)	(89)	(820)	-	(820)
Proceeds from New Financings	4,482	11,738	-	-	-	-	1,846	-	-	57,107	9,827	85,000	-	85,000
Advances to Lifespace Communities, Inc.	-	-	-	-	-	-	(2,361)	-	(500)	(500)	-	(3,361)	-	(3,361)
Advances from Line of Credit	-	1,808	-	-	-	139	222	-	-	6,774	-	8,943	-	8,943
Repayment of Other Long-Term Debt	(78)	(2,121)	(1,651)	(694)	-	(451)	(564)	-	(1,460)	(11,263)	-	(18,282)	-	(18,282)
Payments on Leases	(37)	(45)	(15)	(18)	(31)	(37)	(74)	(32)	-	(49)	(17)	(355)	-	(355)
Proceeds from Refundable Entrance Fees and Deposits	-	-	3,806	7,255	18,276	5,872	17,475	5,254	23,553	-	6,328	87,819	-	87,819
Refunds of Refundable Entrance Fees	-	-	(4,533)	(4,904)	(5,637)	(6,429)	(16,416)	(6,398)	(9,442)	-	(4,509)	(58,268)	-	(58,268)
Contributions to Lifespace Communities, Inc.	(253)	(193)	(263)	(114)	(27,276)	(261)	(291)	(294)	(223)	(180)	(6,447)	(35,795)	13,561	(22,234)
Net Cash Provided (Used) by Financing Activities	4,073	11,081	(2,656)	1,525	(14,668)	(1,167)	(180)	(1,470)	11,928	51,322	5,093	64,881	13,561	78,442
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	4,842	6,549	(1,426)	1	(1,032)	(2,448)	1,937	(2,540)	(2,064)	44,935	8,958	57,712	15,090	72,802
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	1,259	1,016	2,182	468	8,741	3,585	2,887	15,758	8,493	1,591	2,765	48,745	15,340	64,085
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 6,101</u>	<u>\$ 7,565</u>	<u>\$ 756</u>	<u>\$ 469</u>	<u>\$ 7,709</u>	<u>\$ 1,137</u>	<u>\$ 4,824</u>	<u>\$ 13,218</u>	<u>\$ 6,429</u>	<u>\$ 46,526</u>	<u>\$ 11,723</u>	<u>\$ 106,457</u>	<u>\$ 30,430</u>	<u>\$ 136,887</u>

**LIFESPACE OBLIGATED GROUP  
CONSOLIDATING BALANCE SHEET  
DECEMBER 31, 2021  
(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>ASSETS</b>														
<b>CURRENT ASSETS</b>														
Cash and Cash Equivalents	\$ 122	\$ 134	\$ 273	\$ 231	\$ -	\$ 278	\$ 446	\$ 203	\$ 2,297	\$ 623	\$ 476	\$ 5,083	\$ 15,339	\$ 20,422
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	(5,211)	11,034	25,091	10,492	40,224	17,416	46,212	(7,803)	21,342	7,124	(1,214)	164,707	(4,962)	159,745
Accounts and Other Receivables Receivable from Lifespace Communities, Inc.	1,287	1,094	645	545	134	343	1,687	960	299	845	2,346	10,185	-	10,185
Inventories	104	96	5	356	1,326	2	58	226	704	49	1,620	4,546	(2,547)	1,999
Prepaid Insurance and Other	102	43	118	33	118	56	107	96	40	58	79	850	-	850
Assets Whose Use is Limited - Current	649	498	331	152	318	1,521	754	267	479	443	340	5,752	-	5,752
Total Current Assets	1,735	3,963	793	2,148	36,943	3,486	2,123	52,536	2,104	759	6,372	112,962	-	112,962
	(1,212)	16,862	27,256	13,957	79,063	23,102	51,387	46,485	27,265	9,901	10,019	304,085	7,830	311,915
<b>ASSETS WHOSE USE IS LIMITED</b>														
Noncurrent	11,496	7,163	2,693	140	10,507	5,551	11,388	13,376	8,575	9,179	7,792	87,860	-	87,860
<b>PROPERTY AND EQUIPMENT, AT COST</b>														
Land and Improvements	5,839	2,268	5,828	2,400	4,928	7,639	12,178	9,736	8,343	7,113	4,843	71,115	-	71,115
Buildings and Improvements	112,895	73,179	84,760	41,963	179,788	113,102	129,273	84,416	64,507	80,215	106,121	1,070,219	-	1,070,219
Furniture and Equipment	9,965	8,072	7,554	6,121	9,048	15,920	7,946	7,057	1,632	4,536	8,141	85,992	-	85,992
Construction-in-Progress	1,679	1,702	2,013	1,787	9,878	597	633	18,351	2,244	7,528	795	47,207	-	47,207
Subtotal	130,378	85,221	100,155	52,271	203,642	137,258	150,030	119,560	76,726	99,392	119,900	1,274,533	-	1,274,533
Less: Accumulated Depreciation	63,438	52,268	61,032	29,695	70,465	62,755	77,681	22,432	4,669	49,480	39,273	533,188	-	533,188
Net Property and Equipment	66,940	32,953	39,123	22,576	133,177	74,503	72,349	97,128	72,057	49,912	80,627	741,345	-	741,345
<b>GOODWILL, Net of Accumulated Amortization</b>														
	-	-	-	-	-	-	-	36,976	4,848	-	-	41,824	-	41,824
<b>DEFERRED EXPENSES, Net of Accumulated Amortization</b>														
	191	146	225	83	293	155	192	154	89	162	171	1,861	-	1,861
<b>INTANGIBLE ASSET, Net of Accumulated Amortization</b>														
	-	-	-	-	-	-	-	2,755	8,084	-	-	10,839	-	10,839
Total Assets	\$ 77,415	\$ 57,124	\$ 69,297	\$ 36,756	\$ 223,040	\$ 103,311	\$ 135,316	\$ 196,874	\$ 120,918	\$ 69,154	\$ 98,609	\$ 1,187,814	\$ 7,830	\$ 1,195,644



**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING BALANCE SHEET (CONTINUED)**  
**DECEMBER 31, 2021**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>LIABILITIES AND NET ASSETS</b>														
<b>CURRENT LIABILITIES</b>														
Accounts Payable:														
Trade	\$ 1,488	\$ 1,127	\$ 2,447	\$ 1,196	\$ 6,983	\$ 2,113	\$ 2,022	\$ 3,355	\$ 1,119	\$ 1,093	\$ 1,539	\$ 24,482	\$ 27	\$ 24,509
Lifespace Communities, Inc.	288	224	216	612	1,801	233	233	278	228	130	184	4,427	(2,542)	1,885
Accrued Liabilities:														
Employee Compensation Expense	964	805	1,048	524	882	726	1,048	1,241	438	658	676	9,010	1	9,011
Interest	269	31	126	71	605	370	90	679	270	128	442	3,081	-	3,081
Property Taxes	-	95	180	75	691	-	240	294	337	158	24	2,094	-	2,094
Other	335	271	450	185	320	603	411	532	182	576	557	4,422	-	4,422
Entrance Fee Refunds	36	-	575	741	332	1,493	4,290	1,868	850	-	372	10,557	-	10,557
Reserve for Health Center Refunds	-	-	4,876	2,158	7,685	4,796	1,282	5,782	-	-	1,251	27,830	-	27,830
Long-Term Debt Due within One Year	82	313	1,651	694	-	451	564	-	1,460	7,489	-	12,704	-	12,704
Obligations under Leases														
Due within One Year	65	70	21	32	41	65	66	95	66	75	59	655	-	655
Total Current Liabilities	3,527	2,936	11,590	6,288	19,340	10,850	10,246	14,124	4,950	10,307	5,104	99,262	(2,514)	96,748
<b>LONG-TERM LIABILITIES</b>														
Entrance Fee Deposits	1	3	-	39	625	93	40	4,878	5	62	142	5,888	-	5,888
Wait List Deposits	-	1	20	46	106	49	20	-	945	6	8	1,201	-	1,201
Long-Term Debt Due After One Year	45,510	10,716	19,199	8,299	113,569	63,476	13,556	153,571	41,840	20,901	76,695	567,332	-	567,332
Obligations under Leases														
Due After One Year	95	51	12	55	24	99	62	32	76	20	97	623	-	623
Deferred Entrance Fees	18,349	19,813	14,043	3,087	19,421	13,896	26,526	3,280	5,463	25,044	16,231	165,153	-	165,153
Refundable Entrance and Membership Fees	-	-	48,018	43,343	103,383	50,725	93,380	50,596	87,224	-	36,274	512,943	-	512,943
Total Long-Term Liabilities	63,955	30,584	81,292	54,869	237,128	128,338	133,584	212,357	135,553	46,033	129,447	1,253,140	-	1,253,140
Total Liabilities	67,482	33,520	92,882	61,157	256,468	139,188	143,830	226,481	140,503	56,340	134,551	1,352,402	(2,514)	1,349,888
<b>NET ASSETS</b>														
Without Donor Restrictions	9,933	23,604	(23,585)	(24,401)	(33,428)	(35,877)	(8,514)	(29,607)	(19,585)	12,814	(35,942)	(164,588)	10,344	(154,244)
Total Net Assets	9,933	23,604	(23,585)	(24,401)	(33,428)	(35,877)	(8,514)	(29,607)	(19,585)	12,814	(35,942)	(164,588)	10,344	(154,244)
Total Liabilities and Net Assets	\$ 77,415	\$ 57,124	\$ 69,297	\$ 36,756	\$ 223,040	\$ 103,311	\$ 135,316	\$ 196,874	\$ 120,918	\$ 69,154	\$ 98,609	\$ 1,187,814	\$ 7,830	\$ 1,195,644

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2021**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Total Obligated Group
<b>REVENUES</b>														
Independent Living Fees	\$ 8,824	\$ 9,109	\$ 17,414	\$ 6,475	\$ 15,009	\$ 13,378	\$ 18,386	\$ 9,172	\$ 11,763	\$ 9,860	\$ 10,354	\$ 129,744	\$ -	\$ 129,744
Entrance Fees Earned and Nonrefundable Fees	4,085	4,115	2,844	706	2,380	2,157	4,321	915	1,007	4,486	2,788	29,804	-	29,804
Skilled Nursing and Assisted Living Fees	15,423	9,771	9,553	4,416	8,613	11,531	11,174	19,259	9,508	7,888	8,040	115,176	-	115,176
Other	-	78	251	-	146	254	54	79	66	106	93	1,127	-	1,127
<b>Total Revenues</b>	<b>28,332</b>	<b>23,073</b>	<b>30,062</b>	<b>11,597</b>	<b>26,148</b>	<b>27,320</b>	<b>33,935</b>	<b>29,425</b>	<b>22,344</b>	<b>22,340</b>	<b>21,275</b>	<b>275,851</b>	<b>-</b>	<b>275,851</b>
<b>EXPENSES</b>														
Operating Expenses:														
Salaries and Benefits	13,236	10,863	13,606	5,799	11,961	10,447	12,606	15,414	9,925	9,158	9,899	122,914	-	122,914
General and Administrative	7,701	6,068	5,138	2,401	6,064	6,482	8,337	7,055	4,811	5,719	5,924	65,700	-	65,700
Plant Operations	2,142	1,527	1,647	664	1,584	2,110	1,728	1,488	1,702	1,506	1,763	17,861	-	17,861
Housekeeping	205	147	157	73	162	217	59	171	112	103	93	1,499	-	1,499
Dietary	2,255	1,749	2,456	991	2,270	2,252	2,325	2,319	1,832	1,627	1,661	21,737	-	21,737
Medical and Other Resident Care	1,237	769	1,409	417	935	3,649	1,113	2,170	859	745	1,103	14,406	-	14,406
Depreciation	5,827	3,618	4,682	1,916	6,454	5,758	6,665	5,417	2,777	4,020	5,090	52,224	-	52,224
Amortization	33	9	27	13	20	17	19	5,328	6,713	21	25	12,225	-	12,225
Interest	2,085	255	723	243	2,043	2,780	486	3,427	2,217	1,038	2,171	17,468	-	17,468
Loss on Disposal of Property and Equipment	3	(6)	-	(24)	1	14	-	(1)	6	15	4	12	-	12
Extinguishment of Debt	-	-	-	46	65	42	-	-	-	-	61	214	-	214
<b>Total Expenses</b>	<b>34,724</b>	<b>24,999</b>	<b>29,845</b>	<b>12,539</b>	<b>31,559</b>	<b>33,768</b>	<b>33,338</b>	<b>42,788</b>	<b>30,954</b>	<b>23,952</b>	<b>27,794</b>	<b>326,260</b>	<b>-</b>	<b>326,260</b>
<b>NONOPERATING INCOME</b>														
Investment Income	875	1,136	2,222	1,275	4,945	1,717	3,309	(652)	2,227	944	330	18,328	-	18,328
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>														
	(5,517)	(790)	2,439	333	(466)	(4,731)	3,906	(14,015)	(6,383)	(668)	(6,189)	(32,081)	-	(32,081)
<b>DISCONTINUED OPERATIONS</b>														
Gain from Operations of Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	985	985
Gain on Sale of Property and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	11,921	11,921
Loss on Sale of Related Party Investment	(739)	(1,023)	(1,869)	(693)	(2,900)	(1,372)	(2,821)	-	(2,164)	(682)	(385)	(14,648)	-	(14,648)
<b>Total Discontinued Operations</b>	<b>(739)</b>	<b>(1,023)</b>	<b>(1,869)</b>	<b>(693)</b>	<b>(2,900)</b>	<b>(1,372)</b>	<b>(2,821)</b>	<b>-</b>	<b>(2,164)</b>	<b>(682)</b>	<b>(385)</b>	<b>(14,648)</b>	<b>12,906</b>	<b>(1,742)</b>
<b>OTHER CHANGES IN NET ASSETS</b>														
Equity Transfer	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions to Lifespace Communities, Inc.	(65)	(56)	(67)	(30)	(17,178)	(70)	(77)	(73)	(973)	(53)	(50)	(18,692)	(13)	(18,705)
<b>CHANGES IN NET ASSETS</b>														
	(6,321)	(1,869)	503	(390)	(20,544)	(6,173)	1,008	(14,088)	(9,520)	(1,403)	(6,624)	(65,421)	12,893	(52,528)
Net Assets - Beginning of Year	16,254	25,473	(24,088)	(24,011)	(12,884)	(29,704)	(9,522)	(15,519)	(10,065)	14,217	(29,318)	(99,167)	(2,549)	(101,716)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,933</b>	<b>\$ 23,604</b>	<b>\$ (23,585)</b>	<b>\$ (24,401)</b>	<b>\$ (33,428)</b>	<b>\$ (35,877)</b>	<b>\$ (8,514)</b>	<b>\$ (29,607)</b>	<b>\$ (19,585)</b>	<b>\$ 12,814</b>	<b>\$ (35,942)</b>	<b>\$ (164,588)</b>	<b>\$ 10,344</b>	<b>\$ (154,244)</b>

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>														
Changes in Net Assets	\$ (6,321)	\$ (1,869)	\$ 503	\$ (390)	\$ (20,544)	\$ (6,173)	\$ 1,008	\$ (14,088)	\$ (9,520)	\$ (1,403)	\$ (6,624)	\$ (65,421)	\$ 12,893	\$ (52,528)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:														
Reconciling Items Included														
in Discontinued Operations	(739)	(1,023)	(1,869)	(693)	(2,900)	(1,372)	(2,821)	-	(2,164)	(682)	(385)	(14,648)	7,930	(6,718)
Entrance Fees Earned	(4,085)	(4,115)	(2,845)	(706)	(2,378)	(2,157)	(4,321)	(914)	(1,007)	(4,486)	(2,788)	(29,802)	-	(29,802)
Proceeds from Nonrefundable														
Entrance Fees and Deposits	6,045	6,835	3,015	818	7,813	4,104	8,637	1,265	2,515	5,178	5,147	51,372	-	51,372
Refunds of Entrance Fees	(1,256)	(681)	(42)	-	(82)	(184)	(410)	-	-	(1,075)	(624)	(4,354)	-	(4,354)
Depreciation and Amortization	5,860	3,627	4,709	1,929	6,474	5,775	6,684	10,745	9,490	4,041	5,115	64,449	-	64,449
Amortization of Financing Costs	43	12	24	11	77	57	34	109	-	30	77	474	-	474
Net Accretion of Original Issue Premium and Discounts	(138)	(68)	(100)	(18)	(218)	(203)	(73)	(301)	-	(166)	(213)	(1,498)	-	(1,498)
Change in Unrealized Appreciation of Investments	(98)	(293)	(853)	(750)	(2,031)	(602)	(1,103)	575	(522)	(276)	44	(5,909)	(9,044)	(14,953)
Net (Purchases) Sales of Trading Investments	2,402	(2,904)	(3,707)	(2,403)	3,509	319	(14,798)	(41,002)	2,012	711	12,664	(43,197)	6,580	(36,617)
Loss on Disposal of Property and Equipment	3	(6)	-	(24)	1	14	-	(1)	6	15	4	12	-	12
Change in entrance fee deposits	(5)	(45)	(69)	35	(6,676)	77	(274)	37	190	58	26	(6,646)	-	(6,646)
Contributions to Lifespace Communities, Inc.	65	56	67	30	17,178	70	77	73	973	53	50	18,692	13	18,705
Equity Transfer to Related Party	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Extinguishment of Debt	-	-	-	46	65	42	-	-	-	-	61	214	-	214
Gain on Sale of Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	(11,921)	(11,921)
Loss on Sale of Related Party Investment	739	1,023	1,869	693	2,900	1,372	2,821	-	2,164	682	385	14,648	-	14,648
Changes in Operating Assets and Liabilities:														
Accounts and Other Receivables, Receivables from Lifespace Communities, Inc., Inventories, and Prepaid Insurance and Other	290	(135)	131	45	(812)	445	(379)	(354)	(379)	(17)	(1,985)	(3,150)	-	(3,150)
Accounts Payable and Accrued Liabilities	1,052	597	1,792	1,271	(1,627)	1,528	1,689	3,269	916	1,216	(4,105)	7,598	-	7,598
Net Cash Provided (Used) by Operating Activities	3,857	1,011	2,625	(106)	749	3,112	(3,229)	(40,587)	4,674	3,879	6,849	(17,166)	6,451	(10,715)

**LIFESPACE OBLIGATED GROUP**  
**CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**  
**(IN THOUSANDS)**

	Abbey Delray	Abbey Delray South	Beacon Hill	Claridge Court	Friendship Village of Bloomington	Friendship Village of South Hills	Harbour's Edge	Oak Trace	Querencia	The Waterford	Village on the Green	Total Obligated Group	Eliminations and Other	Adjusted Obligated Group
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>														
Purchases of Property and Equipment	\$ (3,668)	\$ (4,602)	\$ (3,183)	\$ (2,362)	\$ (35,964)	\$ (2,549)	\$ (4,506)	\$ (9,096)	\$ (2,799)	\$ (5,430)	\$ (13,083)	\$ (87,242)	\$ -	\$ (87,242)
Proceeds from Sale of Property and Equipment	-	-	-	32	-	-	-	-	-	-	-	32	-	32
Net Cash Used by Investing Activities	(3,668)	(4,602)	(3,183)	(2,330)	(35,964)	(2,549)	(4,506)	(9,096)	(2,799)	(5,430)	(13,083)	(87,210)	-	(87,210)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>														
Financing Costs Incurred	(10)	(87)	-	(133)	(765)	(98)	(61)	(1,561)	-	-	(181)	(2,896)	-	(2,896)
Proceeds from New Financings	544	4,606	-	7,466	44,713	5,392	3,263	57,514	-	-	9,022	132,520	-	132,520
Advances from Line of Credit	-	-	-	-	-	-	-	-	-	2,837	-	2,837	-	2,837
Repayment of Other Long-Term Debt	(910)	(299)	(1,698)	(696)	(26,850)	(431)	(537)	-	(1,390)	(1,015)	-	(33,826)	-	(33,826)
Payments on Leases	(43)	(53)	(16)	(17)	(32)	(37)	(62)	(47)	-	(56)	(18)	(381)	-	(381)
Extinguishment of Prior Debt	-	-	-	(5,521)	(7,839)	(4,879)	-	-	-	-	(7,447)	(25,686)	(13,956)	(39,642)
Proceeds on Disposal of a Community	-	-	-	-	-	-	-	-	-	-	-	-	14,117	14,117
Proceeds from Refundable Entrance Fees and Deposits	-	-	5,718	5,623	40,121	4,704	17,911	7,530	12,082	-	5,873	99,562	-	99,562
Refunds of Refundable Entrance Fees	-	-	(3,826)	(4,021)	(6,776)	(4,037)	(11,133)	(5,125)	(11,360)	-	(4,010)	(50,288)	-	(50,288)
Contributions to Lifespace Communities, Inc.	(65)	(56)	(67)	(30)	(17,178)	(70)	(77)	(73)	(973)	(53)	(50)	(18,692)	(13)	(18,705)
Net Cash Provided (Used) by Financing Activities	(484)	4,111	111	2,671	25,394	544	9,304	58,238	(1,641)	1,713	3,189	103,150	148	103,298
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(295)	520	(447)	235	(9,821)	1,107	1,569	8,555	234	162	(3,045)	(1,226)	6,599	5,373
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	1,554	496	2,629	233	18,562	2,478	1,318	7,203	8,259	1,429	5,810	49,971	8,741	58,712
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 1,259</b>	<b>\$ 1,016</b>	<b>\$ 2,182</b>	<b>\$ 468</b>	<b>\$ 8,741</b>	<b>\$ 3,585</b>	<b>\$ 2,887</b>	<b>\$ 15,758</b>	<b>\$ 8,493</b>	<b>\$ 1,591</b>	<b>\$ 2,765</b>	<b>\$ 48,745</b>	<b>\$ 15,340</b>	<b>\$ 64,085</b>



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**APPENDIX C**  
**FINANCIAL FEASIBILITY STUDY**

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**LIFESPACE OBLIGATED GROUP**

**EXAMINATION OF FINANCIAL FORECAST**

**FOR THE YEARS ENDING  
DECEMBER 31, 2023 THROUGH 2027**

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## INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors  
Lifespace Obligated Group  
Des Moines, Iowa

We have examined the accompanying forecast of the Lifespace Obligated Group (the "Obligated Group"), which comprises the forecasted consolidated balance sheets as of December 31, 2023, 2024, 2025, 2026 and 2027 and the related forecasted consolidated statements of operations and change in net deficit, cash flows and the schedule of financial ratios for the years then ending (the "Forecast Period"), based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants ("AICPA"). The Obligated Group's management ("Management") is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the ("AICPA"). Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. **This presentation is not intended to present the consolidated forecasted financial statements of Lifespace, Inc. and its affiliates, which would include Lifespace, Inc. and other affiliates of Lifespace, Inc. Accordingly, the forecast is not intended to be a presentation in conformity with generally accepted accounting principles since it excludes Lifespace, Inc. and other affiliates.**

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

Legislation and regulations at all levels of government have affected and may continue to affect the operations of senior living communities, including revenues and expenses of facilities such as the Obligated Group. The financial forecast is based upon legislation and regulations currently in effect. If future legislation or regulations related to the Obligated Group's operations are subsequently enacted, such legislation or regulations could have a material effect on future operations.

