

NEW ISSUE - Book-Entry Only

RATINGS: Fitch “BB+”

In the opinion of McCarter & English, LLP, Bond Counsel, under existing law assuming, among other matters, compliance with certain covenants, (i) interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, and (ii) interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Series 2017 Bonds and any profit on the sale of the Series 2017 Bonds are exempt from Massachusetts personal income taxes and the Series 2017 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds. See “TAX EXEMPTION” herein.

\$239,965,000*



MASSACHUSETTS DEVELOPMENT FINANCE AGENCY
Revenue Refunding Bonds,
NewBridge on the Charles, Inc. Issue, Series 2017



Dated: Date of Delivery

Due: As shown on the inside cover

Principal of and interest on the Massachusetts Development Finance Agency Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017 (the “Series 2017 Bonds”) will be paid by Wells Fargo Bank, National Association, as trustee and paying agent (the “Trustee”) under the Agreement (as defined herein) solely from the sources set forth therein. The Series 2017 Bonds will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2017 Bonds. Purchases of the Series 2017 Bonds will be made in book-entry form. Purchasers will not receive certificates representing their interests in the Series 2017 Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Series 2017 Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2017 Bonds. See “THE SERIES 2017 BONDS—Book-Entry-Only System” herein. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner, as more fully described herein.

The Series 2017 Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and will bear interest at the rates set forth on the inside cover, payable on each April 1 and October 1, commencing April 1, 2018.

The Series 2017 Bonds are subject to redemption prior to maturity, including optional redemption, mandatory sinking fund redemption and special redemption in certain circumstances, as set forth in this Official Statement.

The Series 2017 Bonds shall be special obligations of the Massachusetts Development Finance Agency (the “Agency”).

The Series 2017 Bonds shall be payable solely from the funds and Revenues, as defined in the Agreement, of NewBridge on the Charles, Inc. (the “Institution”), including payments to the Trustee for the account of the Agency by the Institution in accordance with the provisions of the Agreement. The payments pursuant to the Agreement are general obligations of the Institution. The Series 2017 Bonds are also secured by the Series 2017 Note (as defined herein) issued to the Trustee pursuant to the terms of an Amended and Restated Master Trust Indenture, dated as of December 1, 2017, amending and restating the Master Trust Indenture, dated as of December 1, 2007, and as amended and supplemented through and including the First Supplemental Indenture, dated as of December 1, 2017, between the Institution, on behalf of itself and as initial sole member of the Obligated Group (as defined herein), and Wells Fargo Bank, National Association, as master trustee (the “Master Trustee”). To further secure its obligation under the Agreement, the Institution has granted a mortgage on its property located in the Town of Dedham, Massachusetts and a lien on certain of its Revenues as described herein.

THE SERIES 2017 BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE AGENCY OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2017 BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE AGREEMENT. THE AGENCY HAS NO TAXING POWER UNDER MASSACHUSETTS GENERAL LAWS CHAPTERS 23G AND 40D, EACH AS AMENDED.

THE OFFER AND SALE OF THE SERIES 2017 BONDS IS LIMITED TO “QUALIFIED INSTITUTIONAL BUYERS” (AS DEFINED IN RULE 144A OF THE SECURITIES ACT OF 1933, AS AMENDED, THE “SECURITIES ACT”) OR TO “ACCREDITED INVESTORS” (AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT).

INVESTMENT IN THE SERIES 2017 BONDS IS HIGHLY SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. THERE IS NO PUBLIC MARKET FOR THE SERIES 2017 BONDS. THE SERIES 2017 BONDS ARE INTENDED ONLY FOR PURCHASE BY SOPHISTICATED INVESTORS CAPABLE OF BEARING THE ECONOMIC RISKS OF THE PURCHASE OF THE SERIES 2017 BONDS AND HAVING SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 2017 BONDS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2017 BONDS IS ADVISED TO READ “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS” AND “BONDOWNERS’ RISKS” HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2017 BONDS.

The Series 2017 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of their legality and certain other matters by McCarter & English, LLP, Boston, Massachusetts, Bond Counsel to the Agency. Certain legal matters will be passed upon for the Obligated Group and the Institution by their counsel, Nutter McClennen & Fish LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that the Series 2017 Bonds in definitive form will be available for delivery to DTC in New York, New York or its custodial agent on or about December __, 2017.

Herbert J. Sims & Co.

BofA Merrill Lynch

November __, 2017

* Preliminary, subject to change.

\$239,965,000*

MASSACHUSETTS DEVELOPMENT FINANCE AGENCY
Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS

\$ _____ Serial Bonds									
<u>Maturity</u> <u>October 1,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>	<u>Maturity</u> <u>October 1,</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP[†]</u>
	\$	%	%			\$	%	%	

\$ _____	_____	%	Term Bonds Due October 1, _____	Yield _____	%	CUSIP [†] _____
\$ _____	_____	%	Term Bonds Due October 1, _____	Yield _____	%	CUSIP [†] _____
\$ _____	_____	%	Term Bonds Due October 1, _____	Yield _____	%	CUSIP [†] _____
\$ _____	_____	%	Term Bonds Due October 1, _____	Yield _____	%	CUSIP [†] _____
\$ _____	_____	%	Term Bonds Due October 1, _____	Yield _____	%	CUSIP [†] _____

* Preliminary, subject to change.

† Copyright 2017, American Bankers Association. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers in this Official Statement have been assigned by an organization not affiliated with the Agency, the Obligated Group, the Institution, the Underwriters or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Series 2017 Bondowners and no representation is made as to the correctness of the CUSIP numbers herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Agency, the Obligated Group, the Institution, the Underwriters or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2017 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesperson or other person has been authorized by the Agency, the Obligated Group, the Institution or the Underwriters to give information or to make representations with respect to the Series 2017 Bonds, 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 by any person to sell or the solicitation by any person of an offer to buy, nor shall there be any sale of the Series 2017 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information contained herein has been obtained from the Obligated Group, the Institution, The Depository Trust Company and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Agency. 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 responsibility 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 and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

Notwithstanding the foregoing paragraph, the Obligated Group has agreed to enter into a Disclosure Agreement pursuant to which the Obligated Group will provide certain continuing disclosure. The purpose of the Disclosure Agreement is to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE” herein.

This Official Statement, including Appendix A, contains disclosures which include “forward-looking statements.” Forward-looking statements comprise all statements that do not relate solely to historical or current fact and can be identified by use of words like “pro forma”, “may”, “believe”, “will”, “expect”, “project”, “estimate”, “anticipate”, “plan”, “continue” or similar expressions. These forward-looking statements are based on the Institution’s management’s current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, that could significantly affect current plans and expectations and the Institution’s future financial position and results of operations. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of the Institution. Investors are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Official Statement, including Appendix A.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND NEITHER THE AGREEMENT NOR THE MASTER INDENTURE (AS DEFINED HEREIN) HAS BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS AND LAWS.

Wells Fargo Bank, National Association, is serving as Trustee for the Series 2017 Bonds and Master Trustee under the Master Indenture. Neither the Trustee nor the Master Trustee has reviewed or participated in the preparation of this Official Statement and neither assumes responsibility for the contents, accuracy, fairness or completeness of the information given in this Official Statement. Neither the Trustee nor the Master Trustee has a duty to, has undertaken to evaluate, and has evaluated, the risks, benefits, or propriety of any investment in the Series 2017 Bonds and makes no representation, and has reached no conclusions, regarding the investment quality of the Series 2017 Bonds, about all of which the Trustee and the Master Trustee express no opinion and expressly disclaim the expertise to evaluate.

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Village Center Entrance



Village Center Rear at Dusk



Courtyard



Apartments Exterior



Cottage Cluster



Assisted Living Entrance



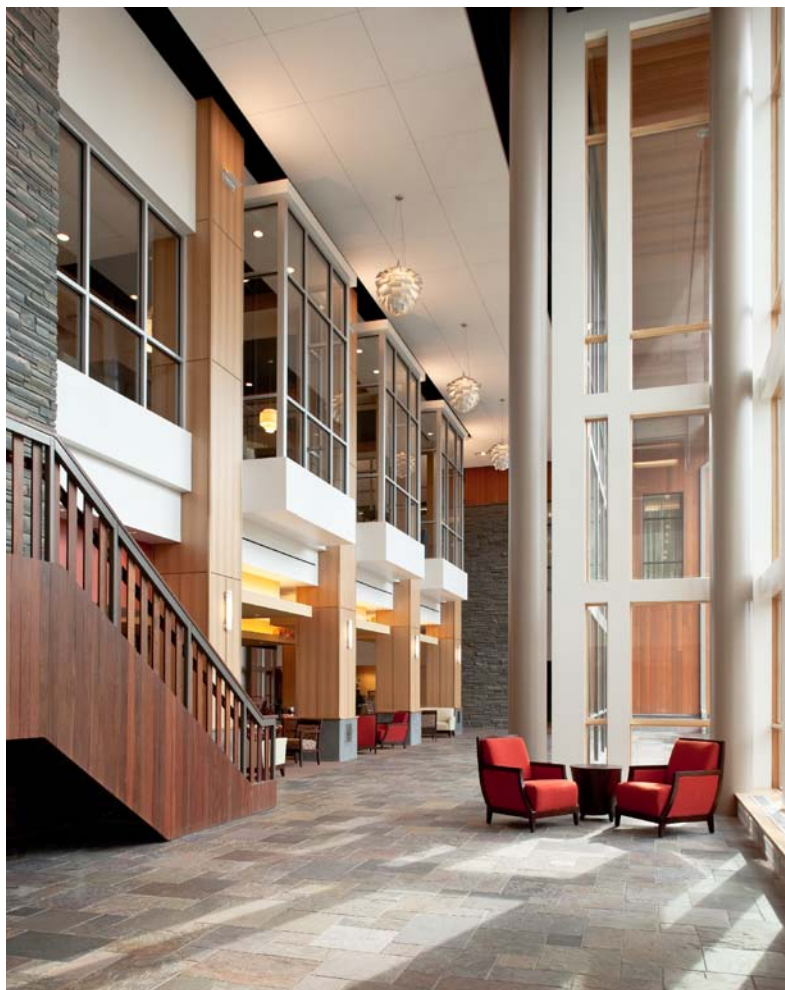
Centro Restaurant



Bistro



Lounge



Village Center Winter Garden



Library



Pool

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OFFICIAL STATEMENT

Relating to

\$239,965,000*

**MASSACHUSETTS DEVELOPMENT FINANCE AGENCY
Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017**

INTRODUCTION

Purpose of this Official Statement. The purpose of this Official Statement is to set forth certain information concerning the Massachusetts Development Finance Agency (the “Agency”), NewBridge on the Charles, Inc. (the “Institution”) and the \$239,965,000* Massachusetts Development Finance Agency Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017 (the “Series 2017 Bonds”). The Series 2017 Bonds are being issued under the Loan and Trust Agreement, dated as of December 1, 2017 (the “Agreement”), by and among the Agency, the Institution and Wells Fargo Bank, National Association, as trustee (in such capacity, the “Trustee”). The Series 2017 Bonds are to be issued in accordance with the provisions of Massachusetts General Laws Chapter 23G and 40D, each, as amended from time to time (the “Act”) and the Agreement. The information contained in this Official Statement is provided for use in connection with the initial sale of the Series 2017 Bonds. The definitions of certain capitalized terms used and not otherwise defined herein are contained in Appendix D-1 -“DEFINITIONS OF CERTAIN TERMS.”

Plan of Finance. The proceeds from the sale of the Series 2017 Bonds and certain other available moneys will be used to finance and refinance the following: (i) the current refunding of all or a portion of the \$177,106,407 outstanding principal amount of the Agency’s Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2014A (the “Series 2014A Bonds”) and all or a portion of the \$52,901,914 outstanding principal amount of the Agency’s Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2014B (the “Series 2014B Bonds” and, together with the Series 2014A Bonds, the “Series 2014 Bonds”), (ii) the current refunding of all or a portion of the \$7,836,000 outstanding principal amount of a term loan (the “2014 Term Loan” and together with the Series 2014 Bonds, the “Refunded Bonds”), (iii) pay certain costs associated with the termination of an interest rate swap, (iv) fund a debt service reserve fund for the Series 2017 Bonds, and (v) pay certain costs of issuance in connection with the Series 2017 Bonds.

A more detailed description of the use of the proceeds from the sale of the Series 2017 Bonds and the use of certain other moneys, including approximate amounts and purposes, is included herein under “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The offer and sale of the Series 2017 Bonds is limited to “Qualified Institutional Buyers” (as defined in Rule 144A of the Securities Act of 1933, as amended, the “Securities Act”) or to “Accredited Investors” (as defined in Rule 501(a) under the Securities Act.)

* Preliminary, subject to change.

Financial Feasibility Study. Management of the Institution's financial forecast, 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 appearing in Appendix C. Such report, together with such Financial Feasibility Study, is referred to herein as the "Financial Feasibility Study." **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.** Please see the Financial Feasibility Study included herein as Appendix C, which should be read in its entirety, including management's summary of significant forecast assumptions and accounting policies set forth therein.

The table below reflects the forecasted funds available for debt service and other financial ratios for the three fiscal years ending September 30, 2018 through 2020, inclusive, and has been extracted from the Institution's management's financial forecast included in the Financial Feasibility Study. For purposes of calculating debt service requirements in the table below the Series 2017 Bonds are assumed to (a) be issued as fixed rate bonds, in the aggregate principal amount of \$239,965,000 plus an original issue premium of \$8,615,298; (b) have a final maturity of October 1, 2057; and (c) bear interest at a weighted average rate of 4.95%. See Appendix C – "FINANCIAL FEASIBILITY STUDY – Summary of Significant Forecast Assumptions and Accounting Policies."

(in thousands)

DEBT SERVICE COVERAGE RATIOS

	2018	2019	2020
Change in Unrestricted Net Deficiency	\$(6,982)	\$(11,981)	\$(12,329)
Add:			
Depreciation	15,989	16,399	16,729
Write-off of Prior Issuance Costs	979	-	-
Entrance Fees, Net of Refunds	10,340	11,214	12,308
Interest Expense	11,450	11,742	11,635
Change in Value of Obligation to Provide Future Services	1,101	-	-
Remove:			
Earned Entrance Fees	(2,400)	(2,297)	(2,183)
Equity Transfer from Related Party	(6,000)	-	-
Change in Value of Interest Rate Swap	(135)	-	-
Income Available for Debt Service	\$24,342	\$25,077	\$26,160
Maximum Annual Debt Service Requirement ⁽¹⁾	\$13,983	\$13,983	\$13,983
Debt Service Coverage Ratio	1.74	1.79	1.87
Income Available for Debt Service, Excluding Entrance Fees, Net of Refunds	\$14,002	\$13,863	\$13,852
Debt Service Coverage Ratio - Revenue Basis ⁽²⁾	1.00	0.99	0.99

DAYS CASH ON HAND

	2018	2019	2020
Cash and Cash Equivalents	\$19,739	\$20,485	\$21,206
Investments	31,899	34,744	39,592
Total	\$51,638	\$55,229	\$60,798
Operating Expenses - The Corporation ⁽³⁾	\$43,993	\$45,422	\$46,500
Operating Expenses - Chronic Hospital Beds ^{(3) (4)}	28,625	29,484	30,369
Subtotal	\$72,618	\$74,906	\$76,869
Divided by 365 Days	365	365	365
Daily Operating Expenses	\$199.0	\$205.2	\$210.6
Days Cash on Hand	260	269	289

(1) Represents the maximum annual debt service relating to the Series 2017 Bonds.

(2) Included for informational purposes only.

(3) Includes all operating expenses, less depreciation and amortization.

(4) Pursuant to the Lease Agreement, Hebrew Rehabilitation Center operates 220 Chronic Hospital Beds. Under the HRC Lease, the net operations are reflected as HRC Lease by the Institution. This line item reflects the operating expenses of the Chronic Hospital Beds.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS

General

The Series 2017 Bonds are equally and ratably secured by, and are issued pursuant to, the Agreement. The Agreement requires the Institution to make payments that, together with other available moneys therefor, will be sufficient to pay the principal of, premium, if any, and interest on all outstanding Series 2017 Bonds under the Agreement, when due. As security for the Institution's obligation to make payments under the Agreement, the Institution, and any future members from time to time of the Obligated Group (collectively, the "Members of the Obligated Group") has pledged its Collateral, as described below, pursuant to the Master Indenture (as defined herein). As further security for the Series 2017 Bonds, the Institution has granted a mortgage on its primary campus, as described below.

Loan and Trust Agreement

The Agency, the Institution and the Trustee will execute the Agreement, which provides that to the extent permitted by law, it is a general obligation of the Institution and that the full faith and credit of the Institution are pledged to its performance. With respect to the Series 2017 Bonds, the Agreement also provides, among other things, that the Institution will make payments to the Trustee equal to the principal or sinking fund installments, as the case may be, and interest on the Series 2017 Bonds and certain other payments required by the Agreement. The Agreement will remain in full force and effect until such time as all of the Series 2017 Bonds and the interest thereon have been fully paid or until adequate provision for such payments has been made.

The Agreement requires that the Institution pay to the Trustee for deposit in the Debt Service Fund no later than the opening of business on the Business Day next preceding the date on which a payment of principal (including sinking fund installments) or interest is due, an amount available on such payment date equal to such payment less the amount, if any, in the Debt Service Fund and available therefor. Appropriate adjustments shall be made to reflect the date of issue of the Series 2017 Bonds, the accrued interest deposited in the Debt Service Fund, and any purchase or redemption of the Series 2017 Bonds. The Trustee shall make transfers from the Debt Service Fund in amounts and at times necessary to provide for debt service payments on the Series 2017 Bonds.

Under the Agreement, the Agency assigns and pledges to the Trustee in trust upon the terms of the Agreement (i) all Revenues to be received from the Institution or derived from any security provided under the Agreement, (ii) all rights to receive such Revenues and the proceeds of such rights, (iii) all funds and investments held from time to time in the funds established under the Agreement, and (iv) all of the Agency's right, title and interest in the Agreement, including enforcement rights and remedies but excluding certain rights of indemnification and to reimbursement of certain expenses set forth in the Agreement. See Appendix D-1 - "DEFINITIONS OF CERTAIN TERMS" for the definition of "Revenues."

The assignment and pledge by the Agency does not include (i) the rights of the Agency pursuant to provisions for consent, concurrence, approval or other action by the Agency, notice to the Agency or the filing of reports, certificates or other documents with the Agency, (ii) the right of the Agency to any payment or reimbursement pursuant to certain carve outs in the Agreement, or (iii) the powers of the Agency as stated in the Agreement to enforce the provisions thereof.

The Series 2017 Bonds are special obligations of the Agency, equally and ratably secured by and payable from a pledge of and lien on, to the extent provided by the Agreement, the moneys received with respect to the Series 2017 Bonds by the Trustee for the account of the Agency pursuant to the Agreement, whether such moneys are received as Revenues paid or caused to be paid by the Institution pursuant to the Agreement.

Debt Service Reserve Fund. The Agreement provides that a Debt Service Reserve Fund will be established for the Series 2017 Bonds. Amounts on deposit in the Debt Service Reserve Fund are available to pay principal (including sinking fund installments) and interest on the Series 2017 Bonds, and to meet deficiencies in the Rebate Fund, if any. The Debt Service Reserve Fund will be funded with cash and securities constituting Permitted Investments as provided in the Agreement. See Appendix D-4 - “SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT” under the heading “Debt Service Reserve Fund.”

The Agreement contains provisions permitting the issuance of additional Indebtedness on a parity with the Series 2017 Bonds by the Institution. See “ADDITIONAL PARITY INDEBTEDNESS” and Appendix D-4 “SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT” under the heading “Additional Indebtedness.”

THE SERIES 2017 BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE AGENCY OR A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF MASSACHUSETTS. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2017 BONDS ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THEIR PAYMENT UNDER THE AGREEMENT. THE AGENCY HAS NO TAXING POWER UNDER MASSACHUSETTS GENERAL LAWS CHAPTERS 23G AND 40D, EACH AS AMENDED.

Series 2017 Note and the Master Indenture

The Series 2017 Bonds will also be secured by the Series 2017 Note (the “Series 2017 Note”) registered in the name of the Trustee and issued under the Amended and Restated Master Trust Indenture dated December 1, 2017, amending and restating the Master Trust Indenture, dated as of December 1, 2007, as amended and supplemented through and including the First Supplemental Indenture, dated as of December 1, 2017 (the “Supplemental Master Indenture” and, as amended, restated and supplemented, the “Master Indenture”), between the Institution, as the initial and sole Member of the Obligated Group, and Wells Fargo Bank, National Association, as master trustee (the “Master Trustee”). Under the Master Indenture, the Series 2017 Note will have a parity interest with all other additional Obligations Outstanding at any time under the Master Indenture (on the date of closing, it is expected that the Series 2017 Note will be the only Outstanding Obligation under the Master Indenture) in the Collateral (defined below) of each Member of the Obligated Group and in the mortgage lien granted on the Mortgaged Property (defined below) pursuant to the Mortgage, Security Agreement and Fixture Filing made as of December 1, 2007 between the Obligated Group and the Master Trustee, as amended by and through that certain Second Amendment to Mortgage, Security Agreement and Fixture Filing dated as of December 1, 2017 related to the Mortgaged Property and as amended further from time to time (the “Mortgage”). No real property other than the Mortgaged Property is pledged to secure the Series 2017 Note. See “Mortgaged Property” below.

The Series 2017 Note is subject to the same payment and prepayment terms as the Institution’s obligations with respect to the Series 2017 Bonds under the Agreement. The Series 2017 Note and the Master Indenture pursuant to which the Series 2017 Note is issued provide that the Obligated Group shall

receive credit, to the extent, in the manner and with the effect provided in the Supplemental Master Indenture, for payments of principal of, premium, if any, or interest required on the Series 2017 Note in amounts equal to (i) amounts paid under the Agreement for the payment of principal of, premium, if any, or interest on the Series 2017 Bonds and (ii) Series 2017 Bonds purchased and delivered to the Trustee. The Master Indenture provides that any obligation issued thereunder, such as the Series 2017 Note, is a joint and several obligation of all sources of revenue available to each Member of the Obligated Group and a general obligation of each Member of the Obligated Group, payable from any and all sources of revenue available to each Member of the Obligated Group. The provisions of the Master Indenture concerning the addition or withdrawal of a Member of the Obligated Group are summarized in Appendix D-2 - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE" under the headings, "Additional Obligated Issuers", and "Release of Obligated Issuers," respectively.

As of the date of issuance of the Series 2017 Bonds, the Obligated Group's sole member is the Institution. See "THE OBLIGATED GROUP" herein.

Collateral Pledge

As provided in the Master Indenture, the Institution shall grant to the Master Trustee a first lien on all of its Collateral as security for its obligation to make payments under all Obligations issued under the Master Indenture, including the Series 2017 Note. Collateral is defined in the Master Indenture as tangible and intangible personal property of the Members of the Obligated Group, whether now owned or hereafter existing or owned by any Member of the Obligated Group, or in which any Member of the Obligated Group may now have or hereafter acquire an interest, and wherever located, including, without limitation, all of the following: all Receivables, receipts, revenues, income and other moneys received by or on behalf of an Obligated Issuer, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, including, without limitation, all Accounts, As-Extracted Collateral, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Farm Products, Fixtures, General Intangibles, Goods (including, without limitation, Inventory and Equipment), Instruments, Investment Property and Letter of Credit Rights, including all independent living residency agreements, assisted living residency agreements, memory support residency agreements, nursing care admission agreements and other agreements (collectively, "Residency Agreements") under which individuals ("Residents") occupy independent living units, assisted living units, memory support units, nursing beds and/or receive assistance, memory support care, nursing care or other care and services at the Mortgaged Property; and all receipts, revenues, rents, entrance fees, monthly service fees, payments, income and other moneys and accounts received or receivable from Residency Agreements, Residents, third-party payors or any other source in connection with the ownership or the operation of all or any part thereof, and all next revenues, receipts and receivables under any Interest Rate Hedge, together with all information, data, files, writings, correspondence, books and records (including, without limitation, all electronically recorded data) relating to Collateral and all liens, guaranties, securities, rights, remedies and privileges pertaining to, and all Proceeds and products of Collateral (in all cases whether presently owned or hereafter acquired); provided, however, that Collateral shall not include gifts, grants, bequests, donations and contributions heretofore or hereafter made which are designated at the time of the making thereof by the donor or maker as being for certain specified dedicated purposes, and the income therefrom, to the extent required by such designation.

The enforcement of the lien on Collateral may be subject to a preference claim under the Bankruptcy Code and to the exercise of discretion by a court of equity which, under certain circumstances, may have power to direct the use of such receipts to meeting expenses of the Institution before paying debt service. See "BONDOWNERS' RISKS – Enforceability of the Lien on Collateral".

In addition, to the extent Collateral includes accounts receivable and the proceeds thereof under the Medicare and Medicaid programs, the assignment of such accounts and proceeds to the Trustee may violate federal regulations concerning the assignability of such accounts and hence be unenforceable.

Mortgaged Property

Concurrently with the issuance of the Refunded Bonds, pursuant to the Mortgage, the Institution granted a mortgage lien on its 162-acre primary campus located in the Town of Dedham, Massachusetts (the “Mortgaged Property”).

No real property other than the Mortgaged Property is pledged to secure the Series 2017 Note.

THE AGENCY

The Agency is authorized and empowered under the laws of the Commonwealth, including the Act, to issue the Series 2017 Bonds for the purposes described herein and to enter into the Agreement and other agreements and instruments necessary to issue and secure the Series 2017 Bonds.

The Members of the Board of Directors and the officers of the Agency authorized to sign documents related to bond transactions are as follows:

Members of the Board of Directors:

Ex-Officio Members

Chairperson, Secretary of the Executive Office of Housing & Economic Development, The Commonwealth of Massachusetts.

Secretary, the Executive Office for Administration & Finance, The Commonwealth of Massachusetts, or the Secretary’s designee.

Appointed Members

James W. Blake, President & CEO, HarborOne Bank

James E. Chisholm, Vice President for Business Development, Advantage Waypoint

Karen Grasso Courtney, President, K. Courtney and Associates, Inc., and Executive Director, The Foundation for Fair Contracting of Massachusetts

Grace K. Fey, CFA, Grace Fey Advisors, LLC

Brian Kavoogian, Principal, Charles River Realty Advisors

Patricia McGovern, Consultant, formerly General Counsel and Senior Vice President at Beth Israel Deaconess Medical Center (retired)

Juan Carlos Morales, Founder and Managing Director, Surfside Capital Advisors

Christopher P. Vincze, Chairman and CEO, TRC Solutions, Inc.

There is one vacancy on the Board of Directors.

Officers of the Agency:

Lauren A. Liss, President and Chief Executive Officer

Simon R. Gerlin, Treasurer, Chief Financial Officer and Executive Vice President for Finance & Administration

Laura L. Canter, Executive Vice President for Finance Programs

Richard C.J. Henderson, Executive Vice President for Real Estate

Patricia A. DeAngelis, General Counsel and Secretary

Steven J. Chilton, Senior Vice President, Investment Banking
(Mr. Chilton has signing authority for bond transactions only.)

Except for the information contained herein under the captions “THE AGENCY” and “LITIGATION” insofar as it relates to the Agency, the Agency has not provided any of the information contained in this Official Statement. The Agency is not responsible for and does not certify as to the accuracy or sufficiency of the disclosures made herein or any other information provided by the Obligated Group, the Institution, the Underwriters or any other person.

McCarter & English, LLP, attorneys of Boston, Massachusetts, are serving as Bond Counsel to the Agency and will submit their approving opinion as Bond Counsel with regard to the legality of the Series 2017 Bonds in substantially the form attached hereto as Appendix E.

THE OBLIGATED GROUP

The Institution is currently the sole member of the Obligated Group.

The Institution is a Massachusetts not-for-profit corporation, headquartered in Boston, Massachusetts. The Institution’s parent, and sole corporate member, is Hebrew SeniorLife, Inc. (“HSL”). The Institution and HSL are each exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code. The Institution consists of 256 independent living units, 91 assisted living suites and a 268-bed health center that includes 220 chronic care beds and 48 skilled nursing beds. Set on a 162-acre campus in Dedham, Massachusetts, the Institution provides a full continuum of care for its residents including independent living, memory care and long-term chronic care.

See Appendix A for more information on the Institution.

THE SERIES 2017 BONDS

Description of the Series 2017 Bonds

The Series 2017 Bonds will be dated their date of issuance and will bear interest from such date, payable on April 1, 2018 and on each April 1 and October 1 thereafter at the rates set forth on the inside cover page hereof and will mature on October 1 of the indicated years and in the principal amounts set forth on the inside cover page hereof.

Subject to the provisions discussed under “THE SERIES 2017 BONDS – Book-Entry-Only System” below, the Series 2017 Bonds are issuable as fully registered bonds without coupons in the minimum denomination of \$100,000 each or any multiple of \$5,000 in excess thereof. Principal or redemption premium, if any, of the Series 2017 Bonds will be payable at the principal corporate trust office of the Trustee, and interest on the Series 2017 Bonds will be paid by check or draft mailed to the registered owner as of the first day of the month in which the interest is to be paid (the “Record Date”), or by wire transfer as provided in the Agreement.

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Principal, Sinking Fund Installments, and Interest Requirements

The following table sets forth, for each respective year ending October 1, the amounts required to be made available by the Institution in such year for payment of the principal of and sinking fund installments on the Series 2017 Bonds, interest on the Series 2017 Bonds, total debt service on the Series 2017 Bonds in such year along with debt service obligations on the Series 2017 Bonds and total debt service obligations of the Institution. The table excludes debt service on the Refunded Bonds which are to be redeemed following the issuance of the Series 2017 Bonds. Columns may not add to total due to rounding.

Year Ending October 1	Series 2017 Bonds			
	Principal and Sinking Fund Installments	Interest	Debt Service	Total Debt Service

TOTAL

Redemption of the Series 2017 Bonds*

The Series 2017 Bonds (except the Series 2017 Bonds maturing on or before October 1, 20__, which are not subject to redemption prior to maturity unless redeemed pursuant to the special redemption provisions described below) are redeemable prior to maturity beginning on October 1, 20__, at the option of the Institution by the written direction of the Institution to the Agency and the Trustee, as a whole or in part at any time in such order of maturity or sinking fund installments as directed by the Institution at 100% of their principal amount, plus accrued interest to the redemption date, plus a redemption premium equal to the following:

<u>Redemption Date</u>	Redemption Premium (calculated as a percent of principal redeemed <u>at</u> <u>the time of such redemption</u>)
October 1, 2022 – September 30, 2023	5.00%
October 1, 2023 – September 30, 2024	4.00%
October 1, 2024 – September 30, 2025	3.00%
October 1, 2025 – September 30, 2026	2.00%
October 1, 2026 – September 30, 2027	1.00%
October 1, 2027 and thereafter	0.00%

The Institution shall pay the redemption price for the Series 2017 Bonds called for redemption directly to the Trustee.

Mandatory Sinking Fund Redemption of the Series 2017 Bonds. The Series 2017 Bonds maturing on October 1, ____, ____, ____, ____ and ____ are subject to mandatory sinking fund redemption, without premium, plus accrued interest to their redemption dates on October 1 of each of the years and in the amounts as follows:

<u>Term Bond Due</u>			
<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>

* Maturity.

* Preliminary, subject to change.

<u>Term Bond Due</u>			
<u>Year</u>	Sinking Fund <u>Installment</u>	<u>Year</u>	Sinking Fund <u>Installment</u>

* Maturity.

<u>Term Bond Due</u>			
<u>Year</u>	Sinking Fund <u>Installment</u>	<u>Year</u>	Sinking Fund <u>Installment</u>

* Maturity.

<u>Term Bond Due</u>			
<u>Year</u>	Sinking Fund <u>Installment</u>	<u>Year</u>	Sinking Fund <u>Installment</u>

* Maturity.

<u>Term Bond Due</u>			
<u>Year</u>	Sinking Fund <u>Installment</u>	<u>Year</u>	Sinking Fund <u>Installment</u>

* Maturity.

The Institution may purchase Series 2017 Bonds of any maturity and credit them against the principal payment for such maturity or, as the case may be, any sinking fund installment for such maturity at the principal amount or applicable redemption price, as the case may be, by delivering them to the Trustee for cancellation at least sixty (60) days before the principal payment date or sinking fund installment date.

Special Redemption of the Series 2017 Bonds. Under the special redemption provisions of the Agreement, if moneys are transferred to the Redemption Fund pursuant to the Agreement, such moneys (and earnings thereon) must be used to redeem the Series 2017 Bonds within one (1) year, except to the extent transferred to the Debt Service Fund. The Series 2017 Bonds are subject to redemption pursuant to the Agreement as a whole or in part at any time, in such order of maturity or sinking fund installments, if any, as directed by the Institution (provided that, if less than all of the Outstanding Series 2017 Bonds of any maturity or sinking fund installment shall be called for redemption, the Series 2017 Bonds to be so redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee), at their principal amounts plus accrued interest to the redemption date. If the amount

available in the Redemption Fund to redeem the Series 2017 Bonds at any time is less than \$50,000, the Trustee may, and upon written direction of the Institution shall, transfer it to the Debt Service Fund for credit against deposits otherwise required to be made therein with respect to principal instead of calling the Series 2017 Bonds for redemption. See Appendix D-4 - "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT" under the heading "Redemption of the Bonds."

Selection of the Series 2017 Bonds for Redemption. If less than all the Series 2017 Bonds of a maturity are to be redeemed, the portion of the Series 2017 Bonds to be redeemed shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee; provided, however, that so long as DTC (as hereinafter defined) or its nominee is the Bondowner, the particular Series 2017 Bonds or portions of the Series 2017 Bonds of such maturity to be redeemed shall be selected by DTC in such manner as DTC may determine.

Purchase in Lieu of Redemption. Any Series 2017 Bonds called for optional redemption may, at the option of the Institution, be purchased in lieu of redemption by the Institution or by a person designated by the Institution on the redemption date at a price equal to the redemption price thereof. No purchase of Series 2017 Bonds shall be deemed to be a payment or redemption of the Series 2017 Bonds or a portion thereof, and such purchase shall not operate to extinguish or discharge the Indebtedness evidenced by the Series 2017 Bonds.

Mandatory Redemption Upon Determination of Taxability. The Series 2017 Bonds are subject to mandatory redemption in the event of a Determination of Taxability, on a date determined by the Agency which is within one hundred twenty (120) days after such Determination of Taxability, as a whole, or in part if such partial redemption will preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2017 Bonds not being redeemed, at a Redemption Price equal to: (a) if such Determination of Taxability was the result of any action or inaction on the part of the Institution, the higher of (i) 105% of the principal amount of the Series 2017 Bonds to be redeemed, and (ii) the sum of 100% of the principal amount of the Series 2017 Bonds to be redeemed and the unamortized bond premium thereon (such amount to be calculated by the Agency or the Bondholders and delivered to the Trustee in writing), or (b) if the Determination of Taxability was not the result of any action or inaction by the Institution, 100% of the principal amount of the Series 2017 Bonds to be redeemed, in each case plus accrued interest to the redemption date.

Acceleration. In addition to the foregoing redemption provisions, the Trustee may, upon the occurrence of an Event of Default, as defined in the Agreement, by written notice to the Institution and the Agency, declare immediately due and payable the principal amount of the Outstanding Series 2017 Bonds and the payments to be made by the Institution therefor, and accrued interest on the foregoing, whereupon the same shall become immediately due and payable without any further action or notice at par prior to maturity. See Appendix D-4 - "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT" under the heading "Remedies for Events of Default."

Notice of Redemption. When the Series 2017 Bonds are to be redeemed, the Trustee will give notice in the name of the Agency, which notice should identify the Series 2017 Bonds to be redeemed, state the date fixed for redemption, may state that a proposed optional redemption is conditioned on there being on deposit in the Redemption Fund on the redemption date sufficient money to pay the full redemption price of the Series 2017 Bonds redeemed and state that such Series 2017 Bonds will be redeemed at the corporate trust office of the Trustee. The notice will state that, subject to the conditionality of the notice, on such date there will become due and payable upon each Series 2017 Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and

that moneys therefor having been deposited with the Trustee, from and after such date, interest thereon shall cease to accrue. The Trustee will mail the redemption notice not more than forty five (45) nor less than twenty (20) days prior to the date fixed for redemption, to the Owners of any Series 2017 Bonds which are to be redeemed, at their addresses shown on the registration books maintained by the Trustee, and to the principal office of the managing underwriter of the Series 2017 Bonds. Failure to mail notice to a particular Bondowner, or any defect in the notice to such Bondowner, will not affect the redemption of any other Series 2017 Bond. Failure to mail notice to the managing underwriter, or any defect in the notice to them, will not affect the redemption of any Series 2017 Bond.

Effect of Redemption. On the redemption date, the redemption price of each Series 2017 Bond to be redeemed will become due and payable, subject to any conditionality; and from and after such date, notice having been properly given and amounts having been made available and set aside from such redemption in accordance with the provisions of the Agreement, notwithstanding that any Series 2017 Bonds called for redemption have not been surrendered, no further interest will accrue on any Series 2017 Bonds called for redemption.

Amendments to the Agreement

The Agreement may be amended by the parties without the Bondowners consent for any of the following purposes: (a) to provide for the issuance of Additional Indebtedness pursuant to the Agreement, (b) to subject additional property to the lien of the Agreement, (c) to provide for the establishment or amendment of a book entry system of registration for any Series 2017 Bonds through a securities depository (which may or may not be DTC), (d) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, or (e) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Series 2017 Bonds.

During any period in which an Event of Default has occurred and is continuing under the Agreement, the Agreement may be amended with the written consent of the Owners of not less than 80% of the principal amount of the Outstanding Series 2017 Bonds to: (i) modify the Series 2017 Bond maturities and (ii) reduce the amount of principal of, interest on or redemption price of the Series 2017 Bonds.

Unless an Event of Default under the Agreement has occurred or is continuing, the Agreement may be amended with the written consent of 100% of the Owners of the Outstanding Series 2017 Bonds to: (i) modify the Series 2017 Bond maturities, (ii) reduce the amount of principal of, interest on or redemption price of the Series 2017 Bonds, (iii) reduce the priority of lien, and (iv) reduce the percentage required to amend.

The Agreement may be amended by the parties with the written consent of a majority of the Owners of Outstanding Series 2017 Bonds: (a) to subject additional property to the lien of the Agreement, (b) to provide for the establishment or amendment of a book entry system of registration for the Series 2017 Bonds through a securities depository (which may or may not be DTC), (c) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, or (d) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Series 2017 Bonds. See Appendix D-4 - "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT" under the heading "Amendment."

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with Direct Participants, “DTC Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2017 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2017

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.

Redemption notices will be sent to DTC. If less than all of the Series 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 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 Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2017 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 Agency or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Underwriters, the Trustee or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2017 Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2017 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Direct or Indirect Participant acquires an interest in the Series 2017 Bonds, as nominee, may desire to make arrangements with such Direct or Indirect Participant to receive a credit balance in the records of such Direct or Indirect Participant, and may desire to make arrangements

with such Direct or Indirect Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Direct or Indirect Participant and to have notification made of all interest payments. NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2017 BONDS.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee for DTC, references herein to the Bondowners or registered owners of the Series 2017 Bonds (other than under the caption "TAX EXEMPTION" herein) means Cede & Co., as aforesaid, and does not mean the Beneficial Owners of the Series 2017 Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the Trustee to DTC only.

For every transfer and exchange of Series 2017 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

NONE OF THE AGENCY, THE TRUSTEE, THE OBLIGATED GROUP, THE INSTITUTION OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2017 BONDS UNDER THE AGREEMENT; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2017 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2017 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2017 BONDS; OR (VI) ANY OTHER MATTER.

No Responsibility of the Agency, the Obligated Group, the Institution and the Trustee

NONE OF THE AGENCY, THE OBLIGATED GROUP, THE INSTITUTION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2017 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE SERIES 2017 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2017 BONDS.

Certificated Bonds

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Agency and the Trustee. In addition, the Agency may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, the Bond certificates will be delivered as described in the Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the Series 2017 Bonds may be exchanged for an equal aggregate principal amount Series 2017 Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Series 2017 Bond may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of Series 2017 Bonds, the Agency and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such change or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Series 2017 Bonds. The Trustee will not be required to transfer or exchange any Series 2017 Bond during the notice period preceding any redemption if such Series 2017 Bond (or any part thereof), is eligible to be selected or has been selected for redemption.

DEBT SERVICE COVERAGE RATIO AND LIQUIDITY COVENANTS

The Institution agrees to use its best efforts to maintain the Debt Service Coverage Ratio (as defined in the Agreement as a ratio of Income Available for Debt Service to Maximum Annual Debt Service) for the Fiscal Year ending September 30, 2018 to be at least 1.10 and for each Fiscal Year ending September 30, 2019 and thereafter to be at least 1.20 and to maintain not less than 125 Days' Cash on Hand (the "Liquidity Covenant") to be measured semiannually and tested annually at the end of each of the Institution's Fiscal Years commencing September 30, 2018.

Debt Service Coverage Ratio

If the Institution fails to meet the Debt Service Coverage Ratio requirement set forth in the Agreement, but the Debt Service Coverage Ratio is in excess of 1.00, the Institution shall be required to prepare and submit a management report to the Trustee outlining the reasons for the deficiency and a corrective action plan to bring the Debt Service Coverage Ratio back to the required levels. If the Institution shall fail to meet the Debt Service Coverage Ratio requirement set forth in the Agreement and the Debt Service Coverage Ratio is less than 1.00, the Institution shall employ a Management Consultant to review and analyze the operations and administration of the Institution and submit to the Institution and the Trustee written reports, and make such recommendations as to the operation and administration of the Institution as such Management Consultant deems appropriate, including any recommendation regarding the actions necessary to be taken to bring the Debt Service Coverage Ratio requirement back to the required levels. The Institution shall consider any recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the board of directors of the Institution) and permitted by law. The Trustee has no duty or obligation to review such reports and recommendations, and shall retain such reports and recommendations solely as a repository for the Beneficial Owners of the Series 2017 Bonds. If the Institution fails to achieve a Debt Service Coverage Ratio of at least 1.00 for two consecutive Fiscal Years, it shall constitute an Event of Default under the Agreement.

Liquidity Covenant

If the Institution shall fail to meet the Liquidity Covenant set forth in the Agreement, the Institution shall employ a Management Consultant to review and analyze the operations and administration of the Institution and submit to the Institution and the Trustee written reports, and make such recommendations as to the operation and administration of the Institution as such Management Consultant deems appropriate, including any recommendation regarding the actions necessary to be taken to bring the Liquidity Covenant back to the required levels in future testing periods. The Institution shall consider any recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the board of directors of the Institution) and permitted by law. The Trustee has no duty or obligation to review such reports and recommendations, and shall retain such reports and recommendations solely as a repository for the Beneficial Owners of the Series 2017 Bonds. It shall not constitute an Event of Default under the Agreement if the Liquidity Covenant is not met.

For more complete descriptions of the Debt Service Coverage Ratio and the Liquidity Covenant, see Appendix D-4 - "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT" under the headings "Debt Service Coverage Ratio" and "Liquidity Covenant," respectively.

ADDITIONAL PARITY INDEBTEDNESS

The Agreement permits, in certain instances, the Institution to incur Additional Indebtedness secured by a lien on a parity with the Series 2017 Bonds. The incurrence of Additional Indebtedness is subject to certain conditions, including compliance with the Agreement's limits on Long-Term Indebtedness. For additional information concerning such limits and the methodology used for forecasting debt service requirements on certain types of Indebtedness, see Appendix D-4 - "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT" under the heading "Additional Indebtedness."

PLAN OF FINANCE

The Project

The proceeds from the sale of the Series 2017 Bonds and certain other available moneys will be used to finance and refinance the following: (i) the current refunding of all or a portion of the outstanding principal amount of the Refunded Bonds, (ii) fund certain cost associated with the termination of an interest rate swap, (iii) fund a debt service reserve fund for the Series 2017 Bonds, and (iv) pay certain costs of issuance in connection with the Series 2017 Bonds.

The Refunded Bonds

Concurrently with the issuance of the Series 2017 Bonds, the Obligated Group will cause the deposit of a portion of the proceeds thereof with Wells Fargo Bank, National Association in its capacity as escrow agent for the Refunded Bonds. The Refunded Bonds are expected to be redeemed upon the issuance of the Series 2017 Bonds at a redemption price equal to 100% of the principal amount thereof and will remain outstanding until their date of redemption.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2017 Bonds, together with certain other available moneys, are expected to be applied as follows:

Sources of Funds

Principal Amount of the Series 2017 Bonds
Net Original Issue [Premium/Discount].....
Total Sources of Funds.....

Uses of Funds

Deposit for Refunding
Deposit for Swap Termination
Debt Service Reserve Fund
Costs of Issuance ¹
Total Uses of Funds

¹ Estimated amount to provide for Underwriters' discount, legal, consulting and printing fees and associated bond issuance costs related to the Series 2017 Bonds.

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BONDOWNERS' RISKS

INVESTMENT IN THE SERIES 2017 BONDS IS HIGHLY SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. THERE IS NO PUBLIC MARKET FOR THE SERIES 2017 BONDS. THE SERIES 2017 BONDS ARE INTENDED ONLY FOR PURCHASE BY SOPHISTICATED INVESTORS CAPABLE OF BEARING THE ECONOMIC RISKS OF THE PURCHASE OF THE SERIES 2017 BONDS AND HAVING SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 2017 BONDS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2017 BONDS IS ADVISED TO READ "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 BONDS" HEREIN AND THIS SECTION ENTITLED "BONDOWNERS' RISKS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2017 BONDS.

THE OFFER AND SALE OF THE SERIES 2017 BONDS IS LIMITED TO ELIGIBLE PURCHASERS WHICH IS DEFINED AS QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A OF THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ACCREDITED INVESTORS AS DEFINED IN RULE 501(A) UNDER THE SECURITIES ACT.

The discussion herein of risks to the registered owners of the Series 2017 Bonds is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters which could affect payment on the Series 2017 Bonds. Other sections of this Official Statement, as cited herein, should be referred to for a more detailed description of risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal office of the Trustee.

Payment of Debt Service

The principal of, redemption premium, if any, and interest on the Series 2017 Bonds are payable solely from the amounts paid by the Institution to the Trustee under the Agreement. No representation can be made and no assurance can be given that revenues will be realized by the Institution in the amounts necessary to make payments at the times and in the amounts sufficient to pay the debt service on the Series 2017 Bonds.

Future revenues and expenses will be affected by events and conditions relating generally to, among other things, demand for the Institution's services, the ability of the Institution to provide the services required by patients, physicians' relationships with the Institution, management capabilities, the design and success of the Institution's strategic plans, economic developments in the Institution's service area, the Institution's ability to control expenses, maintenance of the Institution's relationships with managed care organizations and other payors, competition, rates, costs, third-party payments, legislation, and governmental regulation. Unanticipated events and circumstances may occur which cause variations from the Institution's expectations, and the variations may be material.

Enforceability of Remedies Generally

The remedies granted to the Trustee or the owners of the Series 2017 Bonds upon an event of default under the Agreement are or may be dependent upon judicial actions that are often subject to discretion and delay. Under existing law, the remedies specified in the Agreement may not be readily

available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the provisions of the Agreement by limitations imposed by state and federal laws, rulings and decisions relating to equitable remedies regardless of whether enforceability is sought in a proceeding at law or in equity, fraudulent conveyances, the ability of one charitable corporation to pledge its assets to secure the debt of another, and bankruptcy, reorganization, insolvency, receivership or other similar laws affecting the rights of creditors generally.

Adequacy of Revenues

Except to the extent otherwise noted herein, the Series 2017 Bonds are payable solely from the payments required to be made by the Institution to the Trustee under the Agreement. No representation or assurance can be made that Revenues will be realized by the Institution in amounts sufficient to pay maturing principal of, redemption premium, if any, and interest on the Series 2017 Bonds. The ability of the Institution to make payments under the Agreement depends, among other things, upon the capabilities of management of the Institution and the ability of the Institution to maximize Revenues under various third party reimbursement programs and to minimize costs and to obtain sufficient revenues from their operations to meet such obligations. Revenues and costs are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Institution and other Members of the Obligated Group, if any, to make payments in amounts sufficient to meet their obligations under the Agreement, the Master Indenture and the Series 2017 Note. This discussion is not, and is not intended to be, exhaustive.

The ability of the Institution and the other Members of the Obligated Group to make required payments on the Series 2017 Note is subject to, among other things, the capabilities of the management of the Members of the Obligated Group and future economic and other conditions, which are unpredictable and which may affect revenues and costs and, in turn, the payment of principal of, premium, if any, and interest on the Series 2017 Bonds. Future revenues and expenses of the Obligated Group will be affected by events and conditions relating generally to, among other things, demand for the Obligated Group's services, its ability to provide the services required by residents and patients, physicians' relationships with the Obligated Group, management capabilities, the design and success of the Obligated Group's strategic plans, economic developments in the service area, the Obligated Group's ability to control expenses, maintenance by the Members of the Obligated Group of relationships with HMOs and PPOs (as defined herein) and other third-party programs, competition, rates, costs, third-party reimbursement, future federal and Commonwealth funding of healthcare reimbursement programs and potential future modifications of said programs, legislation, governmental regulation, general economic conditions, changes in technology used in the delivery of health care services and other conditions which are impossible to predict. Federal and state funding statutes and regulations are the subject of intense legislative debate and are likely to change, and unanticipated events and circumstances may occur which cause variations from the Obligated Group's expectations, and the variations may be material. The Agency has not made any independent investigation of the extent to which any such factors may have an adverse impact on the financial condition of the Members of the Obligated Group. THERE CAN BE NO ASSURANCE THAT THE REVENUES OF THE MEMBERS OF THE OBLIGATED GROUP OR UTILIZATION OF THEIR FACILITIES WILL BE SUFFICIENT TO ENABLE THE MEMBERS OF THE OBLIGATED GROUP TO MAKE SUCH PAYMENTS.

No representation or assurance can be given that the Institution will generate Revenues sufficient to allow payment of debt service on the Series 2017 Bonds when due.

None of the provisions, covenants, terms and conditions of the Master Indenture or the Agreement will afford the Trustee any assurance that the principal and interest owing under the Series 2017 Note will be paid as and when due, if the financial condition of the Obligated Group deteriorates to a point where the Institution and the other Members of the Obligated Group are unable to pay their debts as they come due, or otherwise become insolvent.

Enforceability of Lien on Collateral

Collateral under the Master Indenture is defined as tangible and intangible personal property of the Members of the Obligated Group, whether now owned or hereafter existing or owned by any Member of the Obligated Group, or in which any Member of the Obligated Group may now have or hereafter acquire an interest, and wherever located, including, without limitation, all of the following: all Receivables, receipts, revenues, income and other moneys received by or on behalf of an Obligated Issuer, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, including, without limitation, all Accounts, As-Extracted Collateral, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Farm Products, Fixtures, General Intangibles, Goods (including, without limitation, Inventory and Equipment), Instruments, Investment Property and Letter of Credit Rights, including all independent living residency agreements, assisted living residency agreements, memory support residency agreements, nursing care admission agreements and other agreements (collectively, “Residency Agreements”) under which individuals (“Residents”) occupy independent living units, assisted living units, memory support units, nursing beds and/or receive assistance, memory support care, nursing care or other care and services at the Mortgaged Property; and all receipts, revenues, rents, entrance fees, monthly service fees, payments, income and other moneys and accounts received or receivable from Residency Agreements, Residents, third-party payors or any other source in connection with the ownership or the operation of all or any part thereof, and all next revenues, receipts and receivables under any Interest Rate Hedge, together with all information, data, files, writings, correspondence, books and records (including, without limitation, all electronically recorded data) relating to Collateral and all liens, guaranties, securities, rights, remedies and privileges pertaining to, and all Proceeds and products of Collateral (in all cases whether presently owned or hereafter acquired); provided, however, that Collateral shall not include gifts, grants, bequests, donations and contributions heretofore or hereafter made which are designated at the time of the making thereof by the donor or maker as being for certain specified dedicated purposes, and the income therefrom, to the extent required by such designation.

The Agreement provides that the Institution will make payments to the Trustee sufficient to pay the Series 2017 Bonds and the interest thereon as the same becomes due. The obligation to make such payments is secured by the Series 2017 Note. Pursuant to the Master Indenture, the Institution as the sole Member of the Obligated Group has granted a first lien on its Collateral to the Master Trustee as security for the Series 2017 Note. Such lien is subject to a parity lien on Collateral and any additional Obligations issued under the Master Indenture.

To the extent that Collateral are derived from payments by the federal government under the Medicare or Medicaid program, any right to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care or the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid receivables may be subject to provisions of the Assignment of Claims Act of 1940, which restricts the ability of a secured party to collect accounts directly from government agencies. Counsel to the Obligated Group has not provided an opinion with regard to the enforceability of the lien on Collateral of the Obligated Group, where such Collateral are

derived from the Medicare and Medicaid programs. With respect to receivables and Collateral not subject to the lien, the Agency would occupy the position of an unsecured creditor.

In the event of bankruptcy of a Member of the Obligated Group, transfers of property by a Member of the Obligated Group, including the payment of debt or the transfer of any collateral, including receivables and Collateral, on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case in bankruptcy court, may be subject to avoidance or recoupment as preferential transfers. Under certain circumstances a court may have the power to direct the use of Collateral to meet expenses of a Member of the Obligated Group before paying the debt service on the Series 2017 Bonds.

Pursuant to the Massachusetts Uniform Commercial Code, a security interest in the proceeds of Collateral may not continue to be perfected if such proceeds are not paid over to the Trustee (or an agent for the Trustee) by the Institution within twenty days of receipt. Each Member of the Obligated Group is obligated to pay over such proceeds within twenty days of receipt only in the event of a failure to make a required payment under the Agreement. If any required payment is not made when due, each Member of the Obligated Group must transfer or pay over immediately to the Trustee any Collateral with respect to which the security interest remains perfected pursuant to law. Any Collateral thereafter received shall upon receipt by a Member of the Obligated Group be transferred to the Trustee without such Collateral being commingled with other funds, in the form received (with necessary endorsements) up to an amount equal to the amount of the missed payment.

The value of the security interest in the Collateral could be diluted by the incurrence of additional Indebtedness secured equally and ratably with the Series 2017 Note and the Series 2017 Note as to the security interest in the Collateral. Additionally, under certain circumstances superior liens can be created in Collateral to secure short term indebtedness.

Any disposition of a substantial amount of the Obligated Group's assets or operations, including the transfer of any collateral (for instance the Institution's Collateral and/or the Mortgaged Property) may require notice to the Attorney General of Massachusetts ("Attorney General") prior to such disposition, unless the Attorney General waives such notice requirement. If such notice is required, the Attorney General may engage in an investigation relating to such disposition and may conduct a public hearing in connection with such investigation. In connection with such an investigation, the Attorney General may consider whether (i) the proposed transaction complies with applicable general nonprofit and charities law; (ii) due care was followed by the nonprofit entity; (iii) conflict of interest was avoided by the nonprofit entity at all phases of decision making; (iv) fair value will be received for the nonprofit assets; and (v) the proposed transaction is in the public interest. The proposed entity or person receiving the assets may be assessed the reasonable costs related to such investigation, as determined by the Attorney General, and may be assessed additional costs on an on-going basis. Such disposition may also be subject to approval by a court of competent jurisdiction.