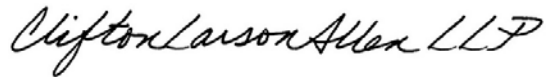
The interest rates, principal payments, and other financing assumptions are described in the section entitled "Summary of Significant Forecast Assumptions and Accounting Policies." If actual interest rates, principal payments, or funding requirements are different from those assumed, the amount of the Series 2023 Bonds, as defined herein, and associated debt service requirements would need to be adjusted accordingly from those indicated in the forecast. If such interest rates, principal payments, and funding requirements are lower than those assumed, such adjustments would not adversely affect the forecast.

Board of Directors  
Lifespace Obligated Group  
Des Moines, Iowa

In our opinion, the accompanying forecast is presented in all material respects, in accordance with the guidelines for the presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for Management's forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Sensitivity analyses of certain of Management's forecast assumptions and the potential impact on the Obligated Group's forecasted financial ratios are presented beginning on page C-58 of the Summary of Significant Forecast Assumptions and Accounting Policies. Management has conducted these sensitivity analyses on its financial forecast. The sensitivity analyses are presented for purposes of additional analysis and are not a required part of the financial forecast. Such information has not been subjected to procedures applied in the examination of the financial forecast and, accordingly, we express no opinion or any other form of assurance on them.



**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
November 15, 2023

**LIFESPACE OBLIGATED GROUP**  
**FORECASTED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND CHANGE IN NET DEFICIT**  
**FOR THE YEARS ENDING DECEMBER 31,**  
**(IN THOUSANDS)**

	2023	2024	2025	2026	2027
<b>REVENUES</b>					
Resident Service Revenue:					
Independent Living	\$ 152,747	\$ 172,964	\$ 186,500	\$ 196,551	\$ 204,730
Assisted Living and Memory Support	32,836	35,060	37,086	41,056	42,917
Skilled Nursing	95,391	98,048	100,827	104,202	107,090
Home Health	12,817	13,073	13,334	13,601	13,873
Entrance Fees Earned and Nonrefundable Fees	34,980	39,221	44,259	48,479	52,463
Other	83	-	-	-	-
<b>Total Revenues</b>	<b>328,854</b>	<b>358,366</b>	<b>382,006</b>	<b>403,889</b>	<b>421,073</b>
<b>EXPENSES</b>					
Operating Expenses:					
Salaries and Benefits	155,645	162,216	170,252	177,381	183,603
General and Administrative	72,603	78,170	83,550	88,765	93,693
Plant Operations	19,274	20,246	21,462	22,377	23,167
Housekeeping	1,393	1,469	1,575	1,655	1,714
Dietary	26,549	27,925	29,674	31,166	32,298
Medical and Other Resident Care	11,704	12,173	12,693	13,171	13,632
Depreciation	61,234	65,163	67,692	69,415	71,137
Amortization	7,569	7,569	7,569	7,569	7,569
Interest	26,564	32,240	35,638	36,264	35,218
<b>Total Expenses</b>	<b>382,535</b>	<b>407,171</b>	<b>430,105</b>	<b>447,763</b>	<b>462,031</b>
<b>NONOPERATING INCOME (LOSS)</b>					
Loss on Refinance of Series 2023A Bonds	(3,437)	-	-	-	-
Net Unrealized Gain on Investments	4,705	-	-	-	-
Investment Income	14,519	12,773	11,493	11,875	12,409
<b>Total Nonoperating Income (Loss)</b>	<b>15,787</b>	<b>12,773</b>	<b>11,493</b>	<b>11,875</b>	<b>12,409</b>
<b>DEFICIT OF REVENUES OVER EXPENSES</b>	<b>(37,894)</b>	<b>(36,032)</b>	<b>(36,606)</b>	<b>(31,999)</b>	<b>(28,549)</b>
<b>OTHER CHANGES IN NET ASSETS</b>					
Contributions to Lifespace Communities, Inc.	(5,156)	(16,823)	(5,421)	(5,423)	(16,343)
Contributions to Edgemere	(68,960)	-	-	-	-
<b>CHANGE IN NET DEFICIT</b>	<b>(112,010)</b>	<b>(52,855)</b>	<b>(42,027)</b>	<b>(37,422)</b>	<b>(44,892)</b>
<b>NET DEFICIT - BEGINNING OF YEAR</b>	<b>(261,997)</b>	<b>(374,007)</b>	<b>(426,862)</b>	<b>(468,889)</b>	<b>(506,311)</b>
<b>NET DEFICIT - END OF YEAR</b>	<b>\$ (374,007)</b>	<b>\$ (426,862)</b>	<b>\$ (468,889)</b>	<b>\$ (506,311)</b>	<b>\$ (551,203)</b>

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

**LIFESPACE OBLIGATED GROUP**  
**FORECASTED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31,**  
**(IN THOUSANDS)**

	2023	2024	2025	2026	2027
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in Net Deficit	\$ (112,010)	\$ (52,855)	\$ (42,027)	\$ (37,422)	\$ (44,892)
Adjustments to Reconcile Changes in Net Assets to Net Cash					
Provided by Operating Activities:					
Entrance Fees Earned	(34,980)	(39,221)	(44,259)	(48,479)	(52,463)
Proceeds from Nonrefundable Entrance Fees and Deposits-Turnover	57,712	62,806	66,149	69,061	71,897
Depreciation and Amortization	68,803	72,732	75,261	76,984	78,706
Change in Lease Liability	(310)	(234)	(213)	(150)	-
Change in Right of Use Asset - Operating	310	234	213	150	-
Amortization of Financing Costs	711	669	657	637	619
Net Accretion of Original Issue Premium and Discount on Bonds	(1,952)	(1,909)	(1,866)	(1,814)	(1,758)
Change in Unrealized Appreciation of Investments	(4,705)	-	-	-	-
Net Sales of Trading Investments	-	(7,000)	(13,000)	(17,000)	(8,000)
Loss on Refinance of Series 2023A Bonds	3,437	-	-	-	-
Change in Entrance Fee and Wait List Deposits	383	(4,057)	(1,749)	(256)	-
Contributions to Lifespace Communities, Inc.	5,156	16,823	5,421	5,423	16,343
Contributions to Edgemere	68,960	-	-	-	-
Changes in Operating Assets and Liabilities:					
Accounts and Other Receivables, Inventories, and Prepaid					
Insurance and Other	(196)	(1,741)	(1,408)	(1,320)	(1,047)
Accounts Payable and Accrued Liabilities	(3,384)	3,126	2,781	2,463	2,222
Net Cash Provided in Operating Activities	47,935	49,373	45,960	48,277	61,627
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Purchases of Property and Equipment - Routine	(37,584)	(38,561)	(41,080)	(43,257)	(45,291)
Purchases of Property and Equipment- Series 2023 Bonds Proceeds	-	(2,908)	(3,153)	-	-
Purchases of Property and Equipment-Oak Trace Project	(50,845)	(12,227)	-	-	-
Purchases of Property and Equipment-Harbour's Edge Project	-	(14,290)	(6,303)	-	-
Purchases of Property and Equipment-Other Existing Projects	(45,446)	(37,592)	(13,432)	-	-
(Increase) Decrease in Operating Reserve Funds	3,205	(1,275)	(999)	(1,248)	(1,080)
Increase in Renewal and Replacement Reserve Funds	(3,515)	(1,121)	(646)	(909)	(922)
Increase in Debt Service Reserve Funds	(6,821)	-	-	-	-
(Increase) Decrease in Principal and Interest Funds	(5,006)	(1,843)	(2,072)	877	(312)
Decrease in Funded Interest Funds	2,979	1,684	-	-	-
(Increase) Decrease in Project Funds	(33,588)	53,518	14,856	-	-
Decrease in Cost of Issuance Fund	10	-	-	-	-
(Increase) Decrease in Entrance Fee Deposits	(383)	4,057	1,749	256	-
(Increase) Decrease in Entrance Fee Fund - Oak Trace	-	-	(13,480)	13,480	-
Net Cash Used by Investing Activities	(176,994)	(50,558)	(64,560)	(30,801)	(47,605)

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

**LIFESPACE OBLIGATED GROUP**  
**FORECASTED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDING DECEMBER 31,**  
**(IN THOUSANDS)**

	2023	2024	2025	2026	2027
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Financing Costs Incurred-Series 2023A Bonds	(3,540)	-	-	-	-
Proceeds from Series 2021D Bonds	54,485	-	-	-	-
Proceeds from Series 2023A Bonds	52,500	-	-	-	-
Proceeds from Series 2023 Corporate Bonds	10,000	-	-	-	-
Financing Costs Incurred-Series 2023B/C Bonds	(2,702)	-	-	-	-
Proceeds from Series 2023B/C Bonds	110,945	-	-	-	-
Repayment of Existing Long-Term Debt	(10,752)	(53,853)	(17,468)	(26,699)	(10,408)
Repayment of Refunded Bonds	(52,500)	-	-	-	-
Repayment of Series 2023B/C Bonds	-	(2,155)	(1,790)	(1,920)	(2,060)
Payments on Leases	(421)	(127)	(98)	(90)	(1)
Initial Entrance Fee Receipts	383	49,019	20,833	3,046	-
Proceeds from Refundable Entrance Fees and Deposits-Turnover	70,966	77,229	81,341	84,922	88,408
Refunds of Refundable Entrance Fees	(64,054)	(64,921)	(67,786)	(69,326)	(70,430)
Contributions to Lifespace Communities, Inc.	(5,156)	(16,823)	(5,421)	(5,423)	(16,343)
Contributions to Edgemere	(68,960)	-	-	-	-
Net Cash Provided (Used) by Financing Activities	91,194	(11,631)	9,611	(15,490)	(10,834)
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>					
	(37,865)	(12,816)	(8,989)	1,986	3,188
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	136,887	99,022	86,206	77,217	79,203
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH-END OF YEAR</b>	<b>\$ 99,022</b>	<b>\$ 86,206</b>	<b>\$ 77,217</b>	<b>\$ 79,203</b>	<b>\$ 82,391</b>
<b>CLASSIFICATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>					
Cash and Cash Equivalents	\$ 27,438	\$ 50,657	\$ 54,433	\$ 56,419	\$ 59,607
Restricted Cash included in Assets Whose Use is Limited	71,584	35,549	22,784	22,784	22,784
Total Cash, Cash Equivalents, and Restricted Cash	\$ 99,022	\$ 86,206	\$ 77,217	\$ 79,203	\$ 82,391
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>					
Interest Paid on Long-Term Debt, Net of Capitalized	\$ 27,424	\$ 34,613	\$ 36,915	\$ 37,555	\$ 36,433

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

**LIFESPACE OBLIGATED GROUP**  
**FORECASTED CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31,**  
**(IN THOUSANDS)**

	2023	2024	2025	2026	2027
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 27,438	\$ 50,657	\$ 54,433	\$ 56,419	\$ 59,607
Investments in Trading Portfolio, Excluding Those Whose Use is Limited	123,397	130,397	143,397	160,397	168,397
Accounts and Other Receivables	15,538	16,879	17,863	18,797	19,495
Receivable from Lifespace Communities, Inc.	896	896	896	896	896
Prepaid Insurance, Inventory, and Other	6,219	6,619	7,043	7,429	7,778
Assets Limited as to Use - Current	10,326	12,169	14,241	13,364	13,676
<b>Total Current Assets</b>	<b>183,814</b>	<b>217,617</b>	<b>237,873</b>	<b>257,302</b>	<b>269,849</b>
<b>Assets Limited as to Use</b>					
Operating Reserve Funds	18,427	19,702	20,701	21,949	23,029
Renewal and Replacement Reserve Funds	14,755	15,876	16,522	17,431	18,353
Debt Service Reserve Funds (Master Reserve Fund)	39,180	39,180	39,180	39,180	39,180
Principal and Interest Funds	10,326	12,169	14,241	13,364	13,676
Funded Interest Funds	1,684	-	-	-	-
Pennsylvania Liquid Reserve	53	53	53	53	53
Project Funds - Existing Debt	80,734	18,165	-	-	-
Project Funds - Series 2023B Bonds	36,440	9,456	-	-	-
Entrance Fee Deposits	13,163	9,106	7,357	7,101	7,101
Entrance Fee Fund - Oak Trace Project	-	-	13,480	-	-
Wait List Deposits	1,838	1,838	1,838	1,838	1,838
Team Member Appreciation Funds	89	89	89	89	89
<b>Total Assets Limited as to Use</b>	<b>216,689</b>	<b>125,634</b>	<b>113,461</b>	<b>101,005</b>	<b>103,319</b>
Less Current Portion of Assets Limited as to Use	(10,326)	(12,169)	(14,241)	(13,364)	(13,676)
<b>Net Assets Limited as to Use</b>	<b>206,363</b>	<b>113,465</b>	<b>99,220</b>	<b>87,641</b>	<b>89,643</b>
<b>Property and Equipment, Net</b>					
At Cost	1,375,272	1,550,960	1,673,469	1,716,726	1,762,017
Construction in Progress	145,041	74,931	16,390	16,390	16,390
<b>Sutotal</b>	<b>1,520,313</b>	<b>1,625,891</b>	<b>1,689,859</b>	<b>1,733,116</b>	<b>1,778,407</b>
Less: Accumulated Depreciation	(648,769)	(714,166)	(782,071)	(851,636)	(922,773)
<b>Total Property and Equipment, Net</b>	<b>871,544</b>	<b>911,725</b>	<b>907,788</b>	<b>881,480</b>	<b>855,634</b>
<b>Goodwill, Net of Accumulated Amortization</b>	<b>29,681</b>	<b>23,632</b>	<b>17,583</b>	<b>11,534</b>	<b>5,485</b>
<b>Deferred Expenses, Net of Accumulated Amortization</b>	<b>2,620</b>	<b>2,407</b>	<b>2,194</b>	<b>1,981</b>	<b>1,768</b>
<b>Intangible Asset, Net of Accumulated Amortization</b>	<b>8,062</b>	<b>6,755</b>	<b>5,448</b>	<b>4,141</b>	<b>2,834</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,302,084</b>	<b>\$ 1,275,601</b>	<b>\$ 1,270,106</b>	<b>\$ 1,244,079</b>	<b>\$ 1,225,213</b>

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



**LIFESPACE OBLIGATED GROUP**  
**FORECASTED CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**DECEMBER 31,**  
**(IN THOUSANDS)**

	2023	2024	2025	2026	2027
<b>LIABILITIES AND NET DEFICIT</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 32,656	\$ 34,485	\$ 36,424	\$ 38,193	\$ 39,786
Accrued Expenses	17,636	18,381	19,291	20,099	20,804
Accrued Interest	3,849	4,401	4,333	4,219	4,143
Entrance Fee Refunds	8,975	8,975	8,975	8,975	8,975
Reserve for Health Center Refunds	32,635	32,635	32,635	32,635	32,635
Long-Term Debt Due within One Year - Existing Debt	53,853	17,468	26,699	10,408	10,913
Long-Term Debt Due within One Year - Series 2023 Bonds	2,155	1,790	1,920	2,060	2,210
Obligation under Operating Leases Due within One Year	234	213	150	-	-
Obligation under Financing Leases Due within One Year	127	98	90	1	-
<b>Total Current Liabilities</b>	<b>152,120</b>	<b>118,446</b>	<b>130,517</b>	<b>116,590</b>	<b>119,466</b>
<b>Other Liabilities</b>					
Entrance Fee Deposits	7,507	3,450	1,701	1,445	1,445
Wait List Deposits	1,215	1,215	1,215	1,215	1,215
Long-Term Debt Due after One Year - Existing Debt	652,011	633,225	605,239	593,576	581,446
Long-Term Debt Due after One Year - Series 2023 Bonds	106,092	104,380	102,538	100,556	98,424
Obligation Under Operating Leases Due After One Year	363	150	-	-	-
Obligation Under Financing Leases Due After One Year	189	91	1	-	-
Deferred Entrance Fees	206,354	251,924	283,158	305,106	324,540
Refundable Entrance and Membership Fees	550,240	589,582	614,626	631,902	649,880
<b>Total Other Liabilities</b>	<b>1,523,971</b>	<b>1,584,017</b>	<b>1,608,478</b>	<b>1,633,800</b>	<b>1,656,950</b>
<b>TOTAL LIABILITIES</b>	<b>1,676,091</b>	<b>1,702,463</b>	<b>1,738,995</b>	<b>1,750,390</b>	<b>1,776,416</b>
<b>Net Deficit</b>					
Without Donor Restrictions	(374,007)	(426,862)	(468,889)	(506,311)	(551,203)
<b>Total Net Deficit</b>	<b>(374,007)</b>	<b>(426,862)</b>	<b>(468,889)</b>	<b>(506,311)</b>	<b>(551,203)</b>
<b>TOTAL LIABILITIES AND NET DEFICIT</b>	<b>\$ 1,302,084</b>	<b>\$ 1,275,601</b>	<b>\$ 1,270,106</b>	<b>\$ 1,244,079</b>	<b>\$ 1,225,213</b>

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

**LIFESPACE OBLIGATED GROUP**  
**FORECASTED SCHEDULE OF FINANCIAL RATIOS**  
**(IN THOUSANDS, EXCEPT FOR RATIOS)**

<b>DEBT SERVICE COVERAGE RATIO <sup>(1)</sup></b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
CHANGE IN NET DEFICIT	\$ (112,010)	\$ (52,855)	\$ (42,027)	\$ (37,422)	\$ (44,892)
NON-CASH ITEMS AND ADD-BACKS:					
Amortization of Entrance Fees	(34,980)	(39,221)	(44,259)	(48,479)	(52,463)
Depreciation	61,234	65,163	67,692	69,415	71,137
Amortization	7,569	7,569	7,569	7,569	7,569
Interest	26,564	32,240	35,638	36,264	35,218
Net Unrealized Gain on Investments	(4,705)	-	-	-	-
Loss on Refinance of Series 2023A Bonds	3,437	-	-	-	-
Contributions to Lifespace Communities, Inc.	5,156	16,823	5,421	5,423	16,343
Contributions to Edgemere	68,960	-	-	-	-
Net Cash Received from Turnover Entrance Fees	64,624	75,114	79,704	84,657	89,875
<b>INCOME AVAILABLE FOR DEBT SERVICE</b>	<b>\$ 85,849</b>	<b>\$ 104,833</b>	<b>\$ 109,738</b>	<b>\$ 117,427</b>	<b>\$ 122,787</b>
ANNUAL DEBT SERVICE REQUIREMENTS	\$ 34,522	\$ 39,086	\$ 44,612	\$ 47,239	\$ 47,313
<b>ANNUAL DEBT SERVICE COVERAGE RATIO</b>	<b>2.49</b>	<b>2.68</b>	<b>2.46</b>	<b>2.49</b>	<b>2.60</b>
MAXIMUM ANNUAL DEBT SERVICE	\$ 64,123	\$ 64,123	\$ 64,123	\$ 64,123	\$ 64,123
<b>MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO</b>	<b>1.34</b>	<b>1.63</b>	<b>1.71</b>	<b>1.83</b>	<b>1.91</b>
ADJUSTED MAXIMUM ANNUAL DEBT SERVICE <sup>(2)</sup>	\$ 51,522	\$ 51,522	\$ 51,522	\$ 51,522	\$ 51,522
<b>ADJUSTED MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO</b>	<b>1.67</b>	<b>2.03</b>	<b>2.13</b>	<b>2.28</b>	<b>2.38</b>
<b>DAYS CASH ON HAND <sup>(1)</sup></b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Cash and Cash Equivalents	\$ 27,438	\$ 50,657	\$ 54,433	\$ 56,419	\$ 59,607
Investments	123,397	130,397	143,397	160,397	168,397
<b>TOTAL</b>	<b>\$ 150,835</b>	<b>\$ 181,054</b>	<b>\$ 197,830</b>	<b>\$ 216,816</b>	<b>\$ 228,004</b>
TOTAL OPERATING EXPENSES:	\$ 382,535	\$ 407,171	\$ 430,105	\$ 447,763	\$ 462,031
ADJUSTMENTS:					
Depreciation	(61,234)	(65,163)	(67,692)	(69,415)	(71,137)
Amortization	(7,569)	(7,569)	(7,569)	(7,569)	(7,569)
Amortization of Deferred Financing Costs	(711)	(669)	(657)	(637)	(619)
Amortization of Bond Premium/Discount	1,952	1,909	1,866	1,814	1,758
<b>ADJUSTED OPERATING EXPENSES</b>	<b>\$ 314,973</b>	<b>\$ 335,679</b>	<b>\$ 356,053</b>	<b>\$ 371,956</b>	<b>\$ 384,464</b>
DAILY CASH OPERATING EXPENSES <sup>(3)</sup>	\$ 863	\$ 920	\$ 975	\$ 1,019	\$ 1,053
<b>NUMBER OF DAYS OF CASH ON HAND</b>	<b>175</b>	<b>197</b>	<b>203</b>	<b>213</b>	<b>217</b>

Notes:

- (1) Calculations are presented based upon the assumed terms of the Master Trust Indenture (the "MTI").
- (2) Adjusted Maximum Annual Debt Service represents the Maximum Annual Debt Service of the Obligated Group excluding the Series 2021D Bonds and \$15 million of the Series 2021B Bonds which are both expected to be repaid using first generation entrance fee proceeds from the Oak Trace Project, as described herein.
- (3) Daily cash operating expenses are equal to the adjusted operating expense reflected divided by 365 days.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **BACKGROUND AND INFORMATION**

#### **Basis of Presentation**

The purpose of the examined forecast (the “Forecast”) is to evaluate the ability of Lifespace Obligated Group (the “Obligated Group”) to meet its operating requirements, working capital needs, and other financial requirements associated with its plans to finance improvements to certain communities of the Obligated Group, refinance a portion of its existing debt (the “Series 2023A” or the “Refunded Bonds”), fund a deposit to the master reserve fund (“Master Reserve Fund”), and pay costs associated with the proposed issuance of the \$81,680,000 Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.) Series 2023B (the “Series 2023B Bonds”) and the \$29,875,000 Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2023C (the “Series 2023C Bonds”, and collectively with the Series 2023B Bonds, the “Series 2023 Bonds”).

Management’s financial forecast has been prepared for the specific purpose of presenting the forecasted consolidated balance sheets, statements of operations and change in net deficit and statements of cash flows of the Obligated Group. This presentation of the financial statements differs from accounting principles generally accepted in the United States of America (“GAAP”) in that the Obligated Group excludes the accounts of certain entities that would otherwise be required to be consolidated under GAAP for Lifespace (as defined herein). Accordingly, the forecast is not intended to be a presentation in conformity with GAAP since it excludes Lifespace and certain affiliates.

The accompanying Forecast for the years ending December 31, 2023, 2024, 2025, 2026 and 2027, and for each of the five years then ending (the “Forecast Period”) contained herein has been prepared by Management (as defined herein). The Forecast presents, to the best of Management’s knowledge and belief, the expected financial position, results of operations and change in net deficit, and cash flows of the Obligated Group for the Forecast Period. Accordingly, the Forecast reflects Management’s judgment as of November 15, 2023, the date of this Forecast, of its expected conditions and its expected course of action. The assumptions disclosed herein, while not all-inclusive, are those that Management believes are significant to its Forecast. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**Fundamental to the Forecast is the assumption that the operations of the Obligated Group will be competently and efficiently managed, its services professionally and consistently marketed, and on-budget and timely construction of the Projects (as defined herein) is achieved. In addition, the validity of the Forecast will decrease substantially in proportion to the time elapsed since its preparation. Management’s Forecast has been prepared in connection with the issuance of the Series 2023 Bonds. Management does not intend to update the Forecast subsequent to its issuance, and, accordingly, there are risks inherent to referring to, or using, this Forecast in the future as it may, and most likely will, become outdated.**

The assumed interest rates, principal payments, financing assumptions, and assumptions pertaining to the forecasted revenue, expenses, and cash flows are described in the Forecast subsequently herein. If the actual interest rates, principal payments, funding requirements, or other financing assumptions related to the Series 2023 Bonds are different from those assumed, the principal amount of the Series 2023 Bonds, and associated debt service requirements would need to be adjusted, accordingly, from those indicated in the Forecast. If interest rates, principal payments, and funding requirements are lower than those assumed, then such adjustments would not adversely affect the Forecast.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Basis of Accounting**

The Obligated Group forecasted consolidated financial statements are not intended to represent the forecasted consolidated financial position and activities of Lifespace and all its subsidiaries. The Master Trust Indenture (“MTI”) requires the preparation of the Obligated Group forecasted consolidated financial statements. Therefore, the Obligated Group forecasted consolidated financial statements present the financial position and activities of the Obligated Group only and omit any other affiliated entities, which would otherwise be consolidated with the Obligated Group under GAAP.

### **Organization and Function**

Lifespace Communities, Inc. (“Lifespace”) was incorporated in 1976 as an Iowa nonprofit corporation. Lifespace provides housing, healthcare, and other related services to the senior residents 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.

Lifespace established the Obligated Group with 11 communities under the original MTI dated as of November 1, 2010 and most recently amended November 1, 2022. 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. Management of the Obligated Group is referred to herein as “Management.”

Lifespace provides multiple services to the 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 the communities it operates.

Lifespace, Inc. is an Iowa nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is the sole corporate member of Lifespace. Lifespace, Inc. is not a member of the Obligated Group.

### **Governance**

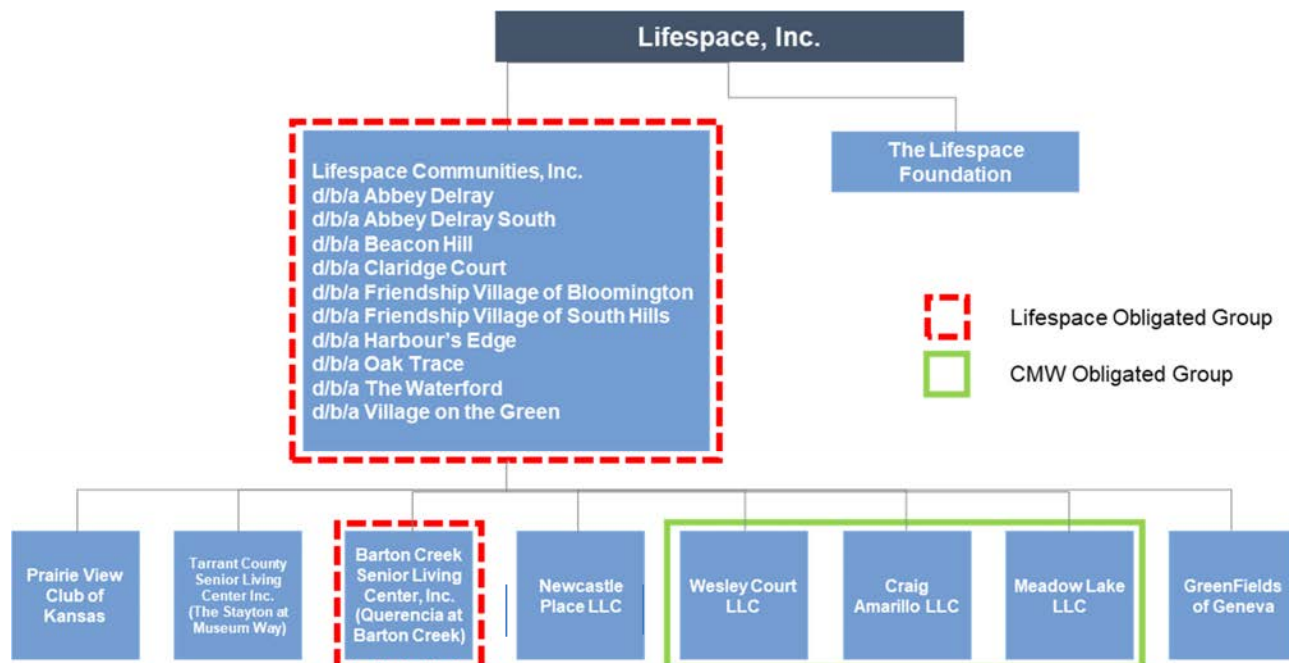
All powers of Lifespace are exercised by the board of directors (the “Board of Directors” or individually the “Directors”) which consists of no more than 15 members. Generally, the terms of each Director are four calendar years, and Directors are limited to serving no more than three, four-year terms. The resident Director serves a single, two-year term. Lifespace’s President and Chief Executive officer serves as ex-officio, non-voting member of the Board of Directors.

### **Affiliated Entities**

Lifespace is the parent corporation of various affiliate organizations that are not in the Obligated Group (the “Affiliated Entities”) as shown in the chart on the following page.

**The Affiliated Entities are not responsible for the debts or other obligations of the Obligated Group. The Obligated Group is solely obligated to pay debt service on its outstanding debt and to pay its other financial obligations. Accordingly, the forecasted consolidated financial statements only include the forecasted financial results of the Obligated Group, and do not include the financial results of any of its Affiliated Entities.**

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES



### The Obligated Group Communities

The 11 communities creating the Obligated Group (the “Communities”) are as follows:

- 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 Grove, Illinois;
- Querencia at Barton Creek in Austin, Texas;
- The Waterford in Juno Beach, Florida; and
- Village on the Green in Longwood, Florida.

The Communities are comprised of a variety of unit types and levels of care, including independent living apartments, carriage homes, villas, and town houses (the “Existing Independent Living Units”), assisted living apartments (the “Existing Assisted Living Units”), memory support apartments (the “Existing Memory Support Units”) and skilled nursing beds (the “Skilled Nursing Beds”). The following is a brief description of each of the Communities:

*Abbey Delray:* Positioned on 27 acres in Delray Beach, Florida, the Abbey Delray community opened in 1979. It is comprised of 279 Existing Independent Living Units (28 of which are villas), 48 Existing Assisted Living Units, 30 Existing Memory Support Units, and 100 Skilled Nursing Beds. The common areas include an outdoor heated pool and whirlpool spa, exercise room, game room, card rooms,

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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computer room, library, gathering place, auditorium, and dining room. Additional amenity areas include a salon and art studio. The Existing Assisted Living Units and Existing Memory Support Units have their own common areas. The Skilled Nursing Beds provide private rooms, a physical therapy room, arts and crafts therapy area, dining rooms and lounges.

*Abbey Delray South:* Positioned on 32 acres in Delray Beach, Florida, the Abbey Delray South community opened in 1981. It is comprised of 273 Existing Independent Living Units (44 of which are villas) and 74 Skilled Nursing Beds. The common areas include dining rooms, lounges, a library, game rooms, a fitness center, activities center, indoor pickle ball court, heated outdoor swimming pool, a nine-hole putting green, personal laundry facilities, a convenience store with pharmacy coordination, and a beauty and barber shop.

*Beacon Hill:* Positioned on 19.5 acres in Lombard, Illinois, the Beacon Hill community opened in 1984. It is comprised of 372 Existing Independent Living Units and 110 Skilled Nursing Beds. The common areas include options for dining, lounges, two libraries, game rooms, a swimming pool, heated garage, personal laundry facilities, guest apartments, beauty/barber shop, an art studio, crafts and woodworking areas, an auditorium, fitness center, pantry, and banking facilities. Outdoor areas include gardens, walking paths, and two putting greens.

*Claridge Court:* Positioned on 4.7 acres in Prairie Village, Kansas, the Claridge Court community opened in 1995. It is comprised of 125 Existing Independent Living Units and 45 Skilled Nursing Beds. Common areas 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. The health center includes a physical therapy room, arts and craft therapy area, and separate dining rooms and lounges. All buildings are connected by common corridors and elevators and there is an underground parking garage.

*Friendship Village of Bloomington:* Positioned on 25 acres in Bloomington, Minnesota, the Friendship Village at Bloomington community opened in 1979. It is comprised of 373 Existing Independent Living Units (12 of which are town homes), 42 Existing Assisted Living Units, 32 Existing Memory Support Units, and 66 Skilled Nursing Beds. Common areas include rooms for large and small meetings, multiple dining options, lounges, a library, café, billiards room, auditorium, personal laundry facilities, beauty/barber shop, bank, fitness center with an indoor swimming pool, computer room and crafts and woodworking areas. Outdoor areas include gardens, putting green, decks, and patios.

*Friendship Village of South Hills:* Positioned on 73 acres in St. Clair, Pennsylvania, the Friendship Village of South Hills community opened in 1984. It is comprised of 285 Existing Independent Living Units (18 of which are carriage homes), 50 Existing Assisted Living Units, 32 Existing Memory Support Units, and 89 Skilled Nursing Beds. Common areas include rooms for large and small meetings, multiple dining options, lounges, a library, billiards room, assembly room, performing arts center, cinema, personal laundry facilities, sports bar, bank, a convenience store, storage lockers, beauty/barber shop, fitness center, art studio, computer lab and crafts and woodworking area. Outdoor areas include gardens, a bocce court, and a horseshoe court.

*Harbour's Edge:* Positioned on 20 acres in Delray Beach, Florida, the Harbour's Edge community opened in 1987. It is comprised of 266 Existing Independent Living Units and 54 Skilled Nursing Beds. The community features a fine dining restaurant, a bistro-style restaurant and private dining options. Common areas include a wellness center, outdoor heated/cooled swimming pool, whirlpool, sauna, and putting green, bocce court, polo field, a skeet shooting range, meeting rooms, bar, piano lounge, card rooms, theater, salon, art studio and a library. Guest accommodations are available as well.

*Oak Trace:* Positioned on 40 acres in Downers Grove, Illinois, the Oak Trace community was acquired by Lifespace in 2011. It is comprised of 231 Existing Independent Living Units (16 of which are town homes), 66 Existing Assisted Living Units, 28 Existing Memory Support Units and 104 Skilled Nursing

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Beds. The community features a fine dining restaurant, a casual dining restaurant and private dining options. Common areas include a wellness center, meeting rooms, bar, piano lounge, card rooms, theater, salon, art room, and a library.

*Querencia*: Positioned on 38 acres in Austin, Texas, the Querencia community was acquired by Lifespace in 2019. It is comprised of 167 Existing Independent Living Units, 40 Existing Assisted Living Units, 23 Existing Memory Support Units and 42 Skilled Nursing Beds. Common areas include dining areas, recreation and social areas, an activities and creative arts studio, a fitness and wellness center, media room, living room and lounge areas, library, game/card room, beauty salon, and a covered swimming pool and spa.

*The Waterford*: Positioned on 15 acres in Juno Beach, Florida, The Waterford community opened in 1981. It is comprised of 243 Existing Independent Living Units and 60 Skilled Nursing Beds. Common areas include a dining and meeting spaces, lounges, library, billiards room, auditorium, computer lab, fitness center, art studio, woodworking shop, spa, personal laundry facilities, beauty salon, and a crafts area. Outdoor areas include a heated swimming pool, a resistance pool, and spaces for activities.

*Village on the Green*: Positioned on 76 acres in Longwood, Florida, the Village on the Green community opened in 1986. It is comprised of 262 Existing Independent Living Units, 36 Existing Assisted Living Units, 18 Existing Memory Support Units, and 48 Skilled Nursing Beds. Common areas include a clubhouse, areas for dining and meetings, lounges, a library, a game room, and all-purpose room, an exercise room, an outdoor swimming pool, a whirlpool, 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.

The following is a summary of total units currently operated by level of care at each community, and their location:

**Table 1**  
**The Communities**

Community	Location	Independent Living Units	Assisted Living Units	Memory Support Units	Skilled Nursing Beds	Total
Abbey Delray	Delray Beach, Florida	277	48	30	100	455
Abbey Delray South	Delray Beach, Florida	273	-	-	74	347
Beacon Hill	Lombard, Illinois	372	-	-	110	482
Claridge Court	Prairie Village, Kansas	125	-	-	45	170
Friendship Village of Bloomington	Bloomington, Minnesota	373	42	32	66	513
Friendship Village of South Hills	St. Clair, Pennsylvania	285	50	32	89	456
Harbour's Edge	Delray Beach, Florida	266	-	-	54	320
Oak Trace	Downers Grove, Illinois	231	66	28	104	429
Querencia	Austin, Texas	167	40	23	42	272
The Waterford	Juno Beach, Florida	244	-	-	60	304
Village on the Green	Longwood, Florida	262	36	18	48	364
Total		2,875	282	163	792	4,112

Source: Management

### **Existing Independent Living Units**

Residents of the Existing Independent Living Units generally receive one meal a day, lawn and landscape care (if applicable), snow removal (as applicable), trash removal, basic cable television, 24-hour emergency response system access, pest control, regularly scheduled transportation and recreational activities as part of their monthly fee. Most of the Communities offer other services including personal

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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laundry, beauty and barber services, licensed nursing visits, extra meals and meal delivery, and housekeeping services, for an extra charge.

### ***Existing Assisted Living Units***

Residents of any of the Existing Assisted Living Units 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 Hill, Oak Trace, Querencia and Village on the Green offer assisted living services. The type of care offered by each location is categorized by the license held in the specific state. In most of the other Communities, residents needing limited assistance are provided those services in their Existing Independent Living Unit. Limited assistance can be provided for an additional fee or can be contracted for individually.

### ***Existing Memory Support Units***

Memory support 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 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, 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 support 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 Hill, Oak Trace, Querencia and Village on the Green offer memory support services.

### ***Skilled Nursing Beds***

Residents in any of the Skilled Nursing Beds 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 of the Communities offer skilled nursing services.

### **The Projects**

In 2021, the Obligated Group used funding from the Series 2021 Bonds (defined herein) to begin an expansion and renovation to the Oak Trace campus (the "Oak Trace Project"). The Oak Trace Project



## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

includes 140 new independent living units (the “Oak Trace Independent Living Units”), a new clubhouse and renovated commons. The Oak Trace Project is forecasted to open in February 2024.

In 2022, the Obligated Group used funding from the Series 2022 Bonds (defined herein) to begin an expansion and renovation project to The Waterford campus (“The Waterford Project”). The Waterford Project includes plans to build 8 additional single-story residential living (“The Waterford Independent Living Units”) duplexes as well as renovations to the existing health center, wellness center and pool, and other areas. The Waterford Project Independent Living Units are forecasted to open in August 2024.

Currently, the Obligated Group is planning to expand and renovate the Harbour’s Edge’s existing campus (the “Harbour’s Edge Project”). The Harbour’s Edge Project includes 24 assisted living units (the “New Assisted Living Units”) and 16 memory support units (the “New Memory Support Units”) along with additional common spaces. The Harbour’s Edge Project is forecasted to be funded with the Series 2023C Bonds.

The Oak Trace Project, The Waterford Project and the Harbour’s Edge Project are collectively referred to as the “Projects.” The Communities and the Projects are collectively referred to as the “Community.”

The Oak Trace Independent Living Units and The Waterford Independent Living Units are collectively referred to as the “New Independent Living Units.” The Existing Independent Living Units and the New Independent Living Units are collectively referred to as the “Independent Living Units.” The Existing Assisted Living Units and the New Assisted Living Units are collectively referred to as the “Assisted Living Units.” The Existing Memory Support Units and the New Memory Support Units are collectively referred to as the “Memory Support Units.”

### **New Independent Living Units**

The following table presents a summary of the unit mix, square footage, monthly fees and entrance fees for the Oak Trace Independent Living Units.

**Table 2**  
**Oak Trace Independent Living Units**  
**Unit Mix, Square Footage, Monthly Fees and Entrance Fees**

<b>Unit Type</b>	<b>Unit Name</b>	<b>Total Units</b>	<b>Square Footage</b>	<b>Monthly Fees <sup>(1)(2)</sup></b>	<b>Entrance Fees - 90% Refundable <sup>(3)(4)</sup></b>	<b>Entrance Fees - 50% Refundable <sup>(3)(4)</sup></b>
<b><u>Oak Trace Independent Living Units</u></b>						
1 Bed / 1.5 Bath / 1 Den	Clayton	30	1,010	\$4,578	\$470,000	\$375,000
2 Bed / 2 Bath	Evergreen	30	1,186	5,101	565,000	450,000
2 Bed / 2.5 Bath	Hudson	20	1,255	5,550	595,000	475,000
2 Bed / 2.5 Bath (Corner)	Jameson	15	1,288	5,500	595,000	475,000
2 Bed / 2.5 Bath / 1 Den	Lincoln	25	1,453	6,100	735,000	585,000
2 Bed / 2.5 Bath / 1 Den	Richmond	10	1,559	6,100	735,000	585,000
2 Bed / 2.5 Bath / 1 Den	Winthrop	5	1,848	7,281	918,500	753,500
3 Bed / 3 Bath	Wexford	5	1,699	6,802	865,000	695,000
<b>Total/Weighted Average</b>		<b>140</b>	<b>1,285</b>	<b>\$5,484</b>	<b>\$617,982</b>	<b>\$493,518</b>

Source: Management

Notes:

- (1) Monthly fees are stated at the forecasted opening of the Oak Trace Independent Living Units in February 2024.
- (2) Second person monthly fee is \$1,990.
- (3) Entrance fees are stated as Type A Contract (subsequently defined) prices.
- (4) Second person entrance fees are \$27,578.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

The following table presents a summary of the unit mix, square footage, monthly fees and entrance fees for The Waterford Independent Living Units.

**Table 3**  
**The Waterford Independent Living Units**  
**Unit Mix, Square Footage, Monthly Fees and Entrance Fees**

Unit Type	Unit Name	Total Units	Square Footage	Monthly Fees <sup>(1)(2)</sup>	Entrance Fees - 90% Refundable <sup>(3)(4)(5)(6)</sup>	Entrance Fees - 0% Refundable <sup>(3)(4)(5)(6)</sup>
<u>The Waterford Independent Living Units</u>						
2 Bedroom / 2 Bath	Juno	4	1,504	\$6,795	\$990,000	\$644,000
2 Bedroom / 2 Bath / Den	Palm Beach	4	1,624	6,995	1,056,000	687,000
Total/Weighted Average		8	1,564	\$6,895	\$1,023,000	\$665,500

Source: Management

Notes:

(1) Monthly fees are stated at the forecasted opening of The Waterford Independent Living Units in August 2024.

(2) Second person monthly fee is \$2,264.

(3) Entrance fees are stated under the charter pricing which was in effect until October 1, 2023. Afterwards, residents will pay the standard pricing which is approximately 10 percent higher than the charter pricing. Once construction begins there will be an approximate 5 percent increase over the standard pricing and upon opening there will be another approximate 5 percent increase over the construction pricing.

(4) Charter pricing includes a 90% return of capital plan and a traditional plan; after charter pricing expires there will only be a 75% return of capital plan and a traditional plan option.

(5) Entrance fees are stated as Type A Contract prices.

(6) Second person entrance fees are \$0 under charter pricing and \$38,500 for the 75% return of capital plan and \$25,000 for the traditional plan during standard, construction, and opening pricing.

### **Charter Member Benefits**

To encourage early commitments to residency at The Waterford Project, the Obligated Group offered early depositors ("Charter Member Residents") a package of benefits ("Charter Member Benefits") until construction is completed.

Charter Member Benefits include the following:

- First two months with no monthly fees;
- 5 percent discount on the standard price entrance fee;
- Option for a 90% return of capital entrance fee plan;
- No second person entrance fee;
- \$5,000 credit on upgrades/moving expenses;
- Opportunity to personalize the new units; and
- Charter Member Residents only events and programming.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### New Assisted Living Units and New Memory Support Units

The following table presents a summary of the unit mix, square footage, and monthly fees for the New Assisted Living Units and the New Memory Support Units.

**Table 4**  
**New Assisted Living Units and New Memory Support Units**  
**Harbour's Edge Project**  
**Unit Mix, Square Footage and Monthly Fees**

<b>Unit Type</b>	<b>Total Units</b>	<b>Square Footage</b>	<b>Monthly Fees <sup>(1)</sup></b>
<b><u>New Assisted Living Units</u></b>			
Suite	24	696	\$8,000
Total/Weighted Average	24	696	\$8,000
<b><u>New Memory Care Units</u></b>			
Studio	16	348	9,000
Total/Weighted Average	16	348	\$9,000

Source: Management

Notes:

(1) Monthly fees are stated at the forecasted opening of the New Assisted Living Units and the New Memory Support Units in July 2025.

### Projects Timeline

A forecasted timeline for the Projects, as provided by Management, is summarized in the following table.

**Table 5**  
**Forecasted Projects Timeline**

<b>Date</b>	<b>Item</b>
December 2023	Series 2023 Bonds are issued
January 2024	Construction begins on the New Assisted Living Units and the New Memory Support Units
February 2024	Construction is complete and move-ins begin for the Oak Trace Independent Living Units
August 2024	Construction is complete and move-ins begin for the The Waterford Independent Living Units
December 2024	The Waterford Independent Living Units reach stabilized occupancy
July 2025	Construction is complete and move-ins begin for the New Assisted Living Units and the New Memory Support Units
June 2026	The New Assisted Living Units and the New Memory Support Units reach stabilized occupancy
July 2026	The Oak Trace Independent Living Units reach stabilized occupancy

Source: Management

### Unit Configuration at the Communities Before and After Completion of the Projects

The table below summarizes the number of units/beds at the Communities before and after completion of the Projects.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 6**  
**The Communities**  
**Number of Available Beds/Units Before and After Completion of the Projects**

<b>Level of Care</b>	<b>Current Number of Beds/Units</b>	<b>Additions (Deletions) The Projects</b>	<b>Number of Beds/Units after the Projects are Complete</b>
Independent Living Units:			
Existing Independent Living Units	2,876	-	2,876
Oak Trace Independent Living Units	-	140	140
The Waterford Independent Living Units	-	8	8
Subtotal	2,876	148	3,024
Assisted Living, Memory Support & Skilled Nursing:			
Existing Assisted Living Units	282	-	282
New Assisted Living Units	-	24	24
Existing Memory Support Units	163	-	163
New Memory Support Units	-	16	16
Skilled Nursing Beds	792	-	792
Subtotal	1,237	40	1,277
Total Units/Beds	4,113	188	4,301

Source: Management

### **Residency Agreements**

#### ***Admissions***

To apply for residency at one of the Communities, a prospective independent living resident must be at least 62 years of age or be applying for the same residence with a prospective resident who is at least 62 years of age. They are required to complete an application for residency, in which the prospective independent living resident must demonstrate they have sufficient assets and income to meet required financial obligations set by the Community. In addition, the prospective independent living resident is required to complete a physical examination and provide a confidential medical history and medical records to ensure satisfaction of the health and safety requirements of the Community. The Community will consider applications for residence based upon the guidelines for the acceptance of independent living residents. An application for residence at the Community will be accepted only if the applicant demonstrates the ability to live independently and to meet the financial obligations as an independent living resident of the selected Independent Living Unit.