Enforceability of Master Indenture

Under Massachusetts law, certain nonprofit corporations may guaranty the debt of another corporation only if such guaranty is in furtherance of the corporate purposes of such guarantor nonprofit corporation. In addition, it is possible that the security interest granted by a corporation or the obligation of a corporation to make payments due with respect to indebtedness issued for the benefit of another corporation may be declared void in an action brought by third-party creditors pursuant to the Massachusetts fraudulent transfer statutes or may be avoided by a corporation or a trustee in bankruptcy

in the event of the bankruptcy of the corporation from which payment is requested. An obligation may be voided under the federal Bankruptcy Code or under the Massachusetts fraudulent transfer statutes if (a) the obligation was incurred without receipt by the obligor of “reasonably equivalent value,” and (b) the obligation renders the obligor “insolvent,” as such terms are defined under the applicable statute. Interpretation by the courts of the tests of “insolvency” and “reasonably equivalent value” has resulted in a conflicting body of case law. For example, the Institution under the Institution’s or another Member of the Obligated Group’s joint and several obligation under the Master Indenture to make all payments thereunder, including payments in respect of funds used for the benefit of the other members, may be held to be a “transfer” which makes the Institution or any other Member of the Obligated Group “insolvent” in the sense that the total amount due under the Master Indenture, as applicable could be considered as causing its liabilities to exceed its assets. Also, the Institution or another Member of the Obligated Group may be deemed to have received less than “reasonably equivalent value” for such obligation because only a portion of the proceeds of the indebtedness may be used to finance facilities occupied or used by the Institution or another Member of the Obligated Group, as applicable. While the Institution may benefit generally from the facilities financed from the indebtedness for a Member of the Obligated Group and the members may benefit generally from the facilities financed from the indebtedness for the other members under the Master Indenture, the actual cash value of these benefits may be less than the obligation of the Institution under the obligation of any Member of the Obligated Group under the Master Indenture. The rights under the Massachusetts fraudulent transfer statutes generally may be asserted for a period of up to four years from the incurring of the obligations or granting of security under an agreement, subject to certain exceptions.

In addition, the assets of certain nonprofit corporations may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if the nonprofit corporation has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by the nonprofit corporation were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which the nonprofit corporation was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of the Commonwealth. In the absence of clear legal precedent in this area, the extent to which the assets of any Member of the Obligated Group including the Institution can be used to pay the obligations of others cannot be determined at this time.

Limitation on Value of Mortgaged Property

The Mortgaged Property of the Institution is pledged as security for the Series 2017 Note pursuant to the Master Indenture. Such Mortgaged Property is not 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 the Mortgaged Property, and, upon any default, the Master Trustee may not obtain an amount equal to the amount of the outstanding Series 2017 Note from the sale or lease of such Mortgaged Property if it were necessary to proceed against the Mortgaged Property, whether pursuant to a judgment, if any, against the Institution or otherwise.

In addition, in order to operate the Mortgaged Property as a continuing care retirement center, a purchaser of the Mortgaged Property at foreclosure sale would under present law have to obtain a determination of need from the Massachusetts Department of Public Health and a license for the facility. It should be noted that the Institution is not granting a lien on equipment or furnishings located at the Mortgaged Property. Therefore, the ability to operate the Mortgaged Property as a health care facility might be affected accordingly.

Bondowners also should note that, under applicable federal and Massachusetts environmental statutes, in the event of any past or future releases of pollutants or contaminants on or near the Mortgaged Property, a lien superior to the Trustee's lien on behalf of the Bondowners could attach to the Mortgaged Property to secure the costs of removing or otherwise treating such pollutants or contaminants. Such a lien would adversely affect the Master Trustee's ability to realize value from the disposition of the Mortgaged Property upon foreclosure. Furthermore, in determining whether to exercise any foreclosure rights with respect to the Mortgaged Property under the Agreement, the Master Trustee would need to take into account the potential liability of any owner of the Mortgaged Property, including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

In addition, any such sale or lease of the Mortgaged Property may require notice and an investigation by the Attorney General of such sale or lease, and/or approval by a court of competent jurisdiction. See "Enforceability of Lien on Collateral" above.

No real property other than the Mortgaged Property is pledged to secure the Series 2017 Note.

Covenant to Maintain Tax-Exempt Status of the Series 2017 Bonds

The tax-exempt status of the Series 2017 Bonds is based on the continued compliance by the Agency and the Institution with certain covenants contained in the Agreement. These covenants relate generally to arbitrage limitations, rebate of certain investment earnings to the federal government, and restrictions on the amount of costs of issuance financed with the proceeds of the Series 2017 Bonds. Failure to comply with any of these covenants may result in the treatment of interest on the Series 2017 Bonds as taxable retroactive to the date of issuance.

Revocation of Tax Exemption; Private Inurement

Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondowners to federal income taxation retroactively to the date of issuance of the Series 2017 Bonds. Section 501(c)(3) of the Code specifically conditions the continuing exemption of all organizations described in such section upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. The Internal Revenue Service (the "IRS") has issued guidance in informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law, regulations or public advisory rulings that addresses many common arrangements between exempt hospitals or entities and non-exempt individuals or entities. While the management of the Institution believes that the Institution's arrangements with private persons and entities are generally consistent with the IRS's guidance, there can be no assurance concerning the outcome of an audit or other investigation by the IRS given the lack of clear authority interpreting the range of activities undertaken by the Institution.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person." Such penalty excise taxes may be imposed in lieu of revocation of exemption, or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a public charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it to involve "excess benefit." "Excess benefit transactions" include transactions in which a disqualified

person receives unreasonable compensation for services, or receives other economic benefit from the organization that either exceeds fair value or, to the extent provided in regulations yet to be finalized, is determined in whole or in part by the revenues of one or more activities of such organization. “Disqualified persons” include “insiders” such as board members and officers, senior management and members of the medical staff who in each case are in a position substantially to influence the affairs of the organization; their family members; and entities which are more than thirty-five percent-owned by such persons. The legislative history sets forth Congress’ intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (i) approved by disinterested members of the organization’s board or compensation committee; (ii) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (iii) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed. The Institution has established a compensation committee that exercises responsibilities consistent with this process.

Although management of the Institution believes that the sanction of revocation of tax-exempt status is likely to be imposed only in cases of pervasive excess benefit, the imposition of penalty excise tax in lieu of revocation based upon a finding that the Institution engaged in an excess benefit transaction is likely to result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of the Institution.

Secondary Markets and Prices

Except as specifically set forth in the Agreement, neither the Underwriters, the Trustee, the Agency, the Obligated Group, the Institution, nor any other party will be obligated to repurchase any of the Series 2017 Bonds, and no representation is made concerning the existence of any secondary market with respect to the Series 2017 Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2017 Bonds, and no assurance can be given that the initial offering prices for the Series 2017 Bonds will continue for any period of time.

Failure to Achieve or Maintain Occupancy

The economic feasibility of the Institution depends in large part upon the ability of the Institution to attract sufficient numbers of residents to the Institution to achieve sustained occupancy and to maintain substantial occupancy and turnover of occupancy at the Institution throughout the term of the Series 2017 Bonds. The Institution’s ability to achieve and maintain sustained occupancy depends to some extent on factors outside its control. If the Institution fails to achieve sustained occupancy, there may be insufficient funds to pay the debt service requirements on the Series 2017 Bonds.

Regulation of the Health Care Industry

The Obligated Group is subject to regulatory actions and policies of a variety of governmental and non-governmental entities, including the Centers for Medicare and Medicaid Services, which administers the Medicare program (“CMS”), the Joint Commission on Accreditation of Health Care Organizations, the IRS, and other federal, state and local government agencies. Management of the Obligated Group anticipates no difficulty in renewing or maintaining currently held licenses, certificates, registrations and accreditations. Nevertheless, actions by any of these or other entities (including the adoption of new policies or changes in existing policies) could affect the ability of the Members of the Obligated Group to operate all or a portion of its facilities, including the utilization and/or revenues of the

Members of the Obligated Group, and consequently, could adversely affect the ability of the Obligated Group to make payments on the Series 2017 Note.

Health Care Reform

In March, 2010, the Patient Protection and Affordable Care Act (the “Health Care Reform Act” or the “PPACA”) was enacted and approved by the President of the United States. Some of the provisions of the Health Care Reform Act took effect immediately, while others will take effect or will be phased in over time, ranging from a few months following approval to ten years. Because of the complexity of the Health Care Reform Act generally, additional legislation is likely to be considered and enacted over time. The Health Care Reform Act will also require the promulgation of substantial regulations with significant effects on the healthcare industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to healthcare providers are expected to impose new and additional contractual terms and conditions. Thus, the healthcare industry will be subjected to significant new statutory and regulatory requirements and contractual terms and conditions, and consequently to structural and operational changes and challenges, for a substantial period of time.

The comprehensive health care reform mandated by the Health Care Reform Act aims to expand the availability of health insurance coverage, control the costs of health care and improve the manner in which health care is delivered. The Health Care Reform Act requires all individuals to purchase health insurance or pay a fee, with hardship exceptions; substantially expands Medicaid coverage; provides premium subsidies to certain individuals; imposes certain taxes on individuals and employers; creates insurance pooling mechanisms or state run health insurance exchanges; imposes new requirements on the insurance industry regarding access and coverage; provides for certain cost containment mechanisms and new models of care delivery; and includes provisions designed to reduce Medicare spending and improve the quality of outcomes and health system performance.

The impact of the Health Care Reform Act on the Obligated Group in particular cannot be predicted at this time. Possible impacts on the Obligated Group include, without limitation, significant regulatory changes that increase the cost of operations; increased activity by government agencies regarding fraud, waste and abuse; decreased reimbursements for skilled nursing services from third party payors, including Medicare and Medicaid; significant changes to current payment methodologies for skilled nursing facilities services; and changes to costs and expenses of providing health insurance coverage to skilled nursing facilities employees.

Efforts to repeal or delay the implementation of the PPACA continue in Congress and were a fundamental plank in the Republican Party platform for the 2016 Presidential cycle. In May 2017, the U.S. House of Representatives passed legislation known as the American Health Care Act, which, if enacted, would amend or repeal significant portions of the PPACA. The U.S. Senate has not adopted the American Health Care Act as passed by the U.S. House of Representatives or other legislation to amend or replace elements of the PPACA. The ultimate outcomes of legislative attempts to repeal or amend the PPACA and other legal challenges to the PPACA are unknown and their impact on the operations of the Obligated Group cannot be determined at this time.

In addition to legislative efforts, on January 20, 2017, President Trump issued an executive order that may be used to prevent enforcement of the individual mandate and the requirement that large employers offer coverage to their full-time workers. This has the potential to cause adverse selection and rapid cost increases in the individual market as people in good health opt out of more expensive coverage and people with high-cost health conditions remain insured. If the individual mandate is not enforced

while the current individual market rules remain in place, health insurance issuers will be less able to respond to market conditions with underwriting, product and pricing flexibility and will have greater exposure to material adverse impacts on their finances and operations.

The Health Care Reform Act contemplates that the federal government will reimburse health insurance issuers for cost sharing reductions (i.e., lower deductibles, copays and co-insurance) for low-income individuals enrolled in certain qualified health plans purchased through exchanges. In a case pending in federal court, *House v. Price* (previously known as *House v. Burwell*), a federal district court held that the federal government did not have constitutional authority to pay health plan issuers offering certain coverage through the exchanges for cost sharing reductions because the U.S. Congress did not appropriate funds for the program. The Obama Administration appealed the case. Upon motion of the U.S. House of Representatives, the U.S. Court of Appeals for the District of Columbia Circuit held the case in abeyance. On October 12, 2017, the Trump Administration announced that it would immediately discontinue the cost sharing reduction payments. As a result, health insurance issuers may not be compensated for cost sharing reductions they provided to their members and may be required to continue to provide, and this could materially impact the operations, financial position or cash flows of such health insurance issuers. Elimination of cost sharing subsidies may also make health insurance less affordable for many members, reducing the number of people who get coverage or use that coverage and disrupting the individual health insurance market. The financial impact of any of these developments on the Obligated Group is unknown.

The full ramifications of changes to the Health Care Reform Act and regulations adopted thereunder will only become apparent over time and through subsequent regulatory and judicial interpretations. Although efforts to legislatively repeal certain provisions of the Health Care Reform Act have thus far been unsuccessful, it is anticipated that efforts to modify the Health Care Reform Act through regulations or by limiting funding will continue. Uncertainty remains regarding the continued implementation of the Health Care Reform Act, which creates significant uncertainty in the health insurance and health care markets, which could materially impact the operations, financial position or cash flows of the Obligated Group.

In light of the uncertain regulatory environment and pending litigation, no assurance can be given as to whether the Obligated Group and its ability to make payments under the Agreement will be adversely affected by any future judicial or administrative interpretation with respect to the Health Care Reform Act, or by any future legislation. Management of the Obligated Group is analyzing the Health Care Reform Act and will continue to do so in order to assess the effects of the legislation on current and projected operations, financial performance and the financial condition of the Obligated Group. However, management cannot predict the interim or long-term effects of the Health Care Reform Act on the Obligated Group with any degree of certainty.

Medicare and Medicaid Programs

General. The Obligated Group receives reimbursement for providing skilled nursing care for eligible residents under Title XVIII of the federal Social Security Act (Medicare) and Title XIX of the federal Social Security Act (Medicaid). Medicare is an exclusively federal program and Medicaid is funded by federal and state appropriations. A significant portion of the revenues of the Obligated Group are derived from Medicare and Medicaid.

Medicare. Medicare is a federal governmental health insurance system under which physicians, hospitals and other healthcare providers or suppliers are reimbursed or paid directly for services provided

to eligible elderly or disabled persons and certain individuals with end state renal disease. Medicare is administered by the Centers for Medicare and Medicaid Services, or CMS, of the federal Department of Health and Human Services. In order to achieve and maintain Medicare certification, certain healthcare providers, must meet CMS's "Conditions of Participation" on an ongoing basis, certain licensure requirements as determined by the State of Massachusetts and/or ongoing compliance with the standards of a chosen accreditation program, such as those administered by The Joint Commission (the "Joint Commission") or the Health Facilities Accreditation Program ("HFAP").

Subject to certain limitations, Medicare will reimburse nursing care facilities for certain services provided to a beneficiary who has been transferred to a Medicare-certified skilled nursing facility within thirty (30) days after discharge from an inpatient stay of at least three (3) days in an acute care hospital. To be covered, the services provided in the skilled nursing facility must be reasonable and necessary to treat a condition that was being treated during the hospital stay. Additionally, Medicare reimbursement for skilled nursing care is limited to a renewable 100-day period for each qualified resident.

Under the Medicare program, CMS reimburses skilled nursing facilities on a prospective payment system ("PPS") methodology, similar to the diagnosis related group prospective payment system for hospitals. Under PPS, facilities are paid a per diem amount, based on formulas discussed below, to care for residents in the facility. Because the payment does not reflect the actual costs associated with individual residents' care, a facility whose actual costs exceed the per diem payment rate will incur losses for the care of such residents. Medicare requires consolidated billing and the PPS payment rates include most of the costs of providing skilled nursing care services, other than the costs associated with operating approved educational activities. The PPS payment rates include all routine, ancillary (for example, physical, occupational, and speech therapy, drugs and laboratory services directly attributable to individual patients whether provided directly or indirectly by other contracted providers), and capital related (land, building and equipment) costs. Not included in the PPS payment rate are physician services provided to individual patients, certain services provided by nurse practitioners, clinical nurse specialists, physician assistants, psychologists, and certified registered nurse anesthetists, certain dialysis services, certain high cost services such as radiation oncology, hospice care and some transportation and ambulance costs.

The PPS payment rates are based on a federal per diem rate and are updated annually using a market basket index. The federal per diem rate is adjusted to account for the relative resource utilization of different patients based on the intensity of care and the services required to treat a patient. Patients are classified into groups using a classification system of sixty-six (66) groups known as Resource Utilization Groups IV ("RUGs-IV") based on data from resident assessments and relative weights developed from staff time data. The relative payment weight is applied to the federal per diem rate, along with a wage index modifier reflecting the geographic variation in labor costs, to arrive at the applicable per diem payment for a resident.

The traditional Medicare fee-for-service program (Medicare Parts A and B) reimburses up to 100 days of skilled nursing care per illness after a qualifying hospital stay for treatment of the illness. The first 20 days are covered by Medicare at 100%, after which Medicare requires the patient to contribute a daily co-payment for the remaining 80 days. This co-payment may be covered by a private insurance company through a Medigap plan. However, in the event the patient's secondary coverage is Medicaid, or the patient has no secondary insurance, the co-payment may not be paid. Medicare allows for certain patient payments that remain unpaid and for which the facility has made certain collection attempts, to be reported as bad debt on Medicare cost reports.

Federal healthcare reform has affected Medicare reimbursement of skilled nursing homes. In July 2012, CMS released the 2012 Nursing Home Action Plan, an action plan that focuses on the goal of further improving nursing home quality. There are multiple initiatives by CMS outlined in the 2012 Nursing Home Action Plan that may impact the Obligated Group's finances. CMS' goals include reducing preventable facility acquired conditions and reducing the number of hospital readmissions. Some of the initiatives include value based purchasing demonstration projects, where nursing facility payments may be bundled with hospital payments and other provider payments to encourage utilization control. CMS has adopted similar readmission and facility acquired condition reduction programs for inpatient facilities that are expected to lead to fewer inpatient admissions at hospitals for Medicare patients. Under the Protecting Access to Medicare Act of 2014 signed into law by President Obama on April 1, 2014, CMS is required to establish a value-based purchasing program for skilled nursing facilities by October 1, 2019. The program will be based on a facility's performance on hospital readmissions. Changes in Medicare program survey requirements and changing quality of care performance metrics may also impact the Obligated Group's finances.

On August 5, 2016, CMS issued the final rule on 2017 Medicare skilled nursing facility payment rates. The rule updates the payment rates used under the skilled nursing facility PPS for fiscal year 2017. The rule also includes:

- Value-based purchasing provisions for skilled nursing facilities, based on facility performance;
- The 30-day skilled nursing facility all-cause/all-condition hospital readmission measure and adopts that measure for the new skilled nursing facility value-based purchasing program; and
- Changes to the skilled nursing facility quality reporting program, required by the Improving Medicare Post-Acute Care Transformation Act of 2014, to require skilled nursing facilities to report data beginning in Fiscal Year 2018 regarding spending per Medicare beneficiary, discharges to the community, and preventable readmissions, and beginning in FY 2020, to report information regarding drug regimen reviews and attention to identified related issues.

Medicaid. Medicaid is a health insurance program for certain low-income and needy individuals that is jointly funded by the federal government and the states. Pursuant to federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration and scope of services; sets the payment rates for services; and administers its own programs.

Under the current Medicaid program, the federal government supplements funds provided by the various states for medical assistance to low-income children, pregnant women, seniors and blind or disabled persons. Payment for medical and health services is made to providers in amounts determined in accordance with procedures and standards established by state law under federal guidelines. Fiscal considerations of both federal and state governments in establishing their budgets will directly affect the funds available to the providers for payment of services rendered to Medicaid beneficiaries.

The Health Care Reform Act included a requirement that, effective in 2014, in order for states to receive federal Medicaid funds, they must expand eligibility to all individuals under age 65 with incomes less than 133% of the federal poverty level guidelines. As described above, the Supreme Court held this unconstitutional, limiting the federal Medicaid funds that may be withheld for failure to expand eligibility to the additional Medicaid funding included in the Affordable Care Act. Certain additional proposals

being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact the amount received by the Obligated Group despite anticipated increased Medicaid enrollment. Further, as noted above, President Trump and the Republican Congress desire to repeal and replace the Health Care Reform Act, but the extent and timing of future changes to the healthcare industry, including any impacts on the Medicaid program and its funding, are unknown.

Since a portion of the Medicaid program's costs in each state are paid by that state, the absolute level of Medicaid revenues paid to the Obligated Group, as well as the timeliness of their receipt, may be affected by the financial condition of and budgetary factors facing the state of Massachusetts. The actions the state of Massachusetts could take to reduce Medicaid expenditures to accommodate any budgetary shortfalls include, but are not limited to, changes in the method of payment to healthcare providers and suppliers, changes in the amounts of payments that will be made for covered services, changes in the types of services that will be covered under the Medicaid program, and changes in eligibility requirements for Medicaid recipients and delays of payments due to hospitals. Any such action taken by the state of Massachusetts could have a material adverse effect upon the Obligated Group's operations and financial results. As such, no assurance can be given that payments under the Medicaid program will be sufficient to cover the operating and capital costs incurred by the Obligated Group in providing services to Medicaid beneficiaries or that further significant changes to the Medicaid program may not be implemented by the Massachusetts General Assembly.

Medicaid payments are made to nursing facilities on behalf of eligible individuals based upon a case-mix payment system that is set prospectively on an annual basis. The case-mix payment system consists of three components: nursing costs, other operating costs, and capital costs. Rates are primarily based on cost reports, which nursing homes must file annually with the Center for Health Information and Analysis.

The nursing cost component of the rate setting formula accounts for resident acuity levels by categorizing residents based on their care needs and assigning different payment levels to each category. Nursing homes with "higher need" residents receive higher payments. Resident acuity is assessed using the Management Minute System (MMS). Residents are assigned to one of ten categories based on the level of care required in skilled nursing and activities of daily living. Based on this classification, nursing facilities are paid one of six rates. The other operating cost component of facility reimbursement is a fixed payment amount based on the standard statewide median cost for expenses associated with operations and maintenance, including expenses related to certain employees, supplies, education, training, insurance, and accounting, among others. The capital cost component of facility reimbursement is based upon facility-specific capital costs, including allowable depreciation, financing contribution, and other fixed costs. fair rental values for certain fixed and movable property, and facility-specific real estate tax costs.

There can be no assurance that payments under the Medicaid program will be adequate to cover the costs of providing nursing care to Medicaid patients. Budgetary and financial constraints in the Commonwealth, as well as severe limitations on the method of acquiring increased federal financial participation through the use of provider taxes and donations have called into question the ability of the Executive Office of Health and Human Services to make adequate and timely payments to providers. In addition, proposals to reduce or substantially alter federal funding for Medicaid programs to effect federal budget reductions may result in decreased payment levels to providers which may not be adequate to cover the Obligated Group's cost of care to Medicaid patients. Further, the Commonwealth has increasingly supported funding for home based and community services care instead of institutional care. There can be no assurance that this policy will not negatively impact funding for institutionalized Medicaid recipients.

Licensing and Certification

Long-Term Care Nursing Facility. The skilled nursing facilities of the Institution are subject to biennial licensure by the Massachusetts Department of Public Health. The continued licensure of such facilities depends upon many factors, including, among other things, accommodations, equipment, services, patient care, safety, personnel, physical environment and accounting policies, procedures and controls. Federal, state and local agencies survey nursing homes regularly to determine whether such facilities comply with governmental operating and health standards and conditions of participation in government reimbursement programs. Such surveys include reviews of patient utilization and inspection of standards and patient care. The Institution will attempt to ensure that its facilities comply with all such applicable standards and conditions. However, to the extent these standards are not met, the licenses of any or all of the skilled nursing facilities of the Institution could be limited, suspended or revoked.

Resident Care Facilities. Resident care facilities are designed to provide safe, comfortable and supportive residential settings for adults who do not require the services of a skilled nursing facility but who do require assistance or supervision with activities of daily living. Resident care facilities must comply with regulations regarding requirements for fire safety, staff training and education, nutrition and meal preparation, resident health and medical care, personal care service delivery, physical site conditions, residents' rights, abuse and incident reporting, and other factors affecting the health, safety and well-being of residents. Resident care facilities are not required to provide nursing services.

Personal care home licenses must be renewed every two years. To determine compliance with the regulations, the Massachusetts Department of Public Health conducts unannounced inspections of licensed facilities at least once every 9-15 months, and may conduct additional announced or unannounced inspections. Failure to comply with regulatory requirements could result in the imposition of various penalties, including fines and the revocation or non-renewal of licensure.

Other Risk Factors

Patients. In addition to general malpractice liability risks related directly to the diagnosis and treatment of patients, a health care provider's relationship with patients involves risks which follow from the housing and feeding of patients, the movement and transfer of patients, rights accorded to or withheld from patients, making, storing, and disclosing patient records, and other facets of the relationship between a skilled nursing facility and its patients. Implicit in these relationships are general liability risks, business and contractual risks, and risks flowing from a wide variety of complex rules, regulations and policies which govern the relationships. Liability to patients may arise from matters such as equipment failure, building dangers, inappropriate discharge or transfer of patients, unauthorized use or disclosure of patient records, or failure to provide certain information or notification to patients. Certain of these risks may be insured, and others may not be. The Institution could be affected by such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group. The Institution is not presently aware of any actions arising from such risks which would result in material adverse consequences.

Other Payors. Although private insurance is not a major source of reimbursement for long-term care services, the revenues of the Institution could be impacted by changes in the payment methodologies and coverage decisions of private insurance companies. In addition, an increase or decrease in the prevalence of long-term care insurance policies may also impact the Obligated Group's revenues.

Competition and Factors Decreasing Utilization; Population Changes. Competition from other skilled nursing facilities, assisted living communities, adult day care providers, and continuing care retirement communities now or hereafter located in the Obligated Group's service areas could adversely affect operations. In addition, a shift to community-based long-term care services and efforts by insurers and governmental agencies to reduce utilization of skilled nursing facility services could adversely affect the operations of the Obligated Group. The Obligated Group could also be adversely affected by economic trends and changes in the demographics of its service areas. See APPENDIX A – "DESCRIPTION OF NEWBRIDGE ON THE CHARLES, INC. – MARKET INFORMATION" and APPENDIX C – "FINANCIAL FEASIBILITY STUDY – Summary of Significant Forecast Assumptions and Accounting Policies – Characteristics of the Market Area" for information regarding the competition of the Institution and demographics of its service area.

The Obligated Group's costs and revenues could be substantially affected by future changes in the number and mix of both patients and services brought about by increased competition among health care providers and insurers. This competition could take several different forms, including:

- (a) competition among providers to sell their services at lower prices;
- (b) competition from other providers which draws patients from the Obligated Group's service areas to offer new services or expand existing services or to reduce charges or to increase their market share within the Obligated Group's primary and secondary markets; and
- (c) competition from home health agencies and other community-based service providers.

Labor Relations. Unionization of employees or a shortage of qualified professional personnel could cause an increase in payroll costs. The Obligated Group cannot control the prevailing wage rates in its service areas and any increase in such rates will directly affect its costs of operation. While none of the employees of the Institution are currently represented by labor unions, certain labor unions have made efforts in the past to organize employees of the Institution and gain recognition. The Obligated Group cannot anticipate when, or if, these activities will continue in the future.

Insurance and Other Insurance Costs. The ability of, and the cost to, the Obligated Group to insure or otherwise protect itself against professional liability, fire, automobile and general comprehensive liability claims may affect the operations of the Obligated Group. See APPENDIX A – "DESCRIPTION OF NEWBRIDGE ON THE CHARLES, INC. – INSURANCE" for a discussion of the Obligated Group's current insurance coverage. The inability to insure against punitive damage awards is also a risk. One or more substantial medical malpractice claims arising from the corporate or business activities of the Institution or other actions seeking punitive or other damages could materially and adversely affect the consolidated financial results and condition of the Obligated Group.

Access to Tax-Exempt Bond Market. On November 2, 2017, tax reform legislation was introduced in Congress which, if enacted as filed, would eliminate the federal tax-exemption of private activity bonds issued after December 31, 2017, including bonds for the benefit of organizations, such as the Institution, that is tax-exempt under Section 501(c)(3) of the Code (directly or indirectly). As filed, such legislation would preclude the issuance of tax-exempt private activity bonds to finance new projects as well as to refinance, via advance refunding or current refunding, debt previously issued. All or any of such provisions and/or other provisions affecting the Obligated Group may be enacted into law, either as a

result of current or future tax reform legislation, and, if so enacted or while pending, may materially impact the future cost and/or availability of borrowed funds, particularly for capital expenditures. Such tax reform legislation is, and future tax reform legislation may be, focused on lowering corporate and individual tax rates, while eliminating certain tax preferences and other tax expenditures. Any such tax reform could materially impact the operations, financial position and cash flows of Obligated Group. Additionally, such tax reform as may be enacted or pending from time to time may materially impact the market price or marketability of bonds such as the Series 2017 Bonds in the secondary market.

Federal Laws Regarding Access to Care. Federal laws require skilled nursing facilities to establish and maintain identical policies and practices regarding transfer, discharge, and the provision of services for all individuals regardless of source of payment, and limits the circumstances under which a resident can be involuntarily moved out of a Medicare-certified skilled nursing facility. Such laws may make it more difficult for the operator of a skilled nursing facility to maintain a desired proportion of private pay patients.

The Nature of the Income of the Elderly

A large percentage of the monthly income of some residents of the Obligated Group's facilities will be fixed income derived from pensions and social security. If, due to inflation or otherwise, substantial increases in fees are required to cover increases in operating costs, nursing care costs, wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increase fees. No assurance can be given that future events, including life expectancy, will not result in residents encountering difficulty in paying fees.

Economic Factors Beyond the Obligated Group's Control

Apart from competition and other business risks facing the Obligated Group, the financial performance of the Obligated Group will depend to some degree upon factors beyond the control of its management, including general national and local economic conditions (e.g., inflation, unemployment, population growth and distribution trends) and federal, state and local taxation and laws and regulations affecting the Obligated Group. Additionally, any deterioration in the local and/or regional housing markets can have a significant impact on the ability of the Institution to attract residents.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations which address, among other things, provider operations or facilities and properties owned or operated by providers. The types of regulatory requirements faced by health care providers include, but are not limited to: air and water quality control requirements; waste management requirements; regulatory requirements applicable to asbestos, polychlorinated biphenyl and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at facilities of health care providers and requirements for training employees in the proper handling and management of hazardous materials and wastes.

In their role as owners and/or operators of properties or facilities, health care providers may be subject to liability for investigating and remedying any hazardous substances which have come to be located on the property, as well as for any such substances that may have migrated off of the property. Typical health care provider operations include, but are not limited to, in various combinations, the

handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their costs; may result in legal liability which could in turn result in significant damages, injunctions or fines and may result in investigations, administrative proceedings, penalties or other governmental agency actions.

Affiliations, Merger, Acquisition and Divestiture

The Institution and/or future Members of the Obligated Group may evaluate and pursue potential acquisition, merger and affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, the Institution reviews the use, compatibility and business viability of many of its operations, and from time to time the Institution and/or future Members of the Obligated Group may pursue changes in the use of, or disposition of, some facilities. Likewise, the Institution occasionally receives offers from, or conducts discussions with, third parties about the potential acquisition of operations and properties of the Institution, or about the potential sale of some of the operations or property which are currently conducted or owned by the Institution. Discussions with respect to affiliation, merger, acquisition, disposition or change of use of facilities, including those which may affect the Obligated Group, are held from time to time with other parties. As a result, it is possible that the current organization and assets of the Obligated Group may change from time to time. The ability of the management of the Obligated Group to integrate affiliation targets and to otherwise execute the strategic plan of the Obligated Group will have a material impact on the financial results of the Obligated Group.

Realization of Value on the Existing Facilities

The facilities mortgaged by the Obligated Group are not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer or lessee for the Obligated Group's facilities if it were necessary to foreclose. Thus, upon any default by the Obligated Group, it may not be possible to realize the amount of the Series 2017 Bonds allocable to the Obligated Group from a sale or lease of its facility.

Other Factors Affecting Health Care Facilities and Senior Living Communities

In the future, the following factors, among others, may affect the operations and financial performance of health care facilities and senior living communities, including those operated by the Obligated Group, to an extent that cannot be determined at this time:

- (a) Future medical and scientific advances, changes in third-party reimbursement programs, preventive medicine, improved occupational health and safety, and improved community-based care, all of which could result in decreased usage of the facilities of the Obligated Group.
- (b) Possible introduction and adoption in the state of Massachusetts of legislation or other requirements (private or governmental) which would establish a rate-setting agency with statutory control over skilled nursing facility costs and rates or which would require the Obligated Group to justify the

appropriateness of existing medical services on the basis of national or the state of Massachusetts criteria.

- (c) An inflationary economy and difficulties in increasing room charges and other fees, while at the same time maintaining the amount and quality of health services, may affect the ability of the Obligated Group to maintain sufficient operating margins.
- (d) Imposition of wage and price controls for the health care industry could affect the ability of the Obligated Group to maintain sufficient operating margins.
- (e) Demand for the services of the facilities operated by the Obligated Group might be reduced if the population residing in the service areas served by the Obligated Group should decline.
- (f) Increased unemployment or other adverse economic conditions in the service area served by the Obligated Group could increase the proportion of patients who are unable to pay fully for the cost of their care.
- (g) Unionization of some or all of the employees of the Obligated Group could increase operating expenses.
- (h) Employee strikes and other adverse labor actions could result in a substantial reduction in revenues without corresponding decreases in costs.
- (i) The possible inability to obtain future governmental approvals to undertake projects which the Obligated Group deems necessary to remain competitive as to rates and charges and the quality and scope of care may adversely affect them.
- (j) Cost and availability of professional medical malpractice liability insurance to providers and physicians in the state of Massachusetts could increase operating expenses and could result in increased exposure to liability.
- (k) Increased costs of attracting and retaining, or decreased availability of, a sufficient number of physicians, registered nurses, and other skilled and unskilled health care personnel may impact the amount and quality of services.

No Adjustment of Interest Rate Upon Loss of Tax Exemption on the Series 2017 Bonds

The rate of interest on the Series 2017 Bonds is not subject to adjustment by reason of the interest on the Series 2017 Bonds being included in gross income for purposes of federal income taxation, nor are the Series 2017 Bonds subject to mandatory tender or redemption under such circumstances. Such an event could occur if any Member of the Obligated Group loses its status under Section 501(c)(3) of the Code or otherwise does not comply with the provisions in certain documents that are designed, if complied with, to satisfy the continuing compliance requirements of the Code in order for the interest on the Series 2017 Bonds to remain excludible from gross income for purposes of federal income taxation.

CONTINUING DISCLOSURE

Rule 15c2-12

No financial or operating data concerning the Agency is material to any decision to purchase, hold or sell the Series 2017 Bonds and the Agency will not provide any such information. The Institution, on behalf of itself and as Representative of the Obligated Group, has undertaken all responsibilities for any continuing disclosure to Bondowners as described below, and the Agency shall have no liability to the Bondowners or any other person with respect to such disclosures.

The Obligated Group has covenanted for the benefit of Bondowners to provide certain financial information and operating data relating to the Obligated Group by not later than 150 days following the end of the Obligated Group's Fiscal Year beginning with the Fiscal Year ending September 30, 2017 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events will be filed on behalf of the Obligated Group with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in Appendix F - "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

Quarterly Disclosure

Pursuant to the Continuing Disclosure Agreement, the Institution has agreed to furnish, or cause to be furnished, to the Agency, the Trustee and each Bondowner who has so requested such information, no later than 60 days subsequent to the last day of each fiscal quarter, copies of its unaudited quarterly financial statements and other statistics of the type customarily prepared for continuing care retirement communities.

During the past five years, the Institution has not been subject to the continuing disclosure requirements pursuant to Rule 15c2-12.

TAX EXEMPTION

In the opinion of McCarter & English, LLP, Bond Counsel to the Agency ("Bond Counsel"), under existing law, assuming, among other matters, compliance with certain covenants, (i) interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and (ii) interest on the Series 2017 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017 Bonds (said exclusion constituting the "Federal Gross Income Exclusion"). Failure to comply with these requirements may result in interest on the Series 2017 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017 Bonds. The Agency, the Institution and certain affiliates of the Institution (each of said Agency, Institution and affiliates constituting a "Tax Covenant Entity")

have made certain covenants regarding compliance with the requirements for maintaining the Federal Gross Income Exclusion for interest on the Series 2017 Bonds. The opinion of Bond Counsel assumes compliance by each Tax Covenant Entity with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2017 Bonds and any profit on the sale of the Series 2017 Bonds are exempt from Massachusetts personal income taxes and that the Series 2017 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Series 2017 Bonds. Prospective Bondowners should be aware, however, that the Series 2017 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2017 Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series 2017 Bonds or the income therefrom under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2017 Bonds is less than the amount to be paid at maturity of such Series 2017 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2017 Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017 Bonds is the first price at which a substantial amount of such maturity of the Series 2017 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017 Bonds accrues daily over the term to maturity of such Series 2017 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017 Bonds. Bondowners should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2017 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017 Bonds is sold to the public.

Series 2017 Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2017 Bonds, or, in some cases, at the earlier redemption date of such Series 2017 Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondowner’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondowner. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondowners should be aware that certain requirements and procedures contained or referred to in the Agreement, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2017 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not

undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2017 Bonds (each said action taken (or not taken) or event occurring (or not occurring) constituting a “Post-Issuance Circumstance,” such as the enactment into law of federal tax legislation currently under consideration by Congress (a “Tax Law Legislative Enactment”)) may adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds. For example, and without limitation to the preceding discussion, it is possible that if one or more Post-Issuance Circumstances causes the Series 2017 Bonds to be deemed to be currently refunded for federal income tax purposes (a “Reissuance”), a Tax Law Legislative Enactment could cause interest on the Series 2017 Bonds to lose the Federal Gross Income Exclusion on and after the date of the Reissuance.

Any federal, state or local legislation, administrative pronouncement or court decision (any such legislation, administrative pronouncement or court decision constituting a “Governmental Action”) may affect (i) the tax status (whether or not discussed herein or addressed in the opinion of Bond Counsel) of the Series 2017 Bonds (including without limitation any exemption under applicable federal, state or local law from otherwise applicable taxes with respect to the (a) interest on the Series 2017 Bonds, (b) gain from the sale or other disposition of the Series 2017 Bonds, or (c) value of the Series 2017 Bonds (any aforesaid exemption with respect to tax status, whether in connection with the Series 2017 Bonds or other bonds, constituting the “Tax Exemption Status”)), or (ii) the market price or marketability of the Series 2017 Bonds. The impact of any Governmental Action, including without limitation a Tax Law Legislative Enactment, cannot be predicted. Owners of the Series 2017 Bonds are encouraged to consult their personal or institutional tax and financial advisors with respect to the tax and financial aspects of ownership of the Series 2017 Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds may otherwise affect a Bondowner’s federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner’s other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondowners should consult with their own tax advisors with respect to such consequences.

LEGALITY OF THE SERIES 2017 BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2017 Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all Massachusetts insurance companies, trust companies, savings banks, cooperative banks, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. The Series 2017 Bonds, under the Act, are securities which may properly and legally be deposited with and received by any Commonwealth or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law.

DESCRIPTION OF RATINGS

Fitch Ratings has assigned its municipal bond rating of “BB+” to the Series 2017 Bonds.

The rating is not a recommendation to buy, sell or hold the Series 2017 Bonds, and such rating may be subject to revision or withdrawal at any time by the respective rating agency. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2017 Bonds. Any further explanation as to the significance of the above rating may be obtained only from the respective rating agency. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions.

COMMONWEALTH NOT LIABLE ON THE SERIES 2017 BONDS

The Series 2017 Bonds are not a general obligation of the Agency and shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof, or a pledge of the faith and credit of the Agency or the Commonwealth or any such political subdivision, but shall be payable solely from and to the extent of the payments made by the Institution from its Revenues pursuant to the Agreement and any other funds held under the Agreement for such purpose. Neither the faith and credit of the Agency or the Commonwealth nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Series 2017 Bonds. The Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service on the Series 2017 Bonds in the event of default by the Institution. The Agency has no taxing power under the Act.

UNDERWRITING

The Series 2017 Bonds are being purchased for reoffering by the underwriters listed on the cover hereof (the “Underwriters”) pursuant to a Purchase Contract between the Agency, the Institution and the Underwriters. The Underwriters have agreed to purchase the Series 2017 Bonds at a purchase price equal to \$_____ (representing the aggregate principal amount of the Series 2017 Bonds in the amount of \$_____, [plus/less] net original issue [premium/discount] in the amount of \$_____, less an underwriters’ discount in the amount of \$_____), and to reoffer such Series 2017 Bonds at the initial reoffering prices or yields set forth on the cover page hereof, plus accrued interest, if any, to the date of delivery. The obligations of the Underwriters are subject to certain terms and conditions contained in the Purchase Contract. The Underwriters will be obligated to purchase all of the Series 2017 Bonds if any of the Series 2017 Bonds are so purchased. The Institution has agreed to indemnify the Underwriters and the Agency against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers (including dealers depositing Series 2017 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices or yields other than the public offering prices or yields stated on the cover page hereof. The initial offering prices or yields set forth on the cover page of this Official Statement may be changed from time to time by the Underwriters.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and its affiliates have, from time to time, performed, and may in the future perform, various

financial advisory and investment banking services for the Institution, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Institution.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

CERTAIN RELATIONSHIPS

A portion of the proceeds of the Series 2017 Bonds is being applied to retire the 2014 Term Loan provided to the Institution by Bank of America, N.A., the corporate parent of one of the Underwriters for the Series 2017 Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2017 Bonds by the Agency are subject to the approval of McCarter & English, LLP, Boston, Massachusetts, Bond Counsel, whose opinion approving the validity and tax exempt status of the Series 2017 Bonds will be delivered with the Series 2017 Bonds. A copy of the proposed form of the opinion of Bond Counsel is attached hereto as Appendix E. Certain legal matters will be passed on for the Obligated Group by its counsel, Nutter McClennen & Fish LLP, Boston, Massachusetts. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, New York, New York.

LITIGATION

There is no litigation pending against the Agency or, to the knowledge of the officers of the Agency, threatened against the Agency seeking to restrain or enjoin the issuance or delivery of the Series 2017 Bonds or in any way contesting the existence or powers of the Agency relating to the issuance of the Series 2017 Bonds.

There is no litigation pending against the Institution restraining or enjoining the issuance or delivery of the Series 2017 Bonds or questioning or affecting the validity of the Series 2017 Bonds or the proceedings and authority under which they are to be issued. See Appendix A with respect to any material litigation affecting the Institution.

FEASIBILITY CONSULTANTS

The financial forecast prepared by management of the Obligated Group, included as part of the Financial Feasibility Study, included in Appendix C hereto, has been examined by the Feasibility Consultant, CliftonLarsonAllen LLP, independent certified public accountants, as stated in their report

appearing in Appendix C and is included in reliance on their report. As stated in the financial forecast, there will usually be differences between the forecasted and the 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. See APPENDIX C – “FINANCIAL FEASIBILITY STUDY.”

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of September 30, 2016 and 2015 included in Appendix B of this Official Statement have been audited by Dixon Hughes Goodman LLP, independent accountants, as stated on their reports appearing herein.

MISCELLANEOUS

The references to the Act and the Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act and the Agreement for full and complete statements of such provisions. The agreements of the Agency with the owners of the Series 2017 Bonds are fully set forth in the Agreement, and neither any advertisement of the Series 2017 Bonds nor this Official Statement is to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Agency and of the Trustee.

Information relating to DTC and the book-entry system described herein under the heading “THE SERIES 2017 BONDS—Book-Entry-Only System” has been furnished by DTC and is believed to be reliable.

Attached hereto as Appendix A is a description of the Institution which contains certain information relating to the Obligated Group. While the information contained therein is believed to be reliable, the Agency and the Underwriters make no representations or warranties whatsoever with respect to the information contained therein. Attached hereto as Appendix B are the audited financial statements of the Obligated Group and the report of its independent certified public accountants.

The Agency and the Underwriters have relied on the information contained in Appendix A and the financial statements contained in Appendix B.

Appendix D-1 - “DEFINITIONS OF CERTAIN TERMS,” Appendix D-2 - “SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED MASTER TRUST INDENTURE”, Appendix D-3 - “SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL INDENTURE”, and Appendix D-4 - “SUMMARY OF THE AGREEMENT” and Appendix E - “PROPOSED FORM OF BOND COUNSEL OPINION” have been prepared by McCarter & English, LLP, Bond Counsel to the Agency.

Appendix F - “FORM OF CONTINUING DISCLOSURE AGREEMENT” has been prepared by Hawkins Delafield & Wood LLP in its capacity as Underwriter’s Counsel.

All appendices are incorporated as integral parts of this Official Statement.

The Institution has reviewed the portions of this Official Statement describing the Institution, the Obligated Group, Plan of Finance, the Mortgaged Property, Estimated Sources and Uses of Funds and Bondowners' Risks, and has furnished Appendix A to this Official Statement, and has approved all such information for use with this Official Statement. At the closing for the Series 2017 Bonds, the Institution will certify that such portions of this Official Statement, except for any projections and opinions contained in such portions, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements therein, in the light of the circumstances under which they are made, not misleading.

The Agency has consented to the use of this Official Statement. The Agency is responsible only for the statements contained under the caption "THE AGENCY" and the information pertaining to the Agency under the caption "LITIGATION," and the Agency makes no representation as to the accuracy, completeness or sufficiency of any other information contained herein. Except as otherwise stated herein, neither the Agency nor the Underwriters make any representations or warranties whatsoever with respect to the information contained herein.

APPENDIX A

DESCRIPTION OF NEWBRIDGE ON THE CHARLES, INC.

The information contained in this APPENDIX A has been provided by the Institution. No representation is made by the Agency or the Underwriters as to its accuracy or completeness. Capitalized terms not otherwise defined herein shall have the same meanings as used elsewhere in this Official Statement.

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CORPORATE STRUCTURE

Introduction

NewBridge on the Charles, Inc. (the “Institution”) is a Massachusetts not-for-profit corporation, headquartered in Boston, Massachusetts. The Institution’s parent, and sole corporate member, is Hebrew SeniorLife, Inc. (“HSL” and the “Parent”). The Institution and HSL are each exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended, as an organization described in Section 501 (c)(3) of the Code.

The Institution

The Institution was formed in 2004 at the initiative of HSL to acquire land and develop, own and operate a Continuing Care Retirement Community (CCRC). In 2005, the Institution purchased land in the town of Dedham, Massachusetts and in 2007, it issued a series of tax-exempt bonds to pay for the construction and equipping of its facilities as well as other project-related costs. By 2009, construction of its campus was complete. Later in 2009, pursuant to a determination of need, Hebrew Rehabilitation Center (“HRC”), a Massachusetts not-for-profit corporation founded in 1903 and headquartered in the Roslindale neighborhood of Boston, Massachusetts, transferred 220 chronic care beds to a facility located on the Institution’s campus, leasing space for the facility from the Institution. HSL is also the Parent and sole corporate member of HRC.

Today, the Institution consists of 256 independent living units, 91 assisted living suites and a 268-bed health center that includes 220 chronic care beds and 48 short-term post-acute skilled nursing/rehabilitative beds. Set on a 162-acre campus along the Charles River with 100 acres of nature preserve, 2 miles of walking trails, gardens, meadows and a boat launch for canoes and kayaks, the Institution provides a full continuum of care for its residents including independent living, assisted living, memory care, short-term post-acute skilled nursing/rehabilitative care and long-term chronic care. The Institution maintains access to Harvard Medical School-affiliated geriatricians, medical and other health care professionals, and both HSL and HRC have a formal affiliation agreement with Harvard Medical School (“HMS”).

The Parent and its Affiliates

Founded in 1903, HSL provides communities and health care for seniors, research into aging and education for geriatric care providers. As one of the Commonwealth of Massachusetts’ largest not-for-profit providers with approximately 2,600 employees, HSL provides care for an estimated 3,000 senior citizens a day across its nine Boston-area campuses and communities. Through its Institute for Aging Research, HSL strives to replace assumptions about aging with evidence-based realities founded on the results of rigorous scientific enquiry. As the only affiliate of HMS focused on geriatrics, HSL contributes to the clinical and research missions of HMS as well as one of HMS’s major teaching hospitals, Beth Israel Deaconess Medical Center. Since the inception of its affiliation with HMS in 2007, HSL has trained more than 700 students, interns, residents and fellows in multiple geriatric disciplines.

In addition to the Institution and HRC, HSL is the sole corporate member of and manages affiliates that own and operate continuing care retirement communities, affordable senior living

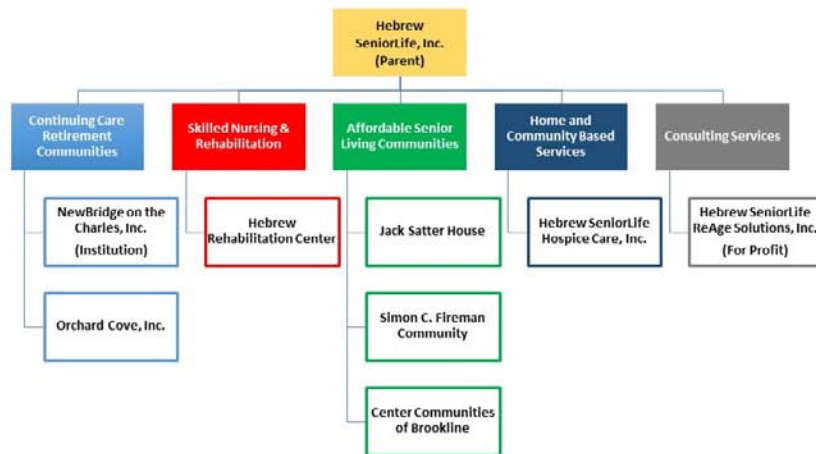
communities, skilled nursing and rehabilitation facilities, home-and-community-based services, and consulting services. Specifically:

- CCRCs (in addition to Institution):
 - Orchard Cove, a CCRC located in Canton, Norfolk County, Massachusetts built between 1991 and 1994, and owned by Orchard Cove, Inc. Orchard Cove includes 227 independent living units, a community center and a healthcare center including 28 assistance-in-living units including 45 Medicare-certified skilled nursing beds.
- Affordable Senior Living Communities:
 - Jack Satter House, a 266-unit federally subsidized elderly housing facility located in Revere, Massachusetts. Built in 1978, the Jack Satter House is owned by HRCA Housing for Elderly, Inc. Rental subsidies for residents are provided by the U.S. Department of Housing and Urban Development through the Section 8 rental assistance program.
 - Simon C. Fireman Community, a 160-unit federally subsidized elderly housing facility located in Randolph, Massachusetts. The Simon C. Fireman Community was built in 1984 and is owned by HRCA Senior Housing, Inc.
 - Center Communities of Brookline (CCB), a three building, 517 apartment facility located in Brookline, Massachusetts acquired in 2002. CCB's ownership is split among the following entities: Center Communities of Brookline, Inc.; HRCA Brookline Housing 112-120 Centre Court, Inc.; and HRCA Brookline Housing 1550 Beacon Plaza, Inc. In addition, HRCA Brookline Housing 108 Centre Street, Inc. owns nearby real estate that contains a small building that is not suitable for apartments, and HSL Payroll Services, Inc. employs most CCB employees and provides payroll services to CCB.
- Home-and-Community-Based Services:
 - Hebrew SeniorLife Hospice Care, Inc. (HSHC), which includes home health, in-home rehabilitation, hospice, and personal care services.
- Consulting Services:
 - Hebrew SeniorLife ReAge Solutions, Inc. (ReAge), a for-profit affiliate that provides consulting services and engages in other health care and senior living-related activities that constitute for-profit activity for tax purposes, but generate revenue ultimately to support HSL's mission.

The Institution is the sole member of the Obligated Group. None of HSL, HRC, Orchard Cove, Jack Satter House, Simon C. Fireman Community, Center Communities of

Brookline, HSHC, or ReAge is liable, directly or indirectly, for the payment of principal of or interest on the Series 2017 Bonds or the Series 2017 Note.

Organization Chart



Mission and Vision

Mission: To honor the community's elders, by respecting and promoting their independence, spiritual vigor, dignity and choice, and by recognizing that they are a resource to be cherished.

Vision: To improve the quality of life for a growing number of seniors and their families by:

- Continuing to provide best-in-class health care and communities;
- Reaching more seniors in the community and engaging them earlier;
- Increasing care coordination and engagement in health care reform;
- Optimizing the Institution's campuses; and
- Conducting research, teaching, and deploying the Institution's intellectual capital in new & innovative ways.

Governance

The Parent Board

The HSL network of organizations is governed by a Board of Trustees (the “Parent Board”) consisting of at least 12 but no more than 18 individuals (each a “Parent Trustee”). All Parent Trustees are nominated and elected based on membership criteria contained in the Parent’s Bylaws, and serve three-year terms. Parent Trustees are eligible to be elected to successive terms but at the completion of nine consecutive years, a Parent Trustee must step down for at least one year before he or she is eligible to be elected as a Parent Trustee again. Any year of service in which a Parent Trustee is elected an Officer of the Parent is not counted toward the total. Notwithstanding the foregoing, Parent Trustees may be elected for fewer than three-year terms and less than 9 consecutive years in order to stagger the Board so that approximately one-third of the Board is elected each year.

The Parent Board meets approximately 12 times annually and at such other times as the Parent Board may determine. Parent Board members and officers do not receive compensation for their service to the Parent, and the Parent maintains a policy that governs the evaluation and disclosure of potential conflicts of interest. The Parent’s by-laws provide for the following regular committees: Finance; Audit; Development; Governance; Research; Compensation; Health Care; and Senior Living.

[Remainder of page intentionally left blank]

The current Parent Board is as follows:

Name	First Appointed⁽¹⁾	Current Term Expires⁽²⁾	Occupation
HINDA MARCUS	2011	2017	CEO (Arnold Industries, Inc)
MARSHA R. COHEN	2013	2018	Retired Partner (PricewaterhouseCoopers)
JEFFREY D. DRUCKER	2011	2019	Principal (Gerard Management Group, Inc)
THOMAS J. DESIMONE	2013	2017	Partner (W/S Development Associates LLC)
TODD B. FINARD	2011	2019	CEO (Finard Properties)
STEVEN FLIER, MD	2015	2017	Internal Medicine/Nephrology (Personal Physicians HealthCare)
REESE GENSER	2014	2017	Owner (Genser Insurance)
RICHARD J. HENKEN	2012	2018	President (The Shochet Companies)
HAROLD G. KOTLER	2011	2017	CEO/CIO (GW&K Investment Management)
DAVID S. ROSENTHAL, MD	2011	2018	Medical Director (Zakim Center for Integrative Oncology at Dana-Farber Cancer Institute)
SUSAN FLORENCE SMITH	2011	2018	Appraiser
MELISSA B. TEARNEY	2011	2018	Partner (Choate Hall & Stewart)
JAY L. WEBBER	2011	2019	Managing Director (CBIZ Tofias)
ROBERTA WEINER	2011	2019	Philanthropist
MARK L. ZEIDEL, MD	2012	2018	Professor of Medicine (Harvard Medical School); Physician-in-Chief, Department of Medicine (Beth Israel Deaconess Medical Center)

⁽¹⁾ The HSL Network completed an overhaul of its governance processes in 2009-2010 which led to a more formal delineation of Parent Board and/or Institution Board members versus individuals serving in other lay leadership roles as of 2011; accordingly, while some of the current Board members may have served in lay leadership positions prior to 2011, internal records reflect formal designation as Board members effective 2011.

⁽²⁾ The HSL Network's next annual meeting is scheduled to take place on November 14, 2017. HSL anticipates that, at such time, all individuals on the current Parent Board will be re-elected for another three-year term, and no individuals will be added to the Parent Board.

The Institution Board

The Institution is governed by a separate Board of Trustees (the "Institution Board") consisting of no more than 14 individuals (each an "Institution Trustee"). A majority of the Institution Trustees are elected by the Parent Board. All elected Institution Trustees are nominated and elected based on membership criteria contained in the Institution's Bylaws and in staggered three-year terms. In recent years, the Institution Board has typically been comprised of the President and CEO of HSL, the CFO of HSL, the Chairperson of the Parent Board's Finance Committee, and the Chairperson of the Parent Board. While the Institution Board convenes from time to time as noted below, the Parent Board and its standing committees provide more of the ongoing oversight of Institution's management and operations.

The Institution Board meets annually and at such other times as the Institution Board may determine to formally approve or authorize certain Institution transactions. Institution Board members and officers do not receive compensation for their service to the Institution, and the Institution maintains a policy that governs the evaluation and disclosure of potential conflicts of interest. The Institution's by-laws do not provide regular committees with oversight coming from the parent board as previously described.

The current Institution Board is as follows:

Name	First Appointed	Current Term Expires ⁽¹⁾	Occupation
LOUIS J. WOOLF	2013	Ex-officio	President/CEO of HSL
JAMES D. HART	2011	Ex-officio	CFO of HSL
HINDA MARCUS	2015	2017	CEO (Arnold Industries, Inc)
MARSHA R. COHEN	2013	2018	Retired Partner (PricewaterhouseCoopers)

⁽¹⁾ The Institution Board's next annual meeting is scheduled to take place on November 14, 2017. The Institution anticipates that at such time, all individuals on the current Institution Board will be re-elected for another three-year term, except that Jeffrey D. Drucker will replace Hinda Marcus, and no individuals will be added to the Institution Board.

Special Relationships. The Parent Board and the Institution Board each have members who are affiliated through employment, ownership or other relationship with organizations with which the Institution and/or the Parent from time to time transact business. Each Parent Trustee and Institution Trustee completes an annual conflict of interest disclosure. The results of these disclosures are reviewed by the respective boards to the extent a potential conflict of interest is identified. Any transaction in which the trustee has a disclosed interest is and has been in the ordinary course of business and on terms not less favorable to the Institution than the terms upon which such business transactions are routinely entered into by such organizations with others.

Corporate Compliance Program. The Institution has implemented a corporate compliance program to monitor and reduce the likelihood of the occurrence of Medicare and Medicaid fraud and abuse and/or unethical conduct within the organization. The Institution has adopted a Code of Conduct and a system for reporting suspected misconduct. Each employee is required to acknowledge the system and the Code of Conduct.

Management

The responsibilities of the Institution's management include: recruiting, employing and training staff; supervising the operation of the Institution; preparing annual budgets; establishing and operating a system of financial controls for the Institution, including operating performance ratios and other customary analytical information; supervising the marketing, advertising and occupancy development for all living units that become available; supervising the delivery of health care and other services required under the Residence and Care Agreements (described herein); overseeing the delivery of resident services and quality accommodations provided by the Institution; overseeing risk management, compliance and safety for operations at the Institution; and developing the strategic direction, along with the Trustees, and implementing those strategies.

The following biographies summarize the experience level of key members of the Institution's corporate management team.

HSL Management

Louis J. Woolf, President and CEO

Louis J. Woolf joined HSL in 2009 as President and was elevated to President and CEO in February 2013. Prior to joining HSL, he served as Executive Vice President and Chief Operating Officer at North Shore Medical Center, the largest community hospital system in Partners Healthcare System. Prior to that, he spent 10 years in various leadership positions within the CareGroup Healthcare System, including Chief Operating Officer of New England Baptist Hospital and Senior Vice President of System Development and Communications for all of CareGroup's hospitals. Mr. Woolf received his BA in economics from Brandeis University and his MBA in marketing and finance from Columbia University School of Business. He is a member of the Massachusetts Health and Hospital Association Board of Trustees, The Centre for Aging and Brain Health Innovation's Innovation Advisory Council, the MassHealth Delivery System Reform Innovation Advisory Council, the Boston College Master of Healthcare Administration Industry Advisory Board and chairs the MHA Continuum of Care Council.

James D. Hart, Chief Financial Officer

James D. Hart was named Chief Financial Officer of HSL in November 2009, bringing more than 28 years of financial experience to the organization. As Chief Financial Officer, he directs HSL's strategic and operational financial planning, budgeting process, tracking and reporting of financial results, accounting and finance practices, and financial risk assessment, and maintains relations with financial institutions.

Prior to HSL, Mr. Hart served as Chief Financial Officer of Benchmark Senior Living, which currently operates 50 assisted living, memory care and independent living communities throughout the Northeast. He has also held senior financial positions with Interfid Ltd., Bitstream, Inc., Boston Financial Group, and Enigma, Inc. He began his career at Continental Bank in New York. Mr. Hart received his Bachelor of Arts in Economics from Trinity College and his MBA from Dartmouth College.

Kim Brooks, Chief Operating Officer, Senior Living

Kim Brooks joined HSL as Vice President of Senior Living in 2013. She brings to HSL deep experience in supportive independent living models, HUD affordable housing projects, senior center management, home health and adult day health, as well as senior services strategy and finance. In her prior role as VP, Housing & Community Services at NewCourtland in Philadelphia, she oversaw multiple senior living locations, developed a successful Program of All-Inclusive Care for the Elderly (PACE) from inception, designed and implemented a supportive housing complex for seniors transitioning out of the nursing home, and developed a remote passive monitoring approach to successfully keep seniors living independently at home.

In her role as Chief Operating Officer of Senior Living, Ms. Brooks holds ultimate responsibility for the Institution Independent Living and Assisted Living, overall operations of Orchard Cove, HSL's three affordable senior living communities, as well as new initiatives. Ms. Brooks received her B.S. from the Whittemore School of Business and Economics at the

University of New Hampshire and recently graduated from the Massachusetts Health Leadership College.

Mary K. Moscato, FACHE, President, HSL Health Care Services & HRC

Mary Moscato is President of HSL Health Care Services* and HRC, the flagship facility of HSL in Boston. She is a seasoned health care executive with 25+ years in C-level, progressive experience in post-acute care delivery systems and management of multi-site clinical operations. She is an advocate for specialty hospitals and community-based programs in federal regulation matters and she is experienced in building partnerships with a variety of stakeholders.

Prior to joining HSL, Ms. Moscato served as Chief Executive Officer at Care Alternatives, a multi-site provider of community-based, health care services and as Senior Vice President of the Northeast Region of HealthSouth Rehabilitation Hospitals. She holds an MBA and MPH from Boston University, and a BS from Northeastern University. She is also a Fellow in the American College of Healthcare Executives.

Helen Chen, M.D., Chief Medical Officer

Helen Chen, M.D., is serving as senior clinical advisor and overseeing HSL's Department of Medicine. Dr. Chen came to HSL with more than 20 years of experience with evidence-based geriatric clinical care and training, long-term care programs, post-acute rehabilitation, and community-based health care services including home care and adult day health.

Prior to joining HSL, Dr. Chen served as Chief Medical Officer at the Center for Elders' Independence in Oakland, California, a multi-site, non-profit Program of All-inclusive Care for the Elderly (PACE) designed for seniors whose health problems make it impossible for them to stay at home without the help of caregivers. A graduate of Brown University Medical School, she completed both her residency in internal medicine and fellowship program in clinical geriatrics at University of California San Francisco. Dr. Chen holds board certifications in geriatric medicine as well as hospice and palliative care.

Lewis Lipsitz, M.D., Vice President of Academic Medicine & Director of the Institute for Aging Research

Lewis Lipsitz, M.D., has spent most of his career in geriatric medicine at HSL, where he currently serves as Vice President for Academic Medicine and Director of the Institute for Aging Research. In addition to his positions at HSL, he is a professor of medicine at Harvard Medical School and chief of the Division of Gerontology at Beth Israel Deaconess Medical Center. He also serves as the Chair of the Irving and Edyth S. Usen and Family Charitable Foundation, a foundation which supports education, health care and medical research, the arts and human services.

* HSL Health Care Services refers to all health care services that are offered by the various HSL subsidiaries, namely home care, personal care, hospice, adult day health, memory care, short-term post-acute skilled nursing/rehabilitative care and long-term chronic care.

Dr. Lipsitz's research specialty areas include falls, fainting, blood pressure regulation, cognitive dysfunction, and improving long-term care for disabled seniors. He has published more than 200 original research papers, review articles and textbook chapters. He was designated one of the "Top Doctors in Boston" by Boston Magazine in 2009 and 2010. A graduate of Franklin and Marshall College, Dr. Lipsitz earned his medical degree from the University of Pennsylvania School of Medicine. He also holds a master's degree from Harvard University. He completed his residency in internal medicine and a fellowship in geriatrics at Beth Israel Deaconess Medical Center.

Management for the Institution

Stephen Colwell, Executive Director, Operations

Stephen Colwell, as the Executive Director, Operations, oversees activities, programming and services provided in the community center and food and beverage areas, along with physical maintenance operations throughout the campus. He has over 24 years of experience within the hospitality industry, most recently as the Executive Director at Cabot Park Village, an assisted living community in Wellesley. He previously held various managerial positions with the Hilton Hotels Corporation. Mr. Colwell has a Master of Business Administration from the University of Rochester and a BS from Cornell University's School of Hotel Administration.

Scott Ariel, Executive Director, Health Care Center

Scott Ariel is the Executive Director of HRC in Dedham. He has been employed in the health care industry since 1984. As Executive Director of HRC, Mr. Ariel's responsibilities include overseeing the overall operations of HRC's 220 Long Term Chronic Care beds and he is the licensed administrator for HRC's 48 Rehabilitation Services Unit beds. He is responsible for the daily operations of the Health Care Center. From 2008 to 2012, Mr. Ariel served as Vice President of Post-Acute and Support Services at HRC in Boston. Prior to joining HRC in 2008, he served as the Chief Operating Officer of Northeast Specialty Hospital-Braintree located in Braintree, Massachusetts and, prior thereto, he was employed as Vice President of Operations and Administrator of Miami Jewish Health Systems, Florida's largest long-term care community, as well as Florida Pace Centers. Mr. Ariel graduated from West Virginia Wesleyan College and received his graduate degree in Business Administration from Suffolk University.

Matthew Hollingshead, Executive Director, Assisted Living

Matthew Hollingshead joined the Institution as Executive Director, Assisted Living in the spring of 2016. Previously, he served for ten years in a series of leadership positions at another continuing care retirement community in Massachusetts, where his roles included oversight of home support nursing services, short term rehabilitation, long term care, memory care, and facility operations. Mr. Hollingshead received a Master of Science degree from Boston University and a Bachelor of Science degree from Northwestern University, and is currently a licensed Nursing Home Administrator.

Carole Johnson, Director of Finance, CCRCs

Carole Johnson is the Director of Finance for the Continuing Care Retirement Communities of HSL, including the Institution. She is a Certified Public Accountant, licensed to

practice in Massachusetts, with more than 30 years of experience in public accounting, consulting and fiscal operations. She has worked in a variety of industries including public accounting, manufacturing, data processing, quick service restaurants, commercial insurance, capital markets and not for profit organizations. She is a graduate of Missouri Southern State University where she received a Bachelor of Science in Business Administration degree in Accounting.

Anthony Galvin, Director, Finance HRC/HCC

Anthony Galvin is Director of Finance of HRC in Roslindale and the Institution. He is responsible for the overall financial operations of the Health Care Center at the Institution as well as nursing and several other ancillary services at HRC-Roslindale. Mr. Galvin has over 18 years of experience in the banking industry as well as over 9 years of experience in the health care industry. Prior to joining HRC, he held several finance and operations positions in both industries. He is a graduate of Suffolk University where he received a Bachelor of Science in Business Administration (Finance).

THE INSTITUTION

General Description

The Institution's campus sits on a 162-acre site located on Great Meadow Road, in Dedham, Massachusetts. It consists of 256 independent living units, 91 assisted living suites and a 268-bed health center that includes 220 chronic beds and 48 short-term post-acute skilled nursing/rehabilitative beds. The Institution provides a full continuum of care for its residents including independent living, assisted living, memory care, short-term post-acute skilled nursing/rehabilitative care and long-term chronic care and maintains access to Harvard Medical School-affiliated geriatricians, medical and other health care professionals.

Independent Living Units

The Institution's 256 independent living residences are comprised of 182 apartments, 50 cottages, and 24 villas. All of the residences include monthly dining credits, weekly housekeeping, utilities, 24-hour security, access to the fitness and aquatic center, reserved parking, concierge services, transportation, and extensive cultural, social, educational, and spiritual programming. Amenities include a performance center, a movie theater with stadium seating, tennis court, and a library with more than 4,650 books, films, and music titles.

The Institution offers one- and two- bedroom apartments, many of which have dens that range in size from approximately 1,000 square feet to just over 2,000 square feet. Apartments feature spacious living areas, gourmet kitchens, nine-foot ceilings, and windows providing natural light; some also have screened-in porches and fireplaces. Two-bedroom units have two bathrooms while one-bedroom units have one-and-a-half bathrooms. All apartments include access to underground parking spaces and storage units.

The Institution's 50 single-home cottages offer private home living with close access to the Institution's various programs, amenities, and activities. While most of the cottages range

from 1,475 to 2,700 square feet, some include a lower level, a loft (or both), increasing the living space up to 3,200 square feet. All cottages feature a private one- or two-car garage.

The Institution's 24 two-bedroom villas are situated in a more private setting overlooking gardens and woods. Each villa is a corner residence to allow for plenty of light. Ranging in size from 1,600 to 1,800 square feet, the villas feature spacious interiors with high ceilings, large windows, living areas, porches, fireplaces, and underground parking.

Residency Agreements, Services and Rates

Residency Agreements. Residency agreements are signed by residents for admission to the Institution's Independent Living and Assisted Living communities. Standard Independent Living residency agreements are 90% refundable, fee for service contracts. Residents can also choose a residency agreement with a 75% refundable entrance fee and receive a 15% discount on the standard entrance fee or a 50% refundable entrance fee and receive a 30% discount on the standard entrance fee. Residents who move into the Assisted Living community from outside the Institution's campus pay a non-refundable Community Fee equal to one month monthly service fees.

Modified Life Contracts. Residents who qualify can also purchase a Modified Life contract addendum. When the Institution initially opened and during its initial occupancy, residents could purchase a Modified Life Contract addendum for an additional \$95,000 entrance fee for a single person or \$135,000 for a couple which provides 120 days of health care for no increase in their monthly service fee. Thereafter, the residents receive a 20% discount for future health care services.

The Life Care Contract anticipated to be offered to future residents will require an additional fee of \$150,000 for a single person and \$225,000 for a couple which provides 60 days of health care for no increase in their monthly service fee. Thereafter, the residents will receive a 20% discount for future health care services.

Monthly Service Fees. Independent Living and Assisted Living monthly service fees are based on the type of unit selected by the resident and the monthly service fees in effect at the time of their move-in. An additional monthly service fee is assessed for a second resident in a unit for both Independent Living and Assisted Living. Monthly service fees may be increased annually upon 60 days' notice to residents. Since 2014, monthly service fee increases have been between 3% and 5%, annually.

Services Provided to Independent Living Residents. The Independent Living monthly service fee includes meal credits of \$300 to \$500 per month that can be used in multiple restaurants on campus, 24-hour security, weekly resident housekeeping services, admittance to more than 100 classes, performances and programs per month, participation in the Vitalize 360SM wellness program, access to a fitness center with an indoor pool, tennis court, putting green, clubhouse and kayaking on the adjoining Charles River, use of multiple libraries, a dedicated art room, card room, movie theater, woodworking shop, an on-site beauty salon and spa, banking services and a medical practice staffed by Harvard Medical School affiliated physicians. Other

services are available to residents on campus for an additional fee, including transportation, home maintenance, IT support, catering for private events and guest house accommodations.

Current Independent Living Units and Related Monthly Service Fees and Entrance Fees.

The types, number of units, size of units, monthly services fees and entrance fees as of October 1, 2017 (for standard residency agreements and modified life care agreements) are as follows:

Apartments

<u>Independent Living Unit Type</u>	<u>Number of Units</u>	<u>Square Footage</u>	<u>90% Refundable Fee for Service Plan</u>	<u>75% Refundable Fee for Service Plan</u>	<u>50% Refundable Fee for Service Plan</u>	<u>90% Refundable Modified Life Care Plan</u>	<u>75% Refundable Modified Life Care Plan</u>	<u>50% Refundable Modified Life Care Plan</u>	<u>Monthly Service Fee</u>
Apartments:									
One Bedroom A (1.5 baths)	7	825	\$654,000	\$556,000	\$458,000	\$804,000	\$683,500	\$563,000	\$3,750
One Bedroom B (1.5 baths)	2	999	696,000	592,000	487,000	846,000	719,500	592,000	4,270
One Bedroom Den A (1.5 baths)	14	1,041	758,000	644,000	531,000	908,000	771,500	636,000	4,440
One Bedroom Den B (1.5 baths)	7	1,052	769,000	654,000	538,000	919,000	781,500	643,000	4,490
One Bedroom Den C (1.5 baths)	8	1,055	779,000	662,000	545,000	929,000	789,500	650,000	4,490
One Bedroom Den D (1.5 baths)	2	1,078	800,000	680,000	560,000	950,000	807,500	665,000	4,540
One Bedroom Den E (1.5 baths)	5	1,115	821,000	698,000	575,000	971,000	825,500	680,000	4,580
Two Bedroom A (2 baths)	24	1,076	800,000	680,000	560,000	950,000	807,500	665,000	4,570
Two Bedroom B (2 baths)	14	1,134	831,000	706,000	582,000	981,000	833,500	687,000	4,750
Two Bedroom C (2 baths)	14	1,146	852,000	724,000	596,000	1,002,000	851,500	701,000	4,790
Two Bedroom D (2 baths)	9	1,219	873,000	742,000	611,000	1,023,000	869,500	716,000	5,120
Two Bedroom Den A (2 baths)	22	1,374	1,008,000	857,000	706,000	1,158,000	984,500	811,000	5,180
Two Bedroom Den B (2 baths)	14	1,574	1,081,000	919,000	757,000	1,231,000	1,046,500	862,000	5,760
Two Bedroom Den C (2 baths)	7	1,574	1,070,000	910,000	749,000	1,220,000	1,037,500	854,000	5,760
Two Bedroom Den D (2 baths)	3	1,595	1,101,000	936,000	771,000	1,251,000	1,063,500	876,000	5,930
Two Bedroom Den E (2 baths)	7	1,628	1,112,000	945,000	778,000	1,262,000	1,072,500	883,000	5,930
Two Bedroom Great Room (2 baths)	17	1,635	1,299,000	1,104,000	909,000	1,449,000	1,231,500	1,014,000	5,970
Two Bedroom Expanded (2.5 baths)	2	1,925	1,413,000	1,201,000	989,000	1,563,000	1,328,500	1,094,000	6,460
Penthouse	4	2,003	1,486,000	1,263,000	1,040,000	1,636,000	1,390,500	1,145,000	6,690
Total/Weighted Averages - Apartments	182	1,284	\$940,555	\$799,830	\$658,731	\$1,090,995	\$927,330	\$763,731	\$5,061
Second Person			N/A	N/A	N/A	\$75,000	\$63,750	\$52,500	\$1,390

Villas and Cottages

Independent Living Unit Type	Number of Units	Square Footage	90% Refundable Fee for Service Plan	75% Refundable Fee for Service Plan	50% Refundable Fee for Service Plan	90% Refundable Modified Life Care Plan	75% Refundable Modified Life Care Plan	50% Refundable Modified Life Care Plan	Monthly Service Fee
Villas:									
Villa A	2	1,589	\$1,257,000	\$1,068,000	\$880,000	\$1,407,000	\$1,195,500	\$985,000	\$5,610
Villa B	6	1,602	1,268,000	1,078,000	888,000	1,418,000	1,205,500	993,000	5,660
Villa C	2	1,630	1,278,000	1,086,000	895,000	1,428,000	1,213,500	1,000,000	5,750
Villa D	4	1,733	1,289,000	1,096,000	902,000	1,439,000	1,223,500	1,007,000	5,930
Villa E	6	1,773	1,299,000	1,104,000	909,000	1,449,000	1,231,500	1,014,000	6,050
Villa F	4	1,800	1,309,000	1,113,000	916,000	1,459,000	1,240,500	1,021,000	6,120
Total / Weighted Average - Villas	24	1,701	\$1,286,000	\$1,093,167	\$900,167	\$1,436,000	\$1,220,667	\$1,005,167	\$5,883
Second Person			N/A	N/A	N/A	\$75,000	\$63,750	\$52,500	\$1,390
Cottages:									
Courtyard Cottage	10	1,487	\$1,008,000	\$857,000	\$706,000	\$1,158,000	\$984,500	\$811,000	\$4,780
Gatehouse Cottage A	18	1,843	1,153,000	980,000	807,000	1,303,000	1,107,500	912,000	5,350
Gatehouse Cottage B	4	2,697	1,403,000	1,193,000	982,000	1,553,000	1,320,500	1,087,000	5,710
Woodview Cottage A	6	1,978	1,185,000	1,007,000	830,000	1,335,000	1,134,500	935,000	5,490
Woodview Cottage B	12	2,708	1,434,000	1,219,000	1,004,000	1,584,000	1,346,500	1,109,000	5,710
Total / Weighted Average - Cottages	50	2,064	\$1,215,280	\$1,033,040	\$850,840	\$1,365,280	\$1,160,540	\$955,840	\$5,368
Second Person			N/A	N/A	N/A	\$75,000	\$63,750	\$52,500	\$1,390
Grand Total / Weighted Average - ILUs	256	1,476	\$1,026,598	\$872,879	\$718,887	\$1,176,910	\$1,000,379	\$823,887	\$5,198

Assisted Living

The Institution's Assisted Living community provides an environment for older adults supported by HSL continuum of care services. With 91 apartments – 51 for traditional assisted living and 40 for memory-support assisted living – the Institution offers places and services so residents can live as independently as possible. For those experiencing cognitive decline, the Institution also offers specialized programming, including expressive art therapy involving music, art, and movement, and a neighborhood that strives to ensure that seniors remain physically and mentally stimulated and safe.

Traditional Assisted Living

Traditional Assisted Living fees include up to one hour of personal care assistance per day (including incontinence care), three meals and snacks daily, weekly housekeeping and linen service, 24-hour professional resident care staff, individualized service plans, 12 hours of daily onsite nursing staff, medication management, secure entry and exit, enclosed courtyard and

gardens, wellness/fitness programs, individually controlled heating and air conditioning, 10 hours per day of scheduled enrichment programs, and scheduled transportation.

As of October 1, 2017, the types and fees for Traditional Assisted Living are as follows:

Traditional Assisted Living	
One Bedroom	\$8,600 - \$9,900 per month
Two Bedroom	\$13,500
Second Resident Fee	\$2,600
Respite Stay	\$320 per day (two week minimum). Includes furnished apartment and access to all services and amenities
Community Fee	Equivalent to one month's rent

Memory Support Assisted Living

The Institution's Memory Support Assisted Living Community strives to provide a secure environment for individuals with memory loss. The program is built on a habilitative approach to care, which focuses on encouragement, dignity and success in all areas of functioning.

Memory Assisted Living fees include private studio apartments with individual baths, unlimited personal care, weekly housekeeping and linen service, 24-hour professional resident care staff, individualized service plans, 12 hours of daily onsite nursing staff, incontinence care, medication management, three meals and snacks daily, emergency response system, secure entry and exit, enclosed courtyard and gardens, wellness/fitness programs, individually controlled heating and air conditioning, all utilities/building, grounds and apartment maintenance, 8 hours per day of scheduled enrichment and therapeutic programs and scheduled transportation.

As of October 1, 2017, the types and fees for Memory Assisted Living are as follows:

Memory Assisted Living	
One Bedroom Deluxe	\$13,000 per month
Studio	\$9,400 per month
Companion Suite	\$8,000 per month
Second Resident Fee	\$2,800 per month
Respite Stay	\$320 per day
Community Fee	Equal to one month's rent (one-time fee)

Health Care Center

HSL offers a system of comprehensive senior health care services at the Institution designed to provide individualized care plans. These care plans integrate outpatient clinical care, in-home health care, chronic and medically acute care, and hospice care. Outpatient clinical care is provided by the HSL Medical Group located in the Gloria Adelson Field Health Care Center on the Institution. A Chronic Care Program is offered at HRC, also located on the Institution's campus. Post-acute care is offered in the Rehabilitative Services Unit ("RSU").

Residents who require short-term post-acute care following a hospital stay are admitted into the RSU. In most instances, the resident returns to Independent Living or Assisted Living following care in the RSU. Those residents who can no longer live independently or in Assisted Living are admitted into the 220-bed chronic care unit.

Long Term Chronic Care

HRC, the flagship long-term chronic care hospital of HSL, operates 220 beds in the Health Care Center. Under HRC's hospital license, HRC offers geriatric specialty care that strives to satisfy the chronic and acute medical needs of older adult patients. With HSL's commitment to person-centered care, HRC/HSL's skilled staff provides medical treatment while seeking to empower patients and their families to take an active role in setting treatment and wellness goals. Programs available at Long-Term Chronic Care at HRC include memory care for seniors with advanced cognitive decline, rehabilitative therapies, restorative exercise programs, expressive therapies, palliative care, social engagement programs and spiritual care.

Rehabilitation Services

The RSU operates 48 beds in the Health Care Center and provides post-acute and skilled nursing care to patients following an acute hospital stay. Care is delivered by HMS-affiliated doctors, nurses and rehabilitation therapists who specialize in the care of older patients. Patients are often referred to the RSU from many hospitals throughout the Greater Boston area to help seniors recover from surgery or illness. Patients recover from a variety of medical and surgical conditions at the RSU, including joint replacement and strokes. A support group for stroke survivors is offered for patients during and after their stay. Therapies, including physical therapy, occupational therapy and speech-language pathology, are provided daily and are tailored to meet each patient's individual needs. Physicians and clinicians representing numerous medical specialties are available for consultation at the RSU to ensure that all medical needs are addressed. Dietitians, Palliative Care practitioners, Spiritual Care staff and Expressive Therapists round out the multi-disciplinary care team.

Governmental and Third Party Reimbursement Rates for Health Care Center

The governmental and third party reimbursement rates for health center services for fiscal years 2017 and 2018 are as follows:

	<u>October 1, 2016 to September 30, 2017</u>	<u>October 1, 2017 to present*</u>
Medicare (average)	\$662	\$662
Medicaid	366	394
Managed Care (average)	531	531

*Effective October 1, 2017, HRC entered into an amended contract with the Massachusetts Executive Office of Health and Human Services providing for a 7% increase in the Medicaid rate for the chronic care beds to \$394 per day. This new rate is effective until September 30, 2019 when it is expected a new contract will be negotiated. In addition to the daily Medicaid rate, HRC may receive additional reimbursement based on quality of care measurements such as hospital readmission rates.

Occupancy and Payor Mix

Occupancy trends for the Institution's independent living, assisted living, and health care center units, along with the payor mix for its health care center units for fiscal years ending 2014, 2015, 2016 and 2017 year-to-date, is provided below:

Percent Occupancy (as of September 30)				
	2014	2015	2016	2017 YTD⁽¹⁾
Independent Living	99.6%	98.8%	98.4%	97.7%
Assisted Living	93.3%	95.6%	93.6%	97.3%
Health Center	97.4%	96.7%	96.6%	95.3%

Health Care Center Payor Mix (%)⁽²⁾				
	2014	2015	2016	2017 YTD
Long Term Chronic Hospital				
Medicaid	66%	63%	63%	64%
Private Pay	34%	37%	37%	36%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
RSU				
Medicare-Net	78%	76%	75%	74%
Managed Care-Net	19%	20%	22%	25%
Private Pay	<u>3%</u>	<u>4%</u>	<u>3%</u>	1%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

⁽¹⁾ Percent Occupancy is calculated based on year-to-date averages through 8/31/17.

⁽²⁾ Payor Mix is based on revenues by payor type.

Program and Infrastructure Initiatives

The Institution engaged a consulting firm, EMG, to assess the entire physical plant and develop a replacement schedule for all of the physical assets. The plan projected anticipated capital expenditures for each fixed asset and annual costs for a period of 10 years through Fiscal Year 2021. The Institution begins each annual capital expenditures budget with the planned replacements, evaluating individual assets as needed, and then adds budgeted amounts for unit turnover, furniture, fixtures and equipment refurbishment and special projects to improve the campus or services.

The Institution completed numerous capital projects in Fiscal Year 2017, including Assisted Living building improvements, refurbishment of furnishings in the Health Care Center, Independent Living common area improvements, exterior siding replacement, and Independent Living furniture and equipment upgrades. The Fiscal Year 2017 budget for capital projects was \$2,500,000, which represented an increase of \$500,000 compared to Fiscal Year 2016.

The budget for capital projects is expected to increase to \$4,800,000 for Fiscal Year 2018 fund improvements necessary to maintain the facility in optimal condition. Major capital projects for Fiscal Year 2018 include landscaping improvements, Health Care Center kitchen renovations, additional exterior siding replacement, HVAC unit upgrades, restaurant refurbishments and common area improvements in the Independent Living area and Health Care Center.

The capital projects budget is projected to be \$4,100,000 for 2019 and \$3,300,000 for 2020. Approximately half of the projected capital expenditures are expected to be for building improvements and a third for equipment replacement. The remaining capital is designated for landscaping and furnishings.

Licensure, Certification and Accreditation

HRC maintains a hospital license with the Commonwealth of Massachusetts Department of Public Health (“Massachusetts DPH”) for its 220 chronic care beds. The Institution also maintains a nursing home license with Massachusetts DPH for the 48 beds in the RSU. In addition, the Institution has an advanced certification with the Commission on Accreditation for Rehabilitation Facilities (CARF).

Financial Assistance

If a resident is unable to pay the monthly service fee in full due to lack of funds for reasons beyond the control of the resident, the Institution may subsidize, in whole or in part, the monthly service fees and other charges, as long as doing so would not impair the ability of the Institution to achieve its objectives in a financially solvent fashion. In the event that financial assistance is provided by the Institution, such amounts, plus interest, may be charged against the refund of the Entrance Fee owed to a resident upon termination of the Residency Agreement. The Institution may also require a resident receiving financial assistance to move to a smaller or less expensive Independent Living Unit, Assisted Living Unit, Memory Support Unit or Health Care Center Unit.

Nondiscrimination

The Institution operates on a non-discriminatory basis and provides the facilities and services described in the Residency Agreement to individuals without unlawful discrimination due to race, color, religion, sex, age, natural origin, ancestry, disability or any other unlawful reason.

Termination and Refunds

The non-refundable portion of the entrance fee is retained by the Institution at the rate of 1% per month from the date of move-in up to the maximum non-refundable amount. The refundable portion of the entrance fee is payable within 30 days after termination of the agreement, providing that the unit has been reoccupied, but no later than one year after termination.

INVESTMENT POLICY

Roles and Responsibilities

HSL Board

The Parent Board has the fiduciary responsibility of managing the Institution's investments. It is the policy of the Parent Board to treat all assets of the Institution, including funds that are legally unrestricted, as if held by the Institution in a fiduciary capacity for the purpose of accomplishing the Institution's charitable mission and purposes. In that regard, the basic investment standards are designed to be those of a prudent investor.

The Parent Board ensures that appropriate policies governing the management of the Institution's funds are in place and has delegated authority to adopt an investment policy, to reaffirm or approve changes to the policy on a regular basis and to implement the policy to its Investment Committee (which is a subcommittee of the Parent Board's Finance Committee). The Investment Committee's responsibilities include approving investment strategies, hiring and firing investment consultants and monitoring performance of the investment portfolio on a regular basis.

The Investment Committee reviews the investment results against appropriate benchmarks on at least an annual basis. The primary investment objectives for the Institution are as follows: (i) preserve capital, (ii) maintain adequate liquidity for operations, capital expenditures and debt service, (iii) maintain reasonable diversification of investments between investment classes, (iv) match maturates to cash flow needs, and (v) achieve a reasonable rate of return.

To help achieve these objectives, the Institution has retained Prime, Buchholz & Associates, Inc., a professional investment consultant, to make recommendations on the investment of approximately \$40,000,000 of its reserve funds.

The Institution's investment policy changes from time to time, but currently establishes the following targets, ranges and performance indices for its portfolio:

Asset Class	Target %	Range %	Target Benchmark
Global Asset Allocation	60%	50% - 70%	60% MSCI World / 40% Citi WGBI index
Domestic Equity	12%	8% - 16%	Russell 3000
International Equity	13%	9% - 17%	MSCI EAFE
Fixed Income – Absolute Return	10%	6% - 14%	Barclays Capital Aggregate
Cash	5%	0% - 10%	90-Day T-Bill

MARKET INFORMATION

Market Area and Competition

See the section titled “MARKET ASSESSMENT” of the Financial Feasibility Study included as Appendix C to the Official Statement for detailed information regarding the market area and competitive landscape for the Institution.

STAFFING AND EMPLOYEE RELATIONS

There were currently 672 full time employees for the Institution as of August 31, 2017. Management believes that its overall relationship with its employees is very good. There is not and has never been any union contract or activity at the Institution or elsewhere in the HSL network of organizations.

QUALITY/ACCREDITATIONS

- HRC has been awarded three year re-accreditation by the Commission on Accreditation of Rehabilitation Facilities as of January 31, 2016
- HSL/HRC Clinical Pastoral Education is an accredited program of The Association for Clinical Pastoral Education (ACPE), offering Level I and Level II CPE.
- HSL is a partner and teaching site for the ACGME-accredited Harvard Medical School Multi-Campus Fellowship in Geriatric Medicine.
- HSL was selected by The Boston Globe as one of the Top Places to Work in 2016 and 2015.

SELECTED FINANCIAL INFORMATION

Historical Results of Operations

The following summary financial information for the Institution for the three fiscal years ended September 30, 2014, 2015 and 2016 was derived from the audited consolidated financial statements of the Institution. Summary information for the Institution for the eleven months ended August 31, 2016 and 2017 was derived from unaudited consolidated financial statements, and such information may not be indicative of the results for the fiscal year ending September 30, 2017. All summary financial information should be read in conjunction with the audited consolidated financial statements of the Institution and related notes included in this Official Statement as Appendix B.

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Historical Summary Balance Sheet

	<u>AUDITED</u> September 30,			<u>UNAUDITED</u> August 31,	
	2014	2015	2016	2016	2017
Assets					
Current assets					
Cash and cash equivalents	\$16,655,038	\$15,564,697	\$21,604,854	\$20,287,575	\$22,336,991
Investments	19,048,055	18,480,388	19,078,802	19,055,960	20,236,930
Monthly service fees receivable	421,615	560,406	562,143	574,598	468,593
Entrance fees receivable	-	-	-	-	1,000
Notes receivable from members	154,464	595,445	1,161,008	1,060,221	1,613,646
Assisted living rent deposits	625,951	605,388	537,165	605,491	557,187
Assets limited as to use	473,336	-	-	-	-
Due from residents	-	15,961	46,711	46,711	-
Property and equipment, net of depreciation	315,814,171	299,132,890	283,684,995	284,543,546	271,075,530
Contract and acquisition costs, net	2,681,666	1,724,298	766,930	846,710	-
Debt issuance costs, net	5,106,598	2,137,396	1,602,745	1,647,299	1,112,711
Other assets	515,715	503,795	519,776	694,924	587,424
Total assets	<u>\$361,496,609</u>	<u>\$339,320,664</u>	<u>\$329,565,129</u>	<u>\$329,363,035</u>	<u>\$317,990,012</u>
Liabilities and net assets					
Accounts payable and accrued expenses	3,457,735	1,972,878	2,940,696	2,918,143	4,002,539
Accrued interest expense	781,708	649,087	672,864	657,265	585,905
Entrance fee deposits	163,694	348,050	1,307,850	427,400	508,300
Due to residents	180	-	-	-	3
Due to affiliate	9,263,206	11,098,913	15,483,147	14,871,844	18,871,493
Deferred revenue from non-refundable entrance fees, net of accumulated amortization	16,503,596	14,939,111	14,377,865	14,807,494	13,803,548
Refundable portion of resident entrance fees	173,086,429	173,611,921	174,817,302	174,911,914	173,963,032
Refundable entrance fees	7,518,413	11,925,188	17,289,075	16,523,513	23,334,507
Interest rate swap	-	2,966,653	2,893,370	2,795,424	706,765
Long-term debt	257,675,000	252,656,663	246,349,659	246,741,326	239,019,322
Other liabilities	592,619	571,898	538,165	538,165	565,855
Total current liabilities	469,042,580	470,740,362	476,669,993	475,192,488	475,361,269
Net deficiency					
Unrestricted net deficiency	<u>(107,545,971)</u>	<u>(131,419,698)</u>	<u>(147,104,864)</u>	<u>(145,829,453)</u>	<u>(157,371,257)</u>
Total liabilities and deficiency in net assets	<u>\$361,496,609</u>	<u>\$339,320,664</u>	<u>\$329,565,129</u>	<u>\$329,363,035</u>	<u>\$317,990,012</u>

Historical Summary Statement of Operations*

	<u>AUDITED</u>			<u>UNAUDITED</u>	
	<u>September 30,</u>			<u>August 31,</u>	
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
Operating revenues					
Earned entrance fees:	\$2,961,656	\$2,731,926	\$2,727,171	\$2,147,742	\$2,366,301
Independent living	13,907,583	14,252,188	14,660,040	13,424,284	14,099,240
Assisted living	9,220,770	9,330,293	9,237,865	8,508,111	8,975,794
Skilled nursing	9,769,701	9,725,744	10,373,780	9,481,499	9,972,392
Health center lease	8,421,341	8,676,197	8,851,376	8,310,921	6,647,423
Rental income	86,799	95,041	102,773	94,085	101,028
Interest income	9,954	13,043	112,931	100,696	152,676
Other income	394,804	377,928	334,571	300,319	463,559
Total operating revenues	<u>44,772,608</u>	<u>45,202,360</u>	<u>46,400,507</u>	<u>42,367,657</u>	<u>42,778,413</u>
Expenses					
Salaries and benefits	19,096,051	19,804,562	21,222,960	19,411,357	20,514,637
Supplies and direct expenses	11,012,007	11,179,351	10,640,450	9,683,129	10,311,769
Incentive and Affiliate Mgmt Fee	3,658,847	2,075,850	4,083,123	3,742,863	4,484,518
Interests expense	9,021,811	7,965,925	7,867,944	7,195,080	6,738,916
Depreciation and amortization	<u>20,259,087</u>	<u>19,417,171</u>	<u>18,872,875</u>	<u>17,395,705</u>	<u>15,777,714</u>
Total operating expenses	<u>63,047,803</u>	<u>60,442,859</u>	<u>62,687,352</u>	<u>57,428,134</u>	<u>57,827,554</u>
Operating Loss	(18,275,195)	(15,240,499)	(16,286,845)	(15,060,477)	(15,049,141)
Nonoperating income (loss)					
Change in value of interest rate swap	-	(2,966,653)	73,283	171,229	2,186,605
Contributions from HSL	-	-	-	-	1,588,985
Loss on refunding	-	(5,106,598)	-	-	-
Net change in unrealized loss on investments	-	<u>(559,977)</u>	<u>528,396</u>	<u>479,493</u>	<u>1,007,158</u>
Increase in unrestricted net deficiency	<u>(18,275,195)</u>	<u>(23,873,727)</u>	<u>(15,685,166)</u>	<u>(14,409,755)</u>	<u>(10,266,393)</u>
Net deficiency at beginning of year	(89,270,776)	(107,545,971)	(131,419,698)	(131,419,698)	(147,104,864)
Net deficiency at end of year	<u>\$ (107,545,971)</u>	<u>\$ (131,419,698)</u>	<u>\$ (147,104,864)</u>	<u>\$ (145,829,453)</u>	<u>\$ (157,371,257)</u>

* For Fiscal Year 2017, there was a change in the classification of SNF payroll expenses. Prior to Fiscal Year 2017, that expense had been including supplies and direct expenses. It is now being reflected in Salaries and Benefits. Prior year financial data above has been restated to reflect this change. In addition, when compared to audited financial statements, salaries and benefits have been combined into 1 line within expenses while incentive and affiliate management fees have been filtered out of Supplies and direct expenses.

Financial Ratios

The following table sets forth debt service coverage and reserve ratios calculated in accordance with the provisions of the Agreement and certain other significant financial ratios for the Institution based on historical financial information for the dates and fiscal periods indicated (in thousands, except for ratios). Interim results shown are for the eleven months ended August 31, consistent with the testing periods set forth in the Agreement.

	September 30,			Eleven Months Ended August 31,	
	2014	2015	2016	2016	2017
(in thousands \$ except for ratio)					
Change in net assets (deficits)	(\$18,275)	(\$23,874)	(\$15,685)	(\$14,410)	(\$10,266)
Deduct: Entrance Fee amortization	(2,962)	(2,732)	(2,727)	(2,148)	(2,366)
Change in value of interest rate swap	-	2,967	(73)	(171)	(2,187)
Unrealized (gains)/losses	-	560	(528)	479	(1,007)
Add: Incentive and affiliate management fee	3,659	2,076	4,083	3,743	4,485
Depreciation and amortization	20,259	19,417	18,873	17,396	15,778
Loss on refunding	-	5,106	-	-	-
Interest expense-series 2007 bonds	9,022	7,966	7,868	7,195	6,739
Entrance fees received/refunds	6,994	6,100	8,735	7,914	7,050
Cash Flow Available for Debt Service	18,697	17,586	20,546	19,040	18,226
Pro Forma Maximum Annual Debt Service	13,983	13,983	13,983	13,983	13,983
Pro Forma Debt Service Coverage Ratio ⁽¹⁾	1.34	1.26	1.47	1.36	1.30
Other Key Financial Measures					
Days Cash on Hand	200	189	220	214	224

⁽¹⁾Cash Flow Available for Debt Service for the August 31 eleven month periods has been annualized in calculation for comparative purposes.

See the Financial Feasibility Study included as Appendix C to the Official Statement for certain forecasted financial ratios for the fiscal years ending September 30, 2018 through 2020.

Management's Discussion of Financial Results

HSL provided capital contributions to the Institution totaling \$22,834,688 between April 1, 2005 and September 30, 2010 relating to initial project development costs and fixed assets. These capital contributions are included in the unrestricted net deficiency of the Institution. No such contributions were made during subsequent years.

Development/transition fees of \$15,000,000 were paid to HSL by the Institution as follows: (i) \$1,194,000 was paid prior to the closing of the tax-exempt bond financing in 2007; (ii) \$3,806,000 was paid at the time of the closing of the tax-exempt bond financing; and (iii) the \$10,000,000 balance was paid during December 2010, upon receipt of all certificates of occupancy. These amounts were recorded on the Institution's financial statements as a reduction to the Due to Affiliate balance.

Pursuant to a Determination of Need, HRC transferred the license for 220 chronic care hospital beds along with the residents from its Roslindale campus to the Institution during

November and December 2009. HRC leases space in the Institution's Health Center facility for the 220 chronic care hospital beds. The lease agreement provides for monthly rent payments from HRC equal to 100% of net revenues from the operation of the leased space after payment of expenses associated with those operations. Rent amounts pursuant to the lease agreement are included in the accompanying statements of operations and changes in net deficiency as Health Center Lease revenue. A portion of the expenses included in HRC's operations consists of a management fee payable by HRC to HSL. HSL is permitted to defer this fee, thereby decreasing expenses and increasing the rent payable by HRC to the Institution, to the extent that doing so enables the Institution to comply with its financial covenants. To date, no such management fees have been deferred.

The lease will be amended in connection with the issuance of the Series 2017 Bonds to extend the expiration thereof to a date that is ten years after the latest maturity of the Series 2017 Bonds. The Due to Affiliates balance on the Institution's financial statements includes roughly \$3.9 million owed to HRC/HSL. This portion of the balance represents a working capital loan made by HRC/HSL to the Institution, the proceeds of which were used to develop and equip the Health Center for use by HRC in connection with its operation of the 220 chronic hospital beds. Interest does not accrue on this loan. The Institution will remain obligated on this loan and will have the ability to repay it as permitted by the Series 2017 Bond documents.

In conjunction with the tax-exempt bond financing in December 2007, the Institution entered into a management agreement with HSL (the Management Agreement), under which HSL serves as manager of the Institution, and provides management and oversight services necessary to manage the day-to-day operations. The Management Agreement commenced upon the closing of the tax-exempt bond financing in December 2007 and was to extend for a term of ten years from the opening of the Institution in June 2009.

As compensation for management services rendered by HSL, the Management Agreement obligates the Institution to pay Base Management fees equal to 4% of certain operating revenues of the Institution (generally, gross revenues less any rent received by the Institution under its lease with HRC). These amounts are included as a component of supplies and direct expenses in the accompanying statements of operations and changes in net deficiency. Upon meeting certain conditions, the Management Agreement has also obligated the Institution to pay Incentive Management fees equal to 2% of certain operating revenues (generally, gross revenues including any rent received by the Institution under its lease with HRC) and Affiliation Management fees to the extent of 50% of the Institution's cash flow after debt service in excess of the incentive management fees. The Management Agreement permits HSL to defer payment of any of the Base, Incentive and/or Affiliation management fees to the extent that doing so enables the Institution to comply with its financial covenants. Base Management fees have historically not been deferred beyond the year in which they are due. Interest does not accrue on the deferred Incentive and Affiliation Management fees.

As of September 30, 2017, there was an unpaid balance due from the Institution to HRC/HSL in the amount of \$19,274,738, consisting of \$4,613,842 in deferred Incentive Management Fees, \$12,343,794 in deferred Affiliation Management Fees and \$3,906,087 in intercompany payments related to the operation of the Chronic Care beds, offset by \$1,588,985

related to the Massachusetts Department of Unemployment Assistance claim. HSL has historically agreed to defer payment of the Incentive and Affiliation Management Fees.

The following table outlines the Incentive Management and Affiliation Management Fees from fiscal year ended September 30, 2014 through September 30, 2017:

Fiscal Year	Incentive Management Fee	Affiliation Management Fee
2014	\$836,020	\$2,822,827
2015	\$835,979	\$1,239,871
2016	\$872,189	\$3,210,938
2017	\$877,279	\$4,014,923

The Management Agreement will be amended in connection with the issuance of the Series 2017 Bonds to extend the term thereof for an additional ten years and to eliminate, on a prospective basis, the Institution's obligation to pay Incentive and Affiliation Management fees. The Institution will remain obligated with respect to the deferred fees described above and will have the ability to pay such deferred fees as permitted by the Series 2017 Bond documents.

In addition to deferred management fees due to HSL, the Due to Affiliate balance is generally increased by HSL shared services payroll and other HSL shared services expenses charged to The Institution under the terms of the Management Agreement and the recording of cash collections on certain skilled nursing accounts receivable balances maintained by HRC on behalf of the Institution. The balance is generally decreased by rent revenue received from HRC under its lease with the Institution and skilled nursing revenues. Excluding incentive and affiliate management fees, the net of the aforementioned activities in the Due to Affiliate balance is minimal.

Audited fiscal year ended 2014 compared to audited fiscal year ended 2015

Operating revenues increased to \$45.2 million in 2015 compared to \$44.8 million in 2014. Independent Living and Assisted Living increases were attributable to annual increases in monthly service fees. The Health Care Center also saw lease revenues increase by \$255,000 due to changes in the payor mix. Earned Entrance fees declined by \$230,000 as annual entrance fee amortization for the original Independent Living residents of the Institution declined. Operating expenses decreased from \$63.0 million in 2014 to \$60.4 million in 2015 due to decreases in incentive and affiliate management fees (\$1.6 million) and interest expense (\$1.06 million).

Net entrance fees received declined by \$0.9 million from \$7.0 million in 2014 to \$6.1 million in 2015 and the Independent Living average census decreased from 99.6% in 2014 to 98.8% in 2015 due to a decline in net move-ins. The Assisted Living saw an increase in average census from 93.3% in 2014 to 95.6% in 2015 due to an increase in outside admissions. The HCC average census declined from 97.4% in 2014 to 96.7% in 2015 due to increased resident turnover.

Audited fiscal year ended 2015 compared to audited fiscal year ended 2016

Operating revenues increased from \$45.2 million in 2015 to \$46.4 million in 2016 due to annual increases in monthly service fees in Independent Living/Assisted Living. Operating

expenses increased from \$60.4 million in 2015 to \$62.7 million in 2016 due to a \$2 million increase in incentive and affiliate management fees in 2016 along with a \$1.4 million increase in staff costs partially offset by a \$0.5 million decrease in depreciation expense.

Net Entrance fees increased in 2016 compared to 2015 by \$2.6 million largely due to an increase in the number of residents in the care continuum. Independent Living occupancy remained relatively stable at 98.4% and Assisted Living occupancy dropped from 95.6% in 2015 to 93.6% in 2016 due to a decrease in Memory Support census partially offset by an increase in traditional Assisted Living.

Marketing expense remained relatively stable during the 2 year period of 2015 - 2016. Average annual spending was roughly \$875,000. While average census has declined slightly due to increased turnover in the Independent Living population, the focus continues to be on maintaining a strong waiting list.

Unaudited eleven-month period ended at August 31, 2016 compared to the same period in 2017

Assets decreased by \$11.3 million, mainly driven by a decrease in net fixed assets due to depreciation offset by lower capital reinvestment. Cash and investments increased due to positive operating cash flow. Liabilities increased by \$170,000. Payment of long term debt in the amount of \$7.7 million along with a decrease in value of interest rate swap of \$2.2 million (pro-rated for the eleven-month period ended at August 31, 2016 and 2017) were offset by increases in refundable entrance fees (\$5.9 million) and intercompany payables (\$4.0 million) due to the annual incentive and affiliate managements fees (pro-rated for the eleven-month period ended at August 31, 2016 and 2017).

Revenues were \$410,000 higher for the first eleven months of Fiscal Year ending 2017 compared to first eleven months of Fiscal Year ended 2016. Independent Living was up \$675,000 due to a 4.9% increase in monthly service fees. Assisted Living was \$465,000 higher than the prior year due to increased census along with a 3.0% increase in monthly service fees. Revenues in the Health Care Center were \$1.2 million lower due to a 1.4% decline in census and a delayed Medicaid rate increase. Salaries and benefits increased by \$1.1 million due to merit increases, staffing of open positions, increase in medical insurance costs, and increase in unemployment compensation due to a change in state withholding. Real estate taxes were lower by \$615,000 in 2017 due to a recoupment of prior year taxes of \$475,000 along with reductions in current property taxes. In addition, there was an additional \$1.6 million increase due to an anticipated unemployment compensation settlement with the state of Massachusetts relating to prior years. Any payment will be funded by HSL which is reflected by the \$1.6 million increase in Contributions from HSL shown within Nonoperating income(loss). Depreciation was \$1.6 million lower because numerous 7 year assets became fully depreciated during Fiscal Year 16. Interest expense was \$455,000 lower due to decreased debt balances and the favorable impact of the interest rate swap.

Independent Living Average Daily Census decreased from 251.8 (98.4%) occupied units to 250.2 (97.7%) for the eleven months ended August 2017 compared to the same period in the prior year due to increased unit turnover. Assisted Living has performed well in Fiscal Year

2017 as Average Daily Census increased from 93.3% to 97.3%. The increase is primarily due to more permanent resident days and fewer days of respite care during the current year. The total Independent Living, Assisted Living and Health Care Center average daily census was 96.6% for the first eleven months of Fiscal Year 2017 compared to 96.9% for the same period last year.

Due to the timing of unit turnovers, year to date Net Entrance Fees Received of \$7.05 million as of August, 2017 were approximately \$0.9 million lower compared to the same period in Fiscal Year 2016. However, Net Entrance Fees Received for Fiscal Year 2017 are projected to be \$9.6 million, which is \$0.8 million higher than Fiscal Year ended 2016.

LITIGATION AND AUDITS

The Institution from time to time is a party to certain litigation as part of its routine operations. There is no current litigation pending nor, to the knowledge of the management of the Institution, is any litigation threatened, which litigation is expected to have any material adverse impact on the operations or financial performance of the Institution, the issuance of the Series 2017 Bonds or the transactions contemplated by the related bond documents.

During fiscal year 2017, an audit was conducted by the Massachusetts Department of Unemployment Assistance (the “DUA”) for the fiscal years 2011 - 2016 (the “Employer Years”). The audit was conducted to determine the Institution's compliance with the Massachusetts Unemployment Insurance law M.L.G. Chapter 151A. Based on the DUA audit, the DUA has taken the position that the Institution owes approximately \$5.0 million (“Amount Due”). As of August 31, 2017, HSL took a \$1.6 million charge (“Minimum Charge”) to reflect what it believes to be the minimum liability it will incur for unpaid unemployment insurance, penalties and interest due from the Institution for the Employer Years. HSL is in the process of negotiating the Amount Due and believes it will successfully reduce the Amount Due to an amount closer to the Minimum Charge. The Institution itself is incurring unemployment insurance charges for fiscal year 2017 that are in excess of what HSL believes are fair and customary by an amount which approximates the Minimum Charge, due in part to HSL’s failure to effectively manage this aspect of the Institution’s operations during the Employer Years in accordance with its Management Agreement. As such, HSL believes that it is appropriate for HSL to assume full financial responsibility for the assessed charges prior to fiscal year 2017.

INSURANCE

The Agreement requires the Institution to obtain and maintain insurance in such amounts as are adequate to protect it, its property and its operations. The Institution presently maintains the following insurance:

<u>Coverage Type</u>	<u>Coverage Limits</u>
Property and Casualty (Building and Contents)	\$500,000,000
General/Professional Liability	\$1,000,000 per occurrence/\$3,000,000 aggregate
Director and Office Liability	\$10,000,000
Automobile Liability	\$1,000,000
Workers Compensation	Statutory
Employer Liability	\$500,000/\$500,000/\$500,000

NewBridge on the Charles, Inc.

Financial Statements

Years Ended September 30, 2016 and 2015

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Independent Auditors' Report

Board of Directors
NewBridge on the Charles, Inc.
Dedham, Massachusetts

We have audited the accompanying financial statements of NewBridge on the Charles, Inc., which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of operations and changes in net deficiency and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NewBridge on the Charles, Inc. as of September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Greenville, South Carolina
January 25, 2017

Newbridge on the Charles, Inc.
Balance Sheets
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 21,604,854	\$ 15,564,697
Investments	19,078,802	18,480,388
Monthly service fees receivable, less allowance for doubtful accounts of approximately \$50,000 in 2016 and \$- in 2015	562,143	560,406
Notes receivable from members	1,161,008	595,445
Assisted living rent deposits	537,165	605,388
Due from residents	46,711	15,961
Property and equipment, net of depreciation	283,684,995	299,132,890
Contract acquisition costs, net	766,930	1,724,298
Debt issuance costs, net	1,602,745	2,137,396
Other assets	519,776	503,795
	<u> </u>	<u> </u>
Total assets	<u>\$ 329,565,129</u>	<u>\$ 339,320,664</u>
LIABILITIES AND NET DEFICIENCY		
Accounts payable and accrued expenses	\$ 2,940,696	\$ 1,972,878
Accrued interest expense	672,864	649,087
Entrance fee deposits	1,307,850	348,050
Due to affiliate	15,483,147	11,098,913
Deferred revenue from non-refundable entrance fees, net of accumulated amortization	14,377,865	14,939,111
Refundable portion of resident entrance fees	174,817,302	173,611,921
Refundable entrance fees	17,289,075	11,925,188
Interest rate swap	2,893,370	2,966,653
Long-term debt	246,349,659	252,656,663
Other liabilities	538,165	571,898
	<u> </u>	<u> </u>
Total liabilities	476,669,993	470,740,362
Net deficiency:		
Unrestricted net deficiency	<u>(147,104,864)</u>	<u>(131,419,698)</u>
	<u> </u>	<u> </u>
Total liabilities and deficiency in net assets	<u>\$ 329,565,129</u>	<u>\$ 339,320,664</u>

See accompanying notes.

Newbridge on the Charles, Inc.
Statements of Operations and Changes in Net Deficiency
Years Ended September 30, 2016 and 2015

	2016	2015
Operating revenues:		
Earned entrance fees	\$ 2,727,171	\$ 2,731,926
Independent living	14,660,040	14,252,188
Assisted living	9,237,865	9,330,293
Skilled nursing	10,373,780	9,725,744
Health center lease	8,851,376	8,676,197
Rental income	102,773	95,041
Interest income	112,931	13,043
Other income	334,571	377,928
Total operating revenues	46,400,507	45,202,360
Operating expenses:		
Salaries and wages	11,182,926	10,224,435
Fringe benefits	2,317,442	2,229,384
Supplies and direct expenses	22,446,165	20,605,944
Interest expense	7,867,944	7,965,925
Depreciation and amortization	18,872,875	19,417,171
Total operating expenses	62,687,352	60,442,859
Operating loss	(16,286,845)	(15,240,499)
Nonoperating income (loss):		
Change in value of interest rate swap	73,283	(2,966,653)
Loss on refunding	-	(5,106,598)
Deficiency of revenues over expenses	(16,213,562)	(23,313,750)
Net change in unrealized gains (losses) on investments	528,396	(559,977)
Increase in unrestricted net deficiency	(15,685,166)	(23,873,727)
Net deficiency at beginning of year	(131,419,698)	(107,545,971)
Net deficiency at end of year	<u>\$ (147,104,864)</u>	<u>\$ (131,419,698)</u>

See accompanying notes.