#### ***Residency Agreements***

The "Residency Agreement" is a contract under which the Community is obligated, if a prospective resident of the Independent Living Units establishes occupancy, to provide certain services to that prospective resident. All residents executing Residency Agreements are required to pay monthly fees and an entrance fee. The monthly fees are based on the type of Independent Living Unit selected by the resident. In addition to the first resident monthly fee, an additional monthly fee is payable for a second resident living in an Independent Living Unit. The entrance fee is a lump-sum, one-time payment based on the Independent Living Unit to be occupied by the resident and the type of Residency Agreement selected. Generally, the resident must pay the balance of the entrance fee and the first month's monthly fee in full before the resident assumes occupancy.

#### ***Resident Fee Structure***

The Communities offer multiple entrance fee plan options to residents, as follows:

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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- Type A – The type A extensive contract (the “Type A Contract”) is a full-service contract in which the residents (each a “Life Care Resident”) agrees 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 Skilled Nursing Beds, Assisted Living Units, and Memory Support Units (if provided at that 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.
- Type B – 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 care services. Under this type of contract, the Community provides nursing care in Skilled Nursing Beds, Assisted Living Units, and Memory Support Units, if needed, at a discounted market rate.
- Rental – A rental contract is offered at Abbey Delray. 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 community fee and a monthly rental fee. The rental contract provides the same amenities as the Type A and Type B Contracts, with the exception of services provided in the Assisted Living Units, the Memory Support Units, and the Skilled Nursing Beds. Any services provided in those areas are at the current market rate.

Entrance fees and monthly fees are reviewed each fiscal year. These fees are adjusted on an individual community basis.

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 are receiving services. The Communities have varying provisions in their residency agreements; however, all the Communities provide for certain uniform provisions including the following: (i) required payment of an entrance fee, (ii) required monthly fee which increases for dual occupancy, (iii) certain items and services are available for an extra charge such as additional meals, use of the beauty/barber shops, etc., (iv) each residency agreement governs the terms of the applicable health center if a resident chooses to participate in a managed care program as an alternative to Medicare Part A, Medicare Part B, and supplemental insurance coverage, (v) the resident may purchase additional services through personal service providers with whom the resident contract to provide the services, and (vi) all residents of each Community are members of that Community’s resident’s association which is a self-governing board that meets monthly and is kept informed of the operation of the Community.

### ***Entrance Fee Refundability***

Refund obligations for the Type A and Type B Contracts follow two forms – a return of capital contract or a traditional contract (“Traditional”). Under the return of capital contract, 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 their estate upon death. The refunds are 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 50 months, over which time the refund amount declines to zero. Any of the Obligated Group members that are located in the State of Florida 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 following is a summary of the contract plan types with refundability options, monthly fees and entrance fees for each of the Communities:

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 7**  
**Plan Types and Refundability Options**

Community	Plan Type	Refundability	Monthly Fees	Entrance Fees <sup>(1)</sup>
Abbey Delray (FL) <sup>(2)</sup>	Rental	N/A	\$2,100 - \$5,000	N/A
Abbey Delray South (FL)	Type A	0%	\$3,139 - \$5,422	\$107,600 - \$524,500
Beacon Hill (IL)	Type A	0%, 50%, 90%	\$3,391 - \$6,981	\$89,400 - \$647,800
Claridge Court (KS)	Type A	90%	\$4,665 - \$9,850	\$225,100 - \$1,210,900
Friendship Village of Bloomington (MN)	Type A	0%, 90%	\$3,465 - \$7,043	\$140,400 - \$1,227,900
Friendship Village of South Hills (PA) <sup>(3)</sup>	Type A	0%, 50%, 90%	\$3,355 - \$7,339	\$70,200 - \$959,200
Harbour's Edge (FL)	Type A	0%, 75%	\$5,885 - \$10,603	\$312,100 - \$1,736,200
Oak Trace (IL) <sup>(4)</sup>	Type A	0%, 50%, 90%	\$3,590 - \$6,007	\$103,700 - \$642,000
Querencia (TX)	Type A	90%	\$4,790 - \$10,738	\$567,000 - \$1,961,600
The Waterford (FL)	Type A	0%	\$2,709 - \$5,751	\$95,800 - \$693,600
Village on the Green (FL)	Type A	0%, 75%	\$3,859 - \$5,789	\$142,600 - \$814,800

Source: Management

Notes:

(1) Entrance fee range is across all contract plan types offered.

(2) Abbey Delray no longer collects an entrance fee, but rather a one-time non-refundable community fee ranging from \$8,000 to \$25,000.

(3) Friendship Village of South Hills also offers a Type B Plan option with 0, 50, or 90 percent refundability.

(4) Oak Trace also offers a Type B Plan option, with 90 percent refundability.

### **Terminations**

#### *Termination Prior to Occupancy:*

The resident will be entitled to full reimbursement of any monies paid or other property transferred to the Obligated Group within sixty days upon the Obligated Group receiving the resident's written termination of the reservation agreement and will be released from liability to pay to the Obligated Group any other amount under the Residency Agreement under any one of the following conditions: (i) If the resident terminates the Residency Agreement within ten days of signing the Residency Agreement, (ii) the resident becomes unable to occupy the unit due to illness, injury, or death, or (iii) the Obligated Group does not accept the resident for residency with thirty days of execution of the Residency Agreement.

If the Residency Agreement is terminated for any other reason prior to occupancy, the resident will be entitled to reimbursement of a portion of the monies paid, without interest, less give percent of the entrance fee, which will be retained by the Obligated Group as a processing fee.

#### *Termination After Occupancy:*

After the resident has assumed occupancy of their residence, the Residency Agreement is subject to termination as follows:

(i) By the resident at any time upon 120 days' prior written notice to the Obligated Group.

(ii) By the Obligated Group after the occupancy for certain reasons, upon notice and opportunity to cure as specified in the Residency Agreement, including failure to pay amounts owed, change in resident's conditions, disturbing or violent behavior that is detrimental to the health, safety and well-

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

being of themselves or others, or material breach in contract. The resident may avoid termination by demonstrating to the Obligated Group's reasonable satisfaction that the conduct has been cured.

### Contract Utilization

The following table summarizes the percentage of residents utilizing each contract type in the Existing Independent Living Units as of July 31, 2023, and the forecasted utilization for turnover residents of the Existing Independent Living Units throughout the Forecast Period:

**Table 8**  
**Existing Independent Living Units**  
**Residency Agreement Contract Utilization – Existing and Forecasted <sup>(1)(2)</sup>**

Plan Type	Existing Residents as of July 31, 2023	Forecasted Utilization for Turnover Residents
Traditional	37.6%	51.3%
90% Return of Capital	35.0%	27.7%
75% Return of Capital	11.3%	6.7%
50% Return of Capital	10.7%	14.3%
90% Return of Capital - Type B <sup>(3)</sup>	1.4%	0.0%
90% Return of Capital - Equalized <sup>(4)</sup>	1.7%	0.0%
100% Return of Capital <sup>(5)</sup>	0.8%	0.0%
95% Return of Capital <sup>(5)</sup>	0.8%	0.0%
Membership <sup>(5)</sup>	0.7%	0.0%
Total	100.0%	100.0%

Source: Management

Notes:

- (1) Table only shows residents who have paid an entrance fee and does not include rental agreements.
- (2) Residency Agreements are all Type A Contracts unless specifically stated otherwise.
- (3) Type B Plan is only offered at Oak Trace and Friendship Village of South Hills.
- (4) Residents on the equalized rate plan pay a higher rate than they would in independent living as they move up to a higher level of care, but still less than private pay.
- (5) Plans are no longer offered or are discontinued.

The following table summarizes Management's forecasted utilization of the Residency Agreement contract options by first generation and turnover residents of the New Independent Living Units.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 9**  
**New Independent Living Units**  
**Residency Agreement Contract Utilization <sup>(1)</sup>**

Plan Type	Forecasted Utilization	
	First Generation Residents	Turnover Residents
Oak Trace Independent Living Units		
Traditional Plan	0.0%	5.0%
50% Refundable	30.0%	5.0%
90% Refundable	70.0%	90.0%
Total	100.0%	100.0%
The Waterford Independent Living Units		
Traditional Plan	45.0%	45.2%
75% Refundable	31.0%	54.8%
90% Refundable	24.0%	0.0%
Total	100.0%	100.0%

Source: Management

Notes:

(1) Residency Agreements are all Type A Contracts.

### **The Edgemere Bankruptcy Plan**

Northwest Senior Housing Corporation, d/b/a Edgemere, was a Lifespace community that was not part of the Obligated Group. Edgemere entered into a bankruptcy plan, (the "Plan") which provided for the sale of substantially all of the assets of Edgemere to a third-party buyer as a going concern subject to bidding procedures approved by the court, with the expectation that all current and future resident contracts were to be converted from entrance fee contracts to rental contracts, including extinguishment of the associated entrance fee refunds. As part of the Plan, Lifespace agreed to make contributions to a residents trust (the "Residents Trust") to pay the actuarial assumed value of such refunds, over a 19 year period. Additionally, under the Plan, Lifespace is obligated to make a payment of approximately \$16,500,000 to be distributed to Edgemere creditors.

The Obligated Group funded the initial deposit of approximately \$52,460,000 into the Residents Trust and the creditor payment primarily through the issuance of the Series 2023A Bonds, an equity contribution, and a Lifespace Corporate Bond purchase. Both the \$16,500,000 and the \$52,460,000 fundings are shown as Contributions to Edgemere on the Forecasted Consolidated Statement of Operations. The Obligated Group intends to refinance the Series 2023A Bonds. The Obligated Group forecasts making the second payment of \$11,470,000 in 2023 and this amount is included in the Contributions to Lifespace Communities, Inc. on the Forecasted Consolidated Statement of Operations.



## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### PLAN OF FINANCE

A summary of the forecasted sources and uses of funds for the Series 2023 Bonds is provided in the following table.

**Table 10**  
**Series 2023 Bonds**  
**Forecasted Sources and Uses of Funds**  
**(Dollars in Thousands)**

<b>Sources of Funds:</b>	<b>Total</b>
Series 2023 Bonds:	
Series 2023B Bonds	\$ 81,680 (1)
Series 2023C Bonds	29,875 (1)
Subtotal - Par Amount	111,555 (1)
Original Issue Discount - Series 2023C Bonds	(610) (1)
Series 2023 Bonds Proceeds	110,945 (1)
Equity Contribution	480 (2)
<b>Total Sources of Funds</b>	<b>\$ 111,425</b>
<b>Uses of Funds:</b>	<b>Total</b>
Project Costs	
Harbour's Edge Project	18,909 (3)
Other Project Reimbursement	28,471 (4)
Total Project Costs	47,380
Funding for the Refunded Bonds	52,838 (5)
Debt Service Reserve Fund (Master Reserve Fund)	6,821 (6)
Funded Interest	1,684 (7)
Cost of Issuance and Other Finance Costs	2,702 (8)
<b>Total Uses of Funds</b>	<b>\$ 111,425</b>

Source: Management and Underwriter

**Certain summaries, assumptions, rationale, and descriptions included in Management's financial forecast are more fully described in the offering documents pertaining to the Series 2023 Bonds. For more detailed information regarding the proposed terms, conditions, debt service requirements, and any other requirements of the Series 2023 Bonds, all the Series 2023 Bonds related documents should be read in their entirety.**

Notes:

(1) The Obligated Group's underwriter, Herbert J. Sims & Co., Inc. (the "Underwriter") has indicated that proceeds in the amount of \$111,555,000 are estimated to be generated from the proposed issuance of the Series 2023 Bonds. The Underwriter has indicated the following structure and terms of the Series 2023 Bonds:

- The Series 2023B Bonds: \$81,680,000 of tax-exempt fixed-rate bonds with term maturities to May 15, 2053, annual principal payments assumed to begin on May 15, 2024, semi-annual interest payments assumed to begin on May 15, 2024, and bearing interest at rates ranging from 7.00 to 8.00 percent per year; and
- The Series 2023C Bonds: \$29,875,000 of tax-exempt fixed-rate bonds with term maturities to May 15, 2059, annual principal payments assumed to begin on May 15, 2024, semi-annual interest payments assumed to begin on May 15, 2024, and bearing interest at 8.00 percent per year.
- An assumed original issue discount on the Series 2023C Bonds is forecasted.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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- (2) Management has forecasted that the Obligated Group will utilize approximately \$480,000 of its cash and investments for the payment of costs of issuance related to the financing.
- (3) Management has forecasted that approximately \$18,909,000 will be used to fund the Harbour's Edge Project.
- (4) Management has forecasted that approximately \$28,471,000 will be used for the reimbursement of, and funding of, unit and common area refurbishment projects across six different communities of the Obligated Group.
- (5) Approximately \$52,838,000 of the Series 2023 Bonds are forecasted to be utilized to pay the outstanding principal and accrued interest on the Refunded Bonds on the closing date of the Series 2023 Bonds.
- (6) Management has forecasted approximately \$6,821,000 will be deposited into the Master Reserve Fund. Approximately \$4,995,000 is related to the Series 2023B Bonds and approximately \$1,827,000 is related to the Series 2023C Bonds.
- (7) Represents the amount Management and the Underwriter have forecasted to pay Project-related interest expense using a portion of the proceeds from the Series 2023C Bonds through November 2024.
- (8) Costs related to the Underwriter's discount, legal fees, accounting fees, and other costs associated with the proposed issuance of the Series 2023 Bonds is forecasted to approximate \$2,702,000.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The Obligated Group's forecasted consolidated financial statements are presented using the accrual basis of accounting.

#### **Basis for Consolidation**

The forecasted consolidated financial statements include the accounts of the consolidated Obligated Group. All significant intercompany accounts and transactions have been eliminated in consolidation.

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

The Obligated Group considers all unrestricted highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

#### **Accounts and Other Receivables**

The Obligated Group provides an allowance for uncollectible accounts based on the allowance method using Management's judgment. Accounts past due more than 90 days are individually analyzed for collectability. In addition, an allowance is estimated for other accounts based on historical experience of Management. When all collection efforts have been exhausted, the account will be written off against the related allowance.

#### **Prepaid Insurance, Inventory, and Other**

Inventory consists primarily of food, maintenance supplies, and medical supplies. Inventories are valued at cost determined by the first-in, first-out (FIFO) method. Management has forecasted these amounts based upon its historical experience operating the Communities.

#### **Investments and Investment Income**

Investments are assumed to be primarily invested in pooled common trust funds, consisting of money market investments, fixed income securities, and equity securities. Investments are classified as trading securities and are carried at fair value with realized and unrealized gains and losses included above the performance indicator. Unrealized gains and losses on investments held under donor restrictions, other than perpetual trusts, are reported as net assets under donor restriction. Management has not forecasted any unrealized gains or losses on investments during the Forecast Period except for fiscal year 2023.

#### **Assets Limited as to Use**

Assets limited as to use include employee, resident and future resident funds held in trust by the Obligated Group as a fiduciary, funds held by trustees under debt indenture agreements, an operating

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

reserve fund, bond funds, and funds held as reserves for state requirements. Assets limited as to use which are required for obligations classified as current liabilities are classified as current assets. Assets limited as to use are assumed to be carried at fair value.

### **Master Reserve Fund**

The Master Reserve Fund is the fund established under the MTI as security for any outstanding obligations of the Obligated Group that meets the definition of a Master DSRF Secured Note. The Master Reserve Fund must maintain a balance that meets the “Master Reserve Fund Requirement” of the MTI. The Master Reserve Fund Requirement means, as of the date of determination, 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 (as defined by the MTI), (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 specific reserve funds, minus (ii) the Specified Reserve Funds balance as of the date of determination, minus (iii) amounts held in any funded interest fund or fund used to pay interest on any related bonds secured by a Master DSRF Secured Note.

### **Property and Equipment**

Property and equipment additions are stated at cost. Depreciation is forecasted on a straight-line basis for all depreciable assets over estimated useful lives. Management has estimated useful lives of 35 years for buildings and improvements and useful lives ranging from 5-15 years for furniture and fixtures and equipment. For construction in progress costs, depreciation expense is deferred until the projects are completed and placed into service at which time these costs are depreciated over the useful life of the asset. If any of the projects are cancelled, the costs incurred will be expensed in the year determined.

### **Interest Capitalization**

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets and depreciated over the estimated useful lives by the straight-line method of depreciation.

### **Goodwill**

Goodwill represents the excess of the purchase price over the fair value of assets required. The Obligated Group has elected to amortize goodwill related to the Oak Trace acquisition and the Querencia acquisition on a straight-line basis throughout the Forecast Period.

### **Deferred Expenses**

Net deferred expenses are sales costs that are capitalized. Management has forecasted straight-line amortization based on the life expectancy of the residents during the Forecast Period.

### **Intangible Assets**

Intangible assets represent the healthcare bed licenses the Obligated Group obtained as part of the Oak Trace acquisition, as well as the values assigned to residency agreements assumed in the Querencia acquisition. The value of the healthcare bed licenses is not amortized. The value associated with the residency agreements is amortized on a straight-line basis throughout the Forecast Period.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

### **Deferred Financing Costs**

Financing costs incurred in connection with the issuance of long-term debt are assumed to be recorded as a direct deduction from the carrying amount of that debt, deferred and amortized as interest expense using the straight-line method over the term of the related financing, which approximates the effective interest method.

### **Deferred Entrance Fees / Refundable Entrance and Membership Fees**

Under the terms of the various Residency Agreements for the Independent Living Units at the Community, residents agree to pay an entrance fee and monthly fees in exchange for the use and privileges of the Community for life or until termination of the Residency Agreement. In accordance with certain Residency Agreements, a portion of the entrance fee amount is not refundable to the residents. The non-refundable portion is forecasted to be deferred and amortized into operating revenue over the estimated remaining life expectancy of the resident. Upon termination of those Residency Agreements, any remaining unamortized portion of the deferred revenue is recognized as income. The portion of the entrance fee that is refundable to the resident is reflected as a liability on the forecasted consolidated balance sheet until the time of payment.

### **Obligated to Provide Future Services and Use of Facilities**

The Obligated Group will annually review the present value of the net costs of future services and the use of facilities to be provided to current residents and compare that amount with the balance of deferred revenue from entrance fees. If the present value of the estimated net costs of future services and use of facilities exceeds the deferred revenue from entrance fees, a liability will be recorded with the corresponding charge to income. Management has not forecasted that the present value of the estimated costs of future services and use of facilities will be less than the deferred revenue from entrance fees and as such, Management has forecasted no liability during the Forecast Period.

### **Resident Service Revenue Recognition**

Resident service revenue is reported at the amount that reflects the consideration to which the 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, reviews, and investigations. Generally, the Obligated Group bills independent living, assisted living and skilled nursing fees to residents at the beginning of the month and they bill third-party payors in the month following the services being performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations will be determined based on the nature of the services provided by the 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 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 the community living in an independent or assisted living apartment or receiving skilled nursing services over a period of time. The 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 Agreements have no termination date and can be cancelled by residents at any time. Income under the Residency Agreement is not considered to provide a material right to future services. As result, fees under these contracts are recognized monthly as services are performed.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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Because all of the Obligated Group's remaining performance obligations relate to contracts with a duration of less than one year, the Obligated Group has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 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 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.

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 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 Obligated Group. In addition, the contracts the 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 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.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The 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.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

The 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 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 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.

The 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 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 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 Obligated Group regularly considers whether the unamortized contract acquisition costs are impaired if they are not recoverable under the contract. The net is presented in deferred expenses on the accompanying forecasted 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 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 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.

### **Leases**

The Obligated Group determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the statements of financial position. Both right-of-use assets – operating and right-of-use assets- financing are located within property and equipment on the forecasted consolidated balance sheet.

ROU assets represent the Obligated Group's right to use an underlying asset for the lease term and lease liabilities represent the Obligated Group's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Obligated Group will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Obligated Group has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the forecasted consolidated balance sheet.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **Net Deficit**

Contributions received will be recorded as an increase in net assets without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Obligated Group and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Those resources over which the Board of Directors have discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

*Net Assets With Donor Restrictions* – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Obligated Group or through the passage of time, or those resources subject to a donor-imposed restriction that they be maintained permanently by the Obligated Group. Generally, the donors of these assets permit the Obligated Group to use all, or part of the income earned on related investments for program purposes. Management has not forecasted any net assets with donor restrictions during the Forecast Period.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as contributions without donor restriction.

### **Income Taxes**

All members of the Obligated Group have been granted exemptions from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have been designated as publicly supported organizations (rather than private foundations) excluding Prairie View Club of Kansas (part of Claridge Court) that is treated as a for-profit corporation.

The 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.

### **Performance Indicator**

The forecasted consolidated statement of operations and change in net deficit include a measurement of excess (deficit) of revenues over expenses as a performance indicator. Change in net deficit which is excluded from the performance indicator, consistent with the industry practice, include transfers to affiliates.



## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **BASIS FOR FORECAST OF REVENUES AND ENTRANCE FEES**

#### **Resident Service Revenue**

Forecasted resident service revenue consists of revenue from operating the Community during the Forecast Period. Management forecasts this revenue based upon its historical experience operating the Communities and its plans for operating the Communities after completion of the Projects during the Forecast Period.

#### ***Independent Living***

Independent living revenue is forecasted to consist of monthly fees paid by residents of the Independent Living Units, including second person monthly fees, as well as other revenues and fees incurred by these residents.

Management has forecasted the following occupancy for the Existing Independent Living Units during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 11**  
**Existing Independent Living Units**  
**Forecasted Average Occupancy**  
**For the Years Ending December 31,**

<b>Community</b> <sup>(1)(2)</sup>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<u>Available Units</u>					
Abbey Delray	277	274	274	274	274
Abbey Delray South	273	262	262	262	262
Beacon Hill	372	354	354	354	354
Claridge Court	125	125	125	125	125
Friendship Village of Bloomington	373	361	361	361	361
Friendship Village of South Hills	285	266	266	266	266
Harbour's Edge	266	266	266	266	266
Oak Trace	231	217	217	217	217
Querencia	167	167	167	167	167
The Waterford	244	238	232	237	242
Village on the Green	262	262	262	262	262
<b>Total Available Units</b>	<b>2,875</b>	<b>2,792</b>	<b>2,786</b>	<b>2,791</b>	<b>2,796</b>
<u>Occupied Units</u>					
Abbey Delray	181	210	210	210	210
Abbey Delray South	187	187	187	187	187
Beacon Hill	289	297	302	307	310
Claridge Court	111	115	116	116	116
Friendship Village of Bloomington	294	299	301	308	308
Friendship Village of South Hills	222	222	228	230	230
Harbour's Edge	246	252	252	252	252
Oak Trace	190	198	198	198	198
Querencia	164	164	164	164	164
The Waterford	201	206	206	211	216
Village on the Green	200	210	210	210	210
<b>Total Occupied Units</b>	<b>2,284</b>	<b>2,359</b>	<b>2,374</b>	<b>2,392</b>	<b>2,401</b>
<u>Occupancy Percentage</u>					
Abbey Delray	65%	77%	77%	77%	77%
Abbey Delray South	68%	71%	71%	71%	71%
Beacon Hill	78%	84%	85%	87%	88%
Claridge Court	89%	92%	93%	93%	93%
Friendship Village of Bloomington	79%	83%	83%	85%	85%
Friendship Village of South Hills	78%	83%	86%	86%	86%
Harbour's Edge	92%	95%	95%	95%	95%
Oak Trace	82%	91%	91%	91%	91%
Querencia	98%	98%	98%	98%	98%
The Waterford	82%	87%	89%	89%	89%
Village on the Green	76%	80%	80%	80%	80%
<b>Weighted Average Occupancy</b>	<b>79%</b>	<b>84%</b>	<b>85%</b>	<b>86%</b>	<b>86%</b>

Source: Management

Notes:

(1) Management has forecasted taking certain obsolete units offline beginning in 2024 as part of its modernization efforts occurring at certain communities of the Obligated Group.

(2) Management has forecasted second person occupants of the Existing Independent Living Units to approximate 19 percent of the average occupied units throughout the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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Management has forecasted the following occupancy for the New Independent Living Units during the Forecast Period.

**Table 12**  
**New Independent Living Units**  
**Forecasted Average Occupancy**  
**For the Years Ending December 31,**

	2023	2024	2025	2026	2027
<b>Oak Trace Independent Living Units</b>					
Average Available Units <sup>(1)</sup>	N/A	128.3	140.0	140.0	140.0
Average Occupied Units	N/A	40.5	108.1	128.8	130.2
Average Percent Occupied	N/A	31.6%	77.2%	92.0%	93.0%
<b>The Waterford Independent Living Units</b>					
Average Available Units <sup>(2)</sup>	N/A	3.3	8.0	8.0	8.0
Average Occupied Units	N/A	1.9	7.5	7.5	7.5
Average Percent Occupied	N/A	56.9%	93.8%	93.8%	93.8%

Source: Management

N/A = Not Applicable

Notes:

(1) Management has forecasted the Oak Trace Independent Living Units would be available for occupancy beginning in February 2024.

(2) Management has forecasted The Waterford Independent Living Units would be available for occupancy beginning in August 2024.

(3) Management has forecasted second person occupants of the Oak Trace Independent Living Units to approximate 60 percent during the Forecast Period.

(4) Management has forecasted second person occupants of The Waterford Independent Living Units to approximate 50 percent for 2024, 2025, 2026, 2027 and then to decrease by 2 percent per year thereafter.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Forecasted occupancy for the Oak Trace Independent Living Units is based upon Management's assumed opening date and move-in schedule for these units, which is summarized on the following table.

**Table 13**  
**Oak Trace Independent Living Units**  
**Forecasted Move-In Schedule**

Month/Year	Oak Trace Independent Living Units			
	Total Units	Net Move-Ins	Cumulative Occupancy	
			Number	Percent
February 2024	140	8.5	8.5	6.1%
March 2024	140	8.5	17.0	12.1%
April 2024	140	8.4	25.3	18.1%
May 2024	140	8.2	33.6	24.0%
June 2024	140	8.0	41.6	29.7%
July 2024	140	7.8	49.4	35.3%
August 2024	140	7.5	56.9	40.6%
September 2024	140	7.2	64.0	45.7%
October 2024	140	6.8	70.8	50.6%
November 2024	140	6.4	77.3	55.2%
December 2024	140	6.0	83.3	59.5%
January 2025	140	5.6	88.8	63.5%
February 2025	140	5.2	94.0	67.1%
March 2025	140	4.7	98.7	70.5%
April 2025	140	4.3	103.0	73.6%
May 2025	140	3.9	106.9	76.4%
June 2025	140	3.5	110.4	78.8%
July 2025	140	3.1	113.5	81.1%
August 2025	140	2.8	116.3	83.0%
September 2025	140	2.4	118.7	84.8%
October 2025	140	2.1	120.8	86.3%
November 2025	140	1.8	122.6	87.6%
December 2025	140	1.6	124.2	88.7%
January 2026	140	1.4	125.6	89.7%
February 2026	140	1.2	126.7	90.5%
March 2026	140	1.0	127.7	91.2%
April 2026	140	0.8	128.5	91.8%
May 2026	140	0.7	129.2	92.3%
June 2026	140	0.6	129.7	92.7%
July 2026	140	0.5	130.2	93.0%
Thereafter	140		130.2	93.0%

Source: Management

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Forecasted occupancy for The Waterford Independent Living Units is based upon Management's assumed opening date and move-in schedule for these units, which is summarized on the following table.

**Table 14**  
**The Waterford Independent Living Units**  
**Forecasted Move-In Schedule**

The Waterford Independent Living Units				
Month/Year	Total Units	Net Move-Ins	Cumulative Occupancy	
			Number	Percent
August 2024	8	2.0	2.0	25.0%
September 2024	8	2.0	4.0	50.0%
October 2024	8	2.0	6.0	75.0%
November 2024	8	1.0	7.0	87.5%
December 2024	8	0.5	7.5	93.8%
Thereafter	8		7.5	93.8%

Source: Management

The following table summarizes the forecasted weighted average monthly fees, including second person fees, discounts, and promotions for the Independent Living Units during the Forecast Period.

**Table 15**  
**Independent Living Units**  
**Forecasted Weighted Average Monthly Fees**  
**For the Years Ending December 31,**

	2023	2024	2025	2026	2027
<u>Existing Independent Living Units</u>					
Abbey Delray	\$ 4,225	\$ 4,541	\$ 4,653	\$ 4,771	\$ 4,896
Abbey Delray South	4,630	5,050	5,257	5,470	5,689
Beacon Hill	4,875	5,171	5,384	5,601	5,826
Claridge Court	5,574	5,912	6,155	6,404	6,660
Friendship Village of Bloomington	5,202	5,518	5,744	5,976	6,216
Friendship Village of South Hills	5,189	5,503	5,730	5,961	6,200
Harbour's Edge	7,197	7,850	8,172	8,503	8,843
Oak Trace	4,374	5,028	5,235	5,447	5,665
Querencia	7,241	7,680	7,996	8,319	8,652
The Waterford	4,320	4,752	4,995	5,138	5,271
Village on the Green	5,550	6,053	6,302	6,557	6,819
Weighted Average - Existing <sup>(1)</sup>	\$ 5,299	\$ 5,707	\$ 5,937	\$ 6,162	\$ 6,394
<u>New Independent Living Units</u>					
Oak Trace Independent Living Units	N/A	\$ 5,540	\$ 5,762	\$ 5,992	\$ 6,232
The Waterford Independent Living Units	N/A	7,888	8,237	8,574	8,893
Weighted Average -New <sup>(1)(2)</sup>	N/A	\$ 5,645	\$ 5,922	\$ 6,134	\$ 6,377
Total Weighted Average <sup>(3)</sup>	\$ 5,299	\$ 5,706	\$ 5,937	\$ 6,161	\$ 6,393

Source: Management

N/A = Not Applicable

Notes:

(1) The weighted average monthly fees are based upon the forecasted contract utilization of the Existing Independent Living Units and New Independent Living Units as summarized in Table 8 and Table 9, respectively.

(2) The Oak Trace Independent Living Units are forecasted to be available for occupancy beginning February 2024 and The Waterford Independent Living Units are forecasted to be available for occupancy beginning August 2024.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

(3) The weighted average monthly fees are based upon the forecasted occupancy levels of the Existing Independent Living Units and New Independent Living Units as summarized in Table 11 and Table 12, respectively.

Management has forecasted that monthly fees for the Existing Independent Living Units will be increased by 6 percent for the non-Florida locations and 9 percent for the Florida locations in 2024, 4 percent in 2025 and 3.5 percent per year for the remainder of the Forecast Period. Management has forecasted that the monthly fees for the Oak Trace Independent Living Units will be increased by 4 percent in 2025 and 3.5 percent per year for the remainder of the Forecast Period. Management has forecasted that monthly fees for The Waterford Independent Living Units will be increased by 2 percent in 2025 and 3.5 percent per year for the remainder of the Forecast Period.

Management has forecasted other revenues for items not included in the monthly fee for residents of the Independent Living Units including processing fee, guest rooms, additional meals, cable, internet, garage fees, fitness programs, activities, and other such revenues. Management has forecasted this revenue to approximate between 4.0 to 5.2 percent of Independent Living Unit monthly fee revenue.

Management has forecasted a reduction in monthly fee revenue related to the Charter Member Benefits to approximate \$126,000 for the year ending December 31, 2024, related to The Waterford Independent Living Units.

### ***Assisted Living and Memory Support***

Assisted living and memory support revenue is forecasted to consist of monthly fees paid by residents of the Assisted Living Units and Memory Support Units, including second person monthly fees, as well as other revenues and fees incurred by these residents.

Management has forecasted the following occupancy for the Existing Assisted Living Units and Existing Memory Support Units during the Forecast Period.

**Table 16**  
**Existing Assisted Living Units and Existing Memory Support Units**  
**Forecasted Average Occupancy**  
**For the Years Ending December 31,**

<b>Community</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<u>Existing Assisted Living Units</u>					
Abbey Delray	91%	91%	91%	91%	91%
Friendship Village of Bloomington	92%	92%	92%	92%	92%
Friendship Village of South Hills	93%	93%	93%	93%	93%
Oak Trace	97%	97%	97%	97%	97%
Querencia	96%	96%	96%	96%	96%
Village on the Green	98%	98%	98%	98%	98%
Weighted Average Occupancy	95%	95%	95%	95%	95%
<u>Existing Memory Support Units</u>					
Abbey Delray	86%	86%	86%	86%	86%
Friendship Village of Bloomington	97%	97%	97%	97%	97%
Friendship Village of South Hills	99%	99%	99%	99%	99%
Oak Trace	98%	98%	98%	98%	98%
Querencia	87%	87%	87%	87%	87%
Village on the Green	98%	98%	98%	98%	98%
Weighted Average Occupancy	94%	94%	94%	94%	94%

Source: Management

Management has forecasted the following payor mix for the Existing Assisted Living Units during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 17**  
**Existing Assisted Living Units**  
**Forecasted Payor Mix**  
**For the Years Ending December 31,**

Location	Payor Mix	2023	2024	2025	2026	2027
Abbey Delray	Private Pay	53%	53%	53%	53%	53%
	Lifecare	47%	47%	47%	47%	47%
Friendship Village of Bloomington	Private Pay	42%	42%	42%	42%	42%
	Lifecare	58%	58%	58%	58%	58%
Friendship Village of South Hills	Private Pay	64%	64%	64%	64%	64%
	Lifecare	36%	36%	36%	36%	36%
Oak Trace	Private Pay	65%	65%	65%	65%	65%
	Lifecare	35%	35%	35%	35%	35%
Querencia	Private Pay	44%	44%	44%	44%	44%
	Lifecare	56%	56%	56%	56%	56%
Village on the Green	Private Pay	64%	64%	64%	64%	64%
	Lifecare	36%	36%	36%	36%	36%
Total	Private Pay	56%	56%	56%	56%	56%
	Lifecare	44%	44%	44%	44%	44%

Source: Management

Management has forecasted the following payor mix for the Existing Memory Support Units during the Forecast Period.

**Table 18**  
**Existing Memory Support Units**  
**Forecasted Payor Mix**  
**For the Years Ending December 31,**

Location	Payor Mix	2023	2024	2025	2026	2027
Abbey Delray	Private Pay	37%	37%	37%	37%	37%
	Lifecare	63%	63%	63%	63%	63%
Friendship Village of Bloomington	Private Pay	25%	25%	25%	25%	25%
	Lifecare	75%	75%	75%	75%	75%
Friendship Village of South Hills	Private Pay	50%	50%	50%	50%	50%
	Lifecare	50%	50%	50%	50%	50%
Oak Trace	Private Pay	30%	30%	30%	30%	30%
	Lifecare	70%	70%	70%	70%	70%
Querencia	Private Pay	58%	58%	58%	58%	58%
	Lifecare	42%	42%	42%	42%	42%
Village on the Green	Private Pay	60%	60%	60%	60%	60%
	Lifecare	40%	40%	40%	40%	40%
Total	Private Pay	41%	41%	41%	41%	41%
	Lifecare	59%	59%	59%	59%	59%

Source: Management

Management has forecasted the following occupancy for the New Assisted Living Units and New Memory Support Units during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 19**  
**New Assisted Living Units and New Memory Support Units**  
**Forecasted Average Occupancy**  
**For the Years Ending December 31,**

	2023	2024	2025	2026	2027
Average Available Units					
New Assisted Living Units	-	-	12.0	24.0	24.0
New Memory Support Units	-	-	8.0	16.0	16.0
<b>Total Average Available Units <sup>(1)</sup></b>	<b>-</b>	<b>-</b>	<b>20.0</b>	<b>40.0</b>	<b>40.0</b>
Average Occupied Units					
New Assisted Living Units	-	-	3.5	20.0	21.6
New Memory Support Units	-	-	2.8	13.2	14.4
<b>Total Average Occupied Units</b>	<b>-</b>	<b>-</b>	<b>6.3</b>	<b>33.1</b>	<b>36.0</b>
Average Percentage Occupied					
New Assisted Living Units	N/A	N/A	29.2%	83.1%	90.0%
New Memory Support Units	N/A	N/A	35.0%	82.2%	90.0%
<b>Total Average Percentage Occupied</b>	<b>N/A</b>	<b>N/A</b>	<b>31.5%</b>	<b>82.8%</b>	<b>90.0%</b>
Payor Mix (Occupants)					
New Assisted Living Units - Private Pay	-	-	0.9	5.0	5.4
New Assisted Living Units - Lifecare	-	-	2.6	15.0	16.2
New Memory Support Units - Private Pay	-	-	0.7	3.3	3.6
New Memory Support Units - Lifecare	-	-	2.1	9.9	10.8
<b>Total Occupied Units</b>	<b>-</b>	<b>-</b>	<b>6.3</b>	<b>33.1</b>	<b>36.0</b>
Payor Mix (Percentage)					
New Assisted Living Units - Private Pay	-	-	25%	25%	25%
New Assisted Living Units - Lifecare	-	-	75%	75%	75%
New Memory Support Units - Private Pay	-	-	25%	25%	25%
New Memory Support Units - Lifecare	-	-	75%	75%	75%

Source: Management

N/A = Not Applicable

Notes:

(1) The New Assisted Living Units and New Memory Support Units are forecasted to be available for occupancy beginning July 2025.

Forecasted occupancy for the New Assisted Living Units and New Memory Support Units is based upon Management's assumed opening date and move-in schedule for these units, which is summarized on the following table.



## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 20**  
**Forecasted New Assisted Living Units and New Memory Support Units Move-In Schedule**

Month/Year	Assisted Living Units				Memory Support Units			
	Total Units	Net Move-Ins	Cumulative Occupancy		Total Units	Net Move-Ins	Cumulative Occupancy	
			Number	Percent			Number	Percent
July 2025	24	2.0	2.00	8.3%	16	2.0	2.00	12.5%
August 2025	24	2.0	4.00	16.7%	16	2.0	4.00	25.0%
September 2025	24	2.0	6.00	25.0%	16	1.4	5.40	33.8%
October 2025	24	2.0	8.00	33.3%	16	1.0	6.40	40.0%
November 2025	24	2.0	10.00	41.7%	16	1.0	7.40	46.3%
December 2025	24	2.0	12.00	50.0%	16	1.0	8.40	52.5%
January 2026	24	2.0	14.00	58.3%	16	1.0	9.40	58.8%
February 2026	24	2.0	16.00	66.7%	16	1.0	10.40	65.0%
March 2026	24	2.0	18.00	75.0%	16	1.0	11.40	71.3%
April 2026	24	1.6	19.60	81.7%	16	1.0	12.40	77.5%
May 2026	24	1.0	20.60	85.8%	16	1.0	13.40	83.8%
June 2026	24	1.0	21.60	90.0%	16	1.0	14.40	90.0%
Thereafter	24		21.60	90.0%	16		14.40	90.0%

Source: Management

The following table summarizes the forecasted weighted average monthly fees, including second person fees, discounts, and promotions for the Assisted Living Units during the Forecast Period.

**Table 21**  
**Assisted Living Units**  
**Forecasted Weighted Average Monthly Fees**  
**For the Years Ending December 31,**

Location	Payor Mix	2023	2024	2025	2026	2027
<b>Existing Assisted Living Units</b>						
Abbey Delray	Private Pay	\$ 5,245	\$ 5,717	\$ 5,946	\$ 6,184	\$ 6,431
	Lifecare	\$ 3,926	\$ 4,279	\$ 4,451	\$ 4,606	\$ 4,768
Friendship Village of Bloomington	Private Pay	\$ 4,944	\$ 5,241	\$ 5,450	\$ 5,668	\$ 5,895
	Lifecare	\$ 4,276	\$ 4,533	\$ 4,714	\$ 4,879	\$ 5,050
Friendship Village of South Hills	Private Pay	\$ 6,970	\$ 7,388	\$ 7,684	\$ 7,991	\$ 8,311
	Lifecare	\$ 4,275	\$ 4,532	\$ 4,713	\$ 4,878	\$ 5,048
Oak Trace	Private Pay	\$ 7,158	\$ 7,587	\$ 7,891	\$ 8,207	\$ 8,535
	Lifecare	\$ 5,143	\$ 5,452	\$ 5,670	\$ 5,868	\$ 6,073
Querencia	Private Pay	\$ 9,148	\$ 9,697	\$ 10,085	\$ 10,488	\$ 10,908
	Lifecare	\$ 6,672	\$ 7,072	\$ 7,355	\$ 7,613	\$ 7,879
Village on the Green	Private Pay	\$ 5,526	\$ 6,023	\$ 6,264	\$ 6,515	\$ 6,775
	Lifecare	\$ 4,583	\$ 4,995	\$ 5,195	\$ 5,377	\$ 5,565
<b>Weighted Average Monthly Fee - Existing</b>		<b>\$ 5,819</b>	<b>\$ 6,212</b>	<b>\$ 6,460</b>	<b>\$ 6,707</b>	<b>\$ 6,963</b>
<b>New Assisted Living Units <sup>(1)</sup></b>						
Harbour's Edge	Private Pay	N/A	N/A	\$ 8,000	\$ 8,320	\$ 8,653
	Lifecare	N/A	N/A	\$ 7,839	\$ 8,113	\$ 8,397
<b>Weighted Average Monthly Fee - New</b>		<b>N/A</b>	<b>N/A</b>	<b>\$ 7,879</b>	<b>\$ 8,165</b>	<b>\$ 8,461</b>
<b>Weighted Average Monthly Fee - Total <sup>(2)</sup></b>		<b>\$ 5,819</b>	<b>\$ 6,212</b>	<b>\$ 6,478</b>	<b>\$ 6,808</b>	<b>\$ 7,075</b>

Source: Management

N/A = Not Applicable

Notes:

(1) The New Assisted Living Units are forecasted to be available for occupancy beginning July 1, 2025.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

(2) The weighted average monthly fees are based upon the forecasted occupancy levels and payor mix of the Assisted Living Units as summarized in Tables 16, Table 17, and Table 19.

The following table summarizes the forecasted weighted average monthly fees, including second person fees, discounts, and promotions for the Memory Support Units during the Forecast Period.

**Table 22**  
**Memory Support Units**  
**Forecasted Weighted Average Monthly Fees**  
**For the Years Ending December 31,**

Location	Payor Mix	2023	2024	2025	2026	2027
<u>Existing Memory Support Units</u>						
Abbey Delray	Private Pay	\$ 7,922	\$ 8,635	\$ 8,980	\$ 9,340	\$ 9,713
	Lifecare	\$ 4,601	\$ 5,015	\$ 5,216	\$ 5,398	\$ 5,587
Friendship Village of Bloomington	Private Pay	\$ 8,712	\$ 9,235	\$ 9,604	\$ 9,988	\$ 10,388
	Lifecare	\$ 4,581	\$ 4,856	\$ 5,050	\$ 5,227	\$ 5,410
Friendship Village of South Hills	Private Pay	\$ 8,169	\$ 8,659	\$ 9,006	\$ 9,366	\$ 9,740
	Lifecare	\$ 5,524	\$ 5,855	\$ 6,090	\$ 6,303	\$ 6,523
Oak Trace	Private Pay	\$ 8,476	\$ 8,985	\$ 9,344	\$ 9,718	\$ 10,106
	Lifecare	\$ 6,580	\$ 6,975	\$ 7,254	\$ 7,508	\$ 7,770
Querencia	Private Pay	\$ 9,546	\$ 10,119	\$ 10,524	\$ 10,944	\$ 11,382
	Lifecare	\$ 7,264	\$ 7,700	\$ 8,008	\$ 8,288	\$ 8,578
Village on the Green	Private Pay	\$ 7,515	\$ 8,191	\$ 8,519	\$ 8,860	\$ 9,214
	Lifecare	\$ 5,605	\$ 6,109	\$ 6,354	\$ 6,576	\$ 6,806
Weighted Average Monthly Fee - Existing		\$ 6,697	\$ 7,152	\$ 7,438	\$ 7,717	\$ 8,007
<u>New Memory Support Units <sup>(1)</sup></u>						
Harbour's Edge	Private Pay	N/A	N/A	\$ 9,000	\$ 9,360	\$ 9,734
	Lifecare	N/A	N/A	\$ 7,839	\$ 8,113	\$ 8,397
Weighted Average Monthly Fee - New		N/A	N/A	\$ 8,129	\$ 8,425	\$ 8,732
Weighted Average Monthly Fee - Total <sup>(2)</sup>		\$ 6,697	\$ 7,152	\$ 7,450	\$ 7,773	\$ 8,069

Source: Management

N/A = Not Applicable

Notes:

(1) The New Memory Support Units are forecasted to be available for occupancy beginning July 1, 2025.

(2) The weighted average monthly fees are based upon the forecasted occupancy levels and payor mix of the Memory Support Units as summarized in Tables 16, Table 18, and Table 19.

Management has forecasted that monthly fees for the Existing Assisted Living Units and the Existing Memory Support Units will be increased by 6 percent for the non-Florida locations and 9 percent for the Florida locations in 2024 and 4 percent per year for the remainder of the Forecast Period for private pay residents. Management has forecasted that monthly fees for the Existing Assisted Living Units and the Existing Memory Support Units will be increased by 6 percent for the non-Florida locations and 9 percent for the Florida locations in 2024 and 4 percent for 2025 and 3.5 percent per year for the remainder of the Forecast Period for lifecare residents. Management has forecasted that monthly fees for the New Assisted Living Units and New Memory Support Units will be increased by 4 percent per year for private pay residents and 3.5 percent per year for lifecare residents.

Management has forecasted other revenues for items not included in the monthly fee for residents of the Assisted Living Units and Memory Support Units including processing fee, guest rooms, additional meals, beauty shop, medication assistance/reminders and other such revenues. Management has forecasted

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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this revenue to approximate 5.1 to 5.5 percent of Assisted Living Units and Memory Support Units monthly fee revenue.