Newbridge on the Charles, Inc.
Statements of Cash Flows
Years Ended September 30, 2016 and 2015

(Continued)

	2016	2015
Cash flows from operating activities:		
Increase in net deficiency	\$ (15,685,166)	\$ (23,873,727)
Adjustments to reconcile increase in net deficiency to net cash provided by operating activities:		
Depreciation and amortization	18,872,875	19,417,171
Change in value of interest rate swap	(73,283)	2,966,653
Loss on refunding	-	5,106,598
Realized loss on investments	52,042	-
Net change in unrealized (gains) loss on investments	(528,396)	559,977
Entrance fee amortization	(2,727,171)	(2,731,926)
Non-refundable entrance fees received	2,280,326	1,167,440
Net changes in operating assets and liabilities:		
Monthly service fees receivable	(1,737)	(138,791)
Other assets	(16,075)	(179,318)
Assisted living rent deposits	68,223	20,563
Amounts due to residents	(30,750)	(16,141)
Accounts payable, accrued expenses, and other liabilities	934,085	(1,359,964)
Accrued interest expense	23,777	(132,621)
Amounts due to affiliate	4,384,234	1,835,707
Net cash provided by operating activities	7,552,984	2,641,621
Cash flows from investing activities:		
Additions to property and equipment	(1,932,961)	(1,388,867)
Decrease in owner controlled insurance program deposit	94	191,238
Proceeds from sales of investments	5,991,215	12,008,522
Purchases of investments	(6,113,275)	(12,000,832)
Assets limited as to use and related interest	-	473,336
Net cash used by investing activities	(2,054,927)	(716,603)
Cash flows from financing activities:		
Entrance fee deposits received, net of refunds	959,800	184,356
Refundable entrance fees received, net of refunds	6,454,867	4,932,268
Repayment of long-term bonds	(6,307,004)	(261,983,337)
Proceeds from long-term bonds	-	256,965,000
Notes receivable from members	(565,563)	(440,981)
Deferred financing costs	-	(2,672,665)
Net cash provided (used) by financing activities	542,100	(3,015,359)
Net change in cash and cash equivalents	6,040,157	(1,090,341)
Cash and cash equivalents at beginning of year	15,564,697	16,655,038
Cash and cash equivalents at end of year	<u>\$ 21,604,854</u>	<u>\$ 15,564,697</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 7,844,167</u>	<u>\$ 8,098,546</u>
Property and equipment included in accounts payable	<u>\$ -</u>	<u>\$ 145,614</u>

See accompanying notes.

1. Organization and Mission

NewBridge on the Charles, Inc. ("NewBridge") is a not-for-profit corporation formed on April 15, 2004, to acquire land, and develop, own and operate a senior independent living community known as NewBridge on the Charles. The mission of NewBridge is to provide services that foster independence, health and security for seniors so that they may realize their full potential.

NewBridge was formed at the initiative of the Board of Trustees and management of Hebrew SeniorLife, Inc. ("HSL"), its sole corporate member. HSL is a not-for-profit organization, and is the sole corporate member of Hebrew Rehabilitation Center, Inc. (HRC), which operates a 725-licensed bed facility recognized for its commitment to providing seniors with the highest quality of life through care, research and training. HSL is also the sole corporate member of other senior housing projects in the greater Boston, Massachusetts area. Certain of the Directors of NewBridge are also Directors of HSL.

During April 2005, NewBridge purchased land in the town of Dedham, Massachusetts for approximately \$21,000,000 as the site for NewBridge. During December 2007, NewBridge issued \$457,075,000 of tax-exempt bonds to pay for project construction and other project-related costs. The first independent living and assisted living units were occupied by residents during June 2009, and development and construction of NewBridge was substantially completed by October 2009. NewBridge facilities consist of 256 independent living units, 91 assisted living suites and a 268-bed health care center that includes 220 chronic hospital beds (Note 7), and 48 skilled nursing beds.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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

Cash and cash equivalents include financial instruments with an original maturity of three months or less when purchased. NewBridge places its temporary cash investments with high credit quality financial institutions. Cash balances in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, amounts on deposit may be in excess of the insured limit. It is management's opinion that NewBridge is not exposed to any significant credit risk related to cash.

Investments

Investments are reported at fair value with realized gains and losses included in the deficiency of revenues over expenses and unrealized gains and losses reflected as changes in net deficiency. Realized gains and losses on investment sales are recorded on an average-cost basis. NewBridge reviews investments where the market value is below cost, and in cases where the decline is considered other than temporary, an adjustment is recorded to recognize a loss.

NewBridge on the Charles, Inc.
Notes to Financial Statements

Accounts Receivable

NewBridge grants credit without collateral to its residents. NewBridge determines the collectability by regularly evaluating individual receivables and considering the financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Assisted Living Rent Deposits

Deposits at September 30, 2016 and 2015, represent last month's rent deposits from assisted living residents.

Property and Equipment

Property and equipment are stated at cost and include assets costing greater than \$1,000 at the time of purchase. Depreciation is computed on a straight-line method, utilizing a full month of depreciation for the month the fixed asset is placed in service, based on the following estimated useful lives:

Buildings	40 years
Building improvements	15 years
Major fixed equipment and site improvements	15 years
Furniture and fixtures	7 years
Vehicles and IT software and equipment	5 years
Appliances and other equipment	7 years

NewBridge reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The amount of impairment, if any, is measured based on fair value, which is determined by either a quoted market price or by a discounted cash flow technique, whichever is more appropriate under the circumstances. NewBridge has determined that there are no indicators of impairment at September 30, 2016 and September 30, 2015.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as a component of deficiency of revenues over expenses. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Contract Acquisition Costs

Certain costs incurred to acquire the initial independent living contracts at NewBridge have been capitalized in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 954, *Health Care Entities*. Contract acquisition costs are being amortized over eight years, equivalent to the estimated average remaining life of the initial residents of NewBridge.

Debt Issuance Costs

Debt issuance costs related to the 2014 refinancing agreement are being amortized over the 5-year term of the debt using the effective interest rate method. Debt issuance cost amortization is included in depreciation and amortization expense on the statements of operations and changes in net deficiency.

Entrance Fees Deposits

Entrance fee deposits consist primarily of deposits received from prospective residents who have entered into a residency and care agreement. Entrance fees received prior to occupancy are accounted for as refundable deposits in accordance with the terms of the residency and care agreement. These deposit amounts are held in escrow, and interest is paid after move-in. The deposits are deducted from the entrance fee, which is payable upon possession of the independent living unit.

Entrance fees are typically due at the time a resident takes occupancy of an independent living unit. However, in certain circumstances, NewBridge allows for a deferral of payment, with interest at varying rates, so that the resident may complete the sale of their home, and use the proceeds from the sale to fund the entrance fee.

Deferred Revenue from Non-Refundable Entrance Fees

Entrance fees are paid to NewBridge by occupants of the independent living units. A portion of the entrance fee is recorded as deferred revenue from non-refundable entrance fees, and the remainder is recorded as refundable entrance fees. The nonrefundable amount is calculated at a rate of 1% of the entrance fee per month of occupancy, up to a maximum percentage in accordance with the terms of the residency and care agreement. The nonrefundable amount is amortized to revenue over the estimated remaining actuarial life expectancy of each resident, with the life expectancy reevaluated annually.

Refundable Entrance Fees

Refundable entrance fees represents pending refunds to former residents and the refundable entrance fees of residents who have permanently transferred out of independent living into the continuum of care.

Refundable Portion of Resident Entrance Fees

Refundable portion of resident entrance fees represents entrance fee refunds payable to residents who are in independent living units. NewBridge's Residency Agreement states that entrance fee refund will be the amount of the entrance fee less one percent (1%) per month since the resident's entrance date up to the maximum refundable amount. Refunds will be paid within 30 days after termination of the residency agreement, provided that a new resident has signed a residency agreement and paid the applicable entrance fee, but no more than 1 year after termination of the agreement and release of the unit.

Obligation to Provide Future Service

NewBridge periodically calculates the present value of the estimated net cost of future services, and use of facilities to be provided to current residents, which is compared to the balance of deferred entrance fee revenue. If the present value of the estimated net cost of future services and the use of facilities exceeds the deferred entrance fee revenue, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to operations. At September 30, 2016 and 2015, there was no liability for an obligation to provide future services and use of facilities. The present value of the net cost of future services and use of facilities was discounted at 4% in 2016 and 2015.

Interest Rate Swap

NewBridge entered into a derivative, exclusively an interest rate swap agreement, to manage interest rate exposures on floating rate debt. Interest rate swaps allow NewBridge to swap variable interest rates on a stated notional amount for fixed rates. The fair value of the interest rate swap agreement is presented in the balance sheets at \$2,893,370 and \$2,966,653 as of September 30, 2016 and 2015, respectively.

NewBridge on the Charles, Inc.
Notes to Financial Statements

The unrealized gain (loss) for the years ended September 30, 2016 and 2015 associated with the fair market value of the agreement is \$73,283 and \$(2,966,653), respectively, and was recognized in the statement of operations and changes in net deficiency.

NewBridge is exposed to credit loss in the event of nonperformance by the counterparty in relation to its interest rate swap agreement. Management believes that the counterparty will be able to fully satisfy its obligations under the agreement. Credit exposure exists in relation to all the NewBridge's financial instruments, and is not unique to derivatives.

Net Assets

NewBridge reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets – resources of NewBridge that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.
- Temporarily restricted net assets – resources that carry a donor-imposed restriction that permits NewBridge to use or expend the donated assets as specified and is satisfied by the passage of time or actions of NewBridge.
- Permanently restricted net assets – resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit NewBridge to use or expend part or all of the income derived from the donated assets.

Independent Living and Assisted Living Revenues

Independent living and assisted living revenues represent monthly service fees paid by residents of independent living units and assisted living suites.

Skilled Nursing Revenues

Skilled nursing revenues are derived from public and private sources, and are reported at the estimated net realizable amounts due from patients and third-party payors (primarily Medicare) for services rendered, including estimated adjustments from third-party payors. Revenue is recorded in the period services are provided in an amount estimated to be ultimately received from the patient or third-party payor, with adjustments to these estimates recorded as they become known.

Laws and regulations governing the Medicare program are complex and subject to interpretation. NewBridge believes that it is in compliance with all applicable laws and regulations, and it is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare program.

Accounts receivable related to skilled nursing revenues are maintained by HRC on behalf of NewBridge, and are represented as a component of the due to affiliate balance in the accompanying balance sheets.

Deficiency of Revenues Over Expenses

The statements of operations include the deficiency of revenues over expenses as the performance indicator. Changes in unrestricted net deficiency, which is excluded from the deficiency of revenues over expenses, include unrealized gain or loss on investments.

NewBridge on the Charles, Inc.
Notes to Financial Statements

Functional Expenses

NewBridge does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since NewBridge receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in these financial statements are considered more important in evaluating how well management has discharged its stewardship responsibilities.

Federal Income Taxes

NewBridge is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income tax is recorded in the accompanying financial statements. NewBridge has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2016.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Reclassification did not impact change in net deficiency or net deficiency balances.

3. Investments

Investments are reported at fair value and were as follows at September 30:

	2016	2015
U.S. Treasury mutual fund	\$ 8,919,118	\$ 7,060,275
Fixed income mutual fund	3,739,680	3,290,436
Domestic equity mutual fund	1,419,881	-
Foreign fixed income securities fund	178,027	3,289,779
Global absolute return strategy fund	3,643,766	4,839,898
Unconstrained bond fund	1,178,330	-
	<u>\$ 19,078,802</u>	<u>\$ 18,480,388</u>

At September 30, 2016 and 2015, NewBridge had gross unrealized losses of approximately \$81,000 and \$588,000, respectively, on securities with a carrying value of approximately \$5,242,000 and \$11,420,000, respectively. During the year-ended September 30, 2016 and 2015, NewBridge did not recognize any other than temporary impairment losses.

NewBridge on the Charles, Inc.
Notes to Financial Statements

4. Property and Equipment

Property and equipment consist of the following:

	2016	2015
Property and equipment:		
Land	\$ 18,158,924	\$ 18,158,924
Land improvements	48,167,684	48,022,310
Buildings	230,270,856	230,270,856
Building improvements	2,517,664	1,716,180
Furniture, fixtures and equipment	95,486,034	111,359,443
	394,601,162	409,527,713
Less accumulated depreciation	(110,916,166)	(110,394,823)
	<u>\$ 283,684,995</u>	<u>\$ 299,132,890</u>

Depreciation expense for the years ended September 30, 2016 and 2015 was \$17,380,857 and \$17,924,534, respectively.

5. Debt and Interest Rate Swap

During December 2007, NewBridge issued \$457,075,000 of tax-exempt bonds to pay for construction and other project-related costs. Proceeds of the tax-exempt bonds were also used to pay for certain issuance costs, pay for a portion of the HSL Development Fee (Note 6) and establish certain funds, including a debt service reserve fund.

The tax-exempt bonds are secured by a collateral interest in the NewBridge property and equipment.

On October 8, 2014, NewBridge refinanced its existing Series 2007A and 2007B bonds. A portion of the bonds (\$244,500,000) was refinanced through issuing tax-exempt bonds through Massachusetts Development Finance Agency. The bonds were then purchased by a syndicate of financial institutions. This portion of the refinanced debt will be referred to as the "Senior Debt." The remaining balance of the debt (\$12,465,000) was refinanced through a "Term Loan" provided by one of the bond purchasers.

Senior Debt

Series 2014A: \$188,265,000 of the Senior Debt is a direct purchase index floater. The participating lenders will purchase and hold the Series 2014A bonds. 90% of the Series 2014A Bonds are fixed with an interest rate swap. The remaining 10% of the Series 2014A bonds bear interest at a rate equal to 67% of the 1 month LIBOR rate plus the applicable margin. The applicable margin net of the discount was 2.01%. Interest on the Series 2014A bonds is paid monthly in arrears. Principal of \$301,584 on the Series 2014A bonds is payable monthly commencing October 2014, with the remaining balance payable in full at the maturity date of October 8, 2019. Principal of \$181,328,577 remained outstanding as of September 30, 2016.

Series 2014B: \$56,235,000 of the Senior Debt is a non-bank qualified private placement facility. The participating lenders will purchase and hold the Series 2014B bonds. The 2014B bonds bear interest at the contracted rate of 3.4303% per annum. Interest on the Series 2014B bonds is paid monthly in arrears. Principal of \$90,083 on the Series 2014B is payable monthly commencing October 2014, with a final bond maturity date of October 8, 2019. Principal of \$54,163,082 remained outstanding as of September 30, 2016.

NewBridge on the Charles, Inc.
Notes to Financial Statements

Interest Rate Swap

In October 2014, NewBridge entered into an interest rate swap agreement which became effective October 8, 2014 with one of the bond purchasers, with an initial notional amount of \$169,438,500 through October 8, 2019. NewBridge pays a fixed rate on the notional amount (adjusted over the term for principal repayments) of 1.16587% plus applicable margin of 2.01%, in exchange the counterparty paid NewBridge a variable rate on the notional amount of USD-LIBOR-BBA x 67% plus applicable margins of 2.01%. The all in rate paid to the counterparty is 3.17587%. The notional amount at September 30, 2016 after principal repayments is \$163,195,794.

Term Loan

The remaining Series 2007A and Series 2007B debt that was in excess of the Senior Debt (\$12,465,000) was converted to a Term Loan that is coterminous with the Senior Debt. The Term Loan is guaranteed and is fully collateralized by HSL. The collateral is held in certificates of deposit of the Term Loan lender. The interest on this loan requires payment of the 1 month LIBOR rate plus 1.5% on the outstanding value. Interest on the term loan is paid monthly in arrears. There is no regular scheduled principal amortization on the term loan. 50% of all annual excess cash flow (as defined), however, will be applied exclusively to repay the Term Loan principal. All required Term Loan principal payments will be made annually 10 days after delivery of NewBridge's audited financial statements. The Term Loan also provides for the release of collateral to HSL equal to the principal payment amount. A Term Loan principal payment of \$1,607,000 in the current year reduced the outstanding balance to \$10,858,000 as of September 30, 2016. The Term Loan maturity date is October 8, 2019.

The amount of aggregated annual principal payment requirements for the next four years are as follows:

2017	\$ 4,700,004
2018	4,700,004
2019	4,700,004
2020	232,249,647
	<u>\$ 246,349,659</u>

Based upon borrowing rates available to HSL for debt with similar terms and average maturities, the fair value of long-term debt at September 30, 2016 and 2015, approximates its carrying value.

Pursuant to a continuing covenants agreement between NewBridge and Bank of America, NewBridge is required to maintain certain financial covenants. NewBridge was in compliance with the covenants during the year ended September 30, 2016.

6. Related Party Transactions

HSL has provided capital contributions to NewBridge totaling \$22,834,688 through September 30, 2012. No such amounts were received during the years ended September 30, 2016 and 2015.

As of September 30, 2016 and 2015, NewBridge was indebted to HSL/HRC for \$15,483,147 and \$11,098,913, respectively. The balance is generally increased by HSL shared service payroll and other HSL shared service expenses charged to NewBridge, the recording of management fees and cash collections on certain skilled nursing accounts receivable balances maintained by HRC on behalf of NewBridge. The balance is generally decreased by health center lease and skilled nursing revenues.

NewBridge on the Charles, Inc.

Notes to Financial Statements

In conjunction with the tax-exempt bond financing during December 2007, NewBridge entered into a management agreement with HSL (the Management Agreement), under which HSL is to serve as manager of NewBridge, and provide management and oversight services necessary to manage the day-to-day operations of NewBridge. The Management Agreement commenced upon the closing of the tax-exempt bond financing for a term of ten years following the opening of NewBridge in June 2009. As compensation for services rendered pursuant to the Management Agreement, NewBridge has paid HSL:

Development/transition fees of \$15,000,000, paid as follows: (i) \$1,194,000 was paid prior to the closing of the tax-exempt bond financing; (ii) \$3,806,000 was paid at the time of the closing of the tax-exempt bond financing; and (iii) the \$10,000,000 balance was paid during December 2010, upon receipt of all certificates of occupancy. These amounts were recorded as a reduction to the due to affiliate balance.

Base management fees equal to 4% of certain operating revenues. Upon meeting certain conditions, NewBridge will also pay incentive management fees equal to 2% of certain operating revenues and affiliation management fees to the extent of 50% of NewBridge's cash flow after debt service in excess of the incentive management fees. For the years ended September 30, 2016 and 2015, NewBridge recorded base management fee expenses of \$975,343 and \$962,129, respectively. Additionally, in 2016 and 2015, HSL earned an incentive management fee of \$872,186 and \$835,979, respectively; and an affiliate management fee of \$3,210,938 and \$1,239,871, respectively. These amounts are included as a component of supplies and direct expenses in the accompanying statements of operations and changes in net deficiency. Any fees earned but unpaid are deferred until such time as the conditions for payment are met. In 2016 and 2015, all of the incentive and affiliate management fees were deferred.

Pursuant to a Determination of Need, HRC transferred 220 chronic hospital beds to a facility located on the NewBridge property during November and December 2009, and leased space for the facility from NewBridge. The lease agreement provides for monthly rent payments from HRC equal to 100% of revenues from the operation of the leased space after payment of expenses associated with those operations. Rent amounts pursuant to the lease agreement are included in the accompanying statements of operations and changes in net deficiency as health center lease revenue.

7. Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers and brokers. Fair value for Level 2 liabilities is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields and credit spreads.

Level 3: Unobservable inputs, and are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs. There were no Level 3 assets as of September 30, 2016 and 2015.

NewBridge on the Charles, Inc.
Notes to Financial Statements

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, NewBridge utilizes valuation techniques that maximize the use of observable inputs, and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Financial instruments carried at fair value are classified in the table below in one of the three categories described above:

	At September 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Treasury mutual fund	\$ 8,919,118	\$ -	\$ -	\$ 8,919,118
Fixed Income Mutual Funds	3,739,680	-	-	3,739,680
Domestic equity mutual fund	1,419,881	-	-	1,419,881
Foreign fixed income securities fund	-	178,027	-	178,027
Global absolute return strategy fund	-	3,643,766	-	3,643,766
Unconstrained bond funds	-	1,178,330	-	1,178,330
	<u>\$ 14,078,679</u>	<u>\$ 5,000,123</u>	<u>\$ -</u>	<u>\$19,078,802</u>
Liabilities				
Interest rate swap	<u>\$ -</u>	<u>\$ 2,893,370</u>	<u>\$ -</u>	<u>\$ 2,893,370</u>

	At September 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
U.S. Treasury mutual fund	\$ 7,060,275	\$ -	\$ -	\$ 7,060,275
Fixed Income Mutual Funds	3,290,436	-	-	3,290,436
Foreign fixed income securities fund	-	3,289,779	-	3,289,779
Global absolute return strategy fund	-	4,839,898	-	4,839,898
	<u>10,350,711</u>	<u>8,129,677</u>	<u>\$ -</u>	<u>18,480,388</u>
Liabilities				
Interest rate swap	<u>\$ -</u>	<u>\$ 2,966,653</u>	<u>\$ -</u>	<u>\$ 2,966,653</u>

Cash equivalents at September 30, 2016 and 2015 represent money market holdings that consist primarily of U.S. Treasury obligations.

The U.S. Treasury mutual fund is an institutional money market fund maintained by Fidelity Investments, and earns interest at an annual rate of 0.01%.

8. Professional Liability Insurance

NewBridge is not currently involved in litigation related to professional liability claims. Management believes that if claims occur in the future, they will be settled within the limits of coverage, which is on a claims-made basis, with insurance limits of \$1,000,000 per claim and an aggregate limit of \$3,000,000. The professional liability policy is through HSL's insurance policy and premiums are paid as an increase in the due to affiliate balance.

9. Subsequent Events

NewBridge evaluated the impact of subsequent events through January 25, 2017, representing the date at which the financial statements were issued.

NEWBRIDGE ON THE CHARLES, INC.
EXAMINATION OF FINANCIAL FORECAST
FOR THE YEARS ENDING SEPTEMBER 30, 2018 THROUGH 2020

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
NewBridge on the Charles, Inc.
Boston, Massachusetts

We have examined the accompanying forecast of NewBridge on the Charles, Inc. (the "Corporation"), which comprises the forecasted statements of financial position as of September 30, 2018, 2019 and 2020 and the related forecasted statements of operations and changes in unrestricted net deficiency and cash flows, based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants ("AICPA"). We have also examined the Corporation's forecasted schedule of financial ratios for the years ending September 30, 2018 through 2020. The Corporation'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.

The accompanying forecast does not include the effects of accounting standards that have been issued but are not effective as of the date of the forecast.

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

Management's financial forecast is based on the achievement of occupancy levels as determined by Management. We have not been engaged to evaluate the effectiveness of Management and we are not responsible for future marketing efforts and other Management actions upon which actual results will depend.

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 2017 Bonds 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.

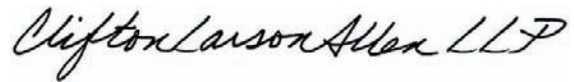
In our opinion, the accompanying forecast is presented in all material respects in accordance with the guidelines for the presentation of a forecast established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for Management's forecast.

Board of Directors
NewBridge on the Charles, Inc.

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.

Management has conducted sensitivity analyses on selected significant assumptions which it believes are particularly subject to variation. The sensitivity analyses are presented beginning on page C-73 of Management's "Summary of Significant Forecast Assumptions and Accounting Policies" and estimate the impact on the Corporation's forecasted maximum annual debt-service coverage and liquidity ratios as a result of the various sensitivity analyses. Management has conducted these sensitivity analyses on its financial forecast which are presented for purposes of additional analysis and are not a required part of the financial forecast. These sensitivity analyses have 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.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Charlotte, North Carolina
November 14, 2017

NEWBRIDGE ON THE CHARLES, INC.
FORECASTED STATEMENTS OF OPERATIONS AND CHANGES IN UNRESTRICTED NET
DEFICIENCY
FOR THE YEARS ENDING SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020
Operating Revenues:			
Earned Entrance Fees	\$ 2,400	\$ 2,297	\$ 2,183
Independent Living Units	16,000	16,487	17,055
Assisted Living Units	9,946	10,244	10,552
Skilled Nursing Beds	10,821	11,037	11,258
Health Center Lease	8,806	8,615	8,620
Rental Income	112	115	119
Interest Income	583	760	819
Other Income	277	285	294
Total Operating Revenues	48,945	49,840	50,900
Operating Expenses:			
Salaries and Wages	12,181	12,546	12,923
Fringe Benefits	3,013	3,198	3,395
Supplies and Direct Expenses	17,349	17,936	18,547
Interest Expense	11,450	11,742	11,635
Depreciation	15,989	16,399	16,729
Total Operating Expenses	59,982	61,821	63,229
Operating Loss	(11,037)	(11,981)	(12,329)
Nonoperating Income (Loss):			
Change in Value of Obligation to Provide Future Services	(1,101)	-	-
Change in Value of Interest Rate Swap	135	-	-
Loss on Refunding	(979)	-	-
Deficiency of Revenues over Expenses	(12,982)	(11,981)	(12,329)
Equity Transfer from HSL	6,000	-	-
Changes in Unrestricted Net Deficiency	(6,982)	(11,981)	(12,329)
Net Deficiency at Beginning of Year	(158,509)	(165,491)	(177,472)
Net Deficiency at End of Year	\$ (165,491)	\$ (177,472)	\$ (189,801)

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

NEWBRIDGE ON THE CHARLES, INC.
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020
Cash Flows from Operating Activities:			
Change in Unrestricted Net Deficiency	\$ (6,982)	\$ (11,981)	\$ (12,329)
Adjustments to Reconcile Change in Unrestricted Net Deficiency to			
Net Cash Provided by Operating Activities:			
Depreciation	15,989	16,399	16,729
Amortization of Deferred Financing Costs	183	113	112
Amortization of Bond Premium	(179)	(215)	(215)
Change in Value of Obligation to Provide Future Services	1,101	-	-
Write-off of Deferred Financing Costs	979	-	-
Change in Value of Interest Rate Swap	(135)	-	-
Entrance Fee Amortization	(2,400)	(2,297)	(2,183)
Non-refundable Entrance Fees Received	1,551	1,682	1,846
Equity Transfer from HSL	(6,000)	-	-
Net Changes in Operating Assets and Liabilities:			
Monthly Service Fees Receivable	(45)	(12)	(13)
Other Assets	324	(19)	(17)
Assisted Living Rent Deposits	(84)	(13)	(15)
Accounts Payable, Accrued Expenses, and Other Liabilities	(2,342)	118	113
Accrued Interest Expense	5,942	(20)	(53)
Change in Due to Affiliates	1,600	(3,481)	(3,376)
Net Cash Provided by Operating Activities	9,502	274	599
Cash Flows from Investing Activities:			
Additions to Property and Equipment	(4,800)	(4,100)	(3,300)
Sales (Purchases) of Investments, Net	(7,084)	(2,845)	(4,848)
Change in Assets Limited as to Use and Related Interest	(22,229)	(370)	(57)
Net Cash Used by Investing Activities	(34,113)	(7,315)	(8,205)
Cash Flows from Financing Activities:			
Refundable Entrance Fees Received, Net of Refunds	8,789	9,532	10,462
Repayment of Series 2014 Bonds and Term Loan	(237,453)	-	-
Proceeds of Long-Term Bonds	248,580	-	-
Repayment of Long-Term Bonds	(1,175)	(1,745)	(2,135)
Equity Transfer from HSL	6,000	-	-
Payment of Financing Costs	(3,019)	-	-
Swap Termination Payment	(125)	-	-
Net Cash Provided by Financing Activities	21,597	7,787	8,327
Net Change in Cash and Cash Equivalents	(3,014)	746	721
Cash and Cash Equivalents at Beginning of Year	22,753	19,739	20,485
Cash and Cash Equivalents at End of Year	\$ 19,739	\$ 20,485	\$ 21,206

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

NEWBRIDGE ON THE CHARLES, INC.
FORECASTED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020
ASSETS			
Cash and Cash Equivalents	\$ 19,739	\$ 20,485	\$ 21,206
Investments	31,899	34,744	39,592
Assets Limited as to Use:			
Debt Service Reserve Fund	13,983	13,983	13,983
Bond Fund	8,246	8,616	8,673
Total Assets Limited as to Use	22,229	22,599	22,656
Monthly Service Fees Receivable, Less Allowance for Doubtful Accounts	546	558	571
Notes Receivable from Members	1,575	1,575	1,575
Assisted Living Rent Deposits	615	628	643
Property and Equipment, Net of Depreciation	259,108	246,809	233,380
Other Assets	487	506	523
Total Assets	\$ 336,198	\$ 327,904	\$ 320,146
LIABILITIES AND NET DEFICIENCY			
Accounts Payable and Accrued Expenses	\$ 3,113	\$ 3,231	\$ 3,344
Accrued Interest Expense	6,501	6,481	6,428
Entrance Fee Deposits	555	555	555
Due to Affiliates	20,359	16,878	13,502
Deferred Revenue from Non-Refundable Entrance Fees, Net of Accumulated Amortization	12,346	11,731	11,394
Refundable Portion of Resident Entrance Fees	211,682	221,214	231,676
Obligation to Provide Future Services	1,101	1,101	1,101
Long-Term Debt, Net of Deferred Financing Costs, Net of Original Issue Premium	245,476	243,629	241,391
Other Liabilities	556	556	556
Total Liabilities	501,689	505,376	509,947
Net Deficiency:			
Unrestricted Net Deficiency	(165,491)	(177,472)	(189,801)
Total Liabilities and Deficiency in Net Assets	\$ 336,198	\$ 327,904	\$ 320,146

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

NEWBRIDGE ON THE CHARLES, INC.
FORECASTED SCHEDULE OF FINANCIAL RATIOS
FOR THE YEARS ENDING SEPTEMBER 30,
(IN THOUSANDS OF DOLLARS)

	2018	2019	2020
DEBT SERVICE COVERAGE RATIOS			
Change in Unrestricted Net Deficiency	\$ (6,982)	\$ (11,981)	\$ (12,329)
Add:			
Depreciation	15,989	16,399	16,729
Write-off of Prior Issuance Costs	979	-	-
Entrance Fees, Net of Refunds	10,340	11,214	12,308
Interest Expense	11,450	11,742	11,635
Change in Value of Obligation to Provide Future Services	1,101	-	-
Remove:			
Earned Entrance Fees	(2,400)	(2,297)	(2,183)
Equity Transfer from Related Party	(6,000)	-	-
Change in Value of Interest Rate Swap	(135)	-	-
Income Available for Debt Service	\$ 24,342	\$ 25,077	\$ 26,160
Maximum Annual Debt Service Requirement ⁽¹⁾	\$ 13,983	\$ 13,983	\$ 13,983
Debt Service Coverage Ratio	1.74	1.79	1.87
Income Available for Debt Service, Excluding Entrance Fees, Net of Refunds	\$ 14,002	\$ 13,863	\$ 13,852
Debt Service Coverage Ratio - Revenue Basis ⁽²⁾	1.00	0.99	0.99
	2018	2019	2020
DAYS CASH ON HAND			
Cash and Cash Equivalents	\$ 19,739	\$ 20,485	\$ 21,206
Investments	31,899	34,744	39,592
Total	\$ 51,638	\$ 55,229	\$ 60,798
Operating Expenses - The Corporation ⁽³⁾	\$ 43,993	\$ 45,422	\$ 46,500
Operating Expenses - Chronic Hospital Beds ^{(3) (4)}	28,625	29,484	30,369
Subtotal	\$ 72,618	\$ 74,906	\$ 76,869
Divided by 365 Days	365	365	365
Daily Operating Expenses	\$ 199.0	\$ 205.2	\$ 210.6
Days Cash on Hand	260	269	289

Notes:

(1) Represents the maximum annual debt service relating to the Series 2017 Bonds.

(2) Included for informational purposes only at the request of the Underwriter.

(3) Includes all operating expenses, less depreciation and amortization.

(4) Pursuant to the Lease Agreement, Hebrew Rehabilitation Center operates 220 Chronic Hospital Beds. Under the Lease Agreement, the net operations are reflected as Health Center Lease by NBOC. This line item reflects the operating expenses of the Chronic Hospital Beds.

BACKGROUND INFORMATION

Basis of Presentation

Management's (as described hereinafter) accompanying financial forecast of NewBridge on the Charles, Inc. (the "Corporation"), which comprises the forecasted statements of financial position as of September 30, 2018, 2019 and 2020 (the "Forecast Period") and the related forecasted statements of operations and changes in unrestricted net deficiency and cash flows (the "Forecast") for the years ending September 30, 2018 through 2020, reflects Management's judgment as of November 14, 2017, the date of this forecast, of the expected conditions and its expected course of action during the Forecast Period. The assumptions disclosed herein are the assumptions which Management believes are significant to the financial forecast. However, 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 Corporation will be competently and efficiently managed and its services professionally and consistently marketed. In addition, the validity of the financial forecast will decrease substantially in proportion to the time elapsed since its preparation. Management's Forecast has been prepared in connection with the proposed issuance of the Series 2017 Bonds (as defined subsequently hereinafter). Management does not intend to update its Forecast of the Corporation subsequent to the issuance of this Forecast and accordingly there are risks inherent to referring to our using this Forecast in the future as it may, and most likely will become outdated.

The assumed interest rates, principal payments, project-related costs, other financing assumptions, and assumptions pertaining to the forecasted revenue, expenses, and cash flows are described herein. If the actual interest rates, principal payments, or other financing assumptions related to the Series 2017 Bonds are different from those assumed, the principal amount of the Series 2017 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.

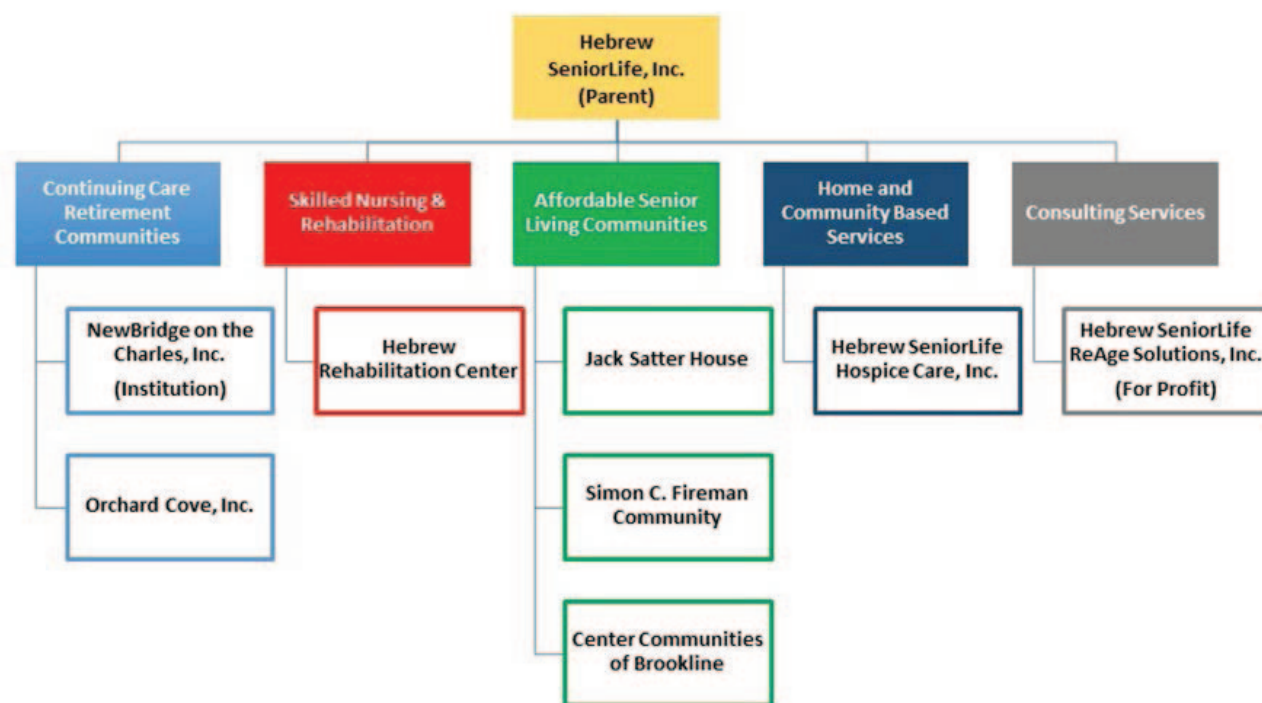
BACKGROUND INFORMATION (continued)

Background of the Corporation

The Corporation is a Massachusetts not-for-profit corporation founded in 2004. The Corporation has received a determination letter from the Internal Revenue Service stating that the Corporation is an organization exempt from federal income tax under Section 501(c) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described in Section 501(c)(3) of the Code. The Corporation is committed to improving the health of the community through the provision of a high quality retirement experience that integrates a continuum of retirement living, preventive wellness and long-term care services. The Corporation owns and operates a retirement community (the “Community”) as described hereafter.

The Corporation was formed at the initiative of the Board of Trustees and management of Hebrew SeniorLife, Inc. (“HSL”), its sole corporate member (the “Sponsor”). HSL is a not-for-profit organization and is the sole corporate member of other senior housing and health care facilities in the greater Boston, Massachusetts area with its largest facility being Hebrew Rehabilitation Center (“HRC”) which operates 675 chronic hospital beds, (220 of which are operated as a satellite facility located at the Community pursuant to a lease agreement) and 50 skilled nursing beds. A majority of the Corporation’s board of directors also serve on HSL’s Board of Trustees.

As noted previously, the Corporation’s sole member is HSL. The following reflects the various related party relationships associated with the Corporation:



HSL provides management, oversight, and affiliate services pursuant to a Management Agreement and Incentive Fee Agreement (described hereinafter). Previously there was an Affiliation Agreement (described hereinafter) that is being terminated concurrent with issuance of the Series 2017 Bonds.

The Corporation leases a portion of its Community to HRC pursuant to a lease agreement (the “Lease Agreement” as described hereinafter) whereby HRC operates 220 chronic healthcare beds (described hereinafter) under its own license. The Lease Agreement requires HRC to pay a lease amount equal to its operating profit resultant to operating the chronic healthcare beds. HRC pays HSL a management fee as well.

BACKGROUND INFORMATION (continued)

For purposes of Management's financial forecast, "Management" is defined and includes:

- Management of HSL;
- Management of HRC;
- Management of the Corporation; and
- Board of Directors.

Proposed Refinancing

Management has assumed that it would refinance its existing debt through the proposed issuance of \$239,965,000 Massachusetts Development Finance Agency Revenue Refunding Bonds (NewBridge on the Charles, Inc. Issue, Series 2017 (the "Series 2017 Bonds"). The Corporation's underwriters, Herbert J. Sims & Co., Inc., managing underwriter, and Bank of America Merrill Lynch, supporting underwriter (collectively, the "Underwriters"), have provided the assumed structure for the Series 2017 Bonds as follows:

- \$21,980,000 tax-exempt fixed rate serial bonds (the "2026 Serial Bonds") (plus an original issue premium of approximately \$1,450,983) maturing from October 1, 2018 through October 1, 2026, with annual principal payments and semi-annual interest payments on April 1 and October 1, bearing vary interest rates ranging from 2.25 percent to 5.00 percent.
- \$17,020,000 tax-exempt fixed rate term bond (the "2031 Term Bond") (plus an original issue premium of approximately \$1,264,075) maturing October 1, 2031 with annual mandatory sinking fund redemptions from October 1, 2027 through October 1, 2031, and semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
- \$21,725,000 tax-exempt fixed rate term bond (the "2036 Term Bond") (plus an original issue premium of approximately \$1,163,157) maturing October 1, 2036 with annual mandatory sinking fund redemptions from maturing from October 1, 2032 through October 1, 2036, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
- \$27,730,000 tax-exempt fixed rate term bond (the "2041 Term Bond") (plus an original issue premium of approximately \$1,034,329) maturing October 1, 2041 with annual mandatory sinking fund redemptions from maturing from October 1, 2037 through October 1, 2041, with semi-annual interest payments on January 1 and July 1, bearing interest rates at 5.00 percent.
- \$35,390,000 tax-exempt fixed rate term bond (the "2046 Term Bond") (plus an original issue premium of approximately \$1,121,509) maturing October 1, 2046 with annual mandatory sinking fund redemptions from maturing from October 1, 2042 through October 1, 2046, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
- \$55,595,000 tax-exempt fixed rate term bond (the "2052 Term Bond") (plus an original issue premium of approximately \$1,407,665) maturing October 1, 2052 with annual mandatory sinking fund redemptions from maturing from October 1, 2047 through October 1, 2052, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
- \$60,525,000 tax-exempt fixed rate term bond (the "2057 Term Bond") (plus an original issue premium of approximately \$1,173,580) maturing October 1, 2057 with annual mandatory sinking fund redemptions from maturing from October 1, 2053 through October 1, 2057, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.

Description of the Community

Management developed a multigenerational campus on a 162-acre site in Dedham, Massachusetts known as "NewBridge on the Charles, Inc." (the "Community") which opened in 2009. The Community includes:

- 256 independent living units (consisting of 182 apartments, 24 villas, and 50 cottages) (collectively, the "Independent Living Units" or "ILU");

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

BACKGROUND INFORMATION (continued)

- Assisted living consisting of 51 traditional assisted living units (the “Traditional Assisted Living Units”) and 40 memory support assisted living units (the “Memory Support Assisted Living Units”) (collectively, the “Assisted Living Units”);
- 48 skilled nursing beds (the “Skilled Nursing Beds”); and
- a community center (the “Community Center”); which includes multi-purpose rooms, various dining venues, a spa and fitness center designed to facilitate services such as fitness and wellness, arts and culture, hospitality, convenience and spirituality.

The Community also includes 220 chronic hospital beds (the “Chronic Hospital Beds”) which are leased and operated by HRC pursuant to the Lease Agreement. Residents of the Community also are able to utilize the Chronic Hospital Beds.

The Assisted Living Units, Skilled Nursing Beds, and Chronic Hospital Beds are collectively referred to as the “Health Center Campus.”

The following tables summarize the type, number, approximate square footage, and the entrance fees (“Entrance Fee”) and monthly service fees (“Monthly Service Fee”) effective as of October 1, 2017, for the Independent Living Units:

Table 1-A
Independent Living Units Apartments Configuration and Pricing - Fiscal Year 2018

Independent Living Unit Type	Number of Units	Square Footage	90% Refundable Fee for Service Plan ⁽¹⁾⁽²⁾	75% Refundable Fee for Service Plan ⁽¹⁾⁽²⁾	50% Refundable Fee for Service Plan ⁽¹⁾⁽²⁾	90% Refundable Modified Life Care Plan ⁽¹⁾	75% Refundable Modified Life Care Plan ⁽¹⁾	50% Refundable Modified Life Care Plan ⁽¹⁾	Monthly Service Fee
Apartments:									
One Bedroom A (1.5 baths)	7	825	\$ 654,000	\$ 556,000	\$ 458,000	\$ 804,000	\$ 683,500	\$ 563,000	\$ 3,750
One Bedroom B (1.5 baths)	2	999	696,000	592,000	487,000	846,000	719,500	592,000	4,270
One Bedroom Den A (1.5 baths)	14	1,041	758,000	644,000	531,000	908,000	771,500	636,000	4,440
One Bedroom Den B (1.5 baths)	7	1,052	769,000	654,000	538,000	919,000	781,500	643,000	4,490
One Bedroom Den C (1.5 baths)	8	1,055	779,000	662,000	545,000	929,000	789,500	650,000	4,490
One Bedroom Den D (1.5 baths)	2	1,078	800,000	680,000	560,000	950,000	807,500	665,000	4,540
One Bedroom Den E (1.5 baths)	5	1,115	821,000	698,000	575,000	971,000	825,500	680,000	4,580
Two Bedroom A (2 baths)	24	1,076	800,000	680,000	560,000	950,000	807,500	665,000	4,570
Two Bedroom B (2 baths)	14	1,134	831,000	706,000	582,000	981,000	833,500	687,000	4,750
Two Bedroom C (2 baths)	14	1,146	852,000	724,000	596,000	1,002,000	851,500	701,000	4,790
Two Bedroom D (2 baths)	9	1,219	873,000	742,000	611,000	1,023,000	869,500	716,000	5,120
Two Bedroom Den A (2 baths)	22	1,374	1,008,000	857,000	706,000	1,158,000	984,500	811,000	5,180
Two Bedroom Den B (2 baths)	14	1,574	1,081,000	919,000	757,000	1,231,000	1,046,500	862,000	5,760
Two Bedroom Den C (2 baths)	7	1,574	1,070,000	910,000	749,000	1,220,000	1,037,500	854,000	5,760
Two Bedroom Den D (2 baths)	3	1,595	1,101,000	936,000	771,000	1,251,000	1,063,500	876,000	5,930
Two Bedroom Den E (2 baths)	7	1,628	1,112,000	945,000	778,000	1,262,000	1,072,500	883,000	5,930
Two Bedroom Great Room (2 baths)	17	1,635	1,299,000	1,104,000	909,000	1,449,000	1,231,500	1,014,000	5,970
Two Bedroom Expanded (2.5 baths)	2	1,925	1,413,000	1,201,000	989,000	1,563,000	1,328,500	1,094,000	6,460
Penthouse	4	2,003	1,486,000	1,263,000	1,040,000	1,636,000	1,390,500	1,145,000	6,690
Total/Weighted Averages - Apartments	182	1,284	\$ 940,995	\$ 799,830	\$ 658,731	\$ 1,090,995	\$ 927,330	\$ 763,731	\$ 5,060
Second Person			N/A	N/A	N/A	\$ 75,000	\$ 63,750	\$ 52,500	\$ 1,390

Notes:

- (1) See Table 4 for Management’s assumptions for contract selection.
- (2) There is not a second person entrance fee for fee-for-service contracts.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

BACKGROUND INFORMATION (continued)

Table 1-B
Independent Living Units Villas and Cottages Configuration and Pricing

Independent Living Unit Type	Number of Units	Square Footage	90% Refundable Fee for Service Plan ⁽¹⁾⁽²⁾	75% Refundable Fee for Service Plan ⁽¹⁾⁽²⁾	50% Refundable Fee for Service Plan ⁽¹⁾⁽²⁾	90% Refundable Modified Life Care Plan ⁽¹⁾	75% Refundable Modified Life Care Plan ⁽¹⁾	50% Refundable Modified Life Care Plan ⁽¹⁾	Monthly Service Fee
Villas:									
Villa A	2	1,589	\$ 1,257,000	\$ 1,068,000	\$ 880,000	\$ 1,407,000	\$ 1,195,500	\$ 985,000	\$ 5,610
Villa B	6	1,602	1,268,000	1,078,000	888,000	1,418,000	1,205,500	993,000	5,660
Villa C	2	1,630	1,278,000	1,086,000	895,000	1,428,000	1,213,500	1,000,000	5,750
Villa D	4	1,733	1,289,000	1,096,000	902,000	1,439,000	1,223,500	1,007,000	5,930
Villa E	6	1,773	1,299,000	1,104,000	909,000	1,449,000	1,231,500	1,014,000	6,050
Villa F	4	1,800	1,309,000	1,113,000	916,000	1,459,000	1,240,500	1,021,000	6,120
Total / Weighted Average - Villas	24	1,701	\$ 1,286,000	\$ 1,093,167	\$ 900,167	\$ 1,436,000	\$ 1,220,667	\$ 1,005,167	\$ 5,883
Second Person			N/A	N/A	N/A	\$ 75,000	\$ 63,750	\$ 52,500	\$ 1,390
Cottages:									
Courtyard Cottage	10	1,487	\$ 1,008,000	\$ 857,000	\$ 706,000	\$ 1,158,000	\$ 984,500	\$ 811,000	\$ 4,780
Gatehouse Cottage A	18	1,843	1,153,000	980,000	807,000	1,303,000	1,107,500	912,000	5,350
Gatehouse Cottage B	4	2,697	1,403,000	1,193,000	982,000	1,553,000	1,320,500	1,087,000	5,710
Woodview Cottage A	6	1,978	1,185,000	1,007,000	830,000	1,335,000	1,134,500	935,000	5,490
Woodview Cottage B	12	2,708	1,434,000	1,219,000	1,004,000	1,584,000	1,346,500	1,109,000	5,710
Total / Weighted Average - Cottages	50	2,064	\$ 1,215,280	\$ 1,033,040	\$ 850,840	\$ 1,365,280	\$ 1,160,540	\$ 955,840	\$ 5,368
Second Person			N/A	N/A	N/A	\$ 75,000	\$ 63,750	\$ 52,500	\$ 1,390
Grand Total / Weighted Average - ILUs	256	1,476	\$ 1,026,598	\$ 872,879	\$ 718,887	\$ 1,176,910	\$ 1,000,379	\$ 823,887	\$ 5,198

Source: Management

Notes:

- (1) See Table 4 for Management's assumptions for contract selection.
- (2) There is not a second person entrance fee for fee-for-service contracts.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

BACKGROUND INFORMATION (continued)

The following table summarizes the type, number, approximate square footage, and Monthly Service Fee or daily rates for the Health Center Campus effective as of October 1, 2017.

Table 2
Health Center Campus Configuration and Pricing
Fiscal Year 2018

	Number of Units	Square Footage	Monthly Service Fee ⁽¹⁾
Traditional Assisted Living Units:			
One Bedroom	9	411	\$ 8,591
One Bedroom/One Bath	13	484-489	8,901
One Bedroom/One Bath	3	577	9,315
One Bedroom/One Bath	23	603-627	9,585
Two Bedroom/Two Bath	3	789	13,455
Total/Weighted Averages	51	577	\$ 9,447
Memory Support Assisted Living Units:			
Private	32	213 - 243	\$ 9,419
Semi-Private ⁽³⁾	8	250	7,970
Total/Weighted Averages	40	228	\$ 9,129
Skilled Nursing Beds:			Daily Rates ⁽¹⁾
Private	48	233 - 435 ⁽²⁾	\$ 635
Total - Skilled Nursing Beds	48	233 - 435 ⁽²⁾	\$ 635
<i>Operated by HRC Under the Lease Agreement:</i>			
Chronic Hospital Beds:			Daily Rates ⁽¹⁾
Long-Term Care - Private	16	233 - 435 ⁽²⁾	\$ 550
Medicaid	180	233 - 435 ⁽²⁾	394
Dementia - Private	24	233 - 435 ⁽²⁾	560
Total - Chronic Hospital Beds	220	233 - 435 ⁽²⁾	\$ 423

Source: Management

Notes:

- (1) The Monthly Service Fees and Daily Rates shown are effective October 1, 2017
- (2) The average square feet for the Health Care Center units range from approximately 233 – 435, with the average private room square feet approximating 233 and the average semi-private room approximating 435.
- (3) If available, and if the Resident selects, a Semi-Private Memory Support Assisted Living Unit can be converted to a one-bedroom deluxe. The monthly service fee for fiscal year 2018 is \$13,000.

BACKGROUND INFORMATION (continued)

Related Party Agreements

The Corporation has entered into a number of agreements with HSL and the HRC as described below.

Management Agreement

The Corporation entered into a management agreement with HSL (the “Management Agreement”), under which HSL serves as manager of the Community (the “Manager”). Pursuant to the terms of the Management Agreement, the Manager originally was required to perform oversight services with respect to the permitting, licensing, financing, design and construction of the Community in all respects, including with respect to the identification and licensing of skilled nursing beds and the transfer of the Center’s Chronic Hospital Beds to the Community as well as pre-opening services for operational aspects of the Community. The Manager currently provides management and oversight services necessary to manage the day-to-day operations of the Community.

The Management Agreement began upon the closing of the Series 2007 Bond financing for a term of ten years following the opening of the Community, which was defined as the date upon which the Community received its first certificate of occupancy. Thereafter, the Management Agreement is to renew automatically for successive one-year periods unless either party provides sixty days’ prior written notice of its intent not to renew the Management Agreement for the subsequent year. The Management Agreement was modified and extended for an initial term ending 10 years following the date of issuance of the Series 2017 Bonds. Thereafter, the Management Agreement is to renew automatically for successive one-year periods unless either party provides sixty days’ prior written notice of its intent not to renew the Management Agreement for the subsequent year.

Prior to the modification to the Management Agreement, the Corporation was expected to pay, as compensation for services rendered pursuant to the Management Agreement, (1) Development/Transition Fee (the “Development/Transition Fee”), (2) Pre-Opening Fee (the “Pre-Opening Fee”), (3) Base Management Fee (the “Base Management Fee”), and (4) Incentive Management Fee (the “Incentive Management Fee”) and (5) Affiliation Management Fee (the “Affiliation Management Fee”). Subsequent to the modification of the Management Agreement, the fees for services rendered include only the Base Management Fee.

Payment of the Base Management Fee is subordinate to debt service on the Series 2017 Bonds.

Base Management Fee

The Base Management Fee is equal to 4 percent of Community revenue, excluding amortization of entrance fees and investment income, gains, or losses.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

BACKGROUND INFORMATION (continued)

Lease Agreement

Pursuant to a Determination of Need, HRC moved 220 Chronic Hospital Beds to a satellite facility at the Community. HRC leases space for the satellite facility from the Corporation pursuant to a long-term facility lease agreement (the “Lease Agreement”). The Lease Agreement is to provide for monthly rent payments from HRC equal to 100 percent of net revenues from the operation of the leased space (the 220 Chronic Hospital Beds) after payment of operating expenses associated with operating the Chronic Hospital Beds which is described in more detail in the section titled “Lease Agreement.” Management plans to extend the Lease Agreement on December 1, 2017 with an assumed termination date of December 1, 2068. It is important to note that the Lease Agreement does not require HRC to make a fixed payment for the leased space, rather, it requires a payment equal to the profit generated by HRC from operating the Chronic Hospital Beds. The Chronic Hospital Beds are reimbursed under a unique program established in Massachusetts that serves a higher acuity Medicaid patient. See Lease Agreement for more discussion relating to the Chronic Hospital Beds.

HRC Management Agreement

HSL entered into a Management Agreement with HRC (the “HRC Management Agreement”), under which HRC is to manage the day-to-day operations of the 220 Chronic Hospital Beds.

The HRC Management Agreement’s original term ends December 19, 2017 and has automatic one-year renewal periods. The HRC Management Agreement includes a base management fee equal to 4 percent of gross revenues of the Chronic Hospital Beds.

The HRC Management Agreement is also subordinate to payment of debt service on the Series 2017 Bonds.

The following table summarizes the Base Management Fee paid to HSL that are subordinate to debt service on the Series 2017 Bonds:

Table 3				
Forecasted Base Management Fee				
Line of Business		2018	2019	2020
Independent Living Units and Assisted Living Units	\$	1,053	\$ 1,085	\$ 1,121
Chronic Hospital Beds Paid Under the Lease Agreement		1,560	1,587	1,625
Skilled Nursing Beds		433	441	450
Total Management Fees Paid	\$	3,046	\$ 3,113	\$ 3,196

Source: Management

In addition to the Base Management Fee, the Corporation (and HRC) pay HSL for certain allocated costs. These costs relate to the following services: finance, human resources, occupational health, information technology, medical records, professional development, religious services, marketing, and certain executive services.

Description of the Residency Agreement

The Corporation has a residency agreement for residents seeking to live in the Independent Living Units at the Community (“Residency Agreement”). Under the terms of the Residency Agreement, the Corporation accepts persons at least 62 years of age at the time of occupancy, who are able to reside independently, with limited or no

BACKGROUND INFORMATION (continued)

assistance, meet certain health criteria and are able to demonstrate the necessary financial resources to meet the Corporation's minimum financial requirements ("Residents").

After the prospective Resident has met the above criteria, a deposit agreement ("Deposit Agreement") is executed and the prospective Resident pays a deposit equal to 10 percent of the Entrance Fee (the "10 Percent Deposit"). The remaining 90 percent of the Entrance Fee is due by the occupancy date ("Occupancy Date") of the independent living residence ("Residence"). Upon occupancy, the Resident must also pay an ongoing Monthly Service Fee.

Entrance Fee Plans

The Corporation offers the following entrance fee plans:

- **90 percent refundable Entrance Fee** plan whereby one percent of the Entrance Fee paid amortizes per month during the first 10 months following the Occupancy Date. After the tenth month, the refund is fixed at 90 percent of the Entrance Fee paid (without interest).
- **75 percent refundable Entrance Fee** plan whereby one percent of the Entrance Fee paid amortizes per month during the first 25 months following the occupancy date. After the twenty-fifth month, the refund is fixed at 75 percent of the Entrance Fee paid (without interest).
- **50 percent refundable Entrance Fee** plan whereby one percent of the Entrance Fee paid amortizes per month during the first 50 months following the occupancy date. After the fiftieth month, the refund is fixed at 50 percent of the Entrance Fee paid (without interest).