### **Skilled Nursing**

Skilled nursing revenue is forecasted to consist of revenue from operating the Skilled Nursing Beds during the Forecast Period.

Management has forecasted the following occupancy for the Skilled Nursing Beds during the Forecast Period.

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**Table 23**  
**Skilled Nursing Beds**  
**Forecasted Average Occupancy**  
**For the Years Ending December 31,**

<b>Community</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Abbey Delray	95%	95%	95%	95%	95%
Abbey Delray South	96%	96%	96%	96%	96%
Beacon Hill	91%	91%	91%	91%	91%
Claridge Court	93%	93%	93%	93%	93%
Friendship Village of Bloomington	96%	96%	96%	96%	96%
Friendship Village of South Hills	87%	87%	87%	87%	87%
Harbour's Edge	92%	92%	92%	92%	92%
Oak Trace	94%	94%	94%	94%	94%
Querencia	96%	96%	96%	96%	96%
The Waterford	89%	89%	89%	90%	90%
Village on the Green	95%	95%	95%	95%	95%
Weighted Average Occupancy	93%	93%	93%	93%	93%

Source: Management

Management has forecasted the following payor mix for the Skilled Nursing Beds during the Forecast Period.

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

**Table 24  
Skilled Nursing Beds  
Forecasted Payor Mix  
For the Years Ending December 31,**

Location	Payor Mix	2023	2024	2025	2026	2027
Abbey Delray	Private Pay	5%	5%	5%	5%	5%
	Lifecare	22%	22%	22%	22%	22%
	Medicare	32%	32%	32%	32%	32%
	Medicaid	27%	27%	27%	27%	27%
	HMO/Managed Care	14%	14%	14%	14%	14%
Abbey Delray South	Private Pay	4%	4%	4%	4%	4%
	Lifecare	23%	23%	23%	23%	23%
	Medicare	40%	40%	40%	40%	40%
	Medicaid	19%	19%	19%	19%	19%
	HMO/Managed Care	14%	14%	14%	14%	14%
Beacon Hill	Private Pay	7%	7%	7%	7%	7%
	Lifecare	81%	81%	81%	81%	81%
	Medicare	10%	10%	10%	10%	10%
	Medicaid	0%	0%	0%	0%	0%
	HMO/Managed Care	2%	2%	2%	2%	2%
Claridge Court	Private Pay	34%	34%	34%	34%	34%
	Lifecare	36%	36%	36%	36%	36%
	Medicare	27%	27%	27%	27%	27%
	Medicaid	0%	0%	0%	0%	0%
	HMO/Managed Care	3%	3%	3%	3%	3%
Friendship Village of Bloomington	Private Pay	21%	21%	21%	21%	21%
	Lifecare	60%	60%	60%	60%	60%
	Medicare	10%	10%	10%	10%	10%
	Medicaid	0%	0%	0%	0%	0%
	HMO/Managed Care	9%	9%	9%	9%	9%
Friendship Village of South Hills	Private Pay	19%	19%	19%	19%	19%
	Lifecare	33%	33%	33%	33%	33%
	Medicare	12%	12%	12%	12%	12%
	Medicaid	17%	17%	17%	17%	17%
	HMO/Managed Care	19%	19%	19%	19%	19%
Harbour's Edge	Private Pay	20%	20%	20%	20%	20%
	Lifecare	16%	16%	16%	16%	16%
	Medicare	61%	61%	61%	61%	61%
	Medicaid	2%	2%	2%	2%	2%
	HMO/Managed Care	1%	1%	1%	1%	1%
Oak Trace	Private Pay	49%	49%	49%	49%	49%
	Lifecare	22%	22%	22%	22%	22%
	Medicare	23%	23%	23%	23%	23%
	Medicaid	0%	0%	0%	0%	0%
	HMO/Managed Care	6%	6%	6%	6%	6%
Querencia	Private Pay	33%	33%	33%	33%	33%
	Lifecare	44%	44%	44%	44%	44%
	Medicare	21%	21%	21%	21%	21%
	Medicaid	0%	0%	0%	0%	0%
	HMO/Managed Care	2%	2%	2%	2%	2%
The Waterford	Private Pay	10%	10%	10%	11%	11%
	Lifecare	28%	28%	28%	28%	28%
	Medicare	25%	25%	25%	36%	36%
	Medicaid	31%	31%	31%	19%	19%
	HMO/Managed Care	6%	6%	6%	6%	6%
Village on the Green	Private Pay	11%	11%	11%	11%	11%
	Lifecare	20%	20%	20%	20%	20%
	Medicare	54%	54%	54%	54%	54%
	Medicaid	0%	0%	0%	0%	0%
	HMO/Managed Care	15%	15%	15%	15%	15%
Total	Private Pay	19%	19%	19%	19%	19%
	Lifecare	36%	36%	36%	36%	36%
	Medicare	27%	27%	27%	27%	27%
	Medicaid	9%	9%	9%	9%	9%
	HMO/Managed Care	9%	9%	9%	9%	9%

Source: Management

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

The following table summarizes the forecasted weighted average daily rates by payor for the Skilled Nursing Beds during the Forecast Period.

**Table 25**  
**Skilled Nursing Beds**  
**Forecasted Weighted Average Daily Rates**  
**For the Years Ending December 31,**

Location	Payor Mix	2023	2024	2025	2026	2027
Abbey Delray	Private Pay	\$ 505	\$ 551	\$ 573	\$ 596	\$ 619
	Lifecare	\$ 143	\$ 155	\$ 162	\$ 167	\$ 173
	Medicare	\$ 595	\$ 607	\$ 619	\$ 631	\$ 644
	Medicaid	\$ 291	\$ 294	\$ 297	\$ 300	\$ 303
	HMO/Managed Care	\$ 305	\$ 315	\$ 324	\$ 334	\$ 344
Abbey Delray South	Private Pay	\$ 485	\$ 529	\$ 550	\$ 572	\$ 595
	Lifecare	\$ 138	\$ 151	\$ 157	\$ 162	\$ 168
	Medicare	\$ 579	\$ 590	\$ 602	\$ 614	\$ 626
	Medicaid	\$ 282	\$ 285	\$ 288	\$ 291	\$ 294
	HMO/Managed Care	\$ 350	\$ 360	\$ 371	\$ 382	\$ 394
Beacon Hill	Private Pay	\$ 341	\$ 362	\$ 376	\$ 391	\$ 407
	Lifecare	\$ 149	\$ 158	\$ 165	\$ 171	\$ 176
	Medicare	\$ 663	\$ 676	\$ 690	\$ 704	\$ 718
	Medicaid	N/A	N/A	N/A	N/A	N/A
	HMO/Managed Care	\$ 420	\$ 433	\$ 446	\$ 459	\$ 473
Claridge Court	Private Pay	\$ 369	\$ 391	\$ 407	\$ 423	\$ 440
	Lifecare	\$ 167	\$ 177	\$ 184	\$ 190	\$ 197
	Medicare	\$ 559	\$ 571	\$ 582	\$ 594	\$ 606
	Medicaid	N/A	N/A	N/A	N/A	N/A
	HMO/Managed Care	\$ 439	\$ 452	\$ 466	\$ 480	\$ 494
Friendship Village of Bloomington	Private Pay	\$ 464	\$ 492	\$ 512	\$ 532	\$ 554
	Lifecare	\$ 147	\$ 156	\$ 162	\$ 168	\$ 174
	Medicare	\$ 634	\$ 647	\$ 660	\$ 673	\$ 687
	Medicaid	N/A	N/A	N/A	N/A	N/A
	HMO/Managed Care	\$ 572	\$ 589	\$ 607	\$ 625	\$ 644
Friendship Village of South Hills	Private Pay	\$ 443	\$ 470	\$ 488	\$ 508	\$ 528
	Lifecare	\$ 153	\$ 162	\$ 168	\$ 174	\$ 180
	Medicare	\$ 516	\$ 526	\$ 536	\$ 547	\$ 558
	Medicaid	\$ 218	\$ 220	\$ 222	\$ 225	\$ 227
	HMO/Managed Care	\$ 427	\$ 440	\$ 453	\$ 467	\$ 481
Harbour's Edge	Private Pay	\$ 563	\$ 614	\$ 638	\$ 664	\$ 690
	Lifecare	\$ 238	\$ 259	\$ 270	\$ 279	\$ 289
	Medicare	\$ 623	\$ 635	\$ 648	\$ 661	\$ 674
	Medicaid	\$ 314	\$ 317	\$ 320	\$ 324	\$ 327
	HMO/Managed Care	\$ 313	\$ 322	\$ 332	\$ 342	\$ 352
Oak Trace	Private Pay	\$ 464	\$ 492	\$ 511	\$ 532	\$ 553
	Lifecare	\$ 162	\$ 172	\$ 179	\$ 185	\$ 192
	Medicare	\$ 647	\$ 660	\$ 673	\$ 686	\$ 700
	Medicaid	N/A	N/A	N/A	N/A	N/A
	HMO/Managed Care	\$ 426	\$ 438	\$ 452	\$ 465	\$ 479
Querencia	Private Pay	\$ 392	\$ 415	\$ 432	\$ 449	\$ 467
	Lifecare	\$ 222	\$ 236	\$ 245	\$ 254	\$ 262
	Medicare	\$ 593	\$ 605	\$ 617	\$ 630	\$ 642
	Medicaid	N/A	N/A	N/A	N/A	N/A
	HMO/Managed Care	\$ 533	\$ 549	\$ 565	\$ 582	\$ 600
The Waterford	Private Pay	\$ 720	\$ 763	\$ 794	\$ 825	\$ 859
	Lifecare	\$ 271	\$ 287	\$ 299	\$ 309	\$ 320
	Medicare	\$ 568	\$ 580	\$ 591	\$ 603	\$ 615
	Medicaid	\$ 297	\$ 300	\$ 303	\$ 306	\$ 309
	HMO/Managed Care	\$ 405	\$ 417	\$ 430	\$ 442	\$ 456
Village on the Green	Private Pay	\$ 519	\$ 566	\$ 588	\$ 612	\$ 636
	Lifecare	\$ 171	\$ 186	\$ 194	\$ 200	\$ 207
	Medicare	\$ 557	\$ 568	\$ 579	\$ 591	\$ 603
	Medicaid	N/A	N/A	N/A	N/A	N/A
	HMO/Managed Care	\$ 380	\$ 392	\$ 404	\$ 416	\$ 428
Weighted Average Daily Rate <sup>(1)</sup>	Private Pay	\$ 460	\$ 490	\$ 510	\$ 531	\$ 553
	Lifecare	\$ 165	\$ 176	\$ 183	\$ 190	\$ 196
	Medicare	\$ 595	\$ 607	\$ 619	\$ 631	\$ 643
	Medicaid	\$ 277	\$ 280	\$ 283	\$ 284	\$ 286
	HMO/Managed Care	\$ 397	\$ 409	\$ 421	\$ 434	\$ 447

Source: Management

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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N/A = not applicable

Notes:

(1) The weighted average daily rates are based upon the forecasted occupancy levels and payor mix of the Skilled Nursing Beds as summarized in Table 23 and Table 24.

Management has forecasted that daily rates for the Skilled Nursing Beds will be increased by 6 percent for the non-Florida locations and 9 percent for the Florida locations in 2024 and 4 percent per year for the remainder of the Forecast Period for private pay residents. Management has forecasted that daily rates for the Skilled Nursing Beds will be increased by 6 percent for the non-Florida locations and 9 percent for the Florida locations in 2024 and 4 percent for 2025, and 3.5 per year for the remainder of the Forecast Period for lifecare residents. Management has forecasted that daily rates for the Skilled Nursing Beds will be increased by 3 percent per year for the HMO/managed care residents, 2 percent per year for Medicare, and 1 percent per year for Medicaid residents throughout the Forecast Period.

Management has forecasted other revenues for items not included in the daily rates for residents of the Skilled Nursing Beds including additional meals, equipment rentals, drugs, incontinent supplies, other medical supplies, supplements, Medicare Part B, (all net of expenses) and other such revenues. Management has forecasted a credit (reduction) to revenue of approximately 2.6 to 3.9 percent of Skilled Nursing Beds room and board revenue.

### ***Home Health***

Management has forecasted home health revenue based upon its historical operating experience operating its home health program. Management has forecasted this revenue to approximate \$12,817,000 for the year ending December 31, 2023, and increasing 3 percent per year throughout the Forecast Period.

### **Entrance Fees Earned and Nonrefundable Fees**

As noted previously herein, the nonrefundable portion of entrance fees is deferred and amortized into operating revenue over the estimated remaining life expectancy of the resident. Entranced fee receipts and refunds are forecasted based upon Management's historical operating experience and information obtained from its actuary ("Actuary").

The following table presents a summary of the forecasted entrance fee receipts from initial residents of the New Independent Living Units and from turnover residents of the Independent Living Units, net of refunds paid to residents during the Forecast Period.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**Table 26**  
**Independent Living Units**  
**Forecasted Entrance Fee Receipts and Refunds (In Thousands)**  
**For the Years Ending December 31,**

	2023	2024	2025	2026	2027
<b>Initial Entrance Fees</b>					
Oak Trace Independent Living Units <sup>(1)(2)</sup>	\$ -	\$ 42,343	\$ 20,833	\$ 3,046	\$ -
The Waterford Independent Living Units <sup>(3)(4)</sup>	383	6,676	-	-	-
<b>Total Initial Entrance Fees</b>	<b>\$ 383</b>	<b>\$ 49,019</b>	<b>\$ 20,833</b>	<b>\$ 3,046</b>	<b>\$ -</b>
<b>Turnover Entrance Fees</b>					
<u>Existing Independent Living Units <sup>(5)</sup></u>					
Entrance Fees Received from Unit Turnover	\$ 128,678	\$ 140,035	\$ 147,490	\$ 153,983	\$ 160,305
Entrance Fees Refunded from Unit Turnover	(64,054)	(64,921)	(67,786)	(69,326)	(70,430)
<b>Total Net Turnover Entrance Fees</b>	<b>\$ 64,624</b>	<b>\$ 75,114</b>	<b>\$ 79,704</b>	<b>\$ 84,657</b>	<b>\$ 89,875</b>
<b>Total Entrance Fees Received, Net of Refunds</b>	<b>\$ 65,007</b>	<b>\$ 124,133</b>	<b>\$ 100,537</b>	<b>\$ 87,703</b>	<b>\$ 89,875</b>

Source: Management and Actuary

Notes:

- (1) Management has forecasted entrance fees from first generation residents of the Oak Trace Independent Living Units based upon the entrance fee pricing of the units summarized in Table 2.
- (2) Initial entrance fees shown on the table do not include approximately \$5,560,000 of entrance fee deposits received prior to the year ending December 31, 2023.
- (3) Management has forecasted entrance fees from first generation residents of The Waterford Independent Living Units based upon the entrance fee pricing of the units summarized in Table 3.
- (4) Initial entrance fees shown on the table do not include approximately \$119,000 of entrance fee deposits received prior to the year ending December 31, 2023.
- (5) Management has forecasted turnover entrance fee receipts for the Existing Independent Living Units based upon the utilization of the Residency Agreement plan types as summarized in Table 8 and entrance fee pricing as summarized in Table 7, assuming an inflation rate of 3 percent per year throughout the Forecast Period.

### Other Revenue

Management has forecasted other operating revenue to include approximately \$83,000 in stimulus funding during 2023 but does not forecast any other stimulus funding to be received throughout the Forecast Period.

### Investment Income

Investment income consists of interest earned on available cash and cash equivalents, investments, and assets limited as to use. Management classifies investment income as nonoperating. The following table reflects Management's assumed realized interest earnings rates during the Forecast Period based upon historical earnings rates and current economic conditions.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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**Table 27**  
**Forecasted Investment Earnings Rates**  
**For the Years Ending December 31,**

	2023	2024	2025	2026	2027
Cash and Cash Equivalents	1.0%	1.0%	1.0%	1.0%	1.0%
Investments in Trading Portfolio	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Reserve Funds	2.0%	2.0%	2.0%	2.0%	2.0%
Renewal and Replacement Reserve Funds	2.0%	2.0%	2.0%	2.0%	2.0%
Debt Service Reserve Funds	5.0%	5.0%	5.0%	5.0%	5.0%
Principal and Interest Funds	5.0%	5.0%	5.0%	5.0%	5.0%
Funded Interest Funds	5.0%	5.0%	N/A	N/A	N/A
Pennsylvania Liquid Reserve	2.0%	2.0%	2.0%	2.0%	2.0%
Project Funds	5.0%	5.0%	5.0%	N/A	N/A
Entrance Fee Deposits	2.0%	2.0%	2.0%	2.0%	2.0%
Entrance Fee Fund	N/A	N/A	2.0%	2.0%	N/A
Wait List Deposits	2.0%	2.0%	2.0%	2.0%	2.0%
Team Member Appreciation Funds	2.0%	2.0%	2.0%	2.0%	2.0%

Source: Management

N/A = not applicable

Management has forecasted an unrealized investment gain of approximately \$4,705,000 for the year ending December 31, 2023 based upon its historical experience as of September 30, 2023. No other unrealized or realized gains or losses from the valuation or sale of investments has been forecasted during the remainder of the Forecast Period.



## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### BASIS FOR FORECAST OF EXPENSES

#### Operating Expenses

Operating expenses have been forecasted to be recognized during the month incurred. Management has forecasted operating expenses based upon its historical experience operating the Communities and its plans for operating the Communities and the Projects during the Forecast Period. The specific basis for major expense items were formulated by Management and are discussed below.

#### **Salaries and Wages**

Management has forecasted salaries and wages for their existing operations based upon their historical operating experience and their plans during the Forecast Period. This amount is forecasted to inflate by 4.0 percent per year in 2024 and 2025 and 3.5 percent per year throughout the remainder of the Forecast Period, plus additional changes due to the completion and opening of the Projects. The following table presents a summary of the forecasted salaries and wages in gross and per occupied unit during the Forecast Period.

**Table 28**  
**Forecasted Salaries and Wages for Existing Operations <sup>(1)</sup>**  
**For the Years Ending December 31,**  
**(In Thousands)**

	2023	2024	2025	2026	2027
Abbey Delray	\$ 13,123	\$ 13,648	\$ 14,194	\$ 14,691	\$ 15,205
Abbey Delray South	10,069	10,472	10,891	11,272	11,666
Beacon Hill	13,154	13,680	14,227	14,725	15,240
Claridge Court	5,479	5,698	5,926	6,134	6,348
Friendship Village of Bloomington	13,380	13,916	14,472	14,979	15,503
Friendship Village of South Hills	12,205	12,694	13,201	13,664	14,142
Harbour's Edge	12,718	13,226	13,755	14,237	14,735
Oak Trace <sup>(1)</sup>	16,175	17,103	18,277	19,068	19,749
Querencia	10,694	11,121	11,566	11,971	12,390
The Waterford	8,480	8,819	9,172	9,493	9,825
Village on the Green	11,084	11,527	11,988	12,408	12,842
<b>Total Salaries and Wages</b>	<b>\$ 126,561</b>	<b>\$ 131,904</b>	<b>\$ 137,669</b>	<b>\$ 142,642</b>	<b>\$ 147,645</b>
Per Occupied Unit:					
Abbey Delray	\$ 38	\$ 36	\$ 38	\$ 39	\$ 41
Abbey Delray South	39	41	42	44	45
Beacon Hill	34	34	35	36	37
Claridge Court	36	36	38	39	40
Friendship Village of Bloomington	31	32	33	34	35
Friendship Village of South Hills	32	34	34	35	37
Harbour's Edge	43	44	46	47	49
Oak Trace <sup>(1)</sup>	43	40	37	37	38
Querencia	41	42	44	46	47
The Waterford	33	34	35	36	36
Village on the Green	37	37	39	40	42
<b>Total Per Occupied Unit</b>	<b>\$ 37</b>	<b>\$ 37</b>	<b>\$ 38</b>	<b>\$ 39</b>	<b>\$ 40</b>

Source: Management

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Notes:

(1) Oak Trace also includes salaries related to the opening of the Oak Trace Independent Living Units beginning in February 2024.

(2) See Table 29 for salaries and wages assumptions related to the Harbour's Edge Project.

For the Harbour's Edge Project operations, salaries and wages have been forecasted based upon the following incremental full-time equivalent ("FTE") levels and wage rates during the Forecast Period. Note that one FTE is assumed to equal 2,080 hours.

**Table 29**  
**Forecasted Staffing and Average Hourly Rates for the Harbour's Edge Project <sup>(1)</sup>**  
**(In Full-Time Equivalents)**  
**For the Years Ending December 31,**

Departments	2025		2026		2027	
	FTEs	Avg Hourly Wage	FTEs	Avg Hourly Wage	FTEs	Avg Hourly Wage
General and Administrative	1.0	\$19.83	1.0	\$20.52	1.0	\$21.24
Housekeeping	3.2	\$16.25	3.2	\$16.82	3.2	\$17.41
Dietary	6.8	\$16.08	6.8	\$16.64	6.8	\$17.23
Medical and Other Resident Care	25.1	\$22.34	25.1	\$23.12	25.1	\$23.93
Total / Weighted Average	36.1	\$20.55	36.1	\$21.27	36.1	\$22.01

Source: Management

Notes:

(1) FTE's and wage rates are forecasted based upon the planned opening of the Harbour's Edge Project in July 2025.

Average hourly wage rates for the Harbour's Edge Project are forecasted to increase at a rate of 3.5 percent annually beginning in 2026 and throughout the remainder of the Forecast Period.

### **Employee Taxes and Benefits**

Employee taxes and benefits are assumed to include FICA, retirement contributions, sick pay and paid accrued leave, unemployment taxes, workers' compensation, health, vision and dental insurance, life insurance and other miscellaneous benefits. Employee taxes and benefits are forecasted based upon 23 percent of salaries and wages.

### **General and Administrative**

Non-salary related costs of general and administrative include forecasted costs for home office allocation, insurance, taxes, digital marketing, advertising agency, application software & licenses, centralized systems and services, consulting/outsourcing services, and other such costs. These costs are forecasted to increase 4 percent per year for 2024 and 2025 and 3.5 percent per year for the remainder of the Forecast Period with the exception of property insurance expense. Additionally, certain costs in this department are forecasted to be adjusted based upon the completion and opening of the Projects.

Property insurance expense has been forecasted to increase 40 percent for 2024, 20 percent for 2025, and 15 percent per year for the remainder of the Forecast Period. This is only applicable to the five Florida Communities. Non-Florida locations increased property insurance by 4 percent per year for 2024 and 2025 and 3.5 percent per year for the remainder of the Forecast Period.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### ***Plant Operations***

Non-salary related costs of plant operations include forecasted costs for utilities, cable/satellite television, repairs and maintenance, security services/equipment, consulting/outsourcing services, and other such costs. These costs are forecasted to increase 4 percent per year for 2024 and 2025 and 3.5 percent per year for the remainder of the Forecast Period. Additionally, certain costs in this department are forecasted to be adjusted based upon the completion and opening of the Projects.

### ***Housekeeping***

Non-salary related costs of housekeeping include forecasted costs for housekeeping supplies and chemicals, linens, laundry services purchased, cleaning services, and other such costs. These costs are forecasted to increase 4 percent per year for 2024 and 2025 and 3.5 percent per year for the remainder of the Forecast Period. Additionally, certain costs in this department are forecasted to be adjusted based upon the completion and opening of the Projects.

### ***Dietary***

Non-salary related costs of dietary include forecasted costs for dietary supplies, food, alcohol, contract costs from service provider, and other such costs. These costs are forecasted to increase 4 percent per year for 2024 and 2025 and 3.5 percent per year for the remainder of the Forecast Period. Additionally, certain costs in this department are forecasted to be adjusted based upon the completion and opening of the Projects.

### ***Medical and Other Resident Care***

Non-salary related costs of medical and other resident care include forecasted costs for agency, medical supplies, drugs, other ancillaries expense, activities, wellness program, and other such costs. These costs are forecasted to increase 4 percent per year for 2024 and 2025 and 3.5 percent per year for the remainder of the Forecast Period. Additionally, certain costs in this department are forecasted to be adjusted based upon the completion and opening of the Projects.

### ***Depreciation***

Property and equipment are forecasted to be depreciated over the estimated useful lives by the straight-line method.

### ***Amortization***

Goodwill, deferred expenses and intangible assets are forecasted to be depreciated over the estimated useful lives by the straight-line method as previously described.

### ***Interest Expense***

Prior to the issuance of the Series 2023 Bonds, interest expense is forecasted based upon the terms of the Obligated Group's existing debt. Upon issuance of the Series 2023 Bonds, interest expense is forecasted related to the debt service requirements of the Series 2023 Bonds, related amortization of the deferred financing costs associated with the Series 2023 Bonds and the terms of the Obligated Group's Existing Debt (subsequently defined), less the Refunded Bonds which will be refinanced with the issuance of the Series 2023B Bonds. Management has forecasted to capitalize interest expense related to the Projects during the development and construction period of the Projects, net of interest income on the related trustee-held funds.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### BASIS FOR FORECAST OF OTHER ITEMS

#### Loss on Refinance of Series 2023A Bonds

Loss on refinance of Series 2023A Bonds has been forecasted based upon the estimated unamortized deferred financing costs that remain related to the issuance of the Series 2023A Bonds at the time of refinance.

#### Contributions to Lifespace Communities, Inc.

Management has forecasted contributions to Lifespace Communities, Inc. as presented in the table below.

**Table 30**  
**Forecasted Contributions to Lifespace Communities, Inc.**  
**For the Years Ending December 31,**  
**(In Thousands)**

	2023	2024	2025	2026	2027
Home Office Fixed Assets <sup>(1)</sup>	\$ 2,540	\$ 2,616	\$ 2,695	\$ 2,776	\$ 2,859
Yearly Equity Distributions <sup>(2)</sup>	2,616	2,737	2,726	2,647	2,570
Edgemere Residents Trust <sup>(3)(4)</sup>	68,960	11,470	-	-	10,914
Total	\$ 74,116	\$ 16,823	\$ 5,421	\$ 5,423	\$ 16,343

Source: Management

Notes:

- (1) Represents funds transferred to Lifespace to fund home office fixed asset purchases; forecasted amounts are based on historical experience inflated at 3% per year.
- (2) Annual equity distributions are based upon the allowable "Basket Percentages" as defined in the MTI; Management has instituted a policy of limiting the contribution to 10% of the allowable amount.
- (3) Represents future required contributions to the Edgemere Residents Trust as required under the Plan.
- (4) The 2023 deposit was funded by the Series 2023A Bonds and is presented as Contributions to Edgemere on the Forecasted Consolidated Statement of Operations and Changes in Net Deficit.

#### Contributions to Edgemere

Management has forecasted that approximately \$68,960,000 will be transferred to Edgemere and is related to the issuance of the Refunded Bonds.

#### Current Assets and Current Liabilities

##### ***Cash and Cash Equivalents***

Cash and cash equivalent balances for the Forecast Period are based on the results of the forecasted consolidated statements of cash flows and reflect net cash flows during the Forecast Period.

##### ***Accounts and Other Receivables***

Accounts and other receivables, net of an allowance for non-collectible accounts, are forecasted based upon Management's estimate, which is approximately 19 days of resident service revenue throughout the Forecast Period.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### ***Receivable from Lifespace Communities, Inc.***

Receivable from Lifespace Communities, Inc. represents amounts owed to the Obligated Group from Lifespace. Management has not forecasted any changes to this balance throughout the Forecast Period.

### ***Prepaid Insurance, Inventory and Other Current Assets***

Prepaid insurance, inventory, and other current assets are forecasted based upon Management's estimate, which is approximately 17 days of operating expenses excluding salaries, employee benefits and payroll taxes, depreciation, amortization, and interest expense throughout the Forecast Period.

### ***Accounts Payable***

Accounts payable is forecasted based upon Management's estimate, which is approximately 79 days of operating expenses excluding salaries, employee benefits and payroll taxes, depreciation, amortization, and interest expense throughout the Forecast Period. In addition, included in accounts payable is a payable due to affiliate of approximately \$4,223,000, which has been kept flat at historical balances for the Forecast Period.

### ***Accrued Expenses***

Accrued expenses are forecasted based upon Management's estimate, which is approximately 41 days of salaries, employee benefits and payroll taxes expense throughout the Forecast Period.

### ***Accrued Interest***

Accrued interest has been calculated based on forecasted interest rates and repayment terms of the long-term debt during the Forecast Period.

### ***Entrance Fee Refunds***

Management has forecasted the current portion of entrance fee refunds to remain constant throughout the Forecast Period based upon the historical operating experience.

### ***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 care, who have given up their Independent Living Unit, 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. Management has forecasted the reserve for health center refunds to remain constant throughout the Forecast Period based upon the historical operating experience.

### **Assets Limited as to Use**

*Operating Reserve Fund 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 reserve funds and renewal and replacement reserve funds in amounts sufficient to satisfy minimum reserve requirements. See calculations in Table 31 for changes in these accounts.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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*Debt Service Reserve Fund (Master Reserve Fund)* - The debt service reserve fund is intended to be utilized should the Obligated Group not be able to meet its scheduled interest and principal payments. Management forecasts an additional \$6,822,000 will be deposited in the fund at the time of the issuance of the Series 2023 Bonds.

*Principal and Interest Funds* – Each series of bonds held by the Obligated Group require monthly principal and interest payments or monthly deposits to their debt service reserve funds in an amount sufficient to make period principal and interest payments on the respective underlying debt.

*Funded Interest Fund* – The funded interest fund was funded from proceeds of the Series 2019, 2021 and Series 2022 Bonds (as defined hereinafter) to pay interest expense on the respective bonds for a defined period after issuance. Management forecasts an additional \$1,684,000 will be deposited in the fund at the time of the issuance of the Series 2023 Bonds. The fund is forecast to be depleted by the end of 2024.

*Pennsylvania Liquid Reserve* – Friendship Village of South Hills is required by the state of Pennsylvania to maintain reserves calculated from debt service and operating costs. Management believes forecasted amounts are sufficient throughout the Forecast Period.

*Project Funds – Existing Debt* – A portion of the proceeds from the Series 2022 Bonds and Series 2021 Bonds (as defined hereinafter) were deposited into a project fund to be drawn on to meet the obligations of various construction projects as they are due.

*Project Funds – Series 2023B Bonds* – A portion of the proceeds from the Series 2023B Bonds were deposited into a project fund to be drawn on to meet the obligations of various construction projects as they are due.

*Entrance Fee Deposits* – Entrance fee deposits represent deposits collected to secure a specific Independent Living Unit for residence within the Obligated Group communities, which are deposited into an escrow account and maintained until the resident closes on the Independent Living Unit and the Obligated Group community requests disbursement. Management has forecasted changes based on timing of 10 percent deposits related to the New Independent Living Units.

*Entrance Fee Fund – Oak Trace* – First generation entrance fees relating to the Oak Trace Independent Living Units have been forecasted to be deposited into the entrance fee fund. Amounts on deposit in the entrance fee fund are forecasted to be used to pay the Series 2021D Bonds.

*Wait List Deposits* – Wait list deposits represent deposits collected to secure a position on the waiting list for residency in the respective communities. Management has not forecasted any changes to this balance during the Forecast Period.

*Team Member Appreciation Funds* – Residents at each community may voluntarily establish a fund to provide team member appreciation disbursements. Management has not forecasted any changes to this balance during the Forecast Period.

### *Minimum Liquid Reserve (“MLR”)*

As described previously there are accounts which are required to be maintained in a continuing care escrow fund by Chapter 651 of the Florida Statutes (“Chapter 651”), and which are not subject to the lien of the Master Trust Indenture are as follows:

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

- (1) Statutory Operating Reserve Fund, as calculated to meet the “Operating Reserve Requirement” established by Florida Statute 651.035(2)(c) in an amount equal to 15 percent of “Total Annual Operating Expenses”, excluding depreciation, amortization, interest, taxes, insurance and certain extraordinary expenses, as set forth in the annual report filed pursuant to Section 651.026, Florida Statutes. Total Annual Operating Expenses shall be determined by averaging the total annual operating expenses over the preceding three-year period, as reported on the Organization’s annual report filed with the Florida Office of Insurance Regulation (“OIR”).
- (2) Statutory Renewal and Replacement Fund, as calculated to meet the “Replacement Reserve Requirement” established by Florida Statute 651.035(2)(d) which will be maintained in an amount equal to 15 percent of the Community’s accumulated depreciation, not to exceed 15 percent of its average operating expenses during the immediately preceding three-year period.
- (3) Statutory Debt Service Reserve Fund, as calculated to meet the “Debt Reserve Requirement” established by Florida Statute 651.035(2)(a) in an amount equal to the annual interest and principal of outstanding debt and property taxes, including any leasehold payments due during the year. To the extent that a Debt Service Reserve Fund has been established, the Organization is not required to fund an additional amount for interest and principal on the existing debt, however, Management has forecasted a Debt Service Reserve Fund consisting of the Organization’s property taxes (included with the Operating Reserve Fund amounts on the forecasted consolidated balance sheets).

The following table presents Management’s forecasted MLR requirements during the Forecast Period.

**Table 31**  
**Forecasted MLR Requirements**  
**For the Years Ending December 31,**  
**(In Thousands)**

	2023	2024	2025	2026	2027
<b>Operating Reserve</b>					
Total Operating Expenses Not Including: Interest, Depreciation, Amortization and Property Taxes	\$ 131,945	\$ 139,430	\$ 147,936	\$ 156,490	\$ 163,812
Three Year Average	125,289	133,951	139,770	147,952	156,080
Reserve Requirement	15%	15%	15%	15%	15%
Calculated Operating Reserve	18,793	20,093	20,966	22,193	23,412
CCRC Residents	1,139	1,174	1,165	1,173	1,165
Total Residents	1,451	1,486	1,478	1,493	1,486
CCRC Residents as a % of Total Residents Applied to Operating Reserve	79%	79%	79%	79%	78%
Balance in Operating Reserve <sup>(1)</sup>	14,755	15,876	16,522	17,431	18,353
<b>Renewal and Replacement Reserve</b>					
Total Accumulated Depreciation and Amortization	337,360	371,366	406,677	442,851	479,842
Reserve Requirement	15%	15%	15%	15%	15%
Calculated Operating Reserve	50,604	55,705	61,002	66,428	71,976
Limited To:	14,755	15,876	16,522	17,431	18,353
Balance in Renewal and Replacement Reserve	14,755	15,876	16,522	17,431	18,353
<b>Debt Service Reserve Fund</b>					
Property Taxes	3,672	3,826	4,179	4,518	4,676
Total Calculated Debt Service Reserve Fund	3,672	3,826	4,179	4,518	4,676
Balance in Debt Service Reserve Fund <sup>(1)</sup>	3,672	3,826	4,179	4,518	4,676
Total Minimum Liquid Reserve Balance	\$ 33,182	\$ 35,578	\$ 37,223	\$ 39,380	\$ 41,382

Source: Management

Notes:

- (1) The balance in Operating Reserve and balance in Debt Service Reserve Fund are presented together as Operating Reserve Funds on the Forecasted Consolidated Balance Sheets.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Property and Equipment

Property and equipment balances, net of accumulated depreciation, are based on assumed costs of constructing the Project, and other routine property and equipment additions during the Forecast Period, reduced by estimated annual depreciation. The following table reflects the project related costs, capitalized interest, net of interest earnings, and other routine capital additions during the Forecast Period.

**Table 32**  
**Forecasted Property and Equipment Additions**  
**For the Years Ending December 31,**  
**(In Thousands)**

	2023	2024	2025	2026	2027
Property and Equipment - Beginning	\$ 1,386,438	\$ 1,520,313	\$ 1,625,891	\$ 1,689,859	\$ 1,733,116
Oak Trace Project Costs <sup>(1)(2)</sup>	50,845	12,227	-	-	-
Harbour's Edge Project Costs <sup>(1)(2)</sup>	-	14,290	6,303	-	-
The Waterford Project Costs <sup>(1)(2)</sup>	-	2,908	3,153	-	-
All Other Project Costs <sup>(1)(2)</sup>	45,446	37,592	13,432	-	-
Routine Capital Additions	37,584	38,561	41,080	43,257	45,291
Property and Equipment - Ending	\$ 1,520,313	\$ 1,625,891	\$ 1,689,859	\$ 1,733,116	\$ 1,778,407

Source: Management

Notes:

(1) Project costs are shown as construction in progress on the forecasted balance sheets until placed in service.

(2) Project costs include amounts for capitalized interest.

### Other Liabilities

#### ***Entrance Fee Deposits***

Management has forecasted entrance fee deposits based on historical balances and timing of 10 percent deposits received related to the New Independent Living Units.

#### ***Wait List Deposits***

Management has forecasted wait list deposits to be consistent with the historical balance on December 31, 2022 and with the corresponding asset.

#### ***Long-Term Debt and Interest Expense***

Prior to the issuance of the Series 2023 Bonds, the Obligated Group's long-term debt is forecasted to be comprised of the Series 2004 Bonds, Series 2015 Bonds, Series 2016 Bonds, Series 2018 Bonds, Series 2019 Bonds, Series 2021 Bonds, Series 2022 Bonds, Series 2023A Bonds, Series 2023 Lifespace Corporate Bonds, a line of credit, and unsecured debt with Lifespace (collectively, the "Existing Debt"). After the issuance of the Series 2023 Bonds, the Obligated Group's long-term debt is forecasted to be comprised of the Existing Debt and the Series 2023 Bonds.

Series 2004 Bonds: In 2004, the Series 2004A Bonds and 2004B Bonds were issued through the Palm Beach County Health Facilities Authority for \$2,195,000 and \$2,655,000, respectively (collectively, the "Series 2004 Bonds"). The Series 2004A Bonds bear an interest rate of 4.00, maturing in 2024. The Series 2004B Bonds bear an interest rate of 6.00 percent, maturing in 2034.



## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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Series 2015 Bonds: In 2015, the Series 2015A Bonds and the Series 2015B Bonds were issued through the Illinois Finance Authority for \$34,875,000 and \$4,855,000, respectively, and the 2015C Bonds were issued by the Palm Beach County Health Facilities Authority for \$43,730,000 (collectively, the “Series 2015 Bonds”). The Series 2015A Bonds bear an interest rate ranging from 1.00 percent - 5.00 percent, maturing in 2045. The Series 2015B Bonds bear an interest rate of 4.25 percent, maturing in 2024. The Series 2015C Bonds bear an interest rate ranging from 2.00 - 5.00 percent, maturity in 2038.

Series 2016 Bonds: In 2016, the Series 2016A Bonds were issued through the Iowa Finance Authority for \$47,395,000 and the 2016B Bonds were issued by the Palm Beach County Health Facilities Authority for \$22,150,000 (collectively, the “Series 2016 Bonds”). The Series 2016A Bonds bear an interest rate of 5.00 percent, maturing in 2047. The Series 2016B Bonds bear an interest rate of 5.00 percent, maturing in 2047.

Series 2018 Bonds: In 2018, the Series 2018A Bonds were issued through the Iowa Finance Authority for \$134,695,000 and the 2018B Bonds were issued by the Palm Beach County Health Facilities Authority for \$30,230,000 (collectively, the “Series 2018 Bonds”). The Series 2018A Bonds bear an interest rate ranging from 4.125 - 5.00 percent, maturing in 2048. The Series 2018B Bonds bear an interest rate ranging from 4.125 - 5.00 percent, maturing in 2038.

Series 2019 Bonds: In 2019, the Series 2019A-1 Bonds were issued through the Iowa Finance Authority for \$26,530,000 and the 2019B Bonds were issued by the Palm Beach County Health Facilities Authority for \$52,685,000 (collectively, the “Series 2019 Bonds”). The Series 2019A-1 Bonds bear an interest rate ranging from 4.00 - 5.00 percent, maturing in 2055. The Series 2019B Bonds bear an interest rate ranging from 4.00 - 5.00 percent, maturing in 2053.

Series 2021 Bonds: In 2021, the Series 2021A Bonds, the Series 2021B Bonds and the Series 2021D Bonds were issued through the Iowa Finance Authority for \$73,650,000, \$30,000,000 and \$55,000,000, respectively, and the 2021C Bonds were issued by the Palm Beach County Health Facilities Authority for \$16,715,000 (collectively, the “Series 2021 Bonds”). The Series 2021A Bonds bear an interest rate of 4.00 percent, maturing in 2053. The Series 2021B Bonds bear a variable interest rate, maturing in 2056. The Series 2021C Bonds bear an interest rate of 4.00 percent, maturity in 2036. The Series 2021D Bonds bear a variable interest rate, maturing in August 2031. The Series 2021D Bonds are draw down bonds used to finance the Oak Trace Project and the entire amount of \$55,000,000 is expected to be drawn by the end of 2023. The entrance fees collected from the Oak Trace Independent Living Units are forecast to pay down the balance of the Series 2021D Bonds in 2025.

Series 2022 Bonds: In 2022, the Series 2022 Bonds were issued through the Palm Beach County Health Facilities Authority for \$85,000,000. The Series 2022 Bonds bear an interest rate of 5.09 percent, maturing in 2052.

Series 2023A Bonds: In May 2023, the Series 2023A Bonds were issued for \$52,460,000. The Series 2023A Bonds bear an interest rate of 8 percent, maturing in 2043. The Series 2023A Bonds are forecasted to be refinanced with the issuance of the Series 2023B bonds.

Series 2023 Lifespace Corporate Bonds: Concurrently with the issuance of the Series 2023A Bonds, Management purchased a \$10,000,000 Lifespace Corporate Bond to help fund the Plan. The Lifespace Corporate Bond is forecasted to earn interest of 11% per year with the first interest payment forecasted to occur on January 1, 2024. The Lifespace Corporate Bond is forecasted to have a bullet maturity in the year ending December 31, 2033.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

Line of Credit: Issued through Bankers Trust Company, the \$10,000,000 line of credit carries a variable interest rate and a maturity date of August 2024. There was a balance of approximately \$3,361,000 outstanding on December 31, 2022 which Management has forecasted to be paid down to zero during 2023.

Unsecured debt with Lifespace, Inc.: Lifespace, Inc. has extended an unsecured line of credit to the Obligated Group for operational needs as they occur. There was a balance of \$2,675,000 on December 31, 2022. The note has monthly payments, an interest rate of 3.35 percent and a maturity date of May 4, 2026.

The terms of the Series 2023 Bonds are more fully described in the notes to Table 10.

Management has forecasted maturity of the outstanding debt as follows:

**Table 33**  
**Forecasted Principal Payments on Long-Term Debt**  
**For the Years Ending December 31,**  
**(Dollars in Thousands)**

Year	Refunded Bonds <sup>(1)</sup>	Series 2023B	Series 2023C	Series 2022	Series 2021	Series 2019	Series 2018	Series 2016	Series 2015	Series 2004	Line of Credit	Unsecured Debt with Lifespace	Total
2023	\$ 52,500	\$ -	\$ -	\$ -	\$ 350	\$ -	\$ -	\$ -	\$ 6,575	\$ 195	\$ 3,361	\$ 271	\$ 63,252
2024	-	2,155	-	-	46,468	-	-	-	6,895	210	-	280	56,008
2025	-	1,790	-	126	12,197	-	-	-	4,635	220	-	290	19,258
2026	-	1,920	-	1,500	18,260	-	-	-	4,865	240	-	1,834	28,619
2027	-	2,060	-	1,578	3,480	-	-	-	5,105	245	-	-	12,468
2028	-	2,210	-	1,648	3,635	-	-	-	5,370	260	-	-	13,123
2029	-	2,370	-	1,750	3,930	-	-	-	5,630	275	-	-	13,955
Thereafter	-	69,175	29,875	78,398	87,045	79,215	164,925	69,545	64,245	1,415	-	-	643,838
	\$ 52,500	\$ 81,680	\$ 29,875	\$ 85,000	\$ 175,365	\$ 79,215	\$ 164,925	\$ 69,545	\$ 103,320	\$ 3,060	\$ 3,361	\$ 2,675	\$ 850,521

Source: Management and Underwriter

Notes:

(1) The Refunded Bonds are forecasted to be repaid with issuance of Series 2023B Bonds.

### Leases

The Obligated Group has operating lease agreements for office equipment, with a weighted-average discount rate of 4.3 percent. The Obligated Group also has financing leases for purchase of community vehicles, with a weighted-average discount rate of 6.8 percent.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

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Management has forecasted maturity of the operating leases and financing leases as follows:

**Table 34**  
**Forecasted Lease Payments**  
**For the Years Ending December 31,**  
**(Dollars in Thousands)**

Year	Operating Lease	Financing Lease	Total
2023	\$310	\$421	\$731
2024	234	127	361
2025	213	98	311
2026	154	90	244
2027	79	77	156
PV Discount	(83)	(76)	(159)
	\$907	\$737	\$1,644

Source: Management

### **Deferred Entrance Fees**

The nonrefundable portion of entrance fee receipts is initially recorded as deferred revenue and amortized over the life expectancy of the resident. Management forecasts deferred entrance fees based upon the historical balance as of December 31, 2022 and the forecasted nonrefundable entrance fees received and amortization of these nonrefundable entrance fees during the Forecast Period.

### **Refundable Entrance and Membership Fees**

Management has forecasted refundable entrance fees based upon the historical balance as of December 31, 2022 and the estimated refundable portion of entrance fees received during the Forecast Period, net of the current portion.

### **Net Deficit Without Donor Restrictions**

Management has forecasted net deficit without donor restrictions based upon the results of the forecasted consolidated statements of operations and change in net deficit.

## **SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES**

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### **SENSITIVITY FACTORS AND ANALYSES**

The financial forecast was prepared based on assumptions made by Management concerning future operations of the Obligated Group. Various factors and conditions may occur which could adversely affect the forecast of the financial condition of the Obligated Group and its ability to meet debt service requirements. These factors may include, but may not be limited to, legislation and regulatory actions, changes in assumptions concerning occupancy, real estate market, rental rates, financing, construction costs, operating costs, occupancy variations due to increased competition from other senior housing facilities, and Management's failure to implement its marketing and or operational plans. Furthermore, Management prepared its Forecast assuming that the Obligated Group obtains financing at rates and terms similar to those described herein, and the debt service requirements of the Series 2023 Bonds do not change during the Forecast Period.