Residents can choose between two health care benefit options:

- **Modified Life Care** ("Modified Life Care") – entitles the Resident to full services and amenities as defined in the Residency Agreement as well as 120 days in the Health Center Campus and a 20 percent discount for health care services after the 120-day benefit has been exhausted. Eligibility for this option is determined by the Corporation prior to occupancy date, based upon the resident's application materials, two years' medical history provided by the resident's primary care physician and an examination by the Corporation's designated physician.
- **Fee-for-Service** ("Fee-for-Service") – entitles the Resident to full services and amenities as defined in the Residency Agreement, as well as priority access to health care services in the Health Center Campus at established rates at the time such services are required.

Residents or their estates are entitled to a refund upon termination of the Residency Agreement equal to a portion of the original Entrance Fee paid, as described above. Under the Modified Life Care plan and the Fee-for-Service plan, any refund due is to be paid upon the earlier of (a) one year after contract termination or (b) within 30 days of the date on which the Independent Living Unit's Entrance Fee is paid in full by a new Resident who has signed a Residency Agreement.

Residents may terminate their Residency Agreement without penalty until the Commencement Date (the "Commencement Date") of residency, the date when (i) the Occupancy Date arrives; and (ii) the balance of the Entrance Fee and the first month's Monthly Service Fee is paid. Furthermore, Residents or their estates are entitled to a full refund of any monies paid if the Resident dies prior to residency or becomes incapable of occupying the Independent Living Unit due to illness, injury or other physical or mental incapacity. However, if a Resident terminates the Residency Agreement prior to occupancy for any other reason, a processing fee equal to one percent of the Entrance Fee is to be assessed. In the event that the Residence is not ready for occupancy on the date agreed

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

BACKGROUND INFORMATION (continued)

upon, the Residency Agreement is to automatically be cancelled unless the Resident agrees to extend the Occupancy Date.

Residents may terminate their Residency Agreement at any time after the Occupancy Date by giving Management 60 days written notice. The Residency Agreement is to also be terminated upon the death of the last Resident of the Residence. Until the Resident vacates the Residence, they are expected to continue to pay the Monthly Service Fee associated with the Residence.

Table 4
Forecasted Utilization of Entrance Fee Plans by
Existing Independent Living Units and New Residents

Entrance Fee Options	Current Independent Living Contract Mix	Forecasted Independent Living Contract Mix
90% Fee for Service Contract	58%	60%
75% Fee for Service Contract	19%	16%
50% Fee for Service Contract	3%	4%
90% Modified Life Care Contract	15%	15%
75% Modified Life Care Contract	5%	4%
50% Modified Life Care Contract	0%	1%
Total	100%	100%

Source: Management and the Actuary

Services Provided for Residents

As provided in the Residency Agreement, the Resident is entitled to the use of an Independent Living Unit and the following services:

- Water, sewer, snow removal, and trash / recycling collection;
- Gas heating, air conditioning, and electricity;
- Basic cable service and Internet access;
- Weekly light housekeeping such as vacuuming, cleaning, and changing of bed linens;
- Annual heavy cleaning of the Residence;
- Maintenance of buildings, gardens, and grounds, including common areas;
- A meal credit between \$300 and \$500 per month (resident selects amount);
- Planned social, recreational, cultural, educational, spiritual, and wellness related activities;
- Scheduled local transportation;
- Medical appointment transportation within a five-mile radius;
- Campus shuttle service;
- 24-hour security services;
- 24-hour emergency call services;
- Washer and dryer;
- Oven and range, microwave, dishwasher, refrigerator and garbage disposal;
- Reserved parking;
- If living in an apartment or villa, access to one assigned storage locker;

BACKGROUND INFORMATION (continued)

- Concierge services;
- Business center;
- Fitness center with health education and group fitness programs, and pool membership;
- Property taxes and insurance; and
- Assistance with filing insurance claims and transfers to hospitals and other special care facilities.

Services available at an extra cost include additional meals or guest meals, meal delivery, catering, personal trainer, additional housekeeping services, telephone charges, beauty/barber shop services, additional transportation, and underground parking.

Amenities for Residents

As provided in the Residency Agreement, the Resident is entitled to the use of the following amenities:

- Formal and casual dining venues;
- Ice cream/coffee shop;
- Convenience store;
- Banking services;
- Meeting rooms;
- Lounge areas;
- Library;
- Synagogue and non-denominational chapel;
- Indoor and outdoor garden areas;
- Walking trails;
- Computer center;
- Auditorium/multipurpose room;
- Indoor pool;
- Fitness center;
- Classrooms; and
- Art studio.

Health Care Benefit

The Residency Agreement provides for priority access to the Health Center Campus.

If a Resident is unable to live independently within the range of the services provided in the Residences, as determined by Management in appropriate consultation with the medical director of the Community and in conjunction with the Resident's physician and family, the Resident is to be transferred to a Traditional or Memory Support Assisted Living Unit, the Skilled Nursing Beds, or the Chronic Hospital Beds on either a temporary or permanent basis.

Modified Life Care Health Care Benefit

Selection of the Modified Life Care plan can be made at the time that the 10 percent Deposit is received. In the case of double occupancy, the Modified Life Care Option may be selected by one or both Residents.

The Corporation has the authority to determine that a Resident should be transferred from one level of care to another level of care within the Community. Such determination shall be based on the professional opinion of

BACKGROUND INFORMATION (continued)

Management, and shall be made only after consultation to the extent practical with the Resident, a representative of the Resident's family, and the Resident's attending physician.

Residents under this Residency Agreement are entitled to 120 free lifetime days, whether through permanent or temporary transfer, in the Health Center Campus after which they receive a 20% discount off of the established daily rate.

Permanent Transfer

When a Residence is occupied by a single resident, upon permanent transfer and release of the Residence to the Corporation, the Resident is entitled to use their 120 free days in a Traditional or Memory Support Assisted Living Unit, Skilled Nursing Beds or Chronic Hospital Beds. Once the 120 free days have been used, Residents who select the Modified Life Care Option receive services at a 20 percent discount off the then established daily rate.

For couples, the Resident who remains in the Independent Living Unit is required to pay the single person Monthly Service Fee for the Independent Living Unit.

When a Residence is occupied by a couple and both Residents are transferred permanently and the Residence is released to the Corporation, each Resident is to use their 120 free days and then pay the published market rate for health care services less the 20 percent discount.

A Resident who is the sole occupant of his or her Residence and who transfers on a permanent basis to a unit in the Health Center relinquishes the right to reoccupy their Residence. In the event that the Resident again becomes able to live independently, that Resident is entitled to the first available Residence of the type they last occupied.

Fee-for-Service

Residents who have selected the Fee-for-Service plan receive priority access to the Traditional or Memory Support Assisted Living Unit, Skilled Nursing Beds or Chronic Hospital Beds. If a Resident requires health care, the Resident is responsible for the established per diem rates.

Services Provided for Traditional and Memory Support Assisted Living Units

In the event a Resident requires assisted living, the Resident is assumed to be provided a Traditional or Memory Support Assisted Living Unit. Assisted living residents receive three meals per day, activity programs and housekeeping. Services designed to assist with the activities of daily living are delivered in accordance with applicable Massachusetts statutes. Services include dressing, eating, bathing, toileting and ambulating.

The Resident is required to pay any additional charges for services and meals that are not covered in the applicable base fees for the Traditional or Memory Support Assisted Living Units.

Services Provided for Skilled Nursing Beds or Chronic Hospital Beds

Residents receive comprehensive 24-hour health care services in private accommodations, special activity programs, social service programs, housekeeping and three meals a day. The Resident is required to pay any additional charges for services and meals that are not covered in the applicable fees for the Skilled Nursing Beds or Chronic Hospital Beds.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

PLAN OF FINANCE

Management has assumed the following sources and uses of funds in preparing its financial forecast based on information provided by the Corporation's managing underwriter, Herbert J. Sims & Co., Inc. and supporting underwriter, Bank of America Merrill Lynch (collectively, the "Underwriters") as it relates to debt assumptions:

Table 5
Sources and Uses of Funds
(in thousands)

Sources:

Series 2017 Bonds	\$ 239,965	(1)
Series 2017 Bond Premium	8,615	(1)
Related Party Equity Contribution	6,000	(2)
Total Sources	\$ 254,580	

Uses:

Repayment of Senior Debt and Term Loan	\$ 237,453	(3)
Debt Service Reserve Fund	13,983	(4)
Cost of Issuance, Underwriters' Discount, and Other Costs	3,019	(5)
Swap Repayment	125	(6)
Total Uses	\$ 254,580	

Source: Management

Certain summaries, assumptions, rationale, and descriptions included in Management's financial forecast are more fully described in the financing related documents pertaining to the Series 2017 Bonds. For more detailed information regarding the proposed terms, conditions, debt service requirements, and any other requirements of the Series 2017 Bonds, all of the Series 2017 Bonds financing-related documents should be read in their entirety.

PLAN OF FINANCE (continued)

Notes to Table 5

- (1) The Underwriters have indicated proceeds in the amount of \$239,965,000 are estimated to be generated from the proposed issuance of the Series 2017 Bonds. The responsibility for payment of the Series 2017 Bonds is solely that of the Corporation. The Corporation's Underwriters has indicated the following planned structure and terms of the Series 2017 Bonds:
- \$21,980,000 tax-exempt fixed rate serial bonds (the "2026 Serial Bonds") (plus an original issue premium of approximately \$1,450,983) maturing from October 1, 2018 through October 1, 2026, with annual principal payments and semi-annual interest payments on April 1 and October 1, bearing varying interest rates ranging from 2.25 percent to 5.00 percent.
 - \$17,020,000 tax-exempt fixed rate term bond (the "2031 Term Bond") (plus an original issue premium of approximately \$1,264,075) maturing October 1, 2031 with annual mandatory sinking fund redemptions from October 1, 2027 through October 1, 2031, and semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
 - \$21,725,000 tax-exempt fixed rate term bond (the "2036 Term Bond") (plus an original issue premium of approximately \$1,163,157) maturing October 1, 2036 with annual mandatory sinking fund redemptions from maturing from October 1, 2032 through October 1, 2036, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
 - \$27,730,000 tax-exempt fixed rate term bond (the "2041 Term Bond") (plus an original issue premium of approximately \$1,034,329) maturing October 1, 2041 with annual mandatory sinking fund redemptions from maturing from October 1, 2037 through October 1, 2041, with semi-annual interest payments on January 1 and July 1, bearing interest rates at 5.00 percent.
 - \$35,390,000 tax-exempt fixed rate term bond (the "2046 Term Bond") (plus an original issue premium of approximately \$1,121,509) maturing October 1, 2046 with annual mandatory sinking fund redemptions from maturing from October 1, 2042 through October 1, 2046, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
 - \$55,595,000 tax-exempt fixed rate term bond (the "2052 Term Bond") (plus an original issue premium of approximately \$1,407,665) maturing October 1, 2052 with annual mandatory sinking fund redemptions from maturing from October 1, 2047 through October 1, 2052, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
 - \$60,525,000 tax-exempt fixed rate term bond (the "2057 Term Bond") (plus an original issue premium of approximately \$1,173,580) maturing October 1, 2057 with annual mandatory sinking fund redemptions from maturing from October 1, 2053 through October 1, 2057, with semi-annual interest payments on April 1 and October 1, bearing interest rates at 5.00 percent.
- (2) Management has forecasted an equity contribution of \$6,000,000 from HSL for the partial funding of the debt service reserve fund.
- (3) The outstanding balance of the Senior Debt and Term Loan (defined hereinafter), estimated to approximate \$237,453,000, is assumed to be refinanced with proceeds from the issuance of the Series 2017 Bonds.
- (4) Management and the Underwriters estimated approximately \$13,983,000 to be deposited into the debt service reserve fund related to the Series 2017 Bonds.
- (5) Management and the Underwriters have forecasted financing-related costs that include legal, accounting, and other costs associated with the issuance of the Series 2017 Bonds. Other costs include the forecasted Underwriter's discount related to issuance of the Series 2017 Bonds.
- (6) Management has forecasted using approximately \$125,000 as the settlement cost associated with the termination of the Interest Rate Swap (defined hereinafter).

MARKET ASSESSMENT

Management's assumptions for the future utilization of the Community were developed based on analysis of the following factors, which may affect the demand for the services:

- Site description and general area analysis;
- Defined primary market area ("PMA") for the Independent Living Units (the "IL PMA") and for the Assisted Living Units (the "AL PMA");
- Defined nursing profiling area ("NPA") for the Health Center Campus;
- Demographic and economic characteristics of Management's defined PMAs;
- Description and utilization of existing and proposed comparable communities within Management's defined PMAs; and
- Description and utilization of existing and proposed comparable communities for the Health Center Campus of the Community.

Site Analysis

Site Description and Surrounding Land Use

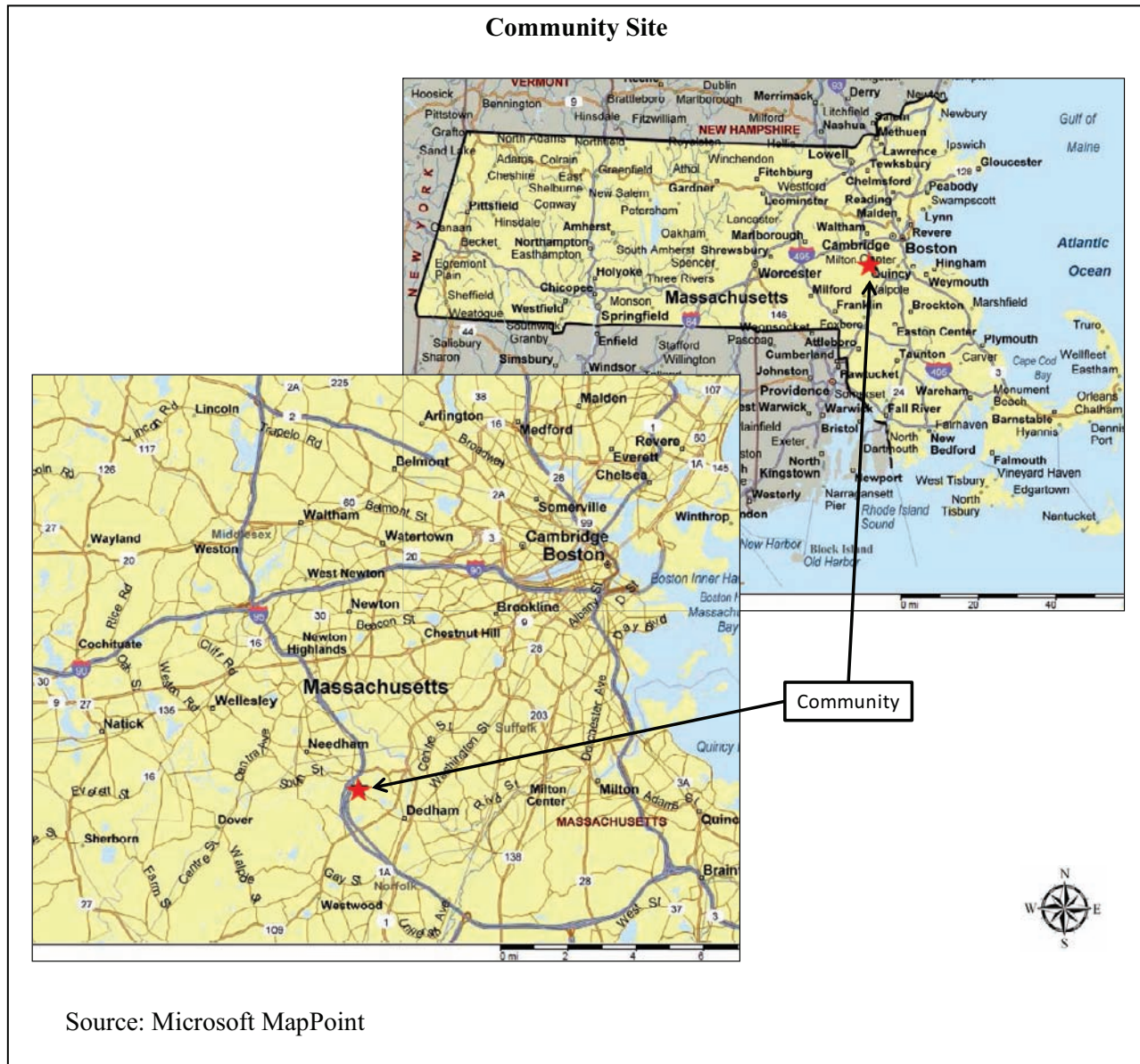
The Community is located on approximately 66 acres of a 162-acre site located in Dedham, Massachusetts in Norfolk County. The Community is bounded to the north and east by the Charles River and is just north and east of Route 128/I-95 at exit 17. It is located in the northern portion of ZIP code 02026 adjacent to Interstate 95 (Route 128) and less than one mile from the eastern border of ZIP code 02492 (Needham). The Community is located in a large wooded area, surrounded by Wilson Mountain State Park to the west, south and east and Cutler Park to the north.

Access

The Community is situated approximately 10 miles southwest of downtown Boston, approximately 30 miles northeast of the City of Providence, Rhode Island, and approximately 90 miles northeast of the City of Hartford, Connecticut. The Community is accessible from Interstate 95 and Highway 1, which both run north/south and provide access to Interstate 90 to the north and Interstate 93 to the south. Both Interstate 90 and Interstate 93 provide access to downtown Boston. Route 135 intersects Interstate 95 and provides access to Great Meadow Road which is approximately one quarter mile from Interstate 95. Great Meadow Road is the main thoroughfare throughout the Community.

MARKET ASSESSMENT (continued)

The following map depicts the location of the Community:



MARKET ASSESSMENT (continued)***Proximity to Retail, Community Services, and Health Care***

Dedham Mall is located less than two miles south-east of the Community offering a combination of stores, restaurants and services such as banking, grocery and a beauty salon. Wilson Mountain State Park is adjacent to the Community and is the largest remaining parcel of open land in Dedham, offering extensive walking and jogging paths. Boston, located approximately 10 miles from the Community, provides access to a number of theaters, museums and many annual art and music events.

There are several clinics located in the defined PMAs including family practice, specialty services, and dentistry services. In addition, the following table provides a summary of the hospitals near the Community according to the American Hospital Directory.

Table 6
Hospitals Near the Community ⁽¹⁾

Hospital Name	Location (City/ZIP Code)	Approximate Miles from the Community	Type	Number of Beds
Beth Israel Deaconess Hospital - Needham	Needham / 02492	3	Short Term Acute Care	58
Newton-Wellesley Hospital	Newton / 02462	7	Short Term Acute Care	237
Norwood Hospital	Norwood / 02062	7	Short Term Acute Care	215
Hebrew Rehabilitation Center	Boston / 02131	7	Long Term	717
Brigham and Women's Faulkner Hospital	Boston / 02130	7	Short Term Acute Care	162
Beth Israel Deaconess Hospital - Milton	Milton / 02186	9	Short Term Acute Care	88
MetroWest Medical Center - Leonard Morse Hospital	Natick / 01760	9	Short Term Acute Care	* ⁽⁴⁾
Lemuel Shattuck Hospital	Jamaica Plain / 02130	9	Long Term	260
Brigham and Women's Hospital	Boston / 02115	10	Short Term Acute Care	763
Dana-Farber Cancer Institute	Boston / 02215	10	Short Term Acute Care	30
New England Baptist Hospital	Boston / 02120	10	Short Term Acute Care	98
Beth Israel Deaconess Medical Center	Boston / 02215	10	Short Term Acute Care	669
Curahealth - Boston ⁽³⁾	Boston / 02135	10	Long Term	59
Saint Elizabeth's Medical Center	Brighton / 02135	12	Short Term Acute Care	267
New England Sinai Hospital and Rehabilitation Center	Stoughton / 02072	13	Long Term	182
Mount Auburn Hospital New England Baptist Hospital	Cambridge / 02138	14	Short Term Acute Care	198
Carney Hospital	Dorchester / 02124	15	Short Term Acute Care	126
CHA Cambridge Hospital ⁽²⁾	Cambridge / 02139	15	Short Term Acute Care	260
Spaulding Hospital for Continuing Medical Care Cambridge	Cambridge / 02138	15	Long Term	180
HealthSouth Braintree Rehabilitation Hospital	Braintree / 02184	15	Rehabilitation	187
Massachusetts Eye and Ear Infirmary	Boston / 02114	17	Short Term Acute Care	41
Massachusetts General Hospital	Boston / 02114	17	Short Term Acute Care	1,011
Tufts Medical Center	Boston / 02111	17	Short Term Acute Care	382
Boston Medical Center	Boston / 02118	18	Short Term Acute Care	442

Source: American Hospital Directory, August 2017.

Notes:

- (1) Table excludes psychiatric, alcohol and drug treatment, veterans and children's hospitals.
- (2) This hospital's data includes information for both Somerville Hospital and Whidden Memorial Hospital.
- (3) Formerly known as Kindred Hospital - Boston.
- (4) This hospital reports in a consolidated fashion with MetroWest Medical Center - Framingham Union Hospital.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Independent Living Primary Market Area

The PMA for providers of senior living services is typically defined as the geographic area from which the majority of residents are assumed to originate prior to assuming occupancy. Management has defined the IL PMA for the Community based upon analysis of the origin of the Independent Living Units' past entrants, as well as current wait list depositors. The IL PMA for the Community encompasses a 26 ZIP Code area extending approximately 7 to 8 miles west, 3 to 4 miles south, 4 to 5 miles east, and 11 to 15 miles north of the Community. The following table summarizes the ZIP Codes that make up the IL PMA.

Table 7
IL PMA ZIP Codes and Cities/Localities

ZIP Code	City/Locality	ZIP Code	City/Locality	ZIP Code	City/Locality
02026	Dedham	02459	Newton Center	02472	Watertown
02421	Lexington	02460	Newtonville	02476	Arlington
02445	Brookline	02461	Newton Highlands	02478	Belmont
02446	Brookline	02462	Newton Lower Falls	02481	Wellesley Hills
02451	Waltham	02464	Newton Upper Falls	02482	Wellesley
02452	Waltham	02465	West Newton	02492	Needham
02453	Waltham	02466	Auburndale	02493	Weston
02457	Babson Park	02467	Chestnut Hill	02494	Needham Heights
02458	Newton	02468	Waban		

Source: Management

The following table summarizes the resident origin by locale based on residents that entered the Community's Independent Living Units over the previous three years (2015, 2016, and YTD 2017) as well as the origin of current wait list depositors, as provided by Management:

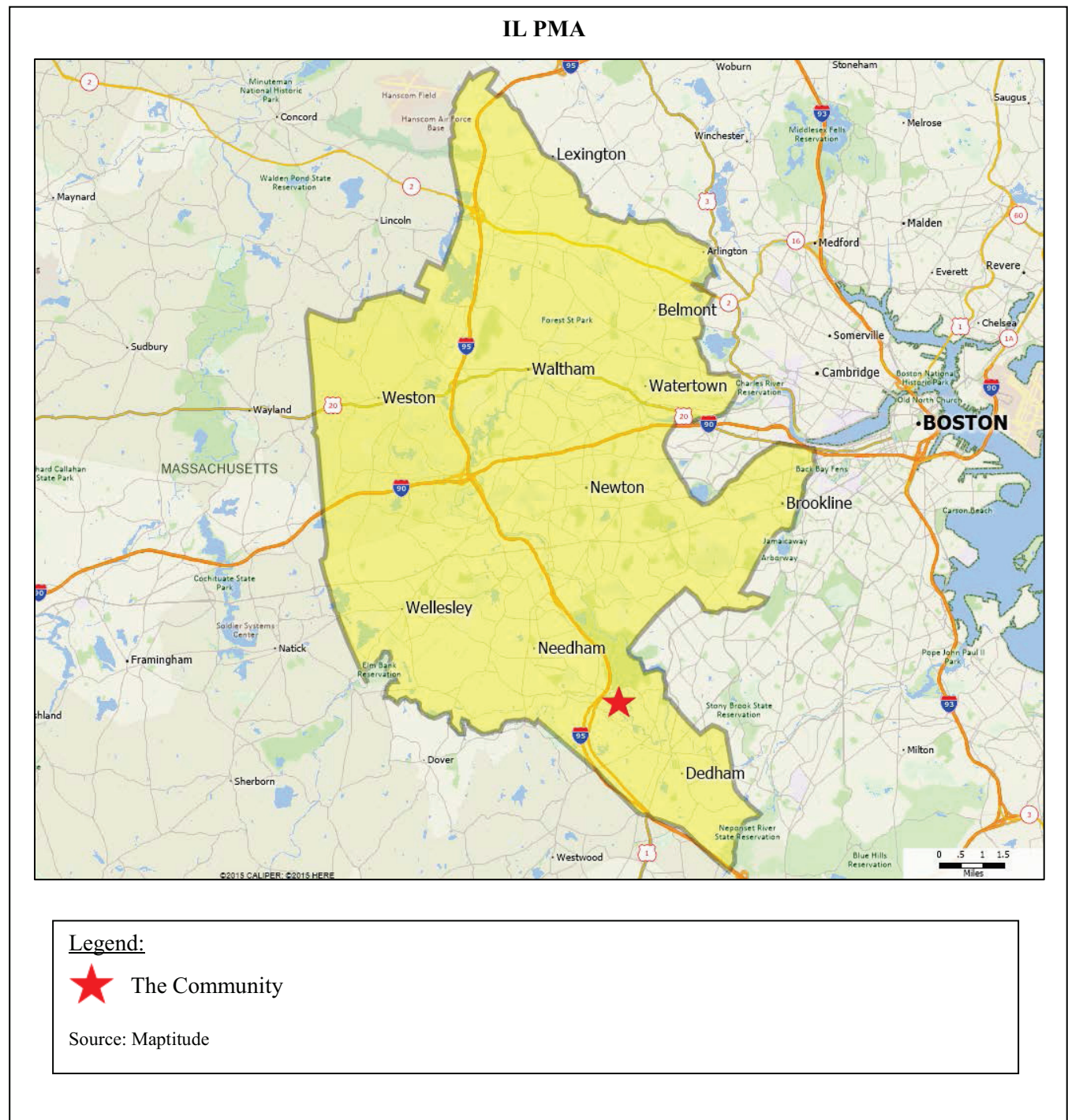
Table 8
Origin Percentages by Locale – Resident IL Entrants of the Previous Three Years and Current Wait List Depositors

	Past 3 Years IL Entrants	Wait List Depositors
IL PMA	58%	53%
Other Areas in Massachusetts	23%	25%
Outside of Massachusetts	19%	22%
Total	100%	100%

Source: Management, July 2017

MARKET ASSESSMENT (continued)

The following map depicts the IL PMA and the location of the Community:



SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Population – IL PMA

The age distribution of the population in a geographic area is considered by Management to be a key factor in the determination of the area's retirement housing needs. Population data regarding numbers of elderly is presented in the following tables. The 2017 and 2022 data in the following tables are estimates and projections, respectively, provided by Environics Analytics, a recognized provider of census demographic information.

Table 9
Elderly Population Change for the IL PMA

	2000 (Actual) Population	2010 (Actual) Population	2017 (Estimated) Population	2022 (Projected) Population	Average Compounded Percentage Change		
					2000 to 2010	2010 to 2017	2017 to 2022
Total Population	380,824	393,118	411,725	426,435	0.3%	0.7%	0.7%
Under Age 65	323,094	334,997	342,257	345,962	0.4%	0.3%	0.2%
Age 65 to 74 Population	27,351	27,762	37,699	45,653	0.1%	4.5%	3.9%
Age 75 to 84 Population	21,099	19,738	19,963	22,856	-0.7%	0.2%	2.7%
Age 85 & Over Population	9,280	10,621	11,806	11,964	1.4%	1.5%	0.3%
Total 65 & Over	57,730	58,121	69,468	80,473	0.1%	2.6%	3.0%
Total 75 & Over	30,379	30,359	31,769	34,820	0.0%	0.7%	1.9%

Sources: Environics Analytics and U.S. Census Bureau

The following table presents the percentage of total population by age group for the elderly population in the IL PMA, the state of Massachusetts, and the United States.

Table 10
Percentage of Total Population by Age Cohort

<u>Age Cohort</u>	2017 (Estimated)		
	IL PMA	Massachusetts	U.S.
65 & Over	16.9%	16.1%	15.5%
75 & Over	7.7%	6.9%	6.4%
85 & Over	2.9%	2.3%	1.9%

<u>Age Cohort</u>	2022 (Projected)		
	IL PMA	Massachusetts	U.S.
65 & Over	18.9%	18.4%	17.5%
75 & Over	8.2%	7.4%	6.9%
85 & Over	2.8%	2.3%	2.0%

Sources: Environics Analytics and U.S. Census Bureau

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Real Estate Trends

The following table summarizes historical data on the number of homes sold, median sales price, and average days on the market for single-family homes sold for the ZIP Codes included in the IL PMA.

Table 11
Single-Family Home Sales Trends in the IL PMA ⁽¹⁾
2014 through YTD July 31, 2017

ZIP Code	Location	ANNUAL DATA									For the 7 Months Ended		
		2014			2015			2016			July 31, 2017		
		Number of Homes Sold	Median Sales Price	Average Days on Market	Number of Homes Sold	Median Sales Price	Average Days on Market	Number of Homes Sold	Median Sales Price	Average Days on Market	Number of Homes Sold	Median Sales Price	Average Days on Market
02026 ⁽²⁾	Dedham	247	\$391,000	90	269	\$410,000	95	262	\$436,750	86	165	\$499,900	88
02421	Lexington	175	\$986,000	98	197	\$971,000	100	163	\$1,085,000	97	100	\$1,122,500	89
02445	Brookline	55	\$2,073,500	124	61	\$1,900,000	120	51	\$1,725,000	109	32	\$2,170,000	131
02446	Brookline	29	\$1,820,000	122	26	\$2,087,500	99	21	\$2,050,000	80	10	\$2,375,000	102
02451	Waltham	148	\$431,000	84	180	\$447,500	89	178	\$504,500	85	85	\$525,000	80
02452	Waltham	85	\$512,500	81	70	\$516,000	95	72	\$572,500	74	27	\$640,000	86
02453	Waltham	116	\$464,550	75	101	\$488,000	81	125	\$525,000	84	65	\$579,000	69
02458	Newton	48	\$1,182,500	101	63	\$1,100,000	108	40	\$905,000	92	23	\$1,425,000	89
02459	Newton Center	157	\$1,000,500	98	164	\$1,180,000	101	148	\$1,127,000	101	90	\$1,336,609	110
02460	Newtonville	43	\$865,000	88	40	\$1,077,500	76	38	\$1,132,500	92	24	\$1,112,500	91
02461	Newton Highlands	53	\$782,500	87	63	\$845,000	86	39	\$850,000	80	32	\$895,000	77
02462	Newton Lower Falls	16	\$792,500	83	10	\$755,000	101	17	\$950,000	70	13	\$1,047,500	84
02464	Newton Upper Falls	15	\$620,000	87	18	\$677,000	86	16	\$717,500	124	8	\$732,750	69
02465	West Newton	93	\$865,000	100	91	\$990,000	107	85	\$962,500	88	51	\$1,265,000	89
02466	Auburndale	44	\$826,000	87	39	\$785,000	95	41	\$890,000	95	27	\$1,011,000	80
02467	Chestnut Hill	105	\$1,220,000	116	117	\$1,250,000	118	122	\$1,437,500	126	61	\$1,362,000	99
02468	Waban	70	\$1,282,500	122	71	\$1,295,000	109	85	\$1,327,500	113	30	\$1,411,009	94
02472	Watertown	91	\$535,000	79	82	\$560,000	74	93	\$621,000	79	45	\$650,000	71
02476	Arlington	116	\$622,500	67	130	\$640,750	71	126	\$721,058	70	83	\$750,000	65
02478	Belmont	142	\$950,000	78	153	\$907,000	85	118	\$1,011,000	85	75	\$1,035,000	88
02481	Wellesley Hills	182	\$1,280,500	128	197	\$1,300,000	120	187	\$1,421,200	139	142	\$1,485,000	151
02482	Wellesley	127	\$1,100,000	112	128	\$1,142,308	119	132	\$1,208,500	124	84	\$1,245,388	129
02492	Needham	212	\$867,500	97	239	\$883,000	116	243	\$912,000	113	147	\$1,125,000	110
02493	Weston	141	\$1,380,000	133	137	\$1,480,000	153	137	\$1,415,000	163	100	\$1,363,500	153
02494	Needham Heights	82	\$780,000	105	81	\$840,000	105	72	\$829,325	107	48	\$891,750	112
Total/ Wtd. Average		2,592	\$894,033	98	2,727	\$926,895	103	2,611	\$957,738	102	1,567	\$1,060,443	102

Source: Moving Station, August 2017.

Notes:

- (1) ZIP Code 02457 was excluded due to association with a P.O. Box.
- (2) Represents the ZIP Code in which the Community is located.

The following table summarizes the number of single-family homes sold from January 1, 2016 through December 31, 2016 and the seven months ended July 31, 2017 within four price ranges for the ZIP Codes in the IL PMA.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 12
Single-Family Home Sales by Price in the IL PMA ⁽¹⁾
January 1, 2016 through December 31, 2016 and YTD July 31, 2017

ZIP Code	Location	For the 12 Months ended December 31, 2016					For the 7 Months Ended July 31, 2017				
		Number of Homes Sold by Closed Sales Price					Number of Homes Sold by Closed Sales Price				
		Under \$500,000	\$500,000 to \$899,999	\$900,000 to \$1,299,999	\$1,300,000 and Over	Total Number	Under \$500,000	\$500,000 to \$899,999	\$900,000 to \$1,299,999	\$1,300,000 and Over	Total Number
02026 ⁽²⁾	Dedham	179	68	8	7	262	83	67	9	6	165
02421	Lexington	1	52	48	62	163	0	30	34	36	100
02445	Brookline	0	3	9	39	51	0	0	3	29	32
02446	Brookline	0	0	2	19	21	0	0	1	9	10
02451	Waltham	83	93	2	0	178	33	52	0	0	85
02452	Waltham	13	52	7	0	72	1	22	4	0	27
02453	Waltham	51	73	1	0	125	12	51	1	1	65
02458	Newton	2	18	7	13	40	2	2	6	13	23
02459	Newton Center	0	41	51	56	148	0	15	24	51	90
02460	Newtonville	1	12	17	8	38	0	6	11	7	24
02461	Newton Highlands	1	21	9	8	39	1	15	10	6	32
02462	Newton Lower Falls	0	7	7	3	17	0	4	5	4	13
02464	Newton Upper Falls	0	14	2	0	16	0	7	1	0	8
02465	West Newton	2	35	20	28	85	0	17	9	25	51
02466	Auburndale	1	20	14	6	41	0	7	14	6	27
02467	Chestnut Hill	0	20	33	69	122	1	7	21	32	61
02468	Waban	0	12	25	48	85	0	2	10	18	30
02472	Watertown	11	69	10	3	93	10	32	2	1	45
02476	Arlington	6	90	27	3	126	1	57	22	3	83
02478	Belmont	0	35	55	28	118	0	20	35	20	75
02481	Wellesley Hills	0	39	45	103	187	0	21	34	87	142
02482	Wellesley	1	37	39	55	132	0	14	32	38	84
02492	Needham	5	110	61	67	243	2	49	44	52	147
02493	Weston	0	15	39	83	137	1	10	31	58	100
02494	Needham Heights	3	34	22	13	72	2	24	10	12	48
Total		360	970	560	721	2,611	149	531	373	514	1,567
Percent		13.8%	37.2%	21.4%	27.6%	100.0%	9.5%	33.9%	23.8%	32.8%	100.0%

Source: Moving Station, August 2017.

Notes:

- (1) ZIP Code 02457 was excluded due to association with a P.O. Box.
- (2) Represents the ZIP Code in which the Community is located.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Economy and Employment Information

The following table summarizes the top 10 largest employers in the Boston-Cambridge-Newton MA New England City and Town Areas (“NECTA”) Division for the year 2017.

Table 13
Top 10 Largest Employers in the Boston-Cambridge-Newton MA NECTA Division – 2017 ⁽¹⁾
By Number of Employees

Major Employer	Number of Employees
Brigham and Women's Hospital	10,000+
Massachusetts Institute of Technology	10,000+
Boston Children's Hospital	5,000 - 9,999
Boston Medical Center	5,000 - 9,999
Boston University School of Medicine	5,000 - 9,999
Boston University	5,000 - 9,999
Floating Hospital for Children	5,000 - 9,999
Lahey Hospital and Medical Center	5,000 - 9,999
Liberty Mutual Group, Inc.	5,000 - 9,999
Massachusetts Bay Transportation	5,000 - 9,999

Source: Executive Office of Labor and Workforce Development and Infogroup, http://lmi2.detma.org/lmi/Largest_employer_index.asp, retrieved August 2017.

Notes:

* = Information not available

(1) The Boston-Cambridge-Newton MA NECTA Division includes 92 cities, including Dedham, MA, where the Community resides.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

The following table summarizes employment by industry sector for the Boston-Cambridge-Newton MA NECTA Division and the state of Massachusetts as of May 2016.

Table 14
Employment by Industry Sector – May 2016
By Number of Employees

Major Occupational Group	Boston-Cambridge-Newton, MA NECTA Division ⁽¹⁾		Massachusetts	
	Number	Percentage	Number	Percentage
Office and Administrative Support Occupations	258,860	14.4%	499,850	14.4%
Management Occupations	161,850	9.0%	268,850	7.8%
Sales and Related Occupations	158,450	8.8%	322,330	9.3%
Food Preparation and Serving Related Occupations	143,020	7.9%	291,950	8.4%
Business and Financial Operations Occupations	131,390	7.3%	198,540	5.7%
Healthcare Practitioners and Technical Occupations	124,290	6.9%	240,340	6.9%
Education, Training, and Library Occupations	114,680	6.4%	235,890	6.8%
Computer and Mathematical Occupations	98,150	5.4%	142,740	4.1%
Transportation and Material Moving Occupations	82,420	4.6%	178,990	5.2%
Personal Care and Service Occupations	58,930	3.3%	123,320	3.6%
Building and Grounds Cleaning and Maintenance Occupations	55,560	3.1%	106,270	3.1%
Construction and Extraction Occupations	54,370	3.0%	117,680	3.4%
Production Occupations	54,350	3.0%	154,660	4.5%
Healthcare Support Occupations	50,110	2.8%	108,880	3.1%
Installation, Maintenance, and Repair Occupations	45,660	2.5%	100,860	2.9%
Architecture and Engineering Occupations	44,700	2.5%	76,170	2.2%
Protective Service Occupations	43,780	2.4%	80,150	2.3%
Community and Social Service Occupations	34,040	1.9%	81,560	2.4%
Life, Physical, and Social Science Occupations	33,690	1.9%	49,070	1.4%
Arts, Design, Entertainment, Sports, and Media Occupations	31,900	1.8%	50,510	1.5%
Legal Occupations	22,170	1.2%	29,200	0.8%
Farming, Fishing, and Forestry Occupations	650	0.0%	2,110	0.1%
All Occupations ⁽²⁾	1,803,030	100.0%	3,459,910	100.0%

Source: United States Department of Labor, Bureau of Labor Statistics, May 2016 Occupational Employment and Wage Estimates, www.bls.gov/oes/current, retrieved August 2017.

Note:

- (1) The Boston-Cambridge-Newton MA NECTA Division includes 92 cities, including Dedham, MA, where the Community resides.
- (2) The sum of employment for each category doesn't foot to the total for all occupations due to rounding estimates.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

The following table summarizes unemployment rate trends for the Boston-Cambridge-Newton MA NECTA Division, the state of Massachusetts, and the United States for 2013 through June 2017.

Table 15
Unemployment Rate Trends ⁽¹⁾

	Boston-Cambridge-Newton MA NECTA Division ⁽²⁾	Massachusetts	United States
2017			
June	3.9% ^(P)	4.4%	4.5%
May	3.6%	4.1%	4.1%
April	3.2%	3.8%	4.1%
March	3.2%	3.9%	4.6%
February	3.4%	4.2%	4.9%
January	3.3%	4.0%	5.1%
2016			
Annual Average	3.2%	3.7%	4.9%
December	2.3%	2.8%	4.5%
November	2.4%	2.8%	4.4%
October	2.5%	2.8%	4.7%
September	2.9%	3.3%	4.8%
August	3.0%	3.4%	5.0%
July	3.4%	3.9%	5.1%
June	3.6%	4.0%	5.1%
May	3.2%	3.7%	4.5%
April	3.2%	3.8%	4.7%
March	3.6%	4.4%	5.1%
February	3.7%	4.6%	5.2%
January	4.0%	4.9%	5.3%
2015			
Annual Average	4.2%	4.9%	5.3%
December	3.5%	4.2%	4.8%
November	3.7%	4.3%	4.8%
October	3.7%	4.3%	4.8%
September	4.1%	4.7%	4.9%
August	4.0%	4.6%	5.2%
July	4.5%	5.1%	5.6%
June	4.6%	5.2%	5.5%
May	4.3%	4.9%	5.3%
April	3.9%	4.7%	5.1%
March	4.2%	5.2%	5.6%
February	4.5%	5.5%	5.8%
January	4.8%	5.8%	6.1%
2014 Annual Average	4.9%	5.8%	6.2%
2013 Annual Average	5.7%	6.7%	7.4%

Source: U.S. Bureau of Labor Statistics, www.bls.gov, August 2017.

Notes:

(1) Data reflects rates not seasonally adjusted.

(2) The Boston-Cambridge-Newton MA NECTA Division includes 92 cities, including Dedham, MA, where the Community resides.

(P) Preliminary data.

MARKET ASSESSMENT (continued)**Independent Living Units Market Assessment*****Comparable Retirement Communities***

Comparable retirement communities may include several types of facilities. Life plan communities (“LPC”), formerly known as continuing care retirement communities, may offer life care, modified life care, fee-for-service, or rental contracts. Independent living residents generally have access to common area amenities, which often include a central dining room, a library, lounge areas, and other community areas. Various monthly service fee options often cover laundering the resident’s flat linen, housekeeping services, maintenance, scheduled transportation, and one (or more) meals per day.

The life care concept offers independent living housing and various levels of service and health care that provides for a resident’s changing needs as he/she ages and begins to require a higher level of care. Life care arrangements typically include an entrance fee and a monthly service fee. In a life care facility, a resident may receive assisted living or nursing care at little or no extra charge beyond the monthly service fee paid in his/her independent living unit (“Extensive” contract or “Type A” contract). A modified life care facility typically offers a limited benefit for assisted living and nursing care services (“Modified” contract or “Type B” contract). Under Type B contracts, the community is obligated to provide residents with assisted living or nursing care services for a specified number of days at no extra charge and/or at rates that are discounted from those charged to those admitted from outside the LPC.

The fee-for-service community (“Fee-for-Service” contract or “Type C” contract) offers a variation of the typical life plan concept. The general concept of a life plan is offered at a fee-for-service facility in various forms. For example, at some facilities, residents pay reduced entrance fees and must pay per-diem rates for assisted living and nursing care, while other facilities may offer priority, but not guaranteed admission to assisted living and nursing care services, and/or low or no entrance fees with higher monthly service fees. Healthcare is often provided in the service package for a fee-for-service senior care community, and is paid by the resident on an “as-needed” basis at current per diem rates.

A rental retirement community (“Rental” or “Type D” contract) offers independent living housing and may offer healthcare services, such as assisted living or nursing care. A resident is not required to pay an entrance fee. The resident generally signs a lease for the independent living unit selected and pays for various additional services utilized on a per diem basis. The resident may enter the community at various levels of care in a rental retirement community.

Retirement communities offering an equity option (“Equity”) involve the actual purchase of real estate or membership by the resident. This includes independent living condominiums and cooperatives. Health care services may be accessible in this type of senior housing on an optional basis.

Management has defined comparable independent living communities as certain retirement communities that include independent living services, offer at least one additional level of care, and offer similar services and amenities, compete for similar age and income qualified residents, and are located within the IL PMA (the “Comparable IL Community” or “Comparable IL Communities”).

In addition, Management has identified one LPC located outside of the IL PMA that is also considered comparable to the Community (the “Comparable IL Community Near the IL PMA”). Information on this facility is included (see Table 18) for additional information purposes.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

The following table presents a summary of the Comparable IL Communities in the IL PMA as defined by Management.

Table 16
Comparable IL Communities in the IL PMA

The Community	Type	Other Levels of Care	Number of IL Units	Occupancy
	Type B and C	AL,MS,SNF	256	98.4%
Comparable IL Communities - Existing:				
Brookhaven at Lexington	Type A	SNF	258	97.1%
Lasell Village	Type A	SNF	182	97.0%
North Hill	Type A and C	SNF	368	97.0%
Waterstone at Wellesley	Rental	AL	82	100.0%
Wingate Residences at Needham	Rental	AL,MS,SNF	64	87.5%
Sub-Total / Weighted Average			954	96.6%
Total Comparable IL Communities, including the Community			1,210	97.0%

Source: Management, telephone interviews, personal visits and/or other research conducted in September 2017.

Notes:

IL = Independent Living

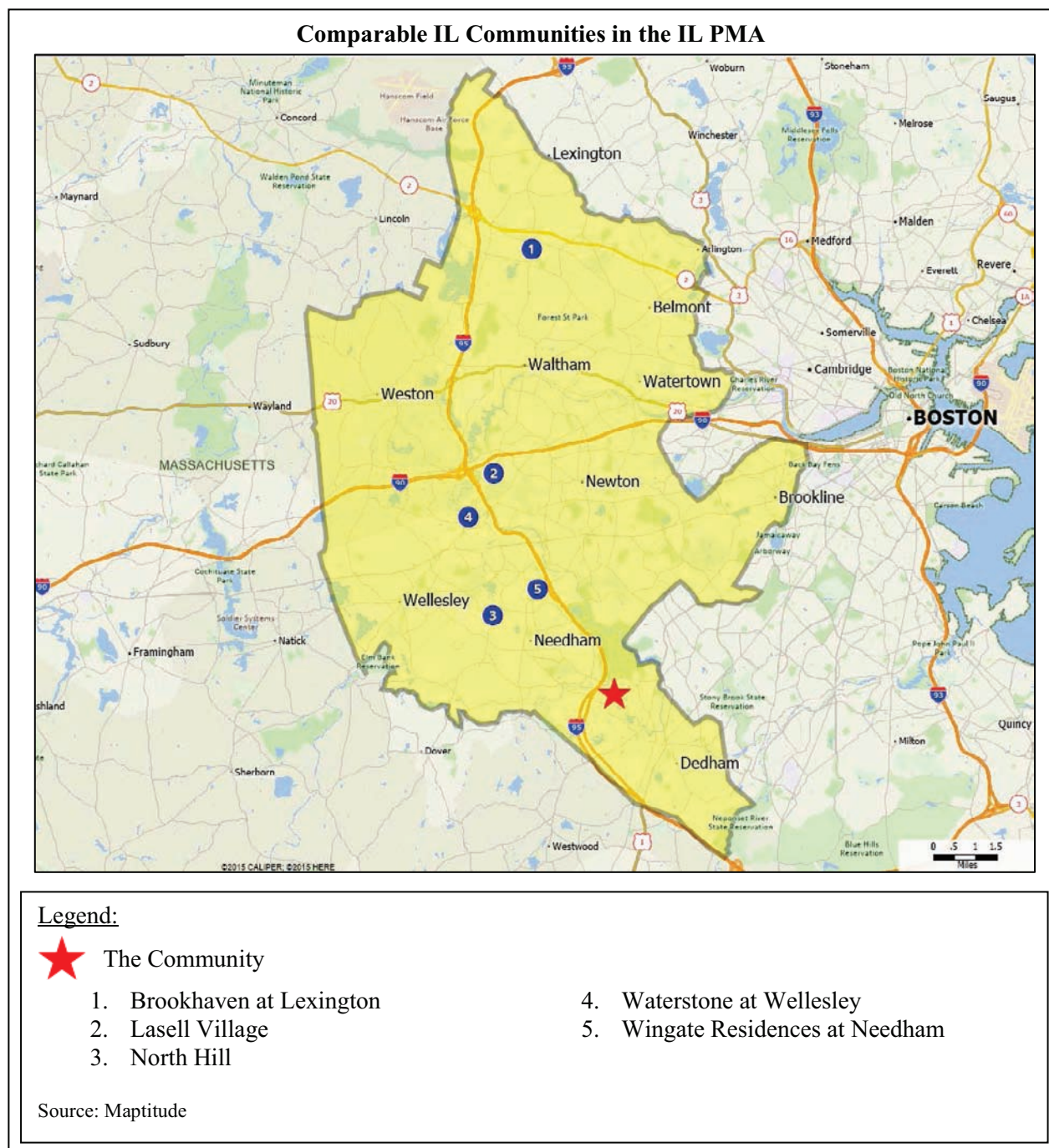
AL = Assisted Living

MS = Memory Support

SNF = Skilled Nursing Facility

MARKET ASSESSMENT (continued)

The following map depicts the location of the Community and the Comparable IL Communities in the IL PMA, as summarized in Table 16.



The following table profiles the Community and the Comparable IL Communities within the IL PMA.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 17
Comparable IL Communities in the IL PMA

	The Community	Brookhaven at Lexington	Lasell Village
Street Address	5000 Great Meadow Rd.	1010 Waltham Street	120 Seminary Avenue
City/State/ZIP Code	Dedham, MA 02026	Lexington, MA 02421	Newton, MA 02466
Miles from the Community	N/A	14	7
Type of Contract	Type B and C ⁽¹⁾	Type A	Type A
Owner/Sponsor	Hebrew Senior Life	Symmes Life Care	Lasell College
For-Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit
Year Opened	2009	1989	2000
IL Units:			
Studio apartments	0	*	9
One-bedroom apartments	45	*	89
Two-bedroom apartments	137	160	84
Three-bedroom apartments	0	0	0
Villas/Townhomes/Cottages	74	23	0
Total IL Units	256	258 ⁽¹⁾	182 ⁽¹⁾
AL/MS Beds	51 / 40	0 / 0	0 / 0
SNF Beds	268	35	38
IL Square Footage:			
Studio apartments	N/A	553	N/A
One-bedroom apartments	825 - 1,115	747 - 929	640 - 1,080
Two-bedroom apartments	1,076 - 2,003	929 - 1,713	875 - 1,933
Three-bedroom apartments	N/A	N/A	N/A
Villas/Townhomes/Cottages	1,487 - 2,708	1,149 - 1,348	N/A
IL Monthly Service Fees:			
Studio apartments	N/A	\$3,040 ⁽²⁾	N/A
One-bedroom apartments	\$3,750 - \$4,570 ⁽²⁾	\$4,230 - \$4,840 ⁽²⁾	\$4,001 - \$8,000 ⁽²⁾
Two-bedroom apartments	\$4,580 - \$6,690 ⁽²⁾	\$4,840 - \$7,885 ⁽²⁾	\$5,082 - \$9,489 ⁽²⁾
Three-bedroom apartments	N/A	N/A	N/A
Villas/Townhomes/Cottages	\$4,780 - \$6,120 ⁽²⁾	\$5,740 - \$6,975 ⁽²⁾	N/A
IL second person fee	\$1,390 ⁽²⁾	\$1,650 ⁽²⁾	\$1,816 ⁽²⁾
IL Entrance Fees:			
Studio apartments	N/A	\$395,000 ⁽³⁾	N/A
One-bedroom apartments	\$654,000 - \$821,000 ⁽³⁾	\$460,000 - \$515,000 ⁽³⁾	\$436,000 - \$779,000 ⁽³⁾
Two-bedroom apartments	\$800,000 - \$1,486,000 ⁽³⁾	\$515,000 - \$790,000 ⁽³⁾	\$589,000 - \$1,348,000 ⁽³⁾
Three-bedroom apartments	N/A	N/A	N/A
Villas/Townhomes/Cottages	\$1,008,000 - \$1,445,000 ⁽³⁾	\$665,000 - \$725,000 ⁽³⁾	N/A
IL second person fee	N/A	\$44,000 ⁽³⁾	\$48,100 ⁽³⁾
IL Reported Occupancy Rate	98.4%	97.1%	97.0%
Included in the Monthly Fee:			
Meals	Meal credits ⁽³⁾	1 meal/day	1 meal/day
Housekeeping service	Weekly	Weekly	Weekly
Laundry service	In unit	In unit	In unit
Scheduled transportation	Yes	Yes	Yes
Utilities	All except telephone	All except cable, telephone, and internet	All except telephone

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 17 (continued)
Comparable IL Communities in the IL PMA

	North Hill	Waterstone at Wellesley	Wingate Residences at Needham
Street Address	865 Central Avenue	27 Washington Street	235 Gould Street
City/State/ZIP Code	Needham, MA 02492	Wellesley, MA 02481	Needham, MA 02494
Miles from the Community	3	6	4
Type of Contract	Type A and C	Rental	Rental
Owner/Sponsor	North Hill Communities, Inc.	EPOCH Senior Living	The Wingate Companies
For-Profit/Non-Profit	For-Profit	For-Profit	For-Profit
Year Opened	1984	2012	2013
IL Units:			
Studio apartments	*	0	0
One-bedroom apartments	*	52	*
Two-bedroom apartments	*	30	*
Three-bedroom apartments	0	0	0
Villas/Townhomes/Cottages	0	0	0
Total IL Units	368 ⁽¹⁾	82	64
AL/MS Beds	0	52 / 0	54 / 37
SNF Beds	72	0	142
IL Square Footage:			
Studio apartments	Up to 565	N/A	N/A
One-bedroom apartments	500 - 1,202	672 - 893	585
Two-bedroom apartments	850 - 1,970	1,001 - 1,356	900
Three-bedroom apartments	N/A	N/A	N/A
Villas/Townhomes/Cottages	N/A	N/A	N/A
IL Monthly Service Fees:			
Studio apartments	\$2,974 - \$3,959 ⁽²⁾	N/A	N/A
One-bedroom apartments	\$3,374 - \$6,401 ⁽²⁾	\$7,000 - \$8,900	\$6,800 - \$7,000
Two-bedroom apartments	\$4,176 - \$8,503 ⁽²⁾	\$8,850 - \$14,200	\$8,550 - \$9,700
Three-bedroom apartments	N/A	N/A	N/A
Villas/Townhomes/Cottages	N/A	N/A	N/A
IL second person fee	\$1,191 - \$1,753 ⁽²⁾	\$2,350	\$1,000 - \$1,500
IL Entrance Fees:			
Studio apartments	\$132,534 - \$220,890 ⁽²⁾	N/A	N/A
One-bedroom apartments	\$227,526 - \$860,570 ⁽²⁾	N/A	N/A
Two-bedroom apartments	\$347,712 - \$1,325,610 ⁽²⁾	N/A	N/A
Three-bedroom apartments	N/A	N/A	N/A
Villas/Townhomes/Cottages	N/A	N/A	N/A
IL second person fee	N/A	N/A	N/A
IL Reported Occupancy Rate	97.0%	100.0%	87.5%
Included in the Monthly Fee:			
Meals	Point System ⁽³⁾	1 meal/day	1 meal/day
Housekeeping service	Weekly	Weekly	Weekly
Laundry service	In unit	In unit	In unit
Scheduled transportation	Yes	Yes	Yes
Utilities	All-inclusive	All except cable and telephone	All except cable and telephone

MARKET ASSESSMENT (continued)

Notes to Table 17:

Source: Management, telephone interviews, personal visits and/other research conducted through September 2017.

* = Unable to obtain information from the facility

N/A = Not applicable to this facility.

IL = Independent Living.

AL = Assisted Living.

MS = Memory Support.

SNF = Skilled Nursing Facility.

The Community

- (1) Residents who selected a Type B Modified Life Care Contract will receive 120 days in the Health Center Campus at no additional charge and a 20 percent discount on health care services after the 120 days have been used.
- (2) Entrance fees shown reflect a 90% Refundable Plan, the Type C Fee-For-Service healthcare option, and do not reflect any additional premium or discount associated with unit location and/or view. Please refer to Table 1-A.
- (3) The monthly service fees include a meal credit of \$300 per person for cottage units and \$500 for all other IL units. Additional meal credits can be purchased for a monthly fee of \$50 per \$100 meal credit. If the meal credits are not used in any given month, they expire.

Brookhaven at Lexington

- (1) The facility offers 238 traditional IL units and 20 supported living units.
- (2) One hour of assistance per day is included in the monthly service fee. In addition, residents also receive MS and SNF services for the same monthly fee required for their IL unit.
- (3) Entrance fees are 90% refundable.

Lasell Village

- (1) The facility offers 173 traditional IL units and 9 supported living studio units.
- (2) Residents receive SNF services for the same monthly fee as required for their IL unit plus the cost of two meals per day.
- (3) Entrance fees are 90% refundable.

North Hill

- (1) The facility offers 323 traditional IL units and 45 enhanced IL units.
- (2) Reflects the 90% refund plan. There is also a LifeCare Plan which offers the same entrance fees and has different monthly fees. The range for LifeCare Plan monthly fees couldn't be obtained at the time of research.
- (3) Each resident is credited with 10 points per day for food.

As noted previously herein, Management has identified one LPC, Orchard Cove, also a Hebrew Senior Life community, located near the IL PMA that is also considered comparable to the Community. Information on this facility is included in the following table for additional information purposes.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 18
Comparable IL Community Near the IL PMA

	Orchard Cove
Street Address	1 Del Pond Drive
City/State/ZIP Code	Canton, MA 02021
Type of Contract	Type B and C
Owner/Sponsor	Hebrew Senior Life
For-Profit/Non-Profit	Non-Profit
Year Opened	1993
IL Units:	
Studio apartments	0
One-bedroom apartments	97
Two-bedroom apartments	130
Three-bedroom apartments	0
Villas/Townhomes/Cottages	0
Total IL Units	227
AL/MS Beds	28 / 0
SNF Beds	45
IL Square Footage:	
Studio apartments	N/A
One-bedroom apartments	715 - 998
Two-bedroom apartments	950 - 1,530
Three-bedroom apartments	N/A
Villas/Townhomes/Cottages	N/A
IL Monthly Service Fees:	
Studio apartments	N/A
One-bedroom apartments	\$3,645 - \$3,890 ⁽¹⁾
Two-bedroom apartments	\$4,385 - \$4,920 ⁽¹⁾
Three-bedroom apartments	N/A
Villas/Townhomes/Cottages	N/A
IL second person fee	\$1,585 ⁽¹⁾
IL Entrance Fees:	
Studio apartments	N/A
One-bedroom apartments	\$300,000 - \$543,000 ⁽¹⁾
Two-bedroom apartments	\$492,000 - \$774,000 ⁽¹⁾
Three-bedroom apartments	N/A
Villas/Townhomes/Cottages	N/A
IL second person fee	N/A
IL Reported Occupancy Rate	89.4%
Included in the Monthly Fee:	
Meals	1 meal/day
Housekeeping service	Weekly
Laundry service	In unit
Scheduled transportation	Yes
Utilities	All except telephone and internet

MARKET ASSESSMENT (continued)

Notes to Table 18:

Source: Management, telephone interviews, personal visits and/other research conducted through September 2017.

* = Unable to obtain information from the facility

N/A = Not applicable to this facility.

IL = Independent Living.

AL = Assisted Living.

MS = Memory Support.

SNF = Skilled Nursing Facility.

Orchard Cove

- (1) Entrance fees are reflected at a 90% Refundable Plan under a Type C fee-for-service contract. For a Type B Lifecare contract, an additional \$18,000 entrance fee is applied for a 90% Refundable Plan and an additional monthly service fee of \$730 is applied for first persons and \$155 for second persons. The facility also offers a 75% Refundable Plan and 50% Refundable Plan at 15% and 30% reduced entrance fees, respectively.

Planned Independent Living Developments in the IL PMA

Based upon telephone interviews with local planning agencies, interviews with management at existing retirement communities, and other research there is one planned independent living project in the IL PMA. Brookhaven at Lexington is currently in the planning phases of a 49-unit independent living expansion, with no known construction start or completion dates. The project is still under review with the City of Lexington and the facility stated there are no official plans in place. For purposes of this study, this project has been noted for informational purposes only, given the facility is still finalizing official plans and awaiting approvals and construction.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Assisted Living Primary Market Area

The PMA for providers of senior living services is defined as the geographic area from which the majority of residents resided prior to assuming occupancy at the Community. Management has defined the assisted living PMA (“AL PMA”) for the Community’s Assisted Living Units based upon an analysis of historical admissions for the previous three years to the Community’s Assisted Living Units. The following table summarizes the 16 ZIP Codes that make up the AL PMA.

Table 19
AL PMA ZIP Codes and Cities/Localities

ZIP Code	City/Locality	ZIP Code	City/Locality
02026	Dedham	02462	Newton Lower Falls
02130	Jamaica Plain	02464	Newton Upper Falls
02132	West Roxbury	02466	Auburndale
02135	Brighton	02467	Chestnut Hill
02445	Brookline	02468	Waban
02446	Brookline	02481	Wellesley Hills
02459	Newton Center	02492	Needham
02461	Newton Highlands	02494	Needham Heights

Source: Management

The following table presents the resident origin by locale, based on residents that entered the Assisted Living Units over the previous three years (2015, 2016, and YTD 2017):

Table 20
Origin Percentages by Locale – Resident Entrants of the Previous Three Years

	Past 3 Years Entrants
AL PMA	40%
Other Areas in Massachusetts ⁽¹⁾	38%
Outside of Massachusetts	22%
Total	100%

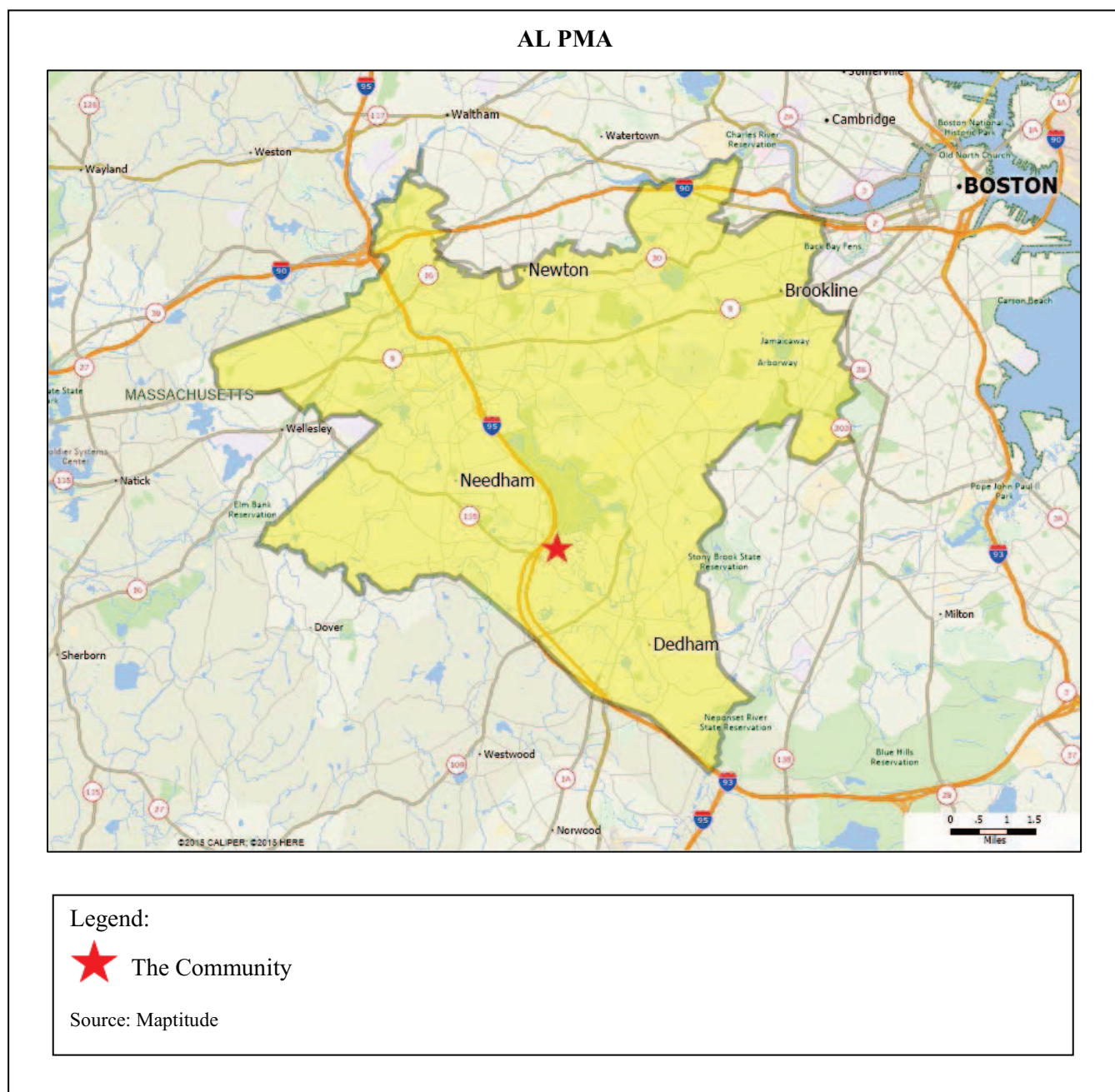
Source: Management, August 2017

Notes:

(1) Represents origins for Massachusetts, less ZIP codes included in the AL PMA as noted in the table above.

MARKET ASSESSMENT (continued)

The following map depicts the AL PMA and the location of the Community:



SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Population – AL PMA

Population data regarding numbers of elderly for the AL PMA is presented in the following tables. The 2017 and 2022 data in the following table are estimates provided by Environics Analytics, a recognized provider of census demographic information.

Table 21
Elderly Population Change for the AL PMA

	2000 (Actual) Population	2010 (Actual) Population	2017 (Estimated) Population	2022 (Projected) Population	Average Compounded Percentage Change		
					2000 to 2010	2010 to 2017	2017 to 2022
Total Population	279,138	290,394	308,172	320,488	0.4%	0.9%	0.8%
Under Age 65	238,851	249,579	259,036	263,149	0.4%	0.5%	0.3%
Age 65 to 74 Population	18,562	19,086	26,081	31,631	0.3%	4.6%	3.9%
Age 75 to 84 Population	14,787	13,744	14,126	16,557	-0.7%	0.4%	3.2%
Age 85 & Over Population	6,938	7,985	8,929	9,151	1.4%	1.6%	0.5%
Total 65 & Over	40,287	40,815	49,136	57,339	0.1%	2.7%	3.1%
Total 75 & Over	21,725	21,729	23,055	25,708	0.0%	0.8%	2.2%

Sources: Environics Analytics and U.S. Census Bureau

The following table presents the percentage of total population by age group for the elderly population in the AL PMA, the state of Massachusetts, and the United States.

Table 22
Percentage of Total Population by Age Cohort

<u>Age Cohort</u>	2017 (Estimated)		
	AL PMA	Massachusetts	U.S.
65 & Over	15.9%	16.1%	15.5%
75 & Over	7.5%	6.9%	6.4%
85 & Over	2.9%	2.3%	1.9%

<u>Age Cohort</u>	2022 (Projected)		
	AL PMA	Massachusetts	U.S.
65 & Over	17.9%	18.4%	17.5%
75 & Over	8.0%	7.4%	6.9%
85 & Over	2.9%	2.3%	2.0%

Sources: Environics Analytics and the U.S. Census Bureau

MARKET ASSESSMENT (continued)

Description and Utilization of Assisted Living Services

Assisted living facilities are certified and regulated under Chapter 651 of the Massachusetts Code of Regulations, which is known as the “Certification Procedures and Standards for Assisted Living Residences;” 651 Code of Massachusetts Regulation (CMR) 12.03, Executive Office of Elder Affairs (“EOEA” or the “Agency”).

Assisted living facility certificates are not transferable. The Agency must be notified 30 days prior to an ownership change and follow the established procedures during the transition period in order to be eligible for a new certification.

Assisted living facilities must be certified initially as a standard “Assisted Living Facility.” Skilled care services can be administered if the facility is a certified provider of ancillary health services and does not train assisted living residence staff to provide the skilled nursing care. Certified providers of ancillary health services are licensed to provide home health care services or hospice. Assisted living facilities can provide special care services, such as memory support, if they have submitted an operating plan to the Agency that explains how the facility will meet the specialized needs of its residents. Massachusetts has a Determination of Need requirement for skilled nursing facilities, but not for assisted living facilities.

Assisted living facilities with a majority of residents receiving subsidies and facilities with a capacity of less than 20 units are not considered to be comparable with the Community due their typically low fee structure and/or the small size of these facilities with fewer campus amenities and access to other levels of care.

Existing Comparable Assisted Living Facilities

The following table summarizes the comparable assisted living and memory support communities in the AL PMA.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 23
Comparable Assisted Living and Memory Support Communities in the AL PMA

	Year Opened	Assisted Living		Memory Support		Total Number of AL & MS Beds
		Number of Beds	Occupancy Percentage	Number of Beds	Occupancy Percentage	
The Community	2009	51	98.0%	40	97.3%	91
Comparable AL Communities:						
IL Plus One or More Levels of Care:						
Waterstone at Wellesley	2012	52	100.0%	0	N/A	52
Wingate Residences at Needham	2013	54	94.0%	37	94.0%	91
Sub-Total - Comparable AL Communities With IL Plus One or More Levels of Care:		106	96.9% ⁽¹⁾	37	94.0% ⁽¹⁾	143
One Level of Care:						
AVITA of Needham	2011	0	N/A	62	95.0%	62
Brookdale Dedham	1999	88	90.0%	25	90.0%	113
Chestnut Park at Cleveland Circle	2003	56	*	28	*	84
Edelweiss Village	2000	62	88.7%	0	N/A	62
Goddard House	1996	75	100.0%	40	100.0%	115
Kindred Living at Needham Heights	1995	60	*	0	N/A	60
Rogerson House	1997	0	N/A	40	98.5%	40
Springhouse	1996	49	97.6%	13	97.6%	62
The Falls at Cordingly Dam	1996	63	97.6%	27	97.6%	90
Traditions of Dedham	2000	81 ⁽²⁾	96.3%	14	78.6%	95
Wingate Residences at Boylston	1980	48	100.0%	0	N/A	48
Sub-Total - Comparable AL Communities With One Level of Care:		582	95.4% ⁽¹⁾	249	95.6% ⁽¹⁾	831
Sub-Total - Comparable AL Communities		688	95.7% ⁽¹⁾	286	95.3% ⁽¹⁾	974
Sub-Total Comparable AL Communities Including The Community		739	95.9% ⁽¹⁾	326	95.6% ⁽¹⁾	1,065

Source: Management, telephone interviews, personal visits, and/or other research conducted through September 2017.

N/A = Not applicable to this facility.

* = Unable to obtain information from facility.

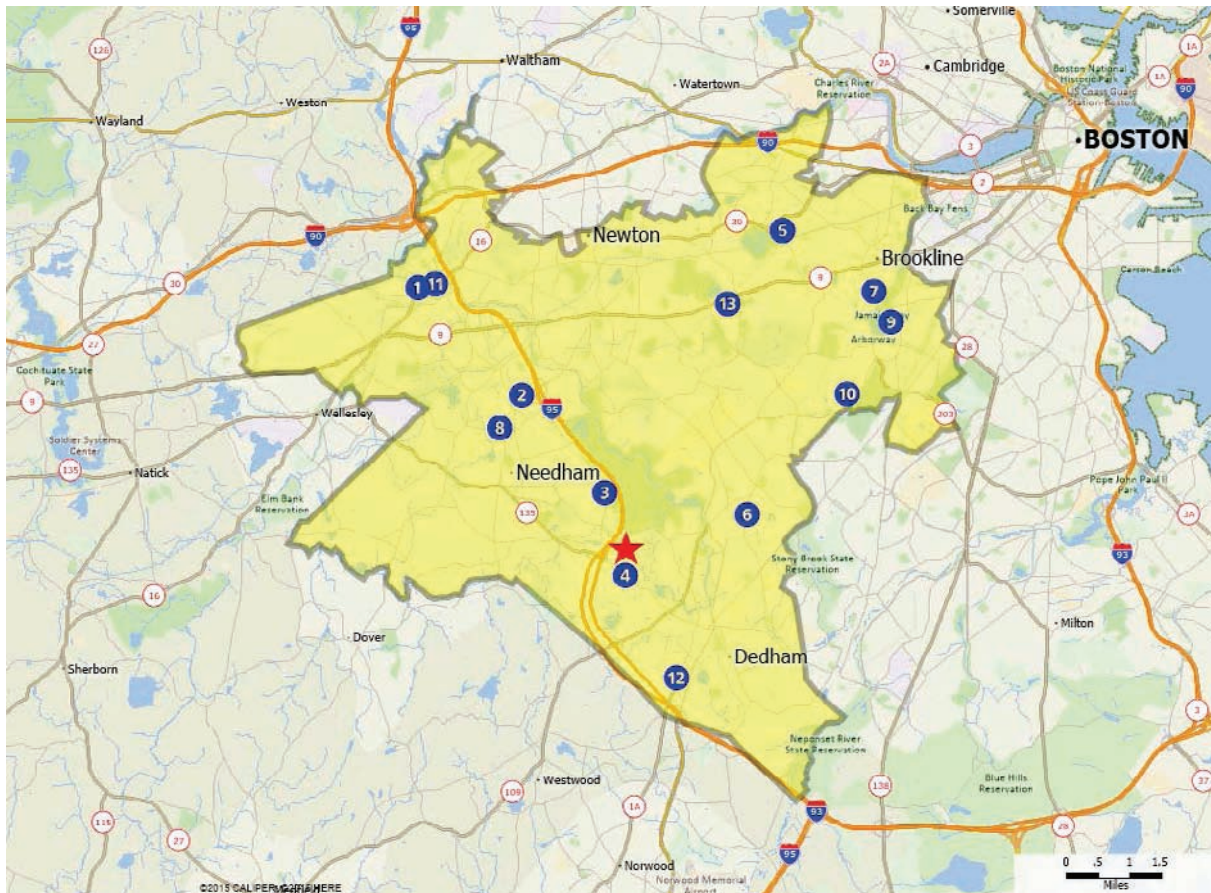
(1) Does not include those facilities that were unwilling to disclose occupancy information or those that were not open at the time of research.

(2) The Traditions of Dedham AL units can be classified as IL units as needed for a discounted fee.

The following map presents the comparable assisted living and memory support communities in the AL PMA.

MARKET ASSESSMENT (continued)

Comparable Assisted Living and Memory Support Communities in the AL PMA



Legend:



The Community

- | | |
|--------------------------------------|--------------------------------------|
| 1. Waterstone at Wellesley | 8. Kindred Living at Needham Heights |
| 2. Wingate Residences at Needham | 9. Rogerson House |
| 3. AVITA of Needham | 10. Springhouse |
| 4. Brookdale Dedham | 11. The Falls at Cordingly Dam |
| 5. Chestnut Park at Cleveland Circle | 12. Traditions of Dedham |
| 6. Edelweiss Village | 13. Wingate Residences at Boylston |
| 7. Goddard House | |

Source: Maptitude

The following tables summarize the comparable assisted living and memory support communities in the AL PMA:

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 24
Comparable Assisted Living and Memory Support Communities in the AL PMA

	The Community	Waterstone at Wellesley	Wingate Residences at Needham	AVITA of Needham
Street Address	6000 Great Meadow Drive	27 Washington Street	235 Gould Street	880 Greendale Avenue
City/State/ZIP Code	Dedham, MA 02026	Wellesley, MA 02481	Needham, MA 02494	Needham, MA, 02492
Approximate Miles from Project	N/A	6	4	11
Owner/Sponsor	Hebrew Senior Life	EPOCH Senior Living	Wingate Healthcare	Northbridge Assisted Living
For-Profit/Non-Profit	Non-Profit	Profit	Profit	Non-Profit
Year Opened	2009	2012	2013	2011
Number of Beds				
AL studio-shared	0	0	*	0
AL studio-private	0	0	*	0
AL one-bedroom	48	*	*	0
AL two-bedroom	3	*	0	0
Total AL Beds	51	52	54	0
MS studio-shared	8 ⁽¹⁾	0	*	0
MS studio-private	32	0	*	*
MS one-bedroom	⁽¹⁾	0	0	*
MS two-bedroom	0	0	0	0
Total MS Beds	40	0	37	62
Total AL/MS Beds	91	52	91	62
AL/MS Square Footage:				
AL studio-shared	N/A	N/A	374	N/A
AL studio-private	N/A	N/A	374	N/A
AL one-bedroom	450 - 670	524	555	N/A
AL two-bedroom	789	*	N/A	N/A
MS studio-shared	450	N/A	373 - 581	N/A
MS studio-private	275	N/A	373 - 581	307 - 325
MS one-bedroom	N/A	N/A	N/A	515
MS two-bedroom	N/A	N/A	N/A	N/A
AL/MS Monthly Service Fees:				
AL studio-shared	N/A	N/A	\$4,850	N/A
AL studio-private	N/A	N/A	\$6,175	N/A
AL one-bedroom	\$8,600 - \$9,900	\$8,475 - \$9,075	\$7,925	N/A
AL two-bedroom	\$13,500	\$15,250	N/A	N/A
MS studio-shared	\$8,000	N/A	\$7,175	N/A
MS studio-private	\$9,400	N/A	\$9,075	\$8,095 - \$8,295
MS one-bedroom	\$13,000 ⁽¹⁾	N/A	N/A	\$9,995
MS two-bedroom	N/A	N/A	N/A	N/A
Occupancy Rate-AL	98.0%	100%	94.0%	N/A
Occupancy Rate-MS	97.3%	N/A	94.0%	95.0%
Included in Monthly Service Fee:				
Meals	3 meals/day	3 meals/day	3 meals/day	3 meals/day
Housekeeping	Weekly	Weekly	Weekly	Daily
Linen service	Weekly	Weekly	Weekly	Weekly
Laundry service-AL	N/A	Free common laundry	One Load Per Week	N/A
Laundry service-MS	Weekly	N/A	Four Loads Per Week	Weekly
Personal Care-AL	One hour per day	One hour per day ⁽¹⁾	One hour per day ⁽¹⁾	N/A
Personal Care-MS	All-inclusive	N/A	Three hours per day	One hour per day

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 24 (continued)
Comparable Assisted Living and Memory Support Communities in the AL PMA

	Brookdale Dedham	Chestnut Park at Cleveland Circle	Edelweiss Village	Goddard House
Street Address	391 Common Street	50 Sutherland Road	2220 Centre Street	165 Chestnut Street
City/State/ZIP Code	Dedham, MA 02026	Brighton, MA 02135	West Roxbury, MA 02132	Brookline, MA 02445
Approximate Miles from Project	1	11	5	10
Owner/Sponsor	Brookdale Senior Living	Benchmark Senior Living	Edelweiss Village	Home for Aged Women, Inc.
For-Profit/Non-Profit	For-Profit	Profit	Non-Profit	Non-Profit
Year Opened	1999	2003	2000	1996
Number of Beds				
AL studio-shared	*	0	*	0
AL studio-private	*	18	*	34
AL one-bedroom	*	38	*	37
AL two-bedroom	0	0	*	4
Total AL Beds	88	56	62	75
MS studio-shared	*	4	0	*
MS studio-private	*	9	0	*
MS one-bedroom	0	15	0	0
MS two-bedroom	0	0	0	0
Total MS Beds	25	28	0	40
Total AL/MS Beds	113	84	62	115
AL/MS Square Footage:				
AL studio-shared	500	N/A	414 - 464	N/A
AL studio-private	500	492	414 - 464	300
AL one-bedroom	700	410 - 543	430 - 563	*
AL two-bedroom	N/A	N/A	793	700
MS studio-shared	500	492	N/A	300
MS studio-private	500	492	N/A	300
MS one-bedroom	N/A	410 - 543	N/A	N/A
MS two-bedroom	N/A	N/A	N/A	N/A
AL/MS Monthly Service Fees:				
AL studio-shared	\$4,410 - \$4,570	N/A	\$4,430 - \$4,715	N/A
AL studio-private	\$4,410 - \$4,570	*	\$4,430 - \$4,715	\$5,500 - \$6,000
AL one-bedroom	\$5,000 - \$5,220	*	\$4,820 - \$5,115	\$6,000 - \$6,600
AL two-bedroom	N/A	N/A	\$5,535	\$7,500
MS studio-shared	*	*	N/A	\$4,000
MS studio-private	*	*	N/A	\$7,700
MS one-bedroom	N/A	*	N/A	N/A
MS two-bedroom	N/A	N/A	N/A	N/A
Occupancy Rate-AL	90.0%	*	88.7%	100.0%
Occupancy Rate-MS	90.0%	*	N/A	100.0%
Included in Monthly Service Fee:				
Meals	3 meals/day	3 meals/day	3 meals/day	3 meals/day
Housekeeping	Weekly	Weekly	Weekly	Weekly
Linen service	Weekly	Weekly	Weekly	Weekly
Laundry service-AL	Free common laundry	Weekly	Weekly	In unit
Laundry service-MS	Weekly	Weekly	N/A	Weekly
Personal Care-AL	Levels of care ⁽¹⁾	Levels of care ⁽¹⁾	One hour per day ⁽¹⁾	One hour per day
Personal Care-MS	Levels of care ⁽¹⁾	Levels of care ⁽¹⁾	N/A	One hour per day

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 24 (continued)
Comparable Assisted Living and Memory Support Communities in the AL PMA

	Kindred Living at Needham Heights	Rogerson House	Springhouse	The Falls at Cordingly Dam
Street Address	110 West Street	434 Jamaica Way	44 Allandale Street	2300 Washington Street
City/State/ZIP Code	Needham, MA 02494	Jamaica Plain, MA 02130	Boston, MA 02130	Newton, MA 02462
Approximate Miles from Project	4	10	9	7
Owner/Sponsor	Kindred Healthcare	Rogerson Communities	Springhouse Senior Living	Benchmark Senior Living
For-Profit/Non-Profit	Non-Profit	Non-Profit	Non-Profit	Profit
Year Opened	1995	1997	1996	1996
Number of Beds				
AL studio-shared	0	0	*	*
AL studio-private	*	0	*	*
AL one-bedroom	*	0	*	*
AL two-bedroom	*	0	0	*
Total AL Beds	60	0	49	63
MS studio-shared	0	*	0	*
MS studio-private	0	*	13	*
MS one-bedroom	0	0	0	0
MS two-bedroom	0	0	0	0
Total MS Beds	0	40	13	27
Total AL/MS Beds	60	40	62	90
AL/MS Square Footage:				
AL studio-shared	N/A	N/A	350 - 420	426
AL studio-private	406	N/A	350 - 420	426
AL one-bedroom	600 - 800	N/A	510 - 720	506 - 713
AL two-bedroom	830 - 920	N/A	N/A	*
MS studio-shared	N/A	144	350	426
MS studio-private	N/A	144	N/A	426
MS one-bedroom	N/A	N/A	N/A	N/A
MS two-bedroom	N/A	N/A	N/A	N/A
AL/MS Monthly Service Fees:				
AL studio-shared	N/A	N/A	\$6,000 - \$9,000 ⁽¹⁾	*
AL studio-private	\$5,800	N/A	\$6,000 - \$9,000 ⁽¹⁾	\$6,900
AL one-bedroom	\$6,000 - \$6,600	N/A	\$6,000 - \$9,000 ⁽¹⁾	\$8,100
AL two-bedroom	\$6,500 - \$7,000	N/A	N/A	\$9,000
MS studio-shared	N/A	\$7,200	N/A	\$6,000
MS studio-private	N/A	\$7,800	\$6,000 - \$9,000 ⁽¹⁾	\$9,150 - \$9,450
MS one-bedroom	N/A	N/A	N/A	N/A
MS two-bedroom	N/A	N/A	N/A	N/A
Occupancy Rate-AL	*	N/A	97.6%	97.6%
Occupancy Rate-MS	N/A	98.5%	97.6%	97.6%
Included in Monthly Service Fee:				
Meals	3 meals/day	3 meals/day	3 meals/day	3 meals/day
Housekeeping	Weekly	Weekly	Weekly	Weekly
Linen service	Weekly	Weekly	Weekly	Weekly
Laundry service-AL	Free common laundry	N/A	Weekly	Weekly
Laundry service-MS	N/A	Weekly	Weekly	Weekly
Personal Care-AL	One hour per day ⁽¹⁾	N/A	One hour per day	Levels of care ⁽¹⁾
Personal Care-MS	N/A	All-inclusive	One hour per day	Levels of care ⁽¹⁾

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 24 (continued)
Comparable Assisted Living and Memory Support Communities in the AL PMA

	Traditions of Dedham	Wingate Residences at Boylston
Street Address	735 Washington Street	615 Heath Street
City/State/ZIP Code	Dedham, MA 02026	Chestnut Hill, MA 02467
Approximate Miles from Project	3	9
Owner/Sponsor	LCB Senior Living, LLC	Wingate Healthcare
For-Profit/Non-Profit	Non-Profit	Profit
Year Opened	2000	1980
Number of Beds		
AL studio-shared	0	0
AL studio-private	*	*
AL one-bedroom	*	*
AL two-bedroom	*	*
Total AL Beds	81 ⁽¹⁾	48
MS studio-shared	*	0
MS studio-private	*	0
MS one-bedroom	0	0
MS two-bedroom	0	0
Total MS Beds	14	0
Total AL/MS Beds	95	48
AL/MS Square Footage:		
AL studio-shared	N/A	N/A
AL studio-private	318 - 434	390 - 503
AL one-bedroom	458 - 570	502 - 668
AL two-bedroom	693 - 985	1,195
MS studio-shared	318	N/A
MS studio-private	318	N/A
MS one-bedroom	N/A	N/A
MS two-bedroom	N/A	N/A
AL/MS Monthly Service Fees:		
AL studio-shared	N/A	N/A
AL studio-private	\$6,275 - \$6,750	\$6,300
AL one-bedroom	\$7,245	\$7,600
AL two-bedroom	\$8,415	\$9,550
MS studio-shared	\$5,875	N/A
MS studio-private	\$8,375	N/A
MS one-bedroom	N/A	N/A
MS two-bedroom	N/A	N/A
Occupancy Rate-AL	96.3%	100.0%
Occupancy Rate-MS	78.6%	N/A
Included in Monthly Service Fee:		
Meals	3 meals/day	3 meals/day
Housekeeping	Weekly	Weekly
Linen service	Weekly	Weekly
Laundry service-AL	Free common laundry	Weekly
Laundry service-MS	Weekly	N/A
Personal Care-AL	One hour per day ⁽²⁾	One hour per day ⁽¹⁾
Personal Care-MS	Two hours per day ⁽²⁾	N/A

MARKET ASSESSMENT (continued)

Notes to Table 24:

Source: Management, telephone interviews, personal visits, and/or other research conducted through September 2017.

* = Unable to obtain information from the facility.

N/A = Not applicable to this facility.

AL = Assisted Living.

MS = Memory Support.

The Community

- (1) If an MS shared studio is available, it can be utilized as a one-bedroom deluxe.
- (2) For AL, additional personal care is \$7.50 per 15 minutes, or \$30 per hour.

Waterstone at Wellesley

- (1) Additional personal care is \$33 per hour.

Wingate Residences at Needham

- (1) For AL, there are 3 additional levels of care ranging from \$700 - \$1,650 per month.

Brookdale Dedham

- (1) There are 3 levels of care ranging from \$375 - \$1,125 per month.

Chestnut Park at Cleveland Circle

- (1) Additional levels of care are available. Pricing couldn't be obtained at the time of the research.

Edelweiss Village

- (1) Additional personal care is \$0.50 per minute, or \$60 per hour.

Kindred Living at Needham Heights

- (1) Pricing includes one hour per day of personal care. Residents who don't require personal care receive a discount off of their monthly fee.

Springhouse

- (1) The breakdown of AL and MS monthly fees couldn't be obtained at the time of research.

The Falls at Cordingly Dam

- (1) For AL, pricing for levels of care ranges from \$630 - \$3,300 per month. For MS, pricing for levels of care ranges from \$780 - \$3,480 per month.

Traditions at Dedham

- (1) AL units can be classified as IL units as needed for a discounted fee.
- (2) Additional hours of care per day can be purchased at \$800/month/hour.

Wingate Residences at Boylston

- (1) Pricing includes one hour per day of personal care. Residents who don't require personal care receive a discount off of their monthly fee.

Planned Assisted Living Developments

Based upon telephone interviews with local planning agencies, interviews with management at existing retirement communities in the AL PMA, and review of licensed residential care listings, there is one planned project in the area. Sunrise Senior Living is planning an 85-unit assisted living and memory support development at 431 Washington Street in Newton, MA. A breakout of units among the levels of care was unavailable. The project requires a special permit and was not approved by City Council at the time of research. For purposes of this study, this project has been noted for informational purposes only, given the facility is still awaiting city approvals and construction.

MARKET ASSESSMENT (continued)

Description and Profile of Nursing Facilities

The Massachusetts Department of Public Health established 105 CMR 100.000, the Determination of Need Program (“DON”) in 1971. The DON program is designed to promote availability and accessibility of quality health care to the Massachusetts citizens while also controlling costs. The DON attempts to encourage equitable geographic and socioeconomic access to health care services, help maintain standards of quality and constrain overall health care costs by eliminating duplication of expensive technologies, facilities and services. The DON program receives applications from health care facilities for original licensure, planning substantial capital expenditures and/or substantial change in services. The DON program evaluates the applications and makes recommendations to the Public Health Council who then approve or disapprove the expenditures or new services. Applications are currently accepted to the DON program as of the date of research.

For purposes of profiling nursing facilities near the Community, an analysis of direct admissions was conducted and a profiling area was determined. The nursing profiling area (“NPA”) is represented by an area within an approximate 7-mile radius of the Community. Approximately 51% of direct admissions for the Skilled Nursing Beds and 38% of direct admissions for the Chronic Hospital Beds originated from the NPA.

Based on discussions and research with representatives of the local planning and regulatory agencies, there appear to be no planned skilled nursing beds in the NPA.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

The following table profiles the Community and nursing facilities in the NPA:

Table 25
Nursing Facilities in the NPA

Existing SNFs in the PMA	Year Opened	Miles from the Community	Number of Beds in Service	Occupancy %	% of Days by Payer	Room (Beds) by Type	Double Room Daily Rate	Private Room Daily Rate
The Community 7000 Great Meadow Road Dedham, MA 02026 The Corporation	2009	N/A	268 ⁽¹⁾	94.4%	23.0% Medicare 43.0% Medicaid 34.0% Other	192 (192) Private 38 (76) Semi-Private	\$550	\$590
Briarwood Rehabilitation and Healthcare Center 150 Lincoln Street Needham, MA 02492 Marquis Health Services	1970	3	120	100.0%	26.2% Medicare 36.4% Medicaid 37.4% Other	12 (12) Private 54 (108) Semi-Private	\$445	\$485
Vero Health and Rehabilitation - Parkway 1190 VFW Parkway Boston, MA 02132 Vero Health Mgmt LLC	*	4	141	99.3%	9.4% Medicare 46.4% Medicaid 44.2% Other	* (*) Private * (*) Semi-Private * (*) Triple	\$300	\$375
Avery Manor 100 West Street Needham, MA 02494 Kindred Healthcare	*	4	142	*	10.5% Medicare 74.9% Medicaid 14.6% Other	* (*) Private * (*) Semi-Private	\$543	\$556
Edelweiss Village - German Centre 2222 Centre Street West Roxbury, MA 02132 Deutsches Altenheim	1914	4	132	100.0%	11.6% Medicare 41.4% Medicaid 47.0% Other	0 (0) Private 66 (132) Semi-Private	\$370	N/A
Vero Health and Rehabilitation - West Roxbury 5060 Washington Street Boston, MA 02132 Vero Health Management, LLC	*	4	76	94.7%	9.6% Medicare 75.3% Medicaid 15.1% Other	* (*) Private * (*) Semi-Private * (*) Triple * (*) Quad	\$300	\$375
Wingate at Needham 589 Highland Ave. Needham, MA 02494 Wingate Healthcare	*	4	142	97.2%	10.4% Medicare 71.9% Medicaid 17.7% Other	* (*) Private * (*) Semi-Private	\$432	\$467
Golden Living Center - Dedham 1007 East Street Dedham, MA 02026 Next Step Healthcare	1984	4	138	94.2%	4.4% Medicare 0.0% Medicaid 95.6% Other	* (*) Private * (*) Semi-Private * (*) Triple	\$378	\$425
Stonehedge Health Care Center 5 Redlands Road Boston, MA 02132 Athena Healthcare Systems	*	5	79	*	5.5% Medicare 68.2% Medicaid 26.3% Other	5 (5) Private 37 (74) Semi-Private	\$405	\$420
North Hill 865 Central Avenue Needham, MA 02492 North Hill Communities, Inc.	1984	5	72	98.6%	9.0% Medicare 3.7% Medicaid 87.3% Other	72 (72) Private 0 (0) Semi-Private	N/A	\$510
Kindred Transitional Care and Rehabilitation - Highgate 10 Carematrix Drive Dedham, MA 02026 Kindred Healthcare	1997	5	142	94.4%	14.6% Medicare 67.3% Medicaid 18.1% Other	8 (8) Private 67 (134) Semi-Private	\$498	\$581

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MARKET ASSESSMENT (continued)

Table 25 (continued)
Nursing Facilities in the NPA

SNFs in the PMA	Year Opened	Miles from the Community	Number of Beds in Service	Occupancy %	% of Days by Payer	Room (Beds) by Type	Double Room Daily Rate	Private Room Daily Rate
Stone Rehabilitation and Senior Living 277 Elliot Street Newton, MA 02464 Stone Rehabilitation and Senior Living	1995	6	82	100.0%	12.4% Medicare 45.3% Medicaid 42.3% Other	* (*) Private * (*) Semi-Private	\$445	\$465
Waban Health Center 20 Kinnmouth Rd. Newton, MA 02468 Next Step Healthcare	*	6	88	94.3%	4.0% Medicare 73.5% Medicaid 22.5% Other	* (*) Private * (*) Semi-Private	\$330	\$365
Golden Living Center - Heathwood 188 Florence Street Chestnut Hill, MA 02467 Next Step Healthcare	*	7	55	96.4%	15.9% Medicare 0.0% Medicaid 84.1% Other	7 (7) Private 24 (48) Semi-Private	\$418	\$445
Lasell Village 120 Seminary Ave. Newton, MA 02466 Lasell College/Genesis Healthcare	2000	7	38	94.7%	56.4% Medicare 0.0% Medicaid 43.6% Other	0 (0) Private 19 (38) Semi-Private	\$430	\$490
Golden Living Center - Chetwynde 1650 Washington St. Newton, MA 02465 Golden Living Centers	*	8	75	94.7%	4.0% Medicare 0.0% Medicaid 96.0% Other	* (*) Private * (*) Semi-Private	\$428	\$454
Wingate at Chestnut Hill 615 Heath Street Chestnut Hill, MA 02467 Wingate Healthcare	*	8	88	95.5%	13.5% Medicare 61.3% Medicaid 25.2% Other	* (*) Private * (*) Semi-Private	\$406	\$460
Golden Living Center - West Newton 25 Armory St. Newton, MA 02465 Next Step Healthcare	*	8	119	99.2%	4.6% Medicare 0.0% Medicaid 95.4% Other	* (*) Private * (*) Semi-Private * (*) Triple	\$437	\$527
Brighton House Rehabilitation and Nursing Center 170 Corey Rd. Boston, MA 02135 Bancare	2006	10	78	96.2%	13.7% Medicare 74.3% Medicaid 12.0% Other	0 (0) Private 39 (78) Semi-Private	\$432	N/A
Presentation Rehabilitation and Skilled Care Center 10 Bellamy Street Boston, MA 02135 Sheehan Health Group	*	11	122	98.4%	* Medicare * Medicaid * Other	* (*) Private * (*) Semi-Private * (*) Triple	\$375	\$385
TOTAL EXISTING BEDS / OCCUPANCY			<u>2,197</u>	<u>96.8%</u>	⁽²⁾			

Source: Management, telephone interviews, and/or other research conducted through September 2017.

Notes:

N/A = Not applicable to this facility.

* = Unable to obtain information from the facility.

- (1) The Community consists of 48 Skilled Nursing Beds and 220 Chronic Hospital Beds, totaling 268 nursing beds. Pursuant to a lease agreement with Hebrew Rehabilitation Center, a related party, the Corporation leases the buildings associated with the operation of the 220 Chronic Hospital Beds and receives a lease payment equal to the net profit associated with the 220 Chronic Hospital Beds.
- (2) Occupancy does not include those facilities that were unwilling to disclose occupancy information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation maintains its accounting and financial records according to the accrual basis of accounting.

Independent Living and Assisted Living Revenues

Independent living and assisted living revenues represent monthly service fees paid by residents of independent living units and assisted living suites.

Skilled Nursing Revenues

Skilled nursing revenues are derived from public and private sources, and are reported at the estimated net realizable amounts due from patients and third-party payers (primarily Medicare) for services rendered, including estimated adjustments from third-party payers. Revenue is recorded in the period services are provided in an amount estimated to be ultimately received from the patient or third-party payer, with adjustments to these estimates recorded as they become known.

Laws and regulations governing the Medicare program are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations, and it is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action, including fines, penalties and exclusion from the Medicare program.

Accounts receivable related to skilled nursing and long term care revenues are maintained by HRC on behalf of the Corporation, and are represented as a component of the due to affiliates balance. All billings are performed by a related party and all billings and cash collections on the accounts receivable activity are included within the due to affiliate balance.

Health Center Lease Revenues

Represents the monthly rent payments from HRC to the Community equal to 100 percent of operating profit from the operation of the 220 Chronic Hospital Beds leased space.

Cash and Cash Equivalents

Cash and cash equivalents represent financial instruments with an original maturity of three months or less when purchased. The Corporation places its temporary cash investments with high credit quality financial institutions. Cash balances in each bank are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, amounts on deposit may be in excess of the insured limit. It is Management's opinion that the Corporation is not exposed to any significant credit risk related to cash.

Investments

Investments are reported at fair value with realized gains and losses included in the deficiency of revenues over expenses and any unrealized gains and losses reflected as changes in net deficiency. Realized gains and losses on investment sales are recorded on an average-cost basis. The Corporation reviews investments where the market

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

value is below cost, and in cases where the decline is considered other than temporary, an adjustment is made to recognize a loss. Management is not forecasting unrealized gains/losses on its investments during the Forecast Period.

Monthly Service Fees Receivable

Monthly service fees receivable are amounts owed to the Corporation in relation to Independent and Assisted Living Units. The Corporation grants credit without collateral to its residents. The Corporation determines the collectability by regularly evaluating individual receivables and considering the financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Notes Receivable from Members

If a resident has a refundable entrance fee, the Corporation offers an option for the resident, should they need, to draw down on the refundable portion of entrance fee for payment of services provided by the Corporation. This balance represents those residents who have drawn down on the refundable portion of the entrance fee for which the Corporation will be entitled to this cash when the resident contract is terminated.

Assisted Living Rent Deposits

Assisted living rent deposits represent last month's rent deposits from assisted living residents.

Assets Limited as to Use

Assets limited as to use include assets held by trustees under long-term debt indentures and other arrangements.

Management assumes no material changes in fair values that would result in material net realized or unrealized gains or losses during the Forecast Period.

Property and Equipment

Property and equipment are stated at cost and include assets costing greater than \$1,000 at the time of purchase. Depreciation is computed on a straight-line method, utilizing a full month of depreciation for the month the fixed asset is placed in service, based on the following estimated useful lives:

Buildings	40 years
Building improvements	15 years
Major fixed equipment and site improvements	15 years
Furniture and fixtures	7 years
Vehicles and IT software and equipment	5 years
Appliances and other equipment	7 years

The Corporation reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The amount of impairment, if any, is measured based on fair value, which is determined by either a quoted market price or by a discounted cash flow technique, whichever is more appropriate under the circumstances. Management has not forecasted any impairment of property and equipment during the Forecast Period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as a component of deficiency of revenues over expenses. The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Entrance Fees Deposits

Entrance Fee deposits consist primarily of deposits received from prospective residents who have entered into a residency and care agreement. Entrance Fees received prior to occupancy are accounted for as refundable deposits in accordance with the terms of the Residency Agreement. These deposits are held in escrow, and interest is paid after move-in. The deposits are deducted from the Entrance Fee, which is payable upon possession of the independent living unit. Management has forecasted that the deposit balance would remain constant through the Forecast Period.

Due to Affiliates

As of September 30, 2017, the Corporation was indebted to HSL/HRC for approximately \$18.8M. The balance is generally increased by HSL shared service payroll and other HSL shared service expenses charged to the Corporation, the recording of management fees (as defined in the Management Agreement), and cash collections on health care center accounts receivable balances maintained by HRC on behalf of the Corporation. The balance is generally decreased by amounts due to the Corporation under the Lease Agreement.

Deferred Revenue from Non-Refundable Entrance Fees

Entrance Fees are paid to the Corporation by occupancy of the independent living units. A portion of the Entrance Fee is recorded as deferred revenue from non-refundable Entrance Fees, and the remainder is recorded as refundable Entrance Fees. The non-refundable amount is calculated at a rate of 1% of the Entrance Fee per month of occupancy, up to a maximum percentage of the Entrance Fee in accordance with the terms of the Residency Agreement. The nonrefundable amount is amortized to revenue over the estimated remaining actuarial life expectancy of each Resident, with the life expectancy reevaluated annually.

Refundable Entrance Fees and Refundable Portion of Resident Entrance Fees

Refundable Entrance Fees represent pending refunds to former Residents and the refundable Entrance Fees of Residents who have permanently transferred out of independent living into the continuum of care.

Refundable portion of Resident Entrance Fees represent entrance fee refunds payable to Residents who are in independent living units. The Corporation's Residency Agreement states that Entrance Fee refund will be the amount of the entrance fee less one percent (1%) per month since the resident's entrance date up to the maximum refundable amount. Refunds will be paid within 30 days after termination of the Residency Agreement, provided that a new Resident has signed a Residency Agreement and paid the applicable Entrance Fee, but no more than 1 year after termination of the Residency Agreement and release of the unit.

Termination of Interest Rate Swap

The Corporation entered into a derivative, exclusively an interest rate swap agreement, to manage interest rate exposures on floating rate debt. Interest rate swaps allow the Corporation to swap variable interest rates on a stated notional amount for fixed rates. The Corporation is exposed to credit loss in the event of nonperformance by the counterparty in relation to its interest rate swap agreement. Management believes that the counterparty will be able

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

to fully satisfy its obligations under the agreement. Management has forecasted the termination and pay-off of the interest rate swap upon issuance of the Series 2017 Bonds.

Long-Term Debt and Deferred Financing Costs

Deferred financing costs represent expenses incurred in connection with the issuance of debt and are deferred and amortized over the life of the related indebtedness using the straight-line method which approximates the effective interest method. ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, requires that debt issuance costs be presented in the forecasted statements of financial position as a deduction from the carrying amount of the related liability, rather than as a deferred charge asset. In addition, amortization expense associated with the debt issuance costs is shown as a component of interest expense as opposed to depreciation/amortization expense. The effects of this standard have been taken into consideration in Management's Forecast.

Obligation to Provide Future Services

The Corporation periodically calculates the present value of the estimated net costs of future services, and use of facilities to be provided to current residents, which is compared to the balance of deferred entrance fee revenue. If the present value of the estimated net cost of future services and the use of facilities exceeds the deferred entrance fee revenue, a liability is recorded (obligation to provide future services and use of facilities) with a corresponding charge to operations. Management has forecasted a \$1,101,000 obligation to provide future services beginning in fiscal year 2018 and Management has assumed no changes in the value of the obligation during the Forecast Period.

Net Assets

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted Net Assets – resources of the Corporation that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations, undesignated gifts, and investments in property and equipment.
- Temporarily Restricted Net Assets – resources that carry a donor-imposed restriction that permits the Corporation to use or expend the donated assets as specified and is satisfied by the passage of time or actions of the Corporation.
- Permanently Restricted Net Assets – resources that carry a donor-imposed restriction that stipulates that donated assets be maintained in perpetuity, but may permit the Corporation to use or expend part or all of the income derived from the donated assets.

Investment Income

Investment income is reported as operating revenue unless restricted by donor or law. Management does not forecast any unrealized gains or losses on investments.

Income Taxes

The Corporation is a tax-exempt organization under Internal Revenue Code Section 501(c)3 and, accordingly, no provision for income tax is recorded in the forecasted financial statements. Management has assumed no income tax liability accruing to the Corporation during the Forecast Period.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deficiency of Revenues over Expenses

The forecasted statements of operations and changes in unrestricted net deficiency include the deficiency of revenues over expenses as the performance indicator. Changes in unrestricted net deficiency which are excluded from the deficiency of revenues over expenses include transfers from affiliates other than in connection with the receipt of goods or services.

MANAGEMENT'S BASIS FOR FORECAST OF REVENUES AND ENTRANCE FEES

Resident Fees and Revenue

Forecasted revenue for the Corporation is primarily assumed to be generated from monthly fees forecasted to be charged to residents and forecasted utilization of the Community. Management has forecasted resident service revenue primarily based upon its historical operating experience.

The following table summarizes the forecasted annual rate increases during the Forecast Period, effective beginning October 1 of each fiscal year presented:

Table 26		
Forecasted Monthly Fee, Entrance Fee, and Daily Rate Annual Inflation		
<i>The Corporation:</i>		
	2019	2020
Independent Living Units- Monthly Fees ⁽¹⁾	3.5%	3.5%
Independent Living Units- Entrance Fees ⁽¹⁾	4.0%	4.0%
Assisted Living Units	3.0%	3.0%
Skilled Nursing Beds		
Medicare	2.0%	2.0%
Private	3.0%	3.0%
<i>Operated by HRC Pursuant to the Lease Agreement:</i>		
	2019	2020
Chronic Hospital Beds		
Medicaid ⁽²⁾	0.0%	1.0%

Source: Management

Notes:

- (1) See Table 4 for Management's assumptions for contract selection.
- (2) Management has a contract with the Massachusetts Office of Health and Human Services which has established a contractual rate of payment for fiscal years 2018 and 2019. The contract indicates the Medicaid payment will be the same in fiscal years 2018 and 2019. Management has assumed a 1.0% rate increase in fiscal year 2020 when the contract will be renewed.

Earned Entrance Fees and Entrance Fee Receipts, Net of Refunds

The portion of Entrance Fees received that is nonrefundable is recognized as income based on the anticipated life expectancy of the resident.

The assumed turnover of Independent Living Units for the Community due to death, withdrawal or transfer to a Traditional or Memory Support Assisted Living Unit, Skilled Nursing Bed or Chronic Hospital Bed and double occupancy of the Independent Living Units has been based, in part, on the report of the Corporation's actuary, CCRC Actuaries (the "Actuary").

Refunds of Entrance Fees are generated upon death or termination of the Residency Agreement and withdrawal from the Community. Entrance Fees may be generated from Independent Living Units turning over without a corresponding refund because the Resident has not withdrawn from the Community, but has permanently transferred to the Health Center Campus. Management has forecasted Entrance Fee activity based on information provided by the Actuary.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUES AND ENTRANCE FEES (continued)

The refund and independent living turnover for the Community are presented in the following table:

Table 27
Forecasted Entrance Fee Turnover— Independent Living Units
(In Thousands of Dollars, Except Units)

	2018	2019	2020
Number of New Units Occupied	26	27	28
Entrance Fees from Unit Turnover	\$25,796	\$27,940	\$30,078
Number of Units Refunded	21	24	25
Entrance Fees Refunded	(\$15,456)	(\$16,726)	(\$17,770)
Net Entrance Fees from Unit Turnover	\$10,340	\$11,214	\$12,308

Source: Management and the Actuary

In addition, at September 30, 2017, Management had indicated that they had 30 residents in health care units whose independent living units have previously resold, and therefore, would be due a refund immediately upon their death or leaving of the Community. Management has estimated this refund liability at approximately \$19,054,000, which is included in the Entrance Fee refunds above.

Independent Living

Resident service revenue for independent living is based upon charges for services provided to Residents of Independent Living Units. Resident service revenue for independent living Residents is based upon the assumed occupancy and the monthly service fees of the respective Independent Living Units.

The following table summarizes the forecasted utilization of the ILUs, as provided by Management:

Table 28
Forecasted Utilization of Independent Living Units

Fiscal Year Ending September 30.	Available Units	Occupied Units	Occupancy
Forecasted:			
2018	256	249	97.3%
2019	256	248	96.9%
2020	256	248	96.9%

Source: Management

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUE AND ENTRANCE FEES (continued)

Double occupancy percentages in the Independent Living Units throughout the Forecast Period approximates 25 percent as provided by the Actuary.

Marketing of the Independent Living Units is led by the Corporation's marketing department. At September 30, 2017, the Corporation had a wait list of approximately 257 individuals who have placed a \$750 deposit.

Traditional Assisted Living Units and Memory Care Support Units

Traditional Assisted Living Unit and Memory Support Assisted Living Unit fees are generated from services provided to Residents transferring from the Independent Living Units as well as direct admissions from the local area. Those Residents who have elected a Modified Life Care Contract and permanently transferring from an Independent Living Unit to a Traditional or Memory Support Assisted Living Unit are required to pay 80 percent of the prevailing market rate after the 120 free days have been exhausted. All other Residents are expected pay to the prevailing market rate.

The following tables summarize the forecasted utilization of the Traditional Assisted Living Units and the Memory Support Assisted Living Units, as provided by Management.

Table 29
Forecasted Utilization of Traditional and Memory Support Assisted Living Units

Fiscal Year Ending September 30.	Available Units	Occupied Units	Occupancy
Forecasted:			
2018	91	86.5	95.1%
2019	91	86.5	95.1%
2020	91	86.5	95.1%

Source: Management

Table 30
Utilization of Traditional and Memory Support Assisted Living Units

Fiscal Year September 30,	Private Pay ⁽¹⁾	Fee for Service ⁽²⁾	Modified Life Care ⁽²⁾	Average Total Residents	Total Assisted Living / Memory Care Beds	Occupancy
2018	57.2	23.0	6.3	86.5	91	95.1%
2019	55.2	24.6	6.7	86.5	91	95.1%
2020	54.3	25.4	6.8	86.5	91	95.1%

Source: Management and the Actuary

Notes:

- (1) Private Pay includes Residents who entered directly into Assisted Living Units.
- (2) Represents utilization by Residents who entered the Community's Independent Living Units pursuant to a Resident Agreement, which was either Fee for Service or Modified Life Care.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUE AND ENTRANCE FEES (continued)

Skilled Nursing Beds

Skilled nursing fees are generated from services provided to Residents transferring from the Independent Living Units, Traditional Assisted Living Unit, Memory Support Assisted Living Units, as well as direct admissions from the local surrounding area. Payer classes in the Skilled Nursing Beds include private-pay, Modified Life Care, Medicaid and Medicare Residents. Residents are assumed to pay the current charges at the prevailing market rate established by the Corporation except for any healthcare benefit that may be available. Residents transferring from the Independent Living Units, Traditional Assisted Living Unit, and Memory Support Assisted Living Units who have elected a Modified Life Care Contract pay 80 percent of the prevailing market rate after the 120 free days have been exhausted. As noted under the Lease Agreement section that follows hereafter, Residents may also utilize the Chronic Hospital Beds.

The following table summarizes the forecasted utilization of the Skilled Nursing Beds, as provided by Management. Utilization of the Skilled Nursing Beds consists primarily of direct admissions and is primarily a short-term stay Medicare unit.

Table 31
Forecasted Utilization of Skilled Nursing Beds

Fiscal Year Ending September 30.	Available Units	Occupied Units	Occupancy
Forecasted:			
2018	48	45	93.8%
2019	48	45	93.8%
2020	48	45	93.8%

Source: Management

Table 32
Forecasted Average Daily Rates of the Skilled Nursing Beds

	2018	2019	2020
Skilled Nursing Beds			
Medicare	\$ 635.18	\$ 647.88	\$ 660.84

Source: Management

Health Center Lease

As previously noted, the Corporation leases certain space of the Community to HRC who in turn operates 220 Chronic Hospital Beds pursuant to the Lease Agreement. The Corporation has extended the term of the lease to 10 years after the maturity of the Series 2017 Bonds.

Under the Lease Agreement, the Corporation assumes to advance funds to pay any shortfall when expenses exceed revenues of the Chronic Hospital Beds and such advances are assumed to be credited as a rebate of rent previously paid by HRC. HRC owns the license for the 220 beds and is the operator of the 220 Chronic Hospital Beds. HRC assumes no liability for payment of debt service on the Series 2017 Bonds. The Lease Agreement provides for monthly rent payments from HRC equal to 100% of net revenues from the operation of the Chronic Hospital Beds after payment of expenses associated with the operation of the Chronic Hospital Beds.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUE AND ENTRANCE FEES (continued)

Under HRC's hospital license, HRC offers geriatric specialty care that strives to satisfy the chronic and acute medical needs of older adult patients. With HSL's commitment to person-centered care, HRC/HSL's skilled staff provide medical treatment while seeking to empower patients and their families to take an active role in setting treatment and wellness goals. Programs available at the Chronic Hospital Beds of HRC included memory care for seniors with advanced cognitive decline, rehabilitative therapies, restorative exercise programs, expressive therapies, palliative care, social engagement programs, and spiritual care.

The following table summarizes the forecasted utilization of the Chronic Hospital Beds, as provided by Management.

Table 33			
Forecasted Utilization of Chronic Hospital Beds			
Fiscal Year Ending September 30.	Available Units	Occupied Units	Occupancy
Forecasted:			
2018	220	215	97.7%
2019	220	215	97.7%
2020	220	215	97.7%

Source: Management

The following table summarizes forecasted rates for the Chronic Hospital Beds as provided by Management:

Table 34			
Forecasted Average Daily Rates			
Chronic Hospital Beds			
	2018	2019	2020
Chronic Hospital Beds			
Private	\$ 580.23	\$ 597.64	\$ 615.57
Medicaid ⁽¹⁾	\$ 393.90	\$ 393.90	\$ 397.84

Source: Management

Notes:

- (1) Management has a contract with the Massachusetts Office of Health and Human Services which has established a contractual rate of payment for fiscal years 2018 and 2019. The 2018 rate is approximately 7% higher than the 2017 rate. The contract indicates the Medicaid payment will be the same in fiscal years 2018 and 2019. Management has assumed a 1.0% rate increase in fiscal year 2020 when the contract will be renewed.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUE AND ENTRANCE FEES (continued)

The following table summarizes the forecasted payer mix for the Chronic Hospital Beds:

Table 35
Utilization of Health Care Center
Chronic Hospital Beds

Fiscal Year September 30,	Private Pay ⁽¹⁾	Medicaid	Fee for Service ⁽²⁾	Modified Life Care ⁽²⁾	Average Total Residents	Total Nursing Beds	Occupancy
2018	65.3	128.5	16.9	4.3	215.0	220	97.7%
2019	65.4	122.1	21.9	5.6	215.0	220	97.7%
2020	65.3	117.5	25.7	6.5	215.0	220	97.7%

Source: Management and the Actuary

Notes:

- (1) Private Pay reflects direct admissions to the Chronic Hospital Beds.
- (2) Represents utilization by Residents who entered the Community's Independent Living Units pursuant to a Resident Agreement, which was either Fee for Service or Modified Life Care.

The following table summarizes the net operation of the Chronic Hospital Beds which yield the forecasted Health Center Lease income:

Table 36
Health Care Center Lease Agreement
Schedule of Revenues and Expenses
(In thousands)

Years Ending September 30,	2018	2019	2020
Revenue			
Health Center	\$ 38,991	\$ 39,687	\$ 40,613
Expenses			
Salaries and Wages	16,197	16,683	17,184
Employee Benefits	3,180	3,275	3,373
Supplies and Other Expenses	9,248	9,527	9,811
Management Fee	1,560	1,587	1,625
Total Expenses	30,185	31,072	31,993
Net Lease Payment	\$ 8,806	\$ 8,615	\$ 8,620

Source: Management

Rental Income

The Corporation receives rental income from other entities that provide services to the resident community, including private home care, spa, and banking services.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF REVENUE AND ENTRANCE FEES (continued)**Interest Income**

Investment income consists of interest earned on available cash and cash equivalents, investments, and the debt service reserve fund. The following table reflects Management's assumed realized investment earning rates during the Forecast Period.

Table 37
Forecasted Investment Earning Rates

	2018	2019	2020
Cash and Cash Equivalents	0.25%	0.25%	0.25%
Investments	1.50%	1.50%	1.50%
Debt Service Reserve Fund	1.50%	1.50%	1.50%

Source: Management

Other Income

Forecasted other income primarily consists of revenues from additional services including meals and guest meals and other miscellaneous sources. These revenues are forecasted by Management to increase by an average of 3.0 percent annually throughout the Forecast Period.

MANAGEMENT’S 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 primarily upon its historical experience operating the Community, adjusted primarily for inflation during the Forecast Period.

In addition to assumptions relating to operating expenses of the Community, Management has also included assumptions relating to the operation of the Chronic Hospital Beds since those operating expenses are netted against the operating revenues associated with the Chronic Hospital Beds that result in the Health Center Lease as discussed previously.

Operating expenses are forecasted to increase at the inflation set forth below annually throughout the Forecast Period.

Table 38
Forecasted Expense Inflation

The Corporation:

	2019	2020
Salary and Wages	3.0%	3.0%
Benefits:		
Independent Living Units and Assisted Living Units	6.1%	6.2%
Chronic Hospital Beds	3.0%	3.0%
Skilled Nursing Beds	8.0%	8.0%
Other Expenses	3.0%	3.0%

Operated by HRC Pursuant to the Lease Agreement:

	2019	2020
Salary and Wages	3.0%	3.0%
Benefits	3.0%	3.0%
Other Expenses	3.0%	3.0%

Source: Management

The specific basis for major expense items were formulated by Management and are discussed below.

Salaries and Benefits

Management has forecasted salaries and wages based upon its historical operating experience and expectations for the Community.

A full-time equivalent employee (“FTE”) is assumed to represent 2,080 hours of time paid annually. The following table presents a summary of forecasted FTEs and average hourly wage rate, by department, for the years ending September 30, 2018 through 2020.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF EXPENSES (continued)

Table 39
Forecasted Staffing and Average Hourly Rates
(In Full Time Equivalents)

<i>The Corporation:</i>							
	2018		2019		2020		
	FTEs	Avg. Hourly Wage	FTEs	Avg. Hourly Wage	FTEs	Avg. Hourly Wage	
Assisted Living	58.55	\$ 20.43	58.55	\$ 21.05	58.55	\$ 21.68	
Community Life	12.20	\$ 26.75	12.20	\$ 27.55	12.20	\$ 28.38	
Culinary	113.15	\$ 17.48	113.15	\$ 18.00	113.15	\$ 18.54	
Housekeeping	61.00	\$ 14.77	61.00	\$ 15.21	61.00	\$ 15.67	
Facilities	13.40	\$ 31.54	13.40	\$ 32.49	13.40	\$ 33.46	
Security	27.50	\$ 20.35	27.50	\$ 20.97	27.50	\$ 21.59	
Administration	7.70	\$ 43.36	7.70	\$ 44.66	7.70	\$ 46.00	
Skilled Nursing Beds	96.25	\$ 31.14	96.25	\$ 32.08	96.25	\$ 33.04	
Total / Weighted Average	389.75	\$ 22.36	389.75	\$ 23.03	389.75	\$ 23.72	

<i>Operated by HRC Pursuant to the Lease Agreement:</i>							
	2018		2019		2020		
	FTEs	Avg. Hourly Wage	FTEs	Avg. Hourly Wage	FTEs	Avg. Hourly Wage	
Chronic Hospital Beds	282.42	\$ 27.57	282.42	\$ 28.40	282.42	\$ 29.25	

Source: Management

Employee benefits and payroll taxes are assumed to include FICA, unemployment taxes, workers' compensation, health insurance, and other miscellaneous benefits. These employee benefits and payroll taxes are forecasted by Management within an approximate range of 22 to 23 percent of wages throughout the Forecast Period.

Supplies and Direct Expenses

Other non-salary operating expenses are assumed to include ongoing marketing costs, raw food costs, utilities, supplies, maintenance, building and general liability insurance, legal and accounting fees, Base Management Fee, and other miscellaneous expenses. The cost of these non-salary operating expenses, excluding the Base Management Fee, is assumed by Management to increase 3.0 percent annually throughout the Forecast Period.

The Base Management Fee is also included in Supplies and Direct Expenses. See Table 3 for the Base Management Fee paid by the Corporation and by HRC relating to the operation of the Community and the Chronic Hospital Beds.

Interest Expense

Interest expense is forecasted related to the anticipated debt service requirements of the Series 2017 Bonds, as provided by the Underwriters, and existing indebtedness for the initial two months of the Forecast Period. Also included is the amortization expense of deferred financing costs and original issue premium related to the issuance of the Series 2017 Bonds which are amortized on the straight line method over the term of the debt.

Depreciation

Property and equipment are forecasted to be depreciated over the estimated useful lives by the straight-line method.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT’S BASIS FOR FORECAST OF OTHER ITEMS

Cash and Cash Equivalents

Cash and cash equivalent balances for the Forecast Period are based on the results of the Forecasted Statements of Cash Flows.

Monthly Service Fees Receivable

Monthly service fees receivables, net of an allowance for doubtful accounts, are forecasted based on historical levels which is approximately 4 days of total resident revenues.

Notes Receivable from Members

Notes Receivables from Members are forecasted based on historical levels and reflects amounts due from Residents.

Assisted Living Rent Deposits

Assisted living rent deposits are forecasted based on historical levels which is approximately 5 days of total resident revenues.

Other Assets

Other assets are primarily comprised of deposits, prepaid expenses, and inventory. Management has forecasted based on historical levels which is approximately 6 days of non-capital operating expenses (excluding depreciation, amortization, and interest) throughout the Forecast Period.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are forecasted based on historical levels which is approximately 30 days of non-capital operating expenses (excluding depreciation, amortization, and interest) throughout the Forecast Period.

Accrued Interest Expense

Accrued interest expense is forecasted based upon the anticipated terms of the Series 2017 Bonds during the Forecast Period.

Entrance Fee Deposits

Entrance fee deposits on unoccupied units represent deposits on units which have yet to be occupied and have been forecasted based on historical levels.

Other Liabilities

Other liabilities are forecasted based on historical levels.

Debt Service Reserve Fund and Bond Fund

Reflects trustee-held funds pursuant to the Corporation’s borrowings, consisting of:

Debt Service Reserve Fund – The Corporation is required to maintain a debt service reserve fund related to the Series 2017 Bonds. The debt service reserve fund is intended to be utilized should the Corporation not be able to meet its scheduled interest and principal payments. Management assumes no draw against the debt service reserve funds will be made during the Forecast Period.

Bond Fund – The Bond Fund represents advance payments on bond interest and principal made by the Corporation to the trustee to make the principal payments to the owners of the Series 2017 Bonds.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (continued)

Property and Equipment and Depreciation Expense

Management has forecasted the Corporation to incur Community costs and routine capital additions during the Forecast Period that would be capitalized as property and equipment. The following table summarizes Management's forecasted capital additions during the Forecast Period.

Table 40
Schedule of Property and Equipment Additions
(in thousands of dollars)

	2018	2019	2020
Routine Capital Additions	\$ 4,800	\$ 4,100	\$ 3,300

Source: Management

The following table reflects forecasted property and equipment, net, at September 30:

Table 41
Forecasted Property and Equipment at September 30
(in thousands of dollars)

	2018	2019	2020
Land	\$ 18,159	\$ 18,159	\$ 18,159
Land Improvements	49,053	49,578	50,000
Buildings	234,505	237,013	239,032
Building Improvement	2,564	2,591	2,613
Furniture, Fixtures, and Equipment	97,241	98,281	99,118
	401,522	405,622	408,922
Less: Accumulated Depreciation	(142,414)	(158,813)	(175,542)
Property and Equipment, Net	\$ 259,108	\$ 246,809	\$ 233,380

Source: Management

Long-Term Debt and Interest Expense

During December 2007, the Corporation issued \$457,075,000 of tax-exempt bonds to pay for construction and other project-related costs. Proceeds of the tax-exempt bonds were also used to pay for certain issuance costs, pay for a portion of the HSL development fee and establish certain funds, including a debt service reserve fund. The tax-exempt bonds were secured by a collateral interest in the Corporation's property and equipment.

On October 8, 2014, the Corporation refinanced its existing Series 2007A and 2007B bonds. A portion of the bonds (\$244,500,000) was refinanced through issuing tax-exempt bonds through Massachusetts Development Finance Agency. The bonds were then purchased by a syndicate of financial institutions. This portion of the refinanced debt will be referred to as the "Senior Debt." The remaining balance of the debt (\$12,465,000) was refinanced through a "Term Loan" provided by one of the bond purchasers.

MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (continued)

Senior Debt

Series 2014A: \$188,265,000 of the Senior Debt is a direct purchase index floater. The participating lenders purchased and hold the Series 2014A Bonds. Ninety percent of the Series 2014A Bonds are fixed with an interest rate swap. The remaining 10% of the Series 2014A Bonds bear interest at a rate equal to 67% of the one-month LIBOR rate plus the applicable margin. Interest on the Series 2014A Bonds is paid monthly in arrears. Principal of \$301,584 on the Series 2014A Bonds is payable monthly commencing October 2014, with the remaining balance payable in full at the maturity date of October 1, 2019. Principal of \$177,709,574 remained outstanding as of September 30, 2017 on the Series 2014A Bonds.

Series 2014B: \$56,235,000 of the Senior Debt is a non-bank qualified private placement facility. The participating lenders purchased and hold the Series 2014B Bonds. The 2014B Bonds bear interest at the contracted rate of 3.4303% per annum. Interest on the Series 2014B Bonds is paid monthly in arrears. Principal of \$90,083 on the Series 2014B Bonds is payable monthly commencing October 2014, with a final bond maturity date of October 1, 2019. Principal of \$53,082,081 remained outstanding as of September 30, 2017 on the Series 2014B Bonds.

Term Loan

The remaining Series 2007A Bonds and Series 2007B Bonds that were in excess of the Senior Debt (\$12,465,000) were converted to a Term Loan that is coterminous with the Senior Debt. The Term Loan is guaranteed and is fully collateralized by HSL. The collateral is held in certificates of deposit of the Term Loan lender. The interest on this loan requires payment of the one-month LIBOR rate plus 1.5% on the outstanding value. Interest on the Term Loan is paid monthly in arrears. There is no regularly scheduled principal amortization on the Term Loan. Fifty percent of all annual excess cash flow; however, will be applied exclusively to repay the Term Loan principal. All required Term Loan principal payments will be made annually 10 days after delivery of the Corporation's audited financial statements. The Term Loan also provides for the release of collateral to HSL equal to the principal payment amount. The Term Loan maturity date is October 8, 2019. Principal of \$7,836,000 remained outstanding as of September 30, 2017 on the Term Loan.

The outstanding balances of the Series 2014A Bonds, Series 2014B Bonds, and Term Loan are forecasted to be paid in full with proceeds from the Series 2017 Bonds.

As part of the refinancing, Management has forecasted a loss of \$979,000 associated with the write-off of previous issuance costs associated with the bonds being refinanced.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (continued)

The following table presents the forecasted annual debt service during the Forecast Period and thereafter presented in the Corporation's fiscal year ends:

Table 42
Forecasted Principal Payments
(In thousands)

Year	Series 2014A	Series 2014B	2014 Term Loan	Series 2017 ⁽¹⁾	Total
Refunding	\$ 176,805	\$ 52,812	\$ 7,836	\$ -	\$ 237,453
Total	176,805	52,812	7,836	-	237,453
2018	905	270	-	-	1,175
2019				1,745	1,745
2020				2,135	2,135
2021				2,245	2,245
2022				2,355	2,355
2023				2,475	2,475
2024				2,560	2,560
2025				2,685	2,685
2026				2,820	2,820
2027				2,960	2,960
Thereafter				217,985	217,985
Total	\$ 177,710	\$ 53,082	\$ 7,836	\$ 239,965	\$ 478,593

Source: Management and the Underwriters

Note:

(1) See Table 5 for terms of the Series 2017 Bonds.

Interest Rate Swap

In October 2014, the Corporation entered into an interest rate swap agreement which became effective October 8, 2014 with one of the bond purchasers, with an initial notional amount of \$169,438,500 through October 8, 2019. The Corporation pays a fixed rate on the notional amount (adjusted over the term for principal repayments) of 1.16587% plus applicable margin of 2.01%, in exchange the counterparty paid the Corporation a variable rate on the notional amount of USD-LIBOR-BBA x 67% plus applicable margins of 2.01%. The all-inclusive rate to the counterparty is 3.17587%. Management's estimate of the value of the interest rate swap is a liability of approximately \$125,000. The Corporation forecasts terminating the interest rate swap concurrent with the issuance of the Series 2017 Bonds and funding payment of the interest rate swap liability from bond proceeds relating to the Series 2017 Bonds.

Other Liabilities and Contingencies

During fiscal year 2017, an audit was conducted by the Massachusetts Department of Unemployment Assistance (DUA) for the fiscal years 2011-2016 ("Employer Years"). The audit was conducted to determine the employer's compliance with Massachusetts Unemployment Insurance law M.L.G. Chapter 151A. Based on the DUA audit, the DUA has taken the position that the Corporation is liable for approximately \$5 million ("Amount Due") in unpaid employment insurance premiums, penalties, and interest due for the Employer Years audited by the DUA. As of August 31, 2017 the Corporation accrued a \$1.6 million charge ("Minimum Charge") to reflect its estimate of what it believes is the minimum liability due from the Corporation to DUA for the Employer Years and a corresponding equity transfer from HSL for \$1.6 million. During the fiscal year ending September 30, 2018 the forecast reflects the transfer of \$1.6 million from HSL and the payment of the Minimum Charge.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

MANAGEMENT'S BASIS FOR FORECAST OF OTHER ITEMS (continued)

HSL is in the process of negotiating the Amount Due and believes it will successfully reduce the Amount Due to the Minimum Charge. Due in part to HSL's failure to effectively manage this aspect of the Corporation's operations during the Employer Years in accordance with its Management Agreement, HSL believes it is appropriate for it to assume full responsibility for charges relating to the unemployment insurance, regardless of whether this total is the Amount Due or the Minimum Charge.

Due to Affiliates

As of September 30, 2017, the Corporation had a net payable obligation to HSL/HRC for approximately \$18.8M. This balance is generally increased by HSL's shared service payroll and other HSL shared service expenses charged to the Corporation, the recording of management fees (as defined in the Management Agreement) and cash collections on certain skilled nursing accounts receivable balances maintained by HRC on behalf of the Corporation. The balance is generally decreased by payments relating to the Lease Agreement. As of September 30, 2017, the balance of the due to affiliates was primarily the accumulation of Incentive and Affiliate Management Fees, net of the Minimum Charge that have not been paid to/from HSL. Management has forecasted that a portion of the obligation to HSL would be repaid during the Forecast Period subject to compliance with financial covenants.

The beginning balance of \$18,759,000 is made up of an obligation of \$20,359,000 due from the Corporation to HSL. HSL also owes \$1,600,000 for the Minimum Charge, resulting in a net amount of \$18,759,000.

The table below summarizes the forecasted activity of Due to Affiliates during the Forecast Period:

Table 43				
Due to Affiliates				
(In Thousands of Dollars)				
	2018		2019	
				2020
Beginning Due to Affiliates Balance	\$	18,759	\$	20,359
			\$	16,878
Accrual of Base Management Fee ⁽¹⁾		1,053		1,085
Payment of Accruals		(1,053)		(1,085)
Additional Payment		-		(3,481)
Receipt from HSL for the Minimum Charge		1,600		-
				-
Ending Due to Affiliates Balance	\$	20,359	\$	16,878
			\$	13,502

Source: Management

Notes:

(1) See Table 3.

Equity Transfer from HSL

HSL is transferring equity to the Corporation in an amount sufficient to fund a portion of the debt service reserve fund for the Series 2017 Bonds.

The total equity transferred during the Forecast Period is assumed to be \$6,000,000.

HSL has agreed to pay, via an equity transfer, any additional unemployment insurance to the extent the unemployment insurance liability is greater than the Minimum Charge that Management has forecasted, up to the Amount Due.

SENSITIVITY ANALYSES

The financial forecast was prepared based on assumptions made by Management concerning future operations of the Corporation. Various factors and conditions may occur which could adversely affect the forecast of the financial condition of the Corporation 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, 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 Corporation obtains financing at rates and terms similar to those described herein, and the debt service requirements of the Series 2017 Bonds and other existing long-term obligations 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:

- Operating expenses increasing at one percent greater than forecasted (Sensitivity One);
- A decline in overall occupancy (Sensitivity Two);
- An equalization of the number of Entrance Fee receipts and Entrance Fee refunds (Sensitivity Three); and
- A decline in Independent Living Unit occupancy (Sensitivity Four).

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

SENSITIVITY ANALYSES (continued)

Sensitivity One

Sensitivity One has been prepared to reflect the estimated impact of operating expenses (excluding depreciation, amortization, and interest expense) increasing at one percent greater than what Management has forecasted without a corresponding increase in monthly service fees and other charge rates. This one percent was applied each year beginning 2019, thereby creating a cumulative impact on operating expenses.

Table 44
Sensitivity One
(In Thousands of Dollars, Except Ratios)

	2018	2019	2020
As Forecasted:			
Debt Service Coverage Ratio	1.74	1.79	1.87
Days Cash on Hand	260	269	289
Operating Expenses as Forecasted (excludes depreciation, amortization, and interest) ⁽¹⁾	\$ 72,618	\$ 74,906	\$ 76,869
Sensitivity One:			
Debt Service Coverage Ratio	1.74	1.75	1.78
Days Cash on Hand	260	264	276
Operating Expenses as Forecasted (excludes depreciation, amortization, and interest) ⁽¹⁾	\$ 72,618	\$ 75,498	\$ 78,100

Source: Management

Notes:

(1) Operating expenses for both the Corporation and the Chronic Hospital Beds.

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

SENSITIVITY ANALYSES (continued)

Sensitivity Two

Sensitivity Two has been prepared to present the estimated impact of a decline in occupancy across the full complement of facilities of the organization, including the Chronic Hospital Care units which underlie the Lease Agreement, to achieve either the minimum Days Cash on Hand (125) or Debt Service Coverage Ratio (1.20) as required by the Master Trust Indenture by year 2020.

An estimated occupancy reduction of 6.3 percent achieved 125 Days Cash on Hand. For purposes of this sensitivity, in 2018 occupancy in independent living would decrease approximately 16.1 units resulting in a decrease in entrance fees received in that year of \$15,951,289 relative to what Management has forecasted. There is no reduction in the amount of refunds paid in 2018 relative to what Management has forecasted however, resulting in negative net entrance fees received of \$5,611,000 in that year. A net turnover Entrance Fee decline of approximately \$1,743,000 and \$1,879,000 in years 2019 and 2020 respectively occurs as a result of ILU occupancy remaining at the 2018 level.

The sensitivity does not assume an additional percentage decline in 2019 or 2020.

Table 45
Sensitivity Two
(In Thousands of Dollars, Except Ratios)

	2018	2019	2020
As Forecasted:			
Debt Service Coverage Ratio	1.74	1.79	1.87
Days Cash on Hand	260	269	289
Occupancy:			
Independent Living Units	97.3%	96.9%	96.9%
Assisted Living Units	95.1%	95.1%	95.1%
Skilled Nursing Beds	93.8%	93.8%	93.8%
Chronic Hospital Beds	97.7%	97.7%	97.7%
Turnover Entrance Fees, Net of Refunds:	\$ 10,340	\$ 11,214	\$ 12,308
Sensitivity Two:			
Debt Service Coverage Ratio	0.26	1.31	1.36
Days Cash on Hand	156	136	125
Occupancy:			
Independent Living Units	91.0%	90.6%	90.6%
Assisted Living Units	88.9%	88.9%	88.9%
Skilled Nursing Beds	87.7%	87.7%	87.7%
Chronic Hospital Beds	91.4%	91.4%	91.4%
Turnover Entrance Fees, Net of Refunds:	\$ (5,611)	\$ 9,471	\$ 10,429

Source: Management

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

SENSITIVITY ANALYSES (continued)**Sensitivity Three**

Sensitivity Three has been prepared to show the impact of Net Entrance Fees from Unit Turnover when equalizing the number of Entrance Fee refunds with the number of Entrance Fee receipts.

Table 46
Sensitivity Three
(In Thousands of Dollars, Except Ratios)

	2018	2019	2020
As Forecasted:			
Debt Service Coverage Ratio	1.74	1.79	1.87
Days Cash on Hand	260	269	289
Number of Entrance Fee Receipts	26	27	28
Number of Entrance Fee Refunds	21	24	25
Turnover Entrance Fees, Net of Refunds:	\$ 10,340	\$ 11,214	\$ 12,308
Sensitivity Three:			
Debt Service Coverage Ratio	1.49	1.64	1.71
Days Cash on Hand	242	242	251
Number of Entrance Fee Receipts	26	27	28
Number of Entrance Fee Refunds	26	27	28
Turnover Entrance Fees, Net of Refunds:	\$ 6,891	\$ 9,123	\$ 10,176

Source: Management

SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

SENSITIVITY ANALYSES (continued)

Sensitivity Four

Sensitivity Four has been prepared to present the estimated impact of a decline in occupancy for Independent Living Units only, to achieve either the minimum Days Cash on Hand (125) or Debt Service Coverage Ratio (1.20) as required by the Master Trust Indenture by year 2020.

An estimated independent living occupancy reduction of 9.3 percent achieved 125 Days Cash on Hand. For purposes of this sensitivity, in 2018 occupancy in independent living would decrease approximately 23.8 units resulting in a decrease in entrance fees received in that year of \$23,618,000 relative to what Management has forecasted. There is no reduction in the amount of refunds paid in 2018 relative to what Management has forecasted however, resulting in negative net entrance fees received of \$13,278,000 in that year. A net turnover Entrance Fee decline of approximately \$2,580,000 and \$2,783,000 in years 2019 and 2020 respectively occurs as a result of ILU occupancy remaining at the 2018 level.

The sensitivity does not assume an additional percentage decline in 2019 or 2020.

Table 47
Sensitivity Four
(In Thousands of Dollars, Except Ratios)

	2018	2019	2020
As Forecasted:			
Debt Service Coverage Ratio	1.74	1.79	1.87
Days Cash on Hand	260	269	289
Occupancy:			
Independent Living Units	97.3%	96.9%	96.9%
Assisted Living Units	95.1%	95.1%	95.1%
Skilled Nursing Beds	93.8%	93.8%	93.8%
Chronic Hospital Beds	97.7%	97.7%	97.7%
Turnover Entrance Fees, Net of Refunds:	\$ 10,340	\$ 11,214	\$ 12,308
Sensitivity Four:			
Debt Service Coverage Ratio	(0.06)	1.48	1.53
Days Cash on Hand	133	125	125
Occupancy:			
Independent Living Units	88.0%	87.6%	87.6%
Assisted Living Units	95.1%	95.1%	95.1%
Skilled Nursing Beds	93.8%	93.8%	93.8%
Chronic Hospital Beds	97.7%	97.7%	97.7%
Turnover Entrance Fees, Net of Refunds:	\$ (13,278)	\$ 8,634	\$ 9,525

Source: Management

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DEFINITION OF CERTAIN TERMS

In addition to terms defined elsewhere in the Agreement, the following terms have the following meanings in the Loan and Trust Agreement dated as of December 1, 2017 (the “Agreement”) among the Agency, the Institution and the Trustee, unless the context otherwise requires:

“2014 Term Lender” means collectively, Bank of America, N.A., Boston Private Bank & Trust Company, Citizens Bank, N.A., First Niagara Bank, N.A., Huntington Public Capital Corporation, M&T Bank, Santander Bank, N.A., TD Bank, N.A., The Washington Trust Company, and Webster Bank, National Association, or their registered assigns.

“2014 Term Note” means the Institution’s \$12,465,000 term loan note evidenced by the Term Note, dated October 8, 2014 and issued by the Institution as a taxable obligation.

“Act” means the Massachusetts General Laws Chapters 23G and 40D, each as amended from time to time.

“Additional Indebtedness” means Indebtedness incurred by the Institution subsequent to the issuance of the Bonds.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agent” means Bank of America, N.A., as Administrative Agent, under the documents related to the Series 2014 Bonds, the 2014 Term Note and the related Hedge Agreements.

“Authenticated Hedge” shall have the meaning set forth in Section 5.1 of the Master Indenture.

“Authorized Officer” means (i) in the case of the Agency, the President and Chief Executive Officer; the Treasurer, Chief Financial Officer and Executive Vice President for Finance & Administration; the Executive Vice President for Finance Programs; the Executive Vice President for Real Estate; the General Counsel and Secretary; or the Senior Vice President, Investment Banking, and when used with reference to an act or document of the Agency also means any other person authorized to perform the act or execute the document; and (ii) in the case of the Institution, the Chairman or other presiding officer of the Board of Directors, the President, the Chief Executive Officer, the Chief Financial Officer, the Secretary or the Treasurer of the Institution, and when used with reference to an act or document of the Institution, also means any other person authorized to perform the act or execute the document.

“Basic Agreements” means the Agreement, the Mortgage, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Master Indenture, the First Supplemental Master Indenture, the Bonds and the Institution Tax Certificate.

“Bond Counsel” means the law firm of McCarter & English, LLP, or any attorney at law or firm of attorneys selected by the Institution and satisfactory to the Agency of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds and

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bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Year” means each one year period (or shorter period from the date of issue of the Bonds) ending on September 30.

“Bondowners” or “Owners” means the registered owners of the Bonds from time to time as shown in the books kept by the Trustee as bond registrar and transfer agent.

“Bonds” means the \$_____ Massachusetts Development Finance Agency Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017, dated the date of original delivery and any Bond or Bonds duly issued in exchange or replacement therefor.

“Bond Purchase Agreement” means the Purchase Contract dated as of the sale date of the Bonds among the Agency, the Institution, and Herbert J. Sims & Co., as representative, acting on behalf of itself and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“Book Value” when used with respect to Property of a Member of the Obligated Group means the value of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited financial statements of such Member prepared in accordance with GAAP, and when used with respect to Property of all Members means the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited combined financial statements of the Obligated Group prepared in accordance with GAAP, provided that such aggregate shall be calculated in such a manner that no portion of the value of any Property of any Member of the Obligated Group is included more than once.

“Business Day” means a day on which banks in the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Capital Addition” means any addition, improvements, extensions, alterations, relocations, enlargements, expansions, modifications or replacement of or to the Institution’s facilities and the cost of which is properly capitalized under GAAP.

“Capitalized Lease” means any lease of real or personal property which, in accordance with GAAP, is required to be capitalized on the balance sheet; provided, however, no Capitalized Operating Lease shall be considered a capitalized lease.

“Capitalized Operating Lease” means any lease of real or personal property entered into by the Institution, which was initially deemed to be an operating lease in accordance with GAAP, but is subsequently and retroactively deemed to be a capital operating lease in accordance with GAAP at a later date and is required to be capitalized on the balance sheet of the Institution.

“Cash on Hand” means as of any date of determination, the aggregate amount of the Institution’s cash and investments less permanently and temporarily restricted investments and excluding reserve, expense, rebate or redemption funds held by the Trustee or the Master Trustee under the Agreement or the Master Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of the date of issuance of the Bonds by the Obligated Group, as originally executed and as it may be amended from time to time in accordance with its terms.

“Chronic Hospital Beds” means the 220 chronic hospital beds licensed by DPH to HRC, space for which at the Health Center is the subject of the HRC Lease.

“Chronic Hospital Bed Expenses” means all Expenses incurred in connection with the provision of patient care services for the Chronic Hospital Beds, minus all management fees payable with respect to the Chronic Hospital Beds under the Management Agreement dated as of December 1, 2007 between HSL and HRC, as amended, that were deferred during the applicable period.

“Chronic Hospital Bed Revenues” means all Revenues earned in connection incurred in connection with the provision of patient care services for the Chronic Hospital Beds.

“Community” means the Institution, consisting of the Independent Units, the Assisted Living Units, the SNF Units and the Chronic Hospital Beds, as well as support and common areas.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Contributions” means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable fiscal year of such Person and any contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person which are converted in such fiscal year to cash or marketable securities.

“Credit Facility” means shall mean an unconditional irrevocable letter of credit, a line of credit which is revocable only upon the insolvency of the Obligated Issuer for whose account the line is established, a binding long term loan commitment, and a guaranty or an indemnity or surety insurance policy or bond or other similar extension of credit which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company not unsatisfactory to the Master Trustee.

“Days Cash on Hand” means, as of the date of calculation, the amount determined by dividing (a) the amount of Cash on Hand on such date by (b) the quotient obtained by dividing the sum of (i) Expenses (including interest on Indebtedness but excluding provisions for amortization, depreciation or any other non-cash expenses) and (ii) Chronic Hospital Bed Expenses, in each case, for the twelve-month period ending (Y) as of each March 31 as shown on the unaudited quarterly financial statements for the quarter then ended delivered pursuant to Section 1005(b) of the Agreement, and (Z) as of each September 30 as shown on the audited annual financial statements for the Fiscal Year then ended delivered pursuant to Section 1005(b) of the Agreement, by (iii) 365.

“Debt Service Fund” means the fund established pursuant to Section 303.

“Debt Service Requirements” means, with respect to the period of time for which calculated, the aggregate of the payments required to be made during such period in respect of principal (whether at maturity, as a result of mandatory sinking fund redemption, or otherwise) and interest on the Bonds.

“Debt Service Reserve Fund” means the fund established pursuant to Section 304.

“Debt Service Reserve Fund Requirement” means an amount equal to the lesser of (1) the Maximum Annual Debt Service Requirement during any Fiscal Year on the Bonds then Outstanding;

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(ii) an amount equal to 10% of the Outstanding principal amount of the Bonds (determined in accordance with the provisions of U.S. Treasury Regulation Section 1.148-1(b)), or (iii) an amount equal to 125% of the average annual Debt Service Requirements during any Fiscal Year on the Bonds.

“Debt Service Coverage Ratio” means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement and a denominator of one; provided, however, that in making such calculation, (a) the principal amount of any Indebtedness included in such calculation shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture or the Agreement, (b) to the extent a Hedge Agreement has been entered into in connection with any particular Indebtedness, the actual debt service paid after the effect of payments made to or received from the provider of the Hedge Agreement shall be used in the calculation, (c) any Subordinated Indebtedness shall be excluded except when making such calculation for the purpose of determining whether payments on Subordinated Indebtedness can be made pursuant to Section 501(a)(v) of the Agreement and (d) such calculation shall be based on unaudited financial statements (and adjusted retroactively for any material changes reflected in audited financial statements for the fourth quarter of a Fiscal Year) for the four consecutive quarters ending for the period of time tested.

“DPH” means The Massachusetts Department of Public Health or any successor thereto.

“Entrance Fees” means all fees (other than security deposits, monthly rentals or monthly service charges) paid to the Institution by or on behalf of any resident of an Independent Unit for the purpose of obtaining the right to reside in such Independent Unit, including any refundable resident deposits described in any Residency Agreement with respect to any such Independent Unit. “Entrance Fees” shall include any such amounts paid in advance, held in escrow or otherwise set aside pursuant to the requirements of any such Residency Agreement prior to the occupancy of the Independent Unit covered by such Residency Agreement.

“Expenses” means, for any period, the aggregate of all expenses calculated under GAAP, including, without limitation, any accrual for taxes, assessments and insurance, incurred by the Institution during such period, but excluding (a) interest on Long-Term Indebtedness, (b) depreciation and amortization, (c) extraordinary expenses, losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt or termination of pension plans, (d) any expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness of the Institution which does not constitute an extraordinary expense, (e) losses resulting from any reappraisal, revaluation or write down of assets other than bad debts, (f) non-cash expenses or losses, (g) any expenses paid with proceeds of any Additional Indebtedness (h) any one-time legal, accounting, advisory, underwriting or financing fees incurred in connection with the issuance of the Bonds, (i) any development, marketing, operating, or overhead fees or expenses that have been deferred from the year in which they were originally due, (j) management fees payable under the Management Agreement that were deferred during the applicable period, and (k) payments to the Massachusetts Department of Unemployment Assistance in connection with accrued unemployment insurance amounts (and penalties and interest thereon) for calendar years 2011-2016, but only to the extent that HSL makes a capital contribution to the Institution in the amount of such payments. If such calculation of Expenses is being made with respect to the Obligated Group, any such expenses attributable to transactions between any Member and any other Member shall be excluded.

“Expense Fund” means the fund established pursuant to Section 307.

“Event of Default” has the meaning set forth in Section 601 of the Agreement.

“First Supplemental Master Indenture” means the First Supplemental Master Indenture dated as of December 1, 2017, between the Institution and the Master Trustee, as amended and supplemented from time to time.

“Fiscal Year” means the fiscal year ending September 30 or any other fiscal year designated from time to time in writing by the Institution to the Trustee.

“Funded Interest” means amounts irrevocably deposited in an escrow or other trust account to pay interest on Long-Term Indebtedness and interest earned on amounts irrevocably deposited in an escrow or other trust account to the extent such interest earned is required to be applied to pay interest on Long-Term Indebtedness.

“Holders” shall mean, as the context requires, any Noteholder or any Person in whose name a Guaranty or an Authenticated Hedge is issued, and shall include successors or assigns.

“GAAP” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

“Government or Equivalent Obligations” means (i) obligations issued or guaranteed by the United States; (ii) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (i), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee (which may include the Trustee) in a special account separate from the general assets of such custodian; (iii) shares of any open-end or closed-end management type investment company or trust registered under 15 U.S.C. §80(a)-1 *et seq.*, provided that the portfolio of such investment company or trust is limited to obligations described in clause (i) and repurchase agreements fully collateralized by such obligations, and provided further that such investment company or trust shall take custody of such collateral either directly or through a custodian satisfactory to the Trustee or the Agency; and (iv) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (A) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (B) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) or (ii) which fund may be applied only to the payment when due of interest, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (C) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) or (ii), as the case may be, which have been deposited in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (iv) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (A) of this clause (iv), as appropriate.

“Guaranty” means any or all obligations of the Institution guaranteeing, or in effect guaranteeing, any Indebtedness, dividend or other obligation in any manner, whether directly or indirectly, including, but not limited to, obligations incurred through an agreement, contingent or otherwise (a) to purchase such Indebtedness or obligation or any Property constituting security therefor, (b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii)

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to maintain working capital or other balance sheet condition, (c) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the primary obligor to make payment of the Indebtedness or obligation, or (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

“Guaranty” shall also mean when referring to the Master Indenture, any obligation issued under the Master Indenture by an Obligated Issuer, under the terms of which the Obligated Group guarantees in any manner, whether directly or indirectly, any indebtedness of any Person other than a Member of the Obligated Group.

“Health Center” means collectively, (i) the SNF Units and (ii) the portion of the Community for the Chronic Hospital Beds licensed to, and operated by, HRC.

“Hedge Agreements” means, without limitation, (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors, collars, caps, options, puts or calls to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (e) any other type of contract or arrangement that the Members of the Obligated Group determine is to be used, or is intended to be used, to manage or reduce the cost of any bonds issued under a Related Financing Documents (as defined under the Master Indenture), to convert any element of any such bonds from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“HRC” means Hebrew Rehabilitation Center.

“HRC Lease” means that certain Lease dated as of December 1, 2007, as amended by that certain Second Amendment to Lease dated December 1, 2017 and effective as of the date of issuance of the Bonds, between the Institution and HRC, related to the Mortgaged Property, covering the lease of space at the Health Center by the Institution, as lessor, to HRC, as lessee, for HRC’s operation of the Chronic Hospital Beds licensed to HRC (including the non-exclusive right to use common and parking areas of the Health Center), and as further amended and/or restated from time to time.

“HRC Lease Income” means the excess, if any, of Chronic Hospital Bed Revenues over Chronic Hospital Bed Expenses.

“HSL” means Hebrew SeniorLife, Inc., the Institution’s parent and sole corporate member.

“Income Available for Debt Service” as measured quarterly and as determined for any Fiscal Year, the excess of Revenues over Expenses of the Person or group of Persons involved.

“Indebtedness” means (a) all Guaranties, (b) all liabilities for borrowed money (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person in accordance with GAAP, (c) Capitalized Leases and (d) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events, or (ii) if incurred or assumed primarily to assure the repayment of money

borrowed or credit extended, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise.

“Independent Units” means collectively, (i) the 182 apartments for independent seniors, (ii) the 24 supportive housing villas for independent seniors, and (iii) the 50 cottages for independent seniors at the Community.

“Institution Tax Certificate” means the certificate of that name executed by the Institution and dated as of the date of issuance of the Series 2017 Bonds confirming certain tax matters with respect to the Bonds.

“Interest Payment Dates” means semiannually on April 1 and October 1 commencing April 1, 2018 through the date the Bonds shall have been paid in full in accordance with the terms of the Agreement.

“Liquidity Covenant” means the liquidity covenant described in Section 1009 therein.

“Loan” has the meaning set forth in Section 302 of the Agreement.

“Long-Term Indebtedness” means any Indebtedness which is not Short-Term Indebtedness.

“Management Agreement” means the Amended and Restated Management Agreement dated as of December 1, 2017 and effective as of the date of issuance of the Bonds, by and between the Borrower, as owner, and HSL, as manager, as further amended and/or restated from time to time.

“Management Consultant” means a firm of accountants and/or professional management, marketing, or financial consultants having the skill and experience necessary to render the particular report required that is designated as such in writing by the Institution. Such firm(s) shall not be, and no member, stockholder, director, officer, or employee of which shall be, an officer or employee of the Institution. The reports of the Management Consultant showing projected financial performances may be in the form of a projection of the management of the Institution that is accompanied by a statement of a Management Consultant to the effect that such Management Consultant has reviewed the underlying assumptions and procedures used by management and that such assumptions provide a reasonable basis for the projection of management.

“Master Indenture” means the Amended and Restated Master Trust Indenture dated as of December 1, 2017, amending and restating the Master Trust Indenture dated as of December 1, 2007, between the Institution and the Master Trustee, as amended and supplemented from time to time.

“Master Trustee” means Wells Fargo Bank, National Association, and its successors as master trustee under the Master Indenture.

“Maximum Annual Debt Service Requirement” means the highest annual Debt Service Requirements for the current or any succeeding Fiscal Year of the Bonds.

“Member(s) of the Obligated Group” shall mean any or all of the Obligated Issuers.

“Mortgage” means the Mortgage, Security Agreement and Fixture Filing made as of December 1, 2007 between the Institution and the Master Trustee, as amended by that certain First Amendment to Mortgage, Security Agreement and Fixture Filing dated as of October 8, 2014 and that

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certain Second Amendment to Mortgage, Security Agreement and Fixture Filing dated December 1, 2017 and effective as of the date of issuance of the Bonds, related to the Mortgaged Property and as further amended and/or restated from time to time.

“Mortgaged Property” means all property, real or personal, tangible or intangible, in which a mortgage or security interest is granted or is intended to be granted pursuant to the Mortgage, the Master Indenture or any of the other Basic Agreements.

“Moody’s” means Moody’s Investors Service, Inc., or any successor rating agency and assigns.

“Note” shall mean any Note, including the Series 2017 Note, issued under the Master Indenture by an Obligated Issuer to evidence Indebtedness (other than Indebtedness to another Obligated Issuer) incurred pursuant to the terms thereof.

“Obligated Group” shall mean all Obligated Issuers under the Master Indenture.

“Obligated Group Representative” shall mean initially, the Institution, and thereafter any Obligated Issuer as the then incumbent Members of the Obligated Group shall designate as the Obligated Group Representative, as evidenced by an Officer’s Certificate delivered to the Master Trustee.

“Obligated Issuer” shall mean (i) the Institution or any other Person which has become an Obligated Issuer in accordance with the provisions of the Master Indenture and has not withdrawn from the Obligated Group pursuant to the Master Indenture whether or not such Person has issued any Obligations thereunder, and (ii) when used in respect of any particular Obligation or other indebtedness, shall mean the issuer thereof.

“Obligations” shall mean Notes, Guarantees and Authenticated Hedges issued under the Master Indenture.

“Opinion of Bond Counsel” means an opinion of Bond Counsel to the effect that the matter or action in question will not have an adverse impact on the tax-exempt status of the Bonds for federal income tax purposes.

“Officer’s Certificate” means a certificate of an officer of the Institution.

“Outstanding,” when used to modify Bonds, refers to Bonds issued under the Agreement, excluding: (i) Bonds that have been exchanged or replaced, or delivered to the Trustee for credit against a principal payment or a sinking fund installment; (ii) Bonds that have been paid; (iii) Bonds that have become due and for the payment of which moneys have been duly provided; and (iv) Bonds for which there have been irrevocably set aside sufficient funds, or non-callable Government or Equivalent Obligations described in clause (i), (ii) or (iv) of the definition thereof bearing interest at such rates, and with such maturities as will provide sufficient funds, without further reinvestment, to pay or redeem them, provided, however, that if any such Bonds are to be redeemed prior to maturity, the Agency shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable instructions so to mail shall have been given to the Trustee.

“Payment Date” means each date that is an Interest Payment Date or a Principal Payment Date.

“Paying Agent” means initially the Trustee or its successors.

“Permitted Liens and Encumbrances” means: (i) liens for taxes, assessments or governmental charges or levies on Property of the Institution or the property of the Obligated Group if the same shall not at the time be delinquent or thereafter can be paid without interest or penalty or are being contested in good faith and by appropriate proceedings, with the enforcement of all remedies of the taxing authorities being effectively stayed, and as to which adequate reserves have been made and are maintained; (ii) liens imposed by law, such as carriers’, warehousemen’s and mechanics’ liens and other similar liens arising in the ordinary course of business for sums which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, with the enforcement of such liens being effectively stayed, and as to which adequate reserves have been made and are maintained; (iii) pledges or deposits under worker’s compensation laws, unemployment insurance, social security, retirement benefits or similar legislation; (iv) liens in favor of the Trustee or the Master Trustee (x) to the extent in existence on the date of the Agreement or (y) securing Hedge Agreements; (v) judgment liens; provided that execution of each judgment giving rise to such a lien is stayed pending appeal and further provided that the aggregate amount secured by all such liens does not at any time exceed \$1,000,000; (vi) the lien of the Master Indenture on the funds held thereunder; (vii) liens securing purchase money obligations owed to equipment vendors; provided that no such lien shall extend to any Property of the Institution or the property of the Obligated Group other than the specific property being financed and the proceeds thereof; (viii) Residency Agreements affecting units at the Mortgaged Property, provided that such Residency Agreements comply with the applicable provisions of laws of The Commonwealth of Massachusetts and of the Agreement and are fully subordinated to the Mortgage; (ix) liens permitted under Section 15 of the Mortgage and liens on Property disposed of in accordance with Section 15 of the Mortgage; and (x) any liens existing on the date of the Agreement to the extent set forth on Exhibit A attached thereto.

“Permitted Transferee” means a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as in effect from time to time or an “accredited investor” as such term is defined in Rule 501(a) under the Securities Act of 1933, as in effect from time to time.

“Person” means any natural person, firm, association, corporation, partnership, limited liability company, joint venture, trust, or unincorporated organization, or a government or any agency or political subdivision thereof.

“Pledged Receipts” means the Loan and all payments and other Revenues received or receivable by the Agency, or by the Trustee and Bondowners for the account of the Agency, in respect of the Loan, including, without limitation, monies, investments, and proceeds in the Debt Service Fund, but excepting payments to the Agency under of Subsections 310(e) of the Agreement or under Section 314 of the Agreement regarding monies for the benefit of the Owners of the Bonds.

“Principal Payment Date” means annually commencing on October 1, 2018 and each October 1 thereafter through the date the Bonds shall have been paid in full in accordance with the terms of the Agreement.

“Project” means the current refunding of all or a portion of the outstanding principal amount of the Series 2014 Bonds and the 2014 Term Note, the proceeds of which Series 2014A Bonds, Series 2014B Bonds and 2014 Term Note were loaned to the Institution for the purpose of the current refunding of the outstanding amount of the:

i) Massachusetts Health and Educational Facilities Authority Variable Rate Demand Revenue Bonds (NewBridge on the Charles, Inc. Issue, Series 2007A), dated December 19, 2007 (the

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“Series 2007A Bonds”), issued in the original principal amount of \$78,170,000, the proceeds of which Series 2007A Bonds were loaned to the Institution for the purpose of the financing or refinancing of, or the reimbursement of funds advanced by the Institution for the purpose of acquisition, construction and equipping of a facility leased to Hebrew Rehabilitation Center pursuant to a lease for the operation of the Hebrew Rehabilitation Center of a 220-bed chronic disease hospital located at 5000 Great Meadow Road, Dedham, Massachusetts 02026; and

ii) Massachusetts Development Finance Agency Variable Rate Demand Revenue Bonds (NewBridge on the Charles, Inc. Issue, Series 2007B), dated December 19, 2007 (the “Series 2007B Bonds”), issued in the original principal amount of \$378,905,000, the proceeds of which Series 2007B Bonds were loaned to the Institution for the purpose of the financing or refinancing of, or the reimbursement of funds advanced by the Institution for the purpose of acquisition, construction, equipping and furnishing of a facility located at 5000 Great Meadow Road, Dedham, Massachusetts 02026 and consisting of (i) 182 supportive housing apartments for independent seniors, 24 supportive housing villas for independent seniors, 50 supportive housing cottages for independent seniors, 51 assisted living units, 40 assisted living units for memory impaired residents and 48 skilled nursing beds, and (ii) common facilities including but not limited to a community center with formal and informal dining rooms, multi-purpose rooms, an exercise center, a number of lounges and other activity spaces.

The word “Project” also refers to the facilities that result or have resulted from the foregoing activities and the projects financed and refinanced with the Series 2007 Bonds and the financing, refinancing or reimbursement of bond reserves, swap termination fees (in particular, that certain interest rate swap, effective as of October 8, 2014.

“Property” means any and all rights, titles and interests in and to any and all property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired by the Institution.

“Qualified Rebate Analyst” means a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code, selected and retained by the Institution at the expense of the Institution, with the prior written approval and consent of the Agency, to make the computations required pursuant to the Agreement.

“Rebate Fund” means the fund established pursuant to Section 306.

“Rebate Year” means the one year period (or shorter period beginning on the date of issue) ending on September 30.

“Redemption Fund” means the fund established pursuant to Section 305.

“Residency Agreements” means all forms of residency agreements for Independent Units, residence and care agreements for assisted living units, and/or admissions agreements for skilled nursing facility beds now or hereafter entered into by or on behalf of the Institution with any individual who is or who is to become a resident at the Community.

“Revenues” means, for any period, (a) in the case of any Person providing health care services and/or senior living services, the sum of (i) net patient service revenues and resident service revenues, plus (ii) HRC Lease Income, plus (iii) other operating revenues, plus (iv) non-operating revenues (other than Contributions, income derived from the sale of assets not in the ordinary course of business, any gain from the extinguishment of debt or other extraordinary item, earnings which constitute Funded Interest or

earnings on amounts which are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, but including investment income), plus (v) Unrestricted Contributions, plus (vi) Entrance Fees received minus (A) Entrance Fees amortized during such period and (B) Entrance Fees refunded to residents, plus (vii) capital contributions and payments received from any Affiliate of an Obligated Group Member (other than capital contributions made by HSL to enable the Institution to (Y) fund the initial Debt Service Reserve Fund Requirement in connection with the issuance of the Bonds, or (Z) make payments to the Massachusetts Department of Unemployment Assistance in connection with accrued unemployment insurance amounts (and penalties and interest thereon) for calendar years 2011-2016); and (b) in the case of any other Person, gross revenues less sale discounts and sale returns and allowances, as determined in accordance with GAAP; but excluding in either case (i) any unrealized gain or loss resulting from changes in the valuation of investment securities or unrealized changes in the value of derivative investments or Hedge Agreements, (ii) any gains on the sale or other disposition of fixed or capital assets not in the ordinary course, (iii) earnings resulting from any reappraisal, revaluation or write up of fixed or capital assets, (iv) any revenues recognized from deferred revenues related to Entrance Fees, and (v) insurance (other than business interruption) and condemnation proceeds; provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member. For purposes of calculations under the Master Indenture, any capital contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the capital contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation.

“Series 2014 Bonds” means the Series 2014A Bonds and the Series 2014B Bonds.

“Series 2014A Bonds” means the Agency’s \$188,265,000 Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2014A, dated October 8, 2014, issued as a tax-exempt obligation.

“Series 2014B Bonds” means the Agency’s \$56,235,000 Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2014B, dated October 8, 2014, issued as a tax-exempt obligation.

“Series 2014 Trustee” means Wells Fargo Bank, National Association, as trustee with respect to the Series 2014 Bonds.

“Short-Term Indebtedness” shall mean any issue of Indebtedness no portion of which has a date of maturity more than one year from the date of original issuance thereof.

“SNF Units” means the 48 skilled nursing beds at the Community.

“S&P” means S&P Global Ratings, or any successor rating agency and assigns.

“UCC” means Chapter 106 of the Massachusetts General Laws, as amended from time to time.

“Unrestricted Contributions” means Contributions which are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Person receiving such Contributions.

“Yield” shall have the meaning prescribed by Section 148 of the Code.

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SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST INDENTURE

The following is a summary prepared by McCarter & English, LLP, bond counsel, of certain provisions of the Master Trust Indenture. This summary does not purport to be complete, and reference is made to the Master Trust Indenture for full and complete statements of such and all provisions.

GRANTING CLAUSE

To secure the performance and observance of all such covenants and agreements, the Institution does (each Obligated Issuer upon becoming such will) hereby: sell, assign, transfer, set over, pledge and grant a security interest to the Master Trustee in all of its (or their) right, title and interest in and to (i) the Collateral (as defined herein), (ii) all moneys, securities and investments held in the Revenue Fund (as defined herein), and (iii) all Proceeds (as defined herein) of any and all of the property described in clauses (i) and (ii). All such property and security will be held by the Master Trustee in trust for the equal and ratable benefit and security of all holders of Obligations issued hereunder, without preference, priority or distinction (except as otherwise specifically provided herein) of any one Obligation over any other Obligation.

DEFINITION OF TERMS, CONSTRUCTION AND CERTAIN GENERAL PROVISIONS

Definitions of Terms.

- (a) The following terms will have the meanings hereinabove assigned to them:

Institution
Master Trustee

- (b) Unless the context will otherwise require, the following words and terms used in the Master Trust Indenture will have the meanings specified in the Section.

“Accounts” will mean all rights to the payment of a monetary obligation, whether or not earned by performance (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (ii) for services rendered or to be rendered, (iii) for a policy of insurance issued or to be issued, (iv) for a secondary obligation incurred or to be incurred, (v) for energy provided or to be provided, (vi) for use or hire of a vessel under a charter or other contract, (vii) arising out of the use of a credit card or charge card or information contained on or for use with the card, or (viii) as winnings in a lottery or other game of chance, in each case whether in form of Accounts Receivable, contract rights, Chattel Paper, Instruments, notes, bills, acceptances, General Intangibles and other forms of obligations relating to such rights, including, without limitation, all books, records, invoices, magnetic tapes, processing software, processing contracts (such as contracts for computer time and services) and any other rights or property of the Members of the Obligated Group that is an “account” within the meaning of the UCC.

“Accounts Receivable” will mean, with respect to one or more Members of the Obligated Group, accounts receivable as determined in accordance with GAAP.

“As-Extracted Collateral” will mean all as-extracted collateral, as that term is defined in the UCC, of the Members of the Obligated Group.

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“Assets” will mean, with respect to one or more Members of the Obligated Group, total assets as determined in accordance with GAAP.

“Authenticated Hedge” will have the meaning set forth in Section 5.1 thereof.

“Authorized Officer” will mean, (i) with respect to the Institution, any Person authorized by the bylaws or designated by an Officer’s Certificate authorized to be delivered pursuant to a resolution duly adopted by the Institution to act in such capacity and (ii) with respect to the Master Trustee, any Person authorized by the bylaws or any resolution of the Master Trustee to act in such capacity.

“Board” when used in connection with any Obligated Issuer, will mean its board of directors, board of trustees, board of governors or other board or group of individuals in which all of the powers of such Obligated Issuer for management of its Assets are vested.

“Bond Counsel” will mean a nationally recognized firm of attorneys having experience in the field of municipal finance, whose opinions are generally accepted by purchasers of municipal bonds.

“Certificate of Need” will mean a certificate of need issued by The Commonwealth of Massachusetts through the applicable state agency responsible for issuing such certificates.

“Chattel Paper” will mean all chattel paper, as that term is defined in the UCC, of the Members of the Obligated Group, including, without limitation, any writings which evidence both a monetary obligation and a security interest in or a lease of specific Goods.

“Code” will mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Collateral” will mean tangible and intangible personal property of the Members of the Obligated Group, whether now owned or hereafter existing or owned by any Member of the Obligated Group, or in which any Member of the Obligated Group may now have or hereafter acquire an interest, and wherever located, including, without limitation, all of the following: all Receivables, receipts, revenues, income and other moneys received by or on behalf of an Obligated Issuer, including, without limitation, contributions, donations and pledges whether in the form of cash, securities or other personal property, including, without limitation, all Accounts, As-Extracted Collateral, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Farm Products, Fixtures, General Intangibles, Goods (including, without limitation, Inventory and Equipment), Instruments, Investment Property and Letter of Credit Rights, including all independent living residency agreements, assisted living residency agreements, memory support residency agreements, nursing care admission agreements and other agreements (collectively, “Residency Agreements”) under which individuals (“Residents”) occupy independent living units, assisted living units, memory support units, nursing beds and/or receive assistance, memory support care, nursing care or other care and services at the Mortgaged Property; and all receipts, revenues, rents, entrance fees, monthly service fees, payments, income and other moneys and accounts received or receivable from Residency Agreements, Residents, third-party payors or any other source in connection with the ownership or the operation of all or any part thereof, and all next revenues, receipts and receivables under any Interest Rate Hedge, together with all information, data, files, writings, correspondence, books and records (including, without limitation, all electronically recorded data) relating to Collateral and all liens, guaranties, securities, rights, remedies and privileges pertaining to, and all Proceeds and products of Collateral (in all cases whether presently owned or hereafter acquired); provided, however, that Collateral will not include gifts, grants, bequests, donations and contributions heretofore or hereafter made which are designated at the time of the making thereof by the donor or

maker as being for certain specified dedicated purposes, and the income therefrom, to the extent required by such designation.

“Commercial Tort Claims” will mean tort claims of the members of the Obligated Group arising from time to time.

“Commodities Accounts” will mean all Commodities Accounts, as that term is defined in the UCC, of the Members of the Obligated Group.

“Copyrights” will mean all copyrights, all registrations thereof and applications in connection therewith pending with the United States Copyright Office or similar office in any other jurisdiction.

“Counsel” will mean an attorney-at-law or law firm (which may include counsel to the Master Trustee or counsel to an Obligated Issuer) which is not unsatisfactory to the Master Trustee and, if appointed to pass on legal matters relating to the Institution, is acceptable to the MassDevelopment.

“Credit Facility” will mean an unconditional irrevocable letter of credit, a line of credit which is revocable only upon the insolvency of the Obligated Issuer for whose account the line is established, a binding long term loan commitment, and a guaranty or an indemnity or surety insurance policy or bond or other similar extension of credit which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company not unsatisfactory to the Master Trustee.

“Debtor Relief Laws” will mean the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“Deposit Accounts” will mean all demand, time, savings, passbook or like accounts of the Members of the Obligated Group maintained with a bank, savings and loan association, credit union or like organization.

“Documents” will mean all documents, as that term is defined in the UCC, of the Members of the Obligated Group, including, but not limited to, documents of title (as that term is defined in the UCC) and any and all receipts of the kind described in Article 7 of the UCC.

“Equipment” will mean all machinery, apparatus, equipment, fittings and other tangible personal property (other than Inventory) of every kind and description used in the operations of the Members of the Obligated Group or owned by any Member of the Obligated Group in which such Member of the Obligated Group has an interest, whether or not affixed to realty, including, without limitation, all motor vehicles, trucks, trailers, handling and delivery equipment, cranes, hoisting equipment, Fixtures, office machines and furniture, together with all accessions, replacements, rights under any manufacturer’s warranties relating to the foregoing and any other rights or property of the Members of the Obligated Group that is equipment within the meaning of the UCC.

“Event of Default” will mean any event of default under the Master Trust Indenture, as defined in Article Seven thereof or any Event of Default under a Supplemental Indenture, as defined therein.

“Farm Products” will mean all farm products, as that term is defined in the UCC, of the Members of the Obligated Group.

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“First Supplemental Indenture” will mean that certain First Supplemental Indenture hereto dated as of December 1, 2017 between the Institution on behalf of itself and any other Member of the Obligated Group, and the Master Trustee, supplementing the Master Trust Indenture.

“Fitch” will mean Fitch Investors Service, Inc.

“Fiscal Year” will mean the Fiscal Year of each Obligated Issuer, which will be the period commencing on the first day of January of any year and ending on the last day of December of the same year, unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year will be the period set forth in such notice; provided, however, that each Obligated Issuer will have the same Fiscal Year.

“Fixtures” will mean Goods of the Members of the Obligated Group that have become so related to particular real property that an interest in them arises under real property law.

“GAAP” will mean generally accepted accounting principles in the United States of America in effect from time to time.

“General Intangibles” will mean all general intangibles, as that term is defined in the UCC, of the Members of the Obligated Group, including, without limitation, all causes of action, designs, plans, goodwill, tax refunds, Patents, Copyrights, Trademarks, licenses, franchises and all rights under license agreements for use of the same.

“Goods” will mean all things that are moveable when a security interest attaches.

“Government Obligations” will mean obligations of, or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Guaranty” will mean any obligation issued hereunder by an Obligated Issuer, under the terms of which the Obligated Group guarantees in any manner, whether directly or indirectly, any indebtedness of any Person other than a Member of the Obligated Group.

“Guaranty Indebtedness” will mean any Indebtedness which is in the form of a Guaranty.

“Health-Care-Insurance Receivables” will mean all health care insurance receivables, as that term is defined in the UCC, of the Members of the Obligated Group,

“Holder” will mean, as the context requires, any Noteholder or any Person in whose name a Guaranty or an Authenticated Hedge is issued, and will include successors or assigns.

“Indebtedness” will mean, on a consolidated basis for the Obligated Group, without duplication, (1) all obligations of the Obligated Group for borrowed money or with respect to deposits or advances of any kind, including, without limitation, any Short-Term Indebtedness and the portion of any Long-Term Indebtedness, (2) all obligations of the Obligated Group evidenced by bonds, debentures, notes or similar instruments, (3) all obligations of the Obligated Group upon which interest charges are customarily paid, (4) all obligations of the Obligated Group under conditional sale or other title retention agreements relating to property acquired by the Obligated Group, (5) all obligations of the Obligated Group in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (6) all obligations and indebtedness of others secured by (or for which the holder of such obligation or indebtedness has an existing right, contingent or otherwise, to be secured by) any lien on property owned or acquired by the Obligated Group, whether or not the obligation or

indebtedness secured thereby has been assumed by the Obligated Group, (7) all Guarantees by the Obligated Group of an obligation or indebtedness of others, excluding operating lease payment guarantees, (8) all capital lease obligations of the Obligated Group or other obligations of the Obligated Group which are capitalized under GAAP and which evidence the acquisition of capital assets, (9) all obligations, contingent or otherwise, of the Obligated Group as an account party in respect to letters of credit and letters of guaranty, (10) all obligations, contingent or otherwise, of the Obligated Group in respect of bankers' acceptances, (11) all Synthetic Lease Obligations of the Obligated Group, and (12) all payment obligations of the Obligated Group under any Interest Rate Hedge. The term "Indebtedness" will also include the Indebtedness of any Person that is not a Member of the Obligated Group (including any partnership in which the Obligated Group is a general partner) to the extent that the Obligated Group is liable to pay all or a portion of such Indebtedness as a result of the Obligated Group's ownership interest in, or other relationship with, such Person, except to the extent that the terms of such Indebtedness specifically provide that the Obligated Group is not liable therefor. The term "Indebtedness" will not include trade payables or accruals in the normal course of business and obligations of any Member of the Obligated Group to another Member of the Obligated Group.

"Independent" will mean, with respect to any Person, one which is not and does not have a partner, director, officer, member or substantial stockholder who is a member of the Board of any Obligated Issuer, or an officer or employee of an Obligated Issuer; provided that the fact that a Person is retained regularly by or transacts business with an Obligated Issuer will not, in and of itself, cause such Person to be deemed an employee of the Obligated Issuer for the purposes thereof.

"Instruments" will mean all instruments, as that term is defined in the UCC, of the Members of the Obligated Group, including, without limitation, bills of exchange, notes and all negotiable instruments, all certificated securities, all certificates of deposit and any other writing which evidences a right to payment of money and is a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment.

"Interest Rate Hedge" will mean an agreement, expressly identified in an Officer's Certificate delivered to the Master Trustee as being entered into by an Obligated Issuer in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar).

"Interest Rate Hedge Indebtedness" will mean any portion of any Indebtedness with respect to which an Obligated Issuer has entered into an Interest Rate Hedge.

"Inventory" will mean all Goods intended for sale or lease by the Members of the Obligated Group of every nature, kind and description wherever located, including, without limitation, raw materials, Goods, work in process and finished Goods and all Goods returned or reclaimed from customers, together with any other rights or property of the Members of the Obligated Group that are inventory within the meaning of the UCC.

"Investment Property" will mean with respect to each Member of the Obligated Group (i) all securities, or securities certificates or uncertificated securities representing the securities, (ii) security entitlements, (ii) Securities Accounts, (iv) commodity contracts, or (v) Commodities Accounts.

"Investment Securities" will mean and include the following:

- (A) Government Obligations;

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(B) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) U.S. Export-Import Bank, (ii) Rural Economic Community Development Administration, (iii) U.S. Maritime Administration, (iv) Small Business Administration, (v) U.S. Department of Housing and Urban Development, (vi) Federal Housing Administration, and (vii) Federal Financing Bank;

(C) bonds, debentures, notes or other evidences of indebtedness issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Resolution Funding Corporation, or any Federal Home Loan Bank;

(D) negotiable or non-negotiable certificates of deposit (or other time deposit arrangements) or bankers' acceptances with a maturity date not in excess of 360 days which have been issued by any bank, trust company or national banking association organized under the laws of the United States of America or any state thereof, the unsecured obligations of which are rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by Moody's and Standard & Poor's;

(E) commercial paper with a maturity date not in excess of 270 days which is rated, at the time of purchase, in the highest rating category, without regard to rating sub-categories, by Moody's and Standard & Poor's and which is issued by an entity incorporated under the laws of the United States of America or any state thereof;

(F) shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, which is a money market fund then rated in any of the three highest rating categories by Standard & Poor's;

(G) obligations of any state, commonwealth or possession of the United States of America or any political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or Standard & Poor's, or (ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on such obligations on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(H) obligations of any state, commonwealth or possession of the United States of America or any political subdivision thereof or any agency or instrumentality of such a state, commonwealth, possession or political subdivision, provided that at the time of their purchase such obligations are rated in highest rating category, without regard to rating sub-categories, by Moody's and Standard & Poor's; and

(I) general obligations of any state of the United States of America, provided that at the time of their purchase such general obligations are rated in one of the three highest rating categories, without regard to rating sub-categories, by Moody's and Standard & Poor's.

“Letter of Credit Right” will mean any right of the Members of the Obligated Group to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is entitled to demand payment or performance.

“Liens” will mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the filing of any financing statement under the UCC or comparable law of any jurisdiction in respect of any of the foregoing).

“Long-Term Indebtedness” means any Indebtedness which is not Short-Term Indebtedness.

“MassDevelopment” will mean the Massachusetts Development Finance Agency, a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts established under Massachusetts General Laws Chapter 23G, as amended, or its successors or assigns in functions. References herein to MassDevelopment will have no effect during such time as there are no outstanding bonds or notes of MassDevelopment which are represented by, or secured by, Obligations issued hereunder.

“MassDevelopment Bonds” will mean any bonds, notes or other evidences of indebtedness issued by MassDevelopment on behalf of the Institution or any other Member of the Obligated Group the proceeds of which have been loaned by MassDevelopment to any other Member of the Obligated Group.

“Master Trust Indenture” will mean, unless the context clearly provides otherwise, the Master Trust Indenture, amending and restating the Master Trust Indenture dated as of December 1, 2007, between the Institution, on behalf of itself and any other Member of the Obligated Group, and the Master Trustee, as amended and supplemented from time to time by Supplemental Indentures in accordance with the terms thereof.

“Medicaid” means, collectively, the health care assistance program established by Title XIX of the Social Security Act (42 U.S.C. §§1396 et seq.) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program including (a) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting such program; (b) all state statutes and plans for medical assistance enacted in connection with such program and federal rules and regulations promulgated in connection with such program; and (c) all applicable provisions of all rules, regulations, manuals, orders and administrative and reimbursement guidelines and requirements of all government authorities promulgated in connection with such program (whether or not having the force of law), in each case, as the same may be amended, supplemented or otherwise modified from time to time.

“Medicare” means, collectively, the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. §§1395 et seq.) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders or guidelines pertaining to such program including (a) all federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting such program; and (b) all applicable provisions of all rules, regulations, manuals, orders and administrative and reimbursement guidelines and requirements of all governmental authorities promulgated in connected with such program (whether or not having the force of law), in each case, as the same may be amended, supplemented or otherwise modified from time to time.

“Member(s) of the Obligated Group” will mean any or all of the Obligated Issuers.

“Merger” will have the meaning set forth in Section 6.5 thereof.

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“Moody’s” will mean Moody’s Investors Service, Inc.

“Mortgaged Property” will mean the land described in Exhibit A attached hereto, together with all buildings, fixtures, facilities and equipment, now or hereafter to be erected, constructed or situated thereon and all rights, powers, easements, licenses and rights of way, and all interests in property, real, personal or mixed, now owned or hereafter acquired by the Borrower and appurtenant to such land.

“New Group” will mean the Members of the Obligated Group and other Persons, if any, who agree (i) to become jointly and severally obligated under a Replacement Master Trust Indenture for any obligations thereunder, including Substitute Obligations, and (ii) to otherwise comply with the provisions of the Replacement Master Trust Indenture.

“Note” will mean any Note issued hereunder by an Obligated Issuer to evidence Indebtedness (other than Indebtedness to another Obligated Issuer) incurred pursuant to the terms thereof.

“Noteholder” will mean (i) in the case of a Obligation in fully registered form, the Person in whose name the Note is registered pursuant to Section 2.4 thereof and (ii) in the case of an Obligation in bearer form, the bearer of the Note or the Person in whose name the Note may be registered as to principal pursuant to Section 2.4 thereof. Any Supplemental Indenture authorizing the Issuance of any Notes may provide that the provider of credit enhancement for Obligations secured by such Note will be considered a Noteholder for certain purposes or for all purposes.

“Obligated Group” will mean all Obligated Issuers.

“Obligated Group Representative” will mean initially, the Institution, and thereafter any Obligated Issuer as the then incumbent Members of the Obligated Group will designate as the Obligated Group Representative, as evidenced by an Officer’s Certificate delivered to the Master Trustee.

“Obligated Issuer” will mean (i) the Institution or any other Person which has become an Obligated Issuer in accordance with the provisions of Article Ten thereof and has not withdrawn from the Obligated Group pursuant to Article Eleven thereof, whether or not such Person has issued any Obligations hereunder, and (ii) when used in respect of any particular Obligation or other indebtedness, will mean the issuer thereof.

“Obligations” will mean Notes, Guarantees, Credit Facility and Authenticated Hedges issued hereunder.

“Officer’s Certificate” will mean a certificate signed by the Chairman, Vice Chairman, President or any Vice President of one or more members of the Obligated Group. When an Officer’s Certificate is required hereunder to set forth matters relating to all members of the Obligated Group, such Officer’s Certificate will be signed by the Chairman, Vice Chairman, President or any Vice President of each Obligated Issuer; provided that the Obligated Group may designate one or more officers to undertake primary responsibility for the supervision of specified matters for all members of the Obligated Group and to sign Officer’s Certificates relating to such matters on behalf of the Obligated Group, in which event any Officer’s Certificate relating to such matters will be signed by such officer or officers.

“Operating Revenues” will mean, for any Fiscal Year, all operating revenues of any one or more Members of the Obligated Group for such period or, as the context requires, of the entire Obligated Group, before deduction of operating expenses, but after deduction of (i) contractual allowances and adjustments with third party payors, (ii) allowances and adjustments for free or reduced charge services, and (iii) allowances and adjustments for discounts for prompt payment by payors. In the event that the

fiscal year of any Member of the Obligated Group ends on a date other than the last day of any Fiscal Year under consideration, the Operating Revenues of such Member of the Obligated Group for its most recent completed fiscal year will be deemed to be its Operating Revenues for such Fiscal Year.

“Outstanding” will mean (i) in the case of Notes, all Notes issued, authenticated and delivered hereunder other than (a) Notes as to which all required payments of principal, premium, if any and interest have been fully paid or have been duly provided for pursuant to Article Eleven thereof, and (b) Notes surrendered to and required to be canceled by the Master Trustee or otherwise replaced, as provided in Article Two thereof, and (ii) in the case of Guarantees, all Guarantees issued hereunder unless the Master Trustee has received from the Holder thereof a written release of all claims thereunder against the signer and all other Obligated Issuers.

“Parent” will mean Hebrew SeniorLife, Inc., a not-for-profit Massachusetts corporation and the parent of NewBridge on the Charles, Inc..

“Patents” will mean all letters patent, reissues and extensions thereof, applications for letters patent and all divisions, continuations and continuations-in-part thereof of the United States or any other jurisdiction.

“Person” will mean an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a venture, a trust, an unincorporated organization or a government or any agency or political subdivision thereof.

“Principal Office” will mean the corporate trust office of the Master Trustee in Minneapolis, Minnesota or such other office at which at any particular time its corporate trust business will be administered.

“Proceeds” will mean all proceeds, as that term is defined in the UCC, including, without limitation, whatever is received upon the use, lease, sale, exchange, collection, any other utilization of any disposition of any property whether or not in cash, all rental or lease payments, Accounts, Chattel Paper, Instruments, Documents, General Intangibles, Equipment, Inventory, substitutions, additions, accessions, replacements, products and renewals of, for or to such property and all insurance therefor.

“Qualified Financial Institution” will mean a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 whose unsecured obligations or uncollateralized long term debt obligations have been assigned a rating within the two highest rating categories by Moody’s and Standard & Poor’s; or upon discontinuance of either or both such services, any other nationally recognized rating service or services.

“Rating Agency” will mean Fitch, Moody’s or Standard and Poor’s, as the case may be.

“Receivables” will mean all Accounts, Health-Care-Insurance Receivables, Accounts Receivable, notes, bills, drafts, acceptances, Instruments, Documents, Chattel Paper and all other debts, obligations and liabilities in whatever form owing from any Person for Goods sold by it or for services rendered by it, or however otherwise established or created, all guaranties and security therefor, all right, title and interest in the Goods or services which have given rise thereto, including rights to reclamation and stoppage in transit and all rights of an unpaid seller of Goods or services; all whether any of the foregoing be now existing or hereafter arising, now or hereafter received by or owing or belonging to the debtor. In addition, and without limitation of the foregoing, the term “Receivables” will be deemed to include (i) all reimbursement amounts and other payments from time to time owed to the debtor in respect of services

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provided pursuant to any Third Party Payor Programs, and (ii) all charitable pledges from time to time made by any other Person to the debtor and the proceeds thereof; excluding, however, any such charitable pledges which are restricted by law or donative instrument so that none of the Obligations may be paid from same.

“Regulatory Body” will mean any federal, state or local government, department, agency, authority, or instrumentality and any other public or private organization, including any accrediting body having regulatory jurisdiction and authority over any Obligated Issuer or the facilities or operations of any Obligated Issuer.

“Related Financing Documents” will mean:

- (i) in the case of any Note, (a) all documents, including without limitation the Series 2017 Agreement, pursuant to which the proceeds of the Note are made available to an Obligated Issuer, the payment obligations evidenced by the Note are created and any security for the Note (if permitted hereunder) is granted, and (b) all documents creating any additional payment or other obligations on the part of an Obligated Issuer which are executed in favor of the Noteholder in consideration of the Note proceeds being loaned or otherwise made available to the Obligated Issuer or, if a Credit Facility has been issued in support of the Obligated Issuer’s obligations under the Note, executed in favor of the issuer thereof in consideration of such issuance;
- (ii) in the case of any Guaranty, all documents creating the indebtedness being guaranteed pursuant to the Guaranty and providing for the loan or other disposition of the proceeds of the indebtedness and all documents pursuant to which any security for the Guaranty (if permitted hereunder) is granted; and
- (iii) in the case of any indebtedness other than Notes or Guarantees, including any Authenticated Hedges, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (i) and (ii) above.

“Replacement Master Trust Indenture” will mean a master trust indenture entered into by the New Group and a master trustee in accordance with Section 11.5 thereof.

“Revenue Fund” will mean the Revenue Fund established pursuant to Section 5.2 thereof.

“Sale and Lease Back Transactions” means, with respect to any Member of the Obligated Group, any arrangement, directly or indirectly, with any Person whereby any Member of the Obligated Group will sell or transfer any property used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being sold or transferred.

“Securities Account” will mean all securities accounts, as that term is defined in the UCC, of the Members of the Obligated Group.

“Series 2017 Agreement” means the Loan and Trust Agreement dated as of December 1, 2017 among MDFA and the Institution and Wells Fargo Bank, National Association, as Trustee.

“Short-Term Indebtedness” will mean any issue of Indebtedness no portion of which has a date of maturity more than one year from the date of original issuance thereof.

“Standard & Poor’s” will mean S&P Global Ratings.

“Substitute Obligation” will mean a note or other obligation issued under and pursuant to a Replacement Master Trust Indenture in substitution for Obligations issued hereunder.

“Successor Corporation” will have the meaning set forth in Section 6.5 thereof.

“Supplemental Indenture” will mean an indenture supplemental to, and authorized and executed pursuant to the terms of the Master Trust Indenture.

“Synthetic Lease Obligations” will mean means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property (including Sale and Leaseback Transactions), in each case, creating obligations that do not appear on the balance sheet of such Person but which, upon the application of any Debtor Relief Laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Third Party Payors” means Medicare, Medicaid, Blue Cross and/or Blue Shield, other private or public insurers, health maintenance organizations, preferred provider programs, group self-insured programs, employee assistance programs and any other Person which presently or in the future maintains and/or administers any third party payment program, if any.

“Third Party Payor Programs” means all payment programs of Third Party Payors, if any, in which the Borrower and/or the Community presently or in the future may participate, including, without limitation, Medicare, Medicaid, Blue Cross and/or Blue Shield, managed care plans, other private or public insurance programs, health maintenance organizations, preferred provider programs, self-insured programs and employee assistance programs.

“Trademarks” will mean all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, and all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state thereof or any other jurisdiction.

“UCC” will mean the Uniform Commercial Code as in effect in The Commonwealth of Massachusetts as of the date thereof.

“Variable Rate Indebtedness” will mean any Long-Term Indebtedness which bears interest at a rate which varies periodically or is modified from time to time prior to the final maturity of such Indebtedness.

THE SERIES NOTES

Issuance of Series Notes; Form and Terms Thereof.

Each Obligated Issuer will be permitted to issue one or more series of Notes thereunder. The Notes of each series will be issued in substantially such form as may be set forth in the Supplemental Indenture providing for the issuance thereof. The Notes of any particular series may be issued in coupon form (registerable as to principal only) or in fully registered form without coupons and, subject to the applicable provisions thereof, such Notes will be issued upon and contain such additional terms as may be

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provided in the applicable Supplemental Indenture, including, without limitation thereto, the following: (a) the aggregate principal amount of such Notes; (b) the authorized denominations of such Notes; (c) the date of such Notes; (d) the maturity date or dates of such Notes and the principal amount of Notes within each maturity; (e) the redemption provisions for such Notes; and (f) the rate or rates of interest on such Notes and the dates on which such interest is required to be paid. (Section 2.1)

GUARANTEES

Issuance of Guarantees.

Each Obligated Issuer will be permitted to issue one or more Guarantees hereunder. Any such Guaranty will be issued in such form and will be issued upon and contain such terms as will be permitted or required by the applicable provisions thereof and the Supplemental Indenture authorizing the issuance thereof. (Section 3.1)

REDEMPTION OF OBLIGATIONS

Redemption of Notes.

Notes of each series will be subject to redemption in whole or in part as provided in the Master Trust Indenture, the Notes and the applicable Supplemental Indenture. Any such notice will set forth such information and will be given to the Master Trustee in such manner and at such time as may be required pursuant to the applicable Supplemental Indenture. (Section 4.1)

Redemption of Guaranteed Indebtedness.

Any indebtedness guaranteed by an Obligated Issuer pursuant to a Guaranty issued thereunder may be subject to redemption in accordance with the terms thereof. (Section 4.2)

OBLIGATIONS CREATED HEREUNDER; SECURITY THEREFOR

Obligations Created Hereunder; Security.

(a) Except as otherwise provided in Article Ten thereof, the Master Trust Indenture and the Obligations created hereunder are the joint and several general obligations of each Obligated Issuer. To secure the performance of their respective obligations hereunder, including, without limitation their obligation to pay the principal of, premium, if any, and interest on all Obligations, the Obligated Issuers, by acceptance of the provisions thereof, hereby sell, assign, transfer, set over and pledge unto the Master Trustee and grant a security interest to the Master Trustee in all of their respective right, title, and interest in and to (i) the Collateral, (ii) all moneys, securities and investments held in the Revenue Fund, and (iii) all Proceeds of any and all of the property described in clauses (i) and (ii); provided, however, that notwithstanding anything to the contrary contained in the Master Trust Indenture, no item of Collateral which constitutes “investment property” within the meaning of Section 148(b) of the Code will be deemed to secure any of the Obligations relating to debt on which is exempt from Federal income taxation under the Code unless the Master Trustee has obtained an opinion of Bond Counsel to the effect that said Obligations may be so secured without causing such debt to become “arbitrage bonds” within the meaning of Section 148 of the Code and without requiring any rebate to the United States Treasury. All such property and security will be held in trust for the equal and ratable benefit and security of the Holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation except as otherwise expressly provided herein, but the existence of such security interest will not prevent the expenditure, deposit or commingling of the

Collateral by the Obligated Issuers so long as all required payments hereunder are made when due. If any required payment hereunder is not made when due, any Collateral subject to the security interest created hereunder which is then on hand and not yet commingled with other funds of the Obligated Issuers and not yet deposited in a bank account of the Obligated Issuers, and any such Collateral thereafter received, will not be commingled or deposited but will immediately, or upon receipt, be transferred to the Revenue Fund to the extent required to make the amount on deposit in the Revenue Fund at least equal to the requirements of the Revenue Fund, and/or used to make any other required payment hereunder. The Obligated Issuers will execute, deliver and record concurrently with the issuance or authentication of any Obligations such filings and instruments as will be necessary to create valid and enforceable first Liens and security interests in favor of the Master Trustee.

(b) Each Obligated Issuer will be permitted to cause any Interest Rate Hedge to which it is a party to be authenticated as an Obligation hereunder. Any such Interest Rate Hedge will be in such form and will contain such provisions as will be permitted or required by the Supplemental Indenture authorizing the authentication thereof, and will contain a certificate of authentication duly executed by the manual signature of an Authorized Officer of the Master Trustee. Upon authentication by the Master Trustee and upon compliance by the Obligated Group with the provisions of Article VI thereof, all payments (including any payments resulting from an early termination of such Interest Rate Hedge) required to be made by such Obligated Issuer pursuant to such Interest Rate Hedge (an “Authenticated Hedge”) will be secured by the Lien created hereunder equally and ratably with all Obligations issued and Outstanding hereunder. (Section 5.1)

Revenue Fund.

(a) The Master Trustee will establish and maintain a Revenue Fund into which deposits will be made as follows:

(1) on or before the dates specified in the applicable Supplemental Indenture, the Obligated Issuers will deposit in the Revenue Fund the amounts required to pay (or if specified in the applicable Supplemental Indenture, to accumulate for the payment of) the principal (including scheduled mandatory redemptions) and interest due or to become due under the terms of each Note and each Guaranty as to which (i) written notice of nonpayment of the guaranteed indebtedness is not required pursuant to the applicable Supplemental Indenture or (ii) the Obligated Issuers and the Master Trustee have received written notice of nonpayment of the guaranteed indebtedness, provided that each deposit will be required to be made in funds available not later than the last business day prior to the due date of the payment under the Note or Guaranty to which it relates. Such deposit requirements will be subject to credit as provided in Section 5.3 thereof and, if appropriate with respect to any Note or any Guaranty described above, for interest funded from the proceeds of such Note or the indebtedness guaranteed pursuant to such Guaranty.

(2) on or before the date of any redemption of Obligations (other than scheduled mandatory redemptions), the Obligated Issuers will deposit in the Revenue Fund the amount necessary to provide for the payment of the redemption or prepayment price then becoming due or deliver to the Master Trustee evidence satisfactory to the Master Trustee that the same has been paid.

(b) All amounts deposited into the Revenue Fund will be applied by the Master Trustee or made available to any alternate paying agent appointed pursuant to any Supplemental Indenture for application to the payment of the principal (or redemption or prepayment price) of and interest on all Obligations in accordance with their respective terms. Pending such application, all moneys and investments in the Revenue Fund will be held for the equal and ratable benefit of the Holders of all Obligations issued and Outstanding hereunder, provided that, on and after the due date for any payment

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in respect of any such Obligation the amount held in the Revenue Fund for the making of such payment will be reserved and set aside solely for the purpose of making such payment.

(c) Notwithstanding the foregoing, deposits into and payments from the Revenue Fund will not be required to be made in respect of the principal or redemption price of and interest on any Obligation issued pursuant to a Supplemental Indenture which provides for the making of such payments by the Obligated Issuer directly to the Holder; provided that such deposits and payments will be required if an Event of Default occurs and continues to exist pursuant to Section 7.1(a)(i) thereof. (Section 5.2)

Investment of Funds.

(a) Moneys held in the Revenue Fund will be invested and reinvested in Investment Securities which mature or are redeemable at the option of the holder not later than such times as will be required to provide moneys needed to make payments or transfers therefrom. The Master Trustee will not be liable or responsible for making any such investment or for any loss resulting from any such investment provided that the Master Trustee makes such investments in accordance with the Officer's Certificate provided to the Master Trustee or whenever it will be necessary to provide moneys to any payment or transfer from the Revenue Fund. All investment income and any gain from the sale or other disposition of any Investment Securities in the Revenue Fund will be retained in the Revenue Fund and the amount so retained as of each October 1 and July 1 will be allocated on a pro rata basis to the deposits to be made pursuant to Section 5.2(a)(1) thereof during the next succeeding six month period and be applied as credits against such deposits. All losses upon the sale or other disposition of such Investment Securities will be charged to the Revenue Fund and added, on a pro-rata basis, to the deposit next becoming due in respect of each outstanding Obligation hereunder.

(b) The following additional requirements will be applicable to Investment Securities in the form of certificates of deposit, repurchase agreements or investment agreements (unless issued by or entered into with a Qualified Financial Institution):

(1) except in the case of certificates of deposit (to the extent insured by the Federal Deposit Insurance Corporation or a similar federally chartered insurance corporation) such Investment Securities will at all times be secured, to the extent permitted by law, by Government Obligations having a market value equal to the principal amount thereof.

(2) the Master Trustee will have a perfected security interest in all collateral for such Investment Securities, free and clear of the claims of third parties. Such security interests will be perfected by possession in the case of repurchase agreements and, in all other cases, in such manner as may be permitted or required by applicable law, provided that if possession of the collateral is required for such perfection, the collateral will be deposited with the Master Trustee, with a Federal Reserve Bank for the account of the Master Trustee or with a bank or trust company (other than the obligor) which is acting solely as agent for the Master Trustee and has a combined net capital and surplus of at least \$50,000,000. (Section 5.3)

Financing Statements.

The Institution and each other Obligated Issuer authorizes the Master Trustee to file such financing statements, continuation statements and other instruments and documents under the UCC as the Master Trustee may deem necessary for the purpose of perfecting or continuing the perfection of the security interest in the Collateral granted hereunder. (Section 5.4)

ADDITIONAL COVENANTS AND INDEBTEDNESS**Payment of Principal, Premium, Interest and Other Amounts.**

Each Obligated Issuer will be jointly and severally liable for the payment of, and will duly and punctually pay, the principal of, premium, if any, and interest on all Obligations issued under the Master Trust Indenture, and any other payments required by the terms of such Obligations, on the dates, at the times and at the place and in the manner provided in such Obligations, the applicable Supplemental Indenture and the Master Trust Indenture when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, according to the true intent and meaning thereof. (Section 6.1)

Consolidation or Mergers.

(A) Each Obligated Issuer agrees that it will not dissolve or otherwise dispose of all or substantially all of its Assets or common stock and will not consolidate with or merge into, transfer all or substantially all of its Assets or common stock to, or acquire all or substantially all of the Assets or common stock of, any Person not a member of the Obligated Group (any such consolidation, merger, transfer or acquisition being referred to as a “Merger”) unless:

(1) the surviving, resulting or transferee entity, as the case may be (the “Successor Corporation”), is a corporation organized and existing under the laws of the United States of America or a state thereof and is either (a) the Obligated Issuer, or (b) a Person which (i) is qualified to do business in each jurisdiction in which the Obligated Issuer was previously qualified to do business, (ii) assumes in writing all of the obligations of the Obligated Issuer under the Master Trust Indenture, and (iii) if MassDevelopment Bonds are outstanding at such time, owns all necessary permits and licenses to operate the facilities acquired by the Successor Corporation as a result of the Merger;

(2) the Master Trustee receives an opinion of Bond Counsel to the effect that such Merger, whether or not contemplated on the original date of delivery of any MassDevelopment Bonds, would not adversely affect the validity of such MassDevelopment Bonds or any applicable exclusion from gross income for Federal or Massachusetts income tax purposes of the interest on such MassDevelopment Bonds or cause the interest on such MassDevelopment Bonds to be treated as an item of tax preference under Section 57 of the Code (which Bond Counsel and opinion, including, without limitation, the scope, form, substance and other aspects thereof, will not be unacceptable to the Master Trustee);

(3) the Master Trustee receives either (a) a Certificate of Need (or other approval) required for the Merger, or (b) an opinion of Counsel or a determination by the appropriate Regulatory Body or Bodies to the effect that no such Certificate of Need (or other approval) is required;

(4) the Master Trustee receives opinions of Counsel to the Obligated Group and the Successor Corporation to the effect that the assumption of all of the obligations of the Obligated Issuer referred to in Paragraph (A)(1) of the Section 6.5 and the instrument referred to in Paragraph (B) of the Section 6.5 are valid and binding obligations of the Successor Corporation, enforceable in accordance with their terms (which Counsel and opinions, including, without limitation, the scope, form, substance and other aspects thereof, will not be unacceptable to the Master Trustee); and

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(5) no Event of Default has occurred and is continuing or will have occurred after such Merger, and no event has occurred and is continuing or will have occurred after such Merger which, with the passage of time or giving of notice, would constitute an Event of Default.

(B) Prior to any Merger, an Officer's Certificate will be delivered to the Master Trustee demonstrating that all of the conditions set forth in Paragraph (A) of the Section 6.5 have been satisfied. The Successor Corporation will also execute and deliver to the Master Trustee an instrument satisfactory to the MassDevelopment expressly assuming the performance and observance of all of the Obligated Issuer's obligations, covenants and conditions under the Master Trust Indenture, including the payment of the principal of, premium, if any, and interest on all obligations of the Obligated Issuer (including, without limitation, the Obligations) according to their terms, together with a replacement Note or Notes, if necessary, for any outstanding Note issued under the Master Trust Indenture.

(C) Any Indebtedness previously incurred by the Successor Corporation will be permitted to remain Outstanding, and any Lien or security interest securing such Indebtedness will be permitted to remain in effect if such Lien or security interest could have been created pursuant to the provisions of the Master Trust Indenture immediately after such Merger.

(D) If a Merger will occur, the Successor Corporation will succeed to and be substituted for the Obligated Issuer, with the same effect as if it had been named in the Master Trust Indenture as an Obligated Issuer. (Section 6.5)

REMEDIES OF THE MASTER TRUSTEE AND NOTEHOLDERS IN EVENT OF DEFAULT

Events of Default.

(a) "Event of Default", as used herein, will mean any of the following events, whatever the reason for such Event of Default and whether it will be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(1) if any Obligated Issuer will fail: (i) to make any payment of principal, redemption price or interest when due under the terms of any Obligation and such failure continues to exist as of the end of any applicable grace period under the terms of the Supplemental Indenture authorizing the issuance of such Obligation; or (ii) to make any deposit into the Revenue Fund in funds available prior to the earlier of (A) the date which is the first day following the end of any applicable grace period following the due date of such deposit in accordance with the terms of the applicable Supplemental Indenture, or (B) the date on which the amount to be deposited into the Revenue Fund is required to be paid to the Holder of the Obligation to which the deposit relates; or

(2) if there will be an "event of default" under any mortgage granted by any Member of the Obligated Group in favor of the Master Trustee, any Supplemental Indenture or any Obligation; or

(3) if a decree or order by a court having jurisdiction will have been entered adjudging any Obligated Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other similar applicable federal or state law, or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Obligated Issuer or of its property, or for the winding up or

liquidation of its affairs, will have been entered, and in any such case such decree or order will have remained in force undischarged and unstayed for a period of ninety (90) days; or

(4) if any Obligated Issuer will institute proceedings to be adjudicated a voluntary bankrupt, or will consent to the institution of a bankruptcy proceeding against it, or will file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or will consent to the filing of any such petition, or will consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or will make an assignment for the benefit of creditors, or will admit in writing its inability to pay its debts generally as they become due, or corporate action will be taken by any Obligated Issuer in furtherance of any of the aforesaid purposes pursuant to a resolution of its Board.

(b) Upon the occurrence of an Event of Default, then and in each and every such case, the Master Trustee may and, if requested by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of all Obligations then Outstanding, the Master Trustee will, by notice in writing to the members of the Obligated Group and to the Holders of all Obligations then outstanding declare the principal of all (but not less than all) Outstanding Obligations to be due and payable immediately, and upon such declaration the same will become and will be immediately due and payable, anything in the Master Trust Indenture or in such Outstanding Obligations contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of all Outstanding Obligations will have been so declared due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered as hereinafter provided: (i) the members of the Obligated Group will deposit with the Master Trustee a sum sufficient to pay (A) all matured installments of interest upon all Notes and the principal and premium, if any, of all such Notes that will have come due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due on any such Guaranty other than by reason of acceleration and (C) the expenses and fees of the Master Trustee, its agents, attorneys and counsel; and (ii) any and all Events of Default under the Master Trust Indenture, other than the nonpayment of principal of and accrued interest on Outstanding Obligations that will have become due by acceleration, will have been remedied, then and in every such case, the Master Trustee may and, if requested by the Holders of a majority in aggregate principal amount of all Obligations then Outstanding, will waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment will extend to or affect any subsequent Event of Default.

(c) For purposes of requests by Holders of Obligations under the Section 7.1, (i) Authenticated Hedges will not be deemed to be Obligations, (ii) Notes will be deemed to be Obligations to the extent of the unpaid principal amount thereof and (iii) Guarantees will be deemed to be Obligations to the extent of the amount then payable thereunder (provided, however, that amounts will not be deemed to be payable under a Guaranty to the extent that such amounts are then simultaneously payable by any Obligated Issuer under a Note or other Obligation the payment of which such Guaranty was intended to secure). (Section 7.1)

Payment of Obligations on Default.

Upon the Occurrence of an Event of Default as described in Section 7.1 thereof (except as otherwise provided therein) and upon demand of the Master Trustee, the Obligated Issuers will pay to the Master Trustee (and each Obligated Issuer will be jointly and severally liable for such payment), for the benefit of the Holders of all Obligations then Outstanding, (i) the whole amount that then will have become due

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and payable on all such Obligations for principal or interest or both, and such other amounts as may be required to be paid on all such Obligations, with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as provided in the applicable Supplemental Indenture, and (ii) such further amount as will be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its negligence or willful misconduct. (Section 7.2)

Suit for Moneys Due.

In case any Obligated Issuer will fail forthwith to pay the amounts due under Section 7.2 thereof upon such demand, the Master Trustee, in its own name and as trustee of an express trust, will be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid (including, but not limited to, foreclosure of any mortgages), and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against each Obligated Issuer and/or any mortgaged property, and collect in the manner provided by law out of the property of each Obligated Issuer, wherever situated, the moneys adjudged or decreed to be payable. (Section 7.3)

Proceedings in Bankruptcy.

In case there will be pending proceedings for bankruptcy or for the reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other applicable law relative to any member of the Obligated Group, its creditors or its property, or in case a receiver or trustee will have been appointed for its property, the Master Trustee, irrespective of whether the principal of Notes of any series will then be due and payable as therein expressed or any amount in respect of any Guaranty is then payable or by declaration or otherwise and irrespective of whether the Master Trustee will have made any demand pursuant to the provisions of Section 7.2 thereof, will be entitled and empowered by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Notes of all series and amounts owing and unpaid in respect of Guarantees and, in case of any judicial proceedings, the Master Trustee will be entitled and empowered to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such member of the Obligated Group, its creditors or its property, and collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of such Holders to make such payments to the Master Trustee, and, in the event that the Master Trustee will consent to the making of such payments directly to such Holders, to pay to the Master Trustee any amount due it for compensation and expenses, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees and expenses out of the estate in any such proceedings will be denied for any reason, payment of the same will be secured by a Lien on, and will be paid out of, any distributions, dividends, moneys, securities and other property which the Holders of the Obligations may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise. (Section 7.4)

Suit by Master Trustee.

All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation in any trial or other proceedings instituted by the Master Trustee. In any proceedings brought by the Master Trustee (and also any proceedings involving

the interpretation of any provision of the Master Trust Indenture to which the Master Trustee will be a party) the Master Trustee will be held to represent all the Holders of Obligations, and it will not be necessary to make any Holders of Obligations parties to such proceedings. (Section 7.5)

Application of Moneys Collected.

Any amounts collected by the Master Trustee pursuant to Sections 7.2, 7.3 and 7.4 thereof and all moneys on deposit in the Revenue Fund will be applied, for the equal and ratable benefit of the Holders of Obligations, in the order following, at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(1) to the payment of costs and expenses of collection, including fees and expenses of counsel and reasonable compensation to the Master Trustee (subject to the other provisions of the Master Trust Indenture regarding compensation and expenses of the Master Trustee); and

(2) whether or not the principal of all Outstanding Notes and amounts under all Guarantees will have become or have been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due or overdue on any Obligations and, if the amount available will not be sufficient to pay in full any installment or installments then due or overdue, then to the payment thereof ratably, according to the amounts then due or overdue, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal installments then due or overdue, whether at maturity or by call for redemption or acceleration, on any Obligations and, if the amounts available will not be sufficient to pay in full all principal installments then due or overdue, then to the payment thereof ratably, according to the amounts of principal installments then due or overdue, without any discrimination or preference; and

THIRD: To the payment to the Persons entitled thereto of any additional amounts due and unpaid in respect of Obligations, in the order of the due dates of such amounts, and if the moneys available therefor will not be sufficient to pay in full any such additional amounts due on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference;

provided that for the purpose of determining the amount of unpaid principal in respect of any such Obligation, there will be principal deducted in the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any fund established pursuant to any Related Financing Documents for such Obligation (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligation) as of the date of payment by the Master Trustee pursuant to the subsection (2) all as certified to the Master Trustee by the Holder; and

(3) to the payment of the remainder, if any, to the members the Obligated Group, their successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. (Section 7.6)

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Actions by Holders.

(a) No Holder of an Obligation will have any right by virtue of or by availing of any provision of the Master Trust Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Trust Indenture or for the appointment of receiver or trustee, or any other remedy hereunder, unless the Holders of not less than twenty-five percent (25%) aggregate principal amount of Obligations then Outstanding will have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee hereunder and have offered to the Master Trustee such indemnity as it may reasonably require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for thirty (30) days after its receipt of such notice, request and offer of indemnity, will have neglected or refused to institute any such action, suit, or proceeding and no direction inconsistent with such written request will have been given to the Master Trustee pursuant to Section 7.8 thereof; it being understood and intended and being expressly covenanted by each and every Holder of an Obligation and the Master Trustee, that no one or more Holders of Obligations will have any right in any manner whatever by virtue of or by availing of any provision of the Master Trust Indenture to affect, disturb or prejudice rights of any other Holder of an Obligation or to obtain priority over or preference to any other or to enforce any right under the Master Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of the provisions of the Section 7.7, each and every Holder of an Obligation and the Master Trustee will be entitled to such relief as can be given either at law or in equity.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions of the Section 7.7 will be entitled in such suit, action or proceeding to such amounts as will be sufficient to cover the costs and expenses of collection, including, to the extent permitted by applicable law, a reasonable compensation to its attorneys.

(c) Notwithstanding any other provision of the Master Trust Indenture, the right of a Holder of an Obligation to receive payment thereunder, on or after the respective due dates expressed in such Note or Guaranty, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder.

(d) Notwithstanding any provision thereof to the contrary, upon the occurrence of an Event of Default hereunder and the giving of notice of such Event of Default to the Holders of Outstanding Obligations, any moneys collected through the exercise of rights and remedies of any Holder against any Obligated Issuer pursuant to any Related Financing Documents for an Obligation (other than rights and remedies with respect to any funds and accounts established under such Related Financing Documents) will be paid over to the Master Trustee or, with the consent of the Holder, collected directly by the Master Trustee.

For the purposes of requests by the Holders of Outstanding Obligations under the Section 7.7, Obligations will be counted in the manner set forth in Section 7.1(c) thereof. (Section 7.7)

Direction of Proceedings by Holders.

The Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations then Outstanding will have the right 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 on the Master Trustee; provided, however, that, subject to Section 8.2 thereof, the Master Trustee will have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith will, by a responsible

officer or officers of the Master Trustee, determine that the proceedings so directed may be illegal or may subject it to personal liability, and provided further that nothing in the Master Trust Indenture will impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

For the purposes of requests by the Holders of Outstanding Obligations under the Section 7.8, Obligations will be counted in the manner set forth in Section 7.1(c) thereof. (Section 7.8)

Delay or Omission of Master Trustee.

No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default, occurring and continuing as aforesaid, will impair any such right or power, or will be construed to be a waiver of any such Event of Default or an acquiescence therein, nor will the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or impair any right resulting therefrom; and every power and remedy given by the Master Trust Indenture to the Master Trustee or to such Holders may be exercised from time to time and as often as may be deemed expedient by it or by them. (Section 7.9)

Remedies Cumulative.

No remedy herein conferred upon or reserved to the Master Trustee or the Holders of Obligations entitled to the benefits thereof is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative, and will be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute; and the employment of any remedy hereunder, or otherwise, will not prevent the concurrent employment of any other appropriate remedy or remedies. In the pursuit of any such remedies the Master Trustee will have and be vested with the rights of a secured creditor under the UCC, as in effect in each applicable jurisdiction (or similar laws as applicable) with respect to the Revenue Fund, the Collateral and any mortgages, and will have the power to foreclose any Lien which may be granted to it as Master Trustee pursuant to the terms of any Supplemental Indenture, all to the extent permitted by law. (Section 7.10)

Notice of Default.

The Master Trustee will not be required to take notice or be deemed to have notice of any Event of Default, except failure to cause to be made any of the payments required to be made to the Master Trustee, unless the Master Trustee will be specifically notified in writing by the Obligated Issuer or by the Holders of at least 25% in aggregate principal amount of the Obligations, and in the absence of such notice the Master Trustee may conclusively assume no default exists. The Master Trustee will, within ten (10) days after the responsible corporate trust officer having knowledge of an Event of Default or its receipt of notice thereof as described herein, mail to all Holders of Obligations, as the names and addresses of such Holders appear upon the books maintained pursuant to Articles Two and Three thereof, notice of such Event of Default, unless such Event of Default will have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on or other amounts payable under any of the Notes or Guarantees and the Events of Default specified in subsections (a)(4) and (a)(5) of Section 7.1 thereof, the Master Trustee will be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of the Obligations. If required under the terms of any Supplemental Indenture, the Master Trustee will also cause such notice to be published in the manner and at the times specified therein. (Section 7.11)

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CONCERNING THE MASTER TRUSTEE

Duties and Liabilities of Master Trustee.

(a) The Master Trustee, prior to the occurrence of an Event Of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Trust Indenture. In case such an Event of Default has occurred (which has not been cured or waived) the Master Trustee will exercise such of the rights and powers vested in it by the Master Trust Indenture and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provision of the Master Trust Indenture will be construed to relieve the Master Trustee from liability for its negligence or willful misconduct; provided, however, that:

(1) the Master Trustee will not be liable for any error of judgment made in good faith by the Master Trustee, unless it will be adjudicated that the Master Trustee was negligent in ascertaining the pertinent facts; and

(2) the Master Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of Obligations then outstanding relating to 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 Trust Indenture.

(c) None of the provisions contained in the Master Trust Indenture will require the Master Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if adequate indemnity against such risk or liability has not been provided to it.

(d) The Master Trustee will have no responsibility for the calculation, collection or payment pursuant to Code of any rebate to the United States of America of arbitrage earnings on proceeds of bonds issued pursuant to any Related Financing Documents. The Obligated Issuers agree to perform or cause to be performed such calculation, collection and payment in accordance with the requirements of the Code, and hereby indemnify and hold harmless the Master Trustee from any liability arising out of the nonperformance by the Obligated Issuers of such requirements under the Code. The provisions of the section will survive the termination of the Master Trust Indenture and the removal or resignation of the Master Trustee. (Section 8.1)

Master Trustee May Own Notes.

The Master Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Master Trustee hereunder. (Section 8.4)

Compensation and Expenses of Master Trustee.

Each Obligated Issuer will pay to the Master Trustee from time to time, and the Master Trustee will be entitled to the compensation and expenses provided for in the fee letter from the Master Trustee to the Institution, and each Obligated Issuer will pay or reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in connection with the acceptance or administration of its trusts under the Master Trust Indenture (including the

reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may be finally determined to have been primarily caused by the Master Trustee's negligence or willful misconduct. (Section 8.5)

Resignation, Removal and Successor Master Trustee.

The Master Trustee may resign at any time without cause by giving at least thirty (30) days' prior written notice to the members of the Obligated Group by mailing notice of such resignation to each Holder of an Obligation then Outstanding, as the names and addresses of such Holders appear on the register maintained pursuant to Articles Two and Three thereof, such resignation to be effective upon the acceptance of the duties and responsibilities of the Master Trustee hereunder by a successor. In addition, the Master Trustee may be removed with cause: (i) at the direction of the Holders of not less than fifty percent (50%) in aggregate principal amount of Obligations then Outstanding, delivered to the members of the Obligated Group and the Master Trustee, or (ii) at the direction of the Obligated Group, such direction to be evidenced by a certified resolution specifying the cause for such removal adopted by the Board of each member of the Obligated Group and delivered to the Master Trustee. The Master Trustee will promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then Outstanding as provided above. In the case of the resignation of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group. In the case of the removal of the Master Trustee by the Obligated Group, such successor may be appointed by the Obligated Group, and in the case of the removal of the Master Trustee by the Holders, such successor may be appointed at the direction of the Holders of not less than fifty percent (50%) in aggregate principal amount of Obligations then Outstanding. If a successor Master Trustee will not have been appointed within thirty (30) days after such notice of resignation or removal, the Master Trustee, any Obligated Issuer or any Holder of an Obligation then Outstanding may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor will 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.

For the purposes of directions of Holders of Obligations under the Section 8.7, Obligations will be counted in the manner set forth in Section 7.1(c) thereof. (Section 8.7)

Acceptance by Successor Master Trustee.

Any successor Master Trustee, however appointed, will execute and deliver to its predecessor and to the Obligated Issuers an instrument accepting such appointment, and thereupon such successor, without further act, will become vested with all the estates, properties, rights, powers and duties of its predecessor hereunder in the trusts under the Master Trust Indenture applicable to it with like effect as if originally named the Master Trustee; but, nevertheless, upon the written request of such successor Master Trustee, its predecessor will execute and deliver an instrument transferring to such successor Master Trustee, upon the trusts herein expressed applicable to it, all the estates, properties, rights and powers of such predecessor under the Master Trust Indenture, and such predecessor will duly assign, transfer, deliver and pay over to such successor Master Trustee all moneys or other property then held by such predecessor under the Master Trust Indenture except as to the rights and claims of such predecessor with respect to its fees, expenses and indemnification which will survive with the predecessor. (Section 8.8)

Qualifications of Successor Master Trustee.

Any successor Master Trustee, however appointed, will be a bank or trust company having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally

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qualified to perform the duties of the Master Trustee hereunder upon reasonable or customary terms. (Section 8.9)

Successor by Merger.

Any corporation or association into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Master Trustee will be a party, or any corporation or association to which substantially all the corporate trust business of the Master Trustee may be transferred, sold or otherwise will, subject to the terms of Section 8.9 thereof, be the Master Trustee under the Master Trust Indenture without further act. (Section 8.10)

Co-Master Trustees.

(a) At any time, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Master Trustee will have power to appoint one or more Persons not unsatisfactory to the Obligated Issuers to act as co-Master Trustee under the Master Trust Indenture, with such powers as may be provided in the instrument of appointment, and to vest in such person or persons any property, title, right or power deemed necessary or desirable, subject to the provisions of the Section 8.11.

(b) Each co-Master Trustee will, to the extent permitted by applicable law, be appointed subject to the following terms:

(1) the rights, powers, duties and obligations conferred or imposed upon any such co-Master Trustee will not be greater than those conferred or imposed upon the Master Trustee, and such rights and powers will be exercisable only jointly with the Master Trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee will be incompetent or unqualified to perform such act or acts, in which event such rights and powers will be exercised by such co-Master Trustee subject to the provisions of subsection (b) (4) of the Section 8.11.

(2) the Master Trustee may at any time, by an instrument in writing executed by it, accept the resignation of or remove any co-Master Trustee appointed under the Section 8.11.

(3) no co-Master Trustee under the Master Trust Indenture will be liable by reason of any act or omission of the Master Trustee or any other co-Master Trustee appointed under the Master Trust Indenture.

(4) no power given to such co-Master Trustee will be separately exercised hereunder by such co-Master Trustee except with the consent in writing of the Master Trustee, anything herein contained to the contrary notwithstanding. (Section 8.11)

SUPPLEMENTS AND AMENDMENTS

Supplemental Indentures without Consent of Noteholders.

(a) The Master Trust Indenture may be amended or supplemented without the consent of the Holders of Outstanding Obligations for one or more of the following purposes:

(1) to provide for the issuance of any Obligations hereunder;

(2) to evidence the succession of another Person to any Obligated Issuer, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of any Obligated Issuer pursuant to the Master Trust Indenture;

(3) to add further covenants, restrictions, security or conditions for the protection of the Holders of Obligations issued hereunder, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in the Master Trust Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition, such Supplemental Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;

(4) to cure any ambiguity or to correct or supplement any provision contained herein or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained herein or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Master Trust Indenture or any Supplemental Indenture as will not be inconsistent with the Master Trust Indenture or any Supplemental Indenture and will not impair the security of the Master Trust Indenture or adversely affect the interests of the Holders of any particular Notes or series of Notes or of any Guaranty issued hereunder;

(5) to modify or supplement the Master Trust Indenture in such manner as may be necessary or appropriate to qualify the Master Trust Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute hereafter enacted;

(6) to provide for the establishment of additional funds and accounts hereunder and for the proper administration of and transfers of moneys between any such funds and accounts, provided that, except as otherwise provided in Section 5.2 and Article Eleven thereof, all such funds and accounts will be established for the equal and ratable benefit of the Holders of all Outstanding Obligations;

(7) to permit the issuance of Obligations not evidenced by physical