The analyses that follow should not be construed as reflecting the only significant assumptions presented in the Forecast. The sensitivity analyses represent Management's analyses and have not been examined. The sensitivity analyses are not intended to be all-inclusive, and are presented for the purpose of demonstrating the significance of:

- 1) An increase in the occupancy of the existing Independent Living Units based upon Management's long-term strategic growth and marketing initiatives (Sensitivity One);
- 2) No deferral of any of the payments to the Edgemere Residents Trust (Sensitivity Two); and
- 3) A ten percent reduction, each year, on the entrance fees collected from turnover of existing units (Sensitivity Three).

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Sensitivity One

Sensitivity One has been prepared to reflect the estimated impact of Management's long-range independent living growth and marketing strategy. For purposes of the sensitivity, an entrance fee was assumed to be collected for the incremental occupancies assumed without a change in the forecasted refunds paid due to occupancy assumed of a vacant unit. In addition, incremental expenses were assumed associated with the increase in occupancy of the independent living units.

The following table contrasts the forecasted financial metrics against the sensitivity.

**Table 35**  
**Sensitivity One**  
**(Dollars in Thousands)**

<b>As Forecasted</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Annual Debt Service Coverage Ratio	2.49	2.68	2.46	2.49	2.60
Maximum Annual Debt Service Coverage Ratio	1.34	1.63	1.71	1.83	1.91
Adjusted Maximum Annual Debt Service Coverage Ratio	1.67	2.03	2.13	2.28	2.38
Days Cash on Hand	175	197	203	213	217
Total Occupied Units - Independent Living - Existing Only	2,284	2,359	2,374	2,392	2,401
Total Average Occupancy - Independent Living - Existing Only	79%	84%	85%	86%	86%
Resident Services Revenue - Independent Living	\$ 152,747	\$ 172,964	\$ 186,500	\$ 196,551	\$ 204,730
Net Proceeds from Entrance Fee Turnover	\$ 64,624	\$ 75,114	\$ 79,704	\$ 84,657	\$ 89,875
<b>Sensitivity One</b>					
Annual Debt Service Coverage Ratio	2.49	3.31	2.73	2.75	3.01
Maximum Annual Debt Service Coverage Ratio	1.34	2.02	1.90	2.03	2.22
Adjusted Maximum Annual Debt Service Coverage Ratio	1.67	2.51	2.36	2.52	2.77
Days Cash on Hand	175	222	238	258	277
Total Occupied Units - Independent Living - Existing Only	2,284	2,434	2,491	2,539	2,588
Total Average Occupancy - Independent Living - Existing Only	79%	87%	89%	91%	93%
Resident Services Revenue - Independent Living	\$ 152,747	\$ 177,345	\$ 193,717	\$ 206,307	\$ 218,121
Net Proceeds from Entrance Fee Turnover	\$ 64,624	\$ 96,891	\$ 87,198	\$ 91,077	\$ 101,179

Source: Management

Note: See footnotes related to the calculation of the ratios above on page C-8.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Sensitivity Two

Sensitivity Two has been prepared to reflect the estimated impact of no deferral of any of the Edgemere Settlement Agreement payments. As previously noted, in accordance with the Edgemere Settlement Agreement, beginning in 2025, if any portion of payment will cause the Obligated Group's days cash on hand to fall below 250 days, the amount may be deferred to the following year; after the deferred portion has accrued for two years, it must be paid in full in the following year unless it would cause the Obligated Group's days cash on hand to fall below 120 days. The following sensitivity assumes Management does not elect to defer any of the Edgemere settlement payments.

The following table contrasts the forecasted financial metrics against the sensitivity.

**Table 36**  
**Sensitivity Two**  
**(Dollars in Thousands)**

As Forecasted	2023	2024	2025	2026	2027
Annual Debt Service Coverage Ratio	2.49	2.68	2.46	2.49	2.60
Maximum Annual Debt Service Coverage Ratio	1.34	1.63	1.71	1.83	1.91
Adjusted Maximum Annual Debt Service Coverage Ratio	1.67	2.03	2.13	2.28	2.38
Days Cash on Hand	175	197	203	213	217
Edgemere Contribution	\$ 68,960	\$ 11,470	\$ -	\$ -	\$ 10,914
Unrestricted Cash, Cash Equivalents, and Investments	\$ 150,835	\$ 181,054	\$ 197,830	\$ 216,816	\$ 228,004
Sensitivity Two					
Annual Debt Service Coverage Ratio	2.49	2.68	2.46	2.48	2.59
Maximum Annual Debt Service Coverage Ratio	1.34	1.63	1.71	1.83	1.91
Adjusted Maximum Annual Debt Service Coverage Ratio	1.67	2.03	2.13	2.28	2.38
Days Cash on Hand	175	197	192	192	198
Edgemere Contribution	\$ 68,960	\$ 11,470	\$ 10,914	\$ 10,043	\$ 9,081
Unrestricted Cash, Cash Equivalents, and Investments	\$ 150,835	\$ 181,054	\$ 186,916	\$ 195,749	\$ 208,560

Source: Management

Note: See footnotes related to the calculation of the ratios above on page C-8.

## SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

### Sensitivity Three

Sensitivity Three has been prepared to reflect the estimated impact of a ten percent reduction, each year, on entrance fees collected from the turnover of existing units only without an assumed reduction of refunds paid.

The following table contrasts the forecasted financial metrics against the sensitivity.

**Table 37**  
**Sensitivity Three**  
**(Dollars in Thousands)**

<b>As Forecasted</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Annual Debt Service Coverage Ratio	2.49	2.68	2.46	2.49	2.60
Maximum Annual Debt Service Coverage Ratio	1.34	1.63	1.71	1.83	1.91
Adjusted Maximum Annual Debt Service Coverage Ratio	1.67	2.03	2.13	2.28	2.38
Days Cash on Hand	175	197	203	213	217
Proceeds from Entrance Fees and Deposits - Turnover	\$ 128,678	\$ 140,035	\$ 147,490	\$ 153,983	\$ 160,305
Refunds of Refundable Entrance Fees - Turnover	(64,054)	(64,921)	(67,786)	(69,326)	(70,430)
<b>Total Net Turnover Entrance Fees</b>	<b>\$ 64,624</b>	<b>\$ 75,114</b>	<b>\$ 79,704</b>	<b>\$ 84,657</b>	<b>\$ 89,875</b>
<b>Sensitivity Three</b>					
Annual Debt Service Coverage Ratio	2.12	2.32	2.12	2.15	2.24
Maximum Annual Debt Service Coverage Ratio	1.14	1.41	1.48	1.58	1.66
Adjusted Maximum Annual Debt Service Coverage Ratio	1.42	1.76	1.84	1.97	2.06
Days Cash on Hand	160	168	160	156	146
Proceeds from Entrance Fees and Deposits - Turnover	\$ 115,994	\$ 126,031	\$ 132,741	\$ 138,585	\$ 144,274
Refunds of Refundable Entrance Fees - Turnover	(64,054)	(64,921)	(67,786)	(69,326)	(70,430)
<b>Total Net Turnover Entrance Fees</b>	<b>\$ 51,940</b>	<b>\$ 61,110</b>	<b>\$ 64,955</b>	<b>\$ 69,259</b>	<b>\$ 73,844</b>

Source: Management

Note: See footnotes related to the calculation of the ratios above on page C-8.

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## **APPENDIX D**

### **DEFINITIONS AND SUMMARIES OF PRINCIPAL DOCUMENTS**

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**APPENDIX D**

**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.*

**“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 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 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 2023 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 December 1, 2023, 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 Trust Company, 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 2023 Bonds”** means, as applicable, the Series 2023B Bonds or the Series 2023C 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, 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.

**“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”).

**“Electronic Means”** means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords or authentication keys, or another method or system specified by the Bond Trustee as available for use in connection with its services as provided in the Bond Indenture.

**“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 related to the Series 2023C Bonds.

**“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 2023B Bonds and Series 2023C 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 December 1, 2023, 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. The Series 2023 Master Notes are 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 2023 Bonds is \$6,136,814.42.

**“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 2023 Bonds is \$6,136,814.42.

**“Master Trustee”** means U.S. Bank Trust Company, 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.

**“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, Herbert J. Sims & Co., Inc. and Goldman Sachs & Co. LLC.

**“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, (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 Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2023A in the original and outstanding principal amount of \$52,500,000, the proceeds of which were loaned to the Corporation for the purpose of funding certain litigation settlement payments.

**“Refunding Account”** means the account by that name created by the Bond Indenture relating to the Series 2023B Bonds.

**“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 2023B Bonds”** means the Revenue Bonds (Lifespace Communities, Inc.), Series 2023B, issued by the Iowa Authority aggregating the principal amount of \$82,140,000, authenticated and delivered under the Bond Indenture.

**“Series 2023C Bonds”** means the Revenue Bonds (Lifespace Communities, Inc.), Series 2023C, issued by the Florida Authority aggregating the principal amount of \$29,595,000, authenticated and delivered under the Bond Indenture.

**“Series 2023 Master Notes”** means, collectively, the Series 2023B Note and the Series 2023C Note.



**“Series 2023B Note”** means the Lifespace Communities, Inc. Master Indenture Note, Series 2023B, in the principal amount of \$82,140,000 issued under the Master Indenture to the Iowa Authority and pledged and assigned to the Bond Trustee.

**“Series 2023C Note”** means the Lifespace Communities, Inc. Master Indenture Note, Series 2023C, in the principal amount of \$29,595,000 issued under the Master Indenture to the Florida Authority and pledged and assigned to the Bond Trustee.

**“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 2023 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.);
- Illinois Finance Authority Taxable Revenue Bonds, Series 2015B (Lifespace Communities, Inc.);
- Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2015C;
- 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 Securities<sup>SM</sup> (EXTRAS<sup>SM</sup>) (Harbour’s Edge 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 Master Indenture No. 7”** means Supplemental Master Indenture No. 7 dated as of August 1, 2018 between the Corporation and the Master Trustee.

**“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 December 1, 2023, 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.

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## 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, which will become effective when all Master Notes issued prior to 2019 are no longer Outstanding under the Master Indenture. The purchasers of the Series 2023 Bonds in this offering will be deemed to have consented to the amendments to the Master Indenture described below under “SUMMARY OF PENDING AMENDMENT TO THE MASTER INDENTURE” beginning on page D-59.*

### **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 certain special trust funds, including the Master Reserve Fund.

### **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. The Series 2023 Master Notes are Master DSRF Secured Notes.

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.

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 reasonable 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.

(f) 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.

### **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.* 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.

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.

In addition to the foregoing, 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.

(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 referenced in Supplemental Master Indenture No. 7 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.

\* \* \* \* \*

**AMENDMENTS TO MASTER INDENTURE  
EFFECTIVE WHILE SERIES 2023 MASTER NOTES REMAIN OUTSTANDING**

The following amendments to the Master Indenture shall be effective immediately in accordance with the Master Indenture, without the consent of or notice to any Owners of any Outstanding Master Notes, and shall remain in effect only while the Series 2023 Master Notes remain outstanding.

**Edgemere Resident Trust Liquidity Covenant Amendment**

The Master Indenture is amended pursuant to subsection (f) under “SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures – *Without Consent of Master Noteowners*” to add the following at the end of “SUMMARY OF THE MASTER INDENTURE – Liquidity Covenant”:

“Notwithstanding anything contained herein to the contrary, it shall constitute an Event of Default if Days Cash on Hand of the Obligated Group decreases below 120 on any Liquidity Testing Date as a result of a deposit made by a Member of the Obligated Group to the Edgemere Resident Trust. For purposes of the preceding sentence, “Edgemere Resident Trust” means the trust created pursuant to the Order confirming the bankruptcy plan in Case No. 22-30659 (MVL) of the United States Bankruptcy Court for the Northern District of Texas, Dallas Division case In re: Northwest Senior Housing Corporation, et al.”

**Limitation on Liquidity Support Agreements**

The Master Indenture is amended pursuant to subsection (f) under “SUMMARY OF THE MASTER INDENTURE – Supplemental Indentures – *Without Consent of Master Noteowners*” to add the following new subsection at the end of “SUMMARY OF THE MASTER INDENTURE – Permitted Debt”:

“The Members of the Obligated Group shall not enter into any Liquidity Support Agreement that would cause the Members of the Obligated Group to have aggregate obligations outstanding at any one time under Liquidity Support Agreements in excess of \$35 million. For purposes of this subsection, “Liquidity Support Agreement” means any agreement by a Member of the Obligated Group to provide financial support to any Affiliate that is not a Member of the Obligated Group.”

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## SUMMARY OF PENDING AMENDMENT TO THE MASTER INDENTURE – RELEASE OF FLORIDA MORTGAGES

*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 2023 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.

\* \* \* \* \*



## 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.*

### **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 2023B Note or Series 2023C 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 2023B Note or Series 2023C 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 (2023B only); (e) Funded Interest Fund (Series 2023C only); 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.; provided, however, that the Bond Trustee shall make the initial disbursement from the Issuance Costs Fund on the Closing Date upon receipt of, and pursuant to, a closing settlement statement or other closing memorandum signed by a Corporation Representative identifying the amounts to be paid and the respective payees instead of in accordance with a Written Request in the form of the Bond Indenture. 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 Project 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; provided, however, that the Bond Trustee shall make the initial disbursement from the Project Fund on the Closing Date upon receipt of, and pursuant to, a closing settlement statement or other closing memorandum signed by a Corporation Representative identifying the amounts to be paid and the respective payees instead of in accordance with a Written Request in the form of the Bond Indenture.

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 and applied in the following order of priority: (a) to the Master Trustee for deposit in the Master Reserve Fund to the extent necessary to attain the amount required to be on deposit therein as of the date of such deposit, (b) in the Debt Service Fund to pay the next successive principal payment on the Bonds to become due, and (c) in the Debt Service Fund and used to redeem the Bonds at the earliest permissible date under the Bond Indenture, provided, in the discretion of the Corporation, such moneys may be applied for any other purpose that, based on an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Authority, will not adversely affect the exclusion of the interest on the Bonds from 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) Any amount required to be transferred to the Debt Service Fund from the Project Fund pursuant to the Bond Indenture and from the Master Reserve Fund pursuant to the Master Indenture and the Bond Indenture.
- (3) 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 for the Series 2023B Bonds will be used to refund and redeem the Refunded Bonds.

### **Master Reserve Fund**

- (a) The Bonds are secured by the Series 2023 Notes, which are designated as Master DSRF Secured Notes pursuant to the Master Indenture and shall receive the benefit and security of the Master Reserve Fund until the payment, redemption or defeasance of all Bonds in full or as otherwise provided under the Master Indenture.
- (b) On the 10<sup>th</sup> Business Day before any Interest Payment Date or scheduled principal payment date for the Bonds (a **“Payment Date”**), the Bond Trustee shall determine if there are insufficient funds on hand in the Debt Service Fund to pay the principal of and interest on the Bonds on such Payment Date (any such insufficiency is referred to herein as a **“Deficiency”**).
- (c) If a Deficiency exists, the Bond Trustee shall, no later than the second Business Day after the determination of a Deficiency, submit to the Master Trustee a written request containing the following information: (i) confirmation that a Deficiency exists, (ii) the amount of such Deficiency, (iii) the aggregate principal amount of the Bonds Outstanding, (iv) the Payment Date, and (v) a request that the Master Trustee transfer from the Master Reserve Fund to the Bond Trustee an amount equal to the Deficiency one Business Day prior to the Payment Date (a **“Master Reserve Draw Request”**).
- (d) If the Bond Trustee submits a Master Reserve Draw Request to the Master Trustee per **Subsection (c)** above, or if the Bond Trustee receives notice from the Master Trustee that another bond trustee has submitted a Master Reserve Draw Request, the Bond Trustee shall,

as soon as practicable but not later than the next Business Day, provide a notice of such Master Reserve Draw Request to the Required Information Recipients.

- (e) The Bond Trustee shall use funds transferred to it by the Master Trustee from the Master Reserve Fund, if any, to pay interest on, and the principal of (in that order), the Bonds on the next applicable Payment Date.
- (f) If, by the Business Day prior to any Payment Date, the Bond Trustee has not received all payments with respect to principal of and interest due on the Bonds, or other amounts due and payable, including amounts from the Master Trustee from the Master Reserve Fund, sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable, the Bond Trustee shall immediately notify the Obligated Group Agent of such insufficiency (stating in such notice that (i) the Bond Trustee has not received payments with respect to principal of and interest due on the Bonds, or other amounts due and payable on the Bonds, or other amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable; and (ii) the amount by which the obligation to make such transfer exceeds the amount available therefore).
- (g) The Bond Trustee shall submit a withdrawal request to the Master Trustee to withdraw from the Master Reserve Fund not later than the 10<sup>th</sup> Business Day before the final mandatory sinking fund payment on the respective series of Bonds an amount sufficient to make the final mandatory sinking fund payment on each series of Bonds.

#### **Funded Interest Fund (Series 2023C Bonds)**

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 from the Funded Interest Fund transfer moneys to the Debt Service Fund in an amount equal to the interest on the Bonds coming due on that 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 in the Bond Indenture 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, upon thirty days' notice, 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 2023B Note or Series 2023C Note, or (b) a reduction in the principal amount of the Series 2023B Note, or Series 2023C 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. The Bond Trustee may rely on the opinion of Bond Counsel and other certifications delivered from the Corporation and the Authority with regard to amounts required to be paid under the Bond Indenture and that all conditions precedent to the satisfaction and discharge of the Bond Indenture have been complied with.

The Authority is hereby authorized to accept a certificate by the Bond Trustee that the whole amount of the principal and interest and redemption premium, if any, so due and payable upon all of the Bonds then Outstanding and all other amounts required to be paid under the Bond Indenture have been paid or such payment has been provided for in accordance with the Bond Indenture as evidence of satisfaction of the Bond Indenture, and upon receipt thereof shall cancel and erase the inscription of the Bond Indenture from its records.

Upon provision for the payment of all Outstanding Bonds in accordance with the provisions of the Bond Indenture summarized under this caption, and compliance with the other payment requirements of the Bond Indenture, and subject to the Bond Indenture may be discharged in accordance with the provisions of the Bond Indenture; provided that the obligation of the Authority in respect of such Bonds shall nevertheless continue but the Owners thereof shall thereafter be entitled to payment only out of the moneys or Defeasance Obligations deposited with the Bond Trustee as aforesaid.

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.

### **Payment of Bonds After Discharge**

Notwithstanding the discharge of the lien provided in the Bond Indenture, the Bond Trustee shall nevertheless retain such rights, powers and duties under the Bond Indenture as may be necessary and convenient for the payment of amounts due or to become due on the Bonds and the registration, transfer, exchange and replacement of Bonds as provided in the Bond Indenture. Nevertheless, any moneys held by the Bond Trustee or any Paying Agent for the payment of the principal of, redemption premium, if any, or interest on any Bond remaining unclaimed for one year after the principal of all Bonds has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided in the Bond Indenture, shall then be paid to the Corporation and the Owners of any Bonds not theretofore presented for payment shall thereafter be entitled to look only to the Corporation for payment thereof and all liability of the Bond Trustee or any Paying Agent or the Authority with respect to such moneys shall thereupon cease.

\* \* \* \* \*

## SUMMARY OF THE LOAN AGREEMENT

*The following is a summary of certain provisions contained in the applicable Loan Agreement for the 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 applicable Series 2023 Notes 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 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 2023B Note, or Series 2023C 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 2023B Bonds and Series 2023C Bonds, on or before the 10<sup>th</sup> day of each month, commencing January 10, 2024, an amount which is equal to one-fifth of the interest to become due on May 15, 2024, and commencing June 10, 2024, 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 equal proportionate amount 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 shall be credited against the obligation of the Corporation to pay interest on the Bonds as the same becomes 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 fees and/or expenses of the Authority in connection with the issuance of the Bonds, including fees and disbursements of its counsel, and (ii) upon demand, all expenses, including attorneys’ fees and any expenses related to the calculation

of 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 2023B Note or Series 2023C 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 Project or 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. The Corporation shall direct in writing the Bond Trustee to make all payments required under Section 148(f) of the Internal Revenue Code and the Tax Agreement to the extent such funds are held with the Bond Trustee.

## **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 2023B Note, or Series 2023C 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 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 in accordance with the provisions thereof.

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 2023B Note or Series 2023C Note, as applicable, and the Loan Payments to be due and payable immediately pursuant to the Master Indenture (but the Series 2023B Note or Series 2023C 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 2023B Note or Series 2023C 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 2023B Note or Series 2023C 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 2023B Note or Series 2023C 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 2023B Note or Series 2023C 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 2023B Note or Series 2023C 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 Electronic Means, provided that failure to give such notice by telephone or Electronic Means 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 E**  
**FORMS OF OPINIONS OF BOND COUNSEL**

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**[FORM OF OPINION OF BOND COUNSEL – SERIES 2023B]**

December 14, 2023

Iowa Finance Authority  
Des Moines, Iowa

Herbert J. Sims & Co., Inc.  
Fairfield, Connecticut

U.S. Bank Trust Company, National Association,  
as Bond Trustee and Master Trustee  
Jacksonville, Florida

Goldman Sachs & Co. LLC  
San Francisco, California

Lifespace Communities, Inc.  
West Des Moines, Iowa

Re: \$82,140,000 aggregate principal amount of Iowa Finance Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2023B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Iowa Finance Authority (the “Authority”) of the above-captioned bonds (the “Bonds”), pursuant to Chapter 16 of the Code of Iowa, as amended (the “Act”), and a Bond Trust Indenture (Series 2023B), dated as of December 1, 2023 (the “Bond Indenture”), between the Authority and U.S. Bank Trust Company, 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 Series 2023B Note, and (d) the due authorization, execution and delivery of the Loan Agreement, the Tax Agreement and the Series 2023B 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 Series 2023B Note 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 of the State of Iowa 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 Series 2023B Note and from other amounts payable or pledged under the Loan Agreement. 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 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 Indenture, the Loan Agreement, the Tax Agreement and the Series 2023B 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,

**[FORM OF OPINION OF BOND COUNSEL – SERIES 2023C]**

December 14, 2023

Palm Beach County Health Facilities Authority  
Palm Beach Gardens, Florida

Herbert J. Sims & Co., Inc.  
Fairfield, Connecticut

U.S. Bank Trust Company, National Association,  
as Bond Trustee and Master Trustee  
Jacksonville, Florida

Goldman Sachs & Co. LLC  
San Francisco, California

Lifespace Communities, Inc.  
West Des Moines, Iowa

Re: \$29,595,000 aggregate principal amount of Palm Beach County Health Facilities Authority Revenue Bonds (Lifespace Communities, Inc.), Series 2023C

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Palm Beach County Health Facilities Authority (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 (Series 2023C) dated as of December 1, 2023 (the “Bond Indenture”), between the Authority and U.S. Bank Trust Company, 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 Series 2023C Note, and (d) the due authorization, execution and delivery of the Loan Agreement, the Tax Agreement and the Series 2023C 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 Series 2023C 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 Bonds 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 Series 2023C 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

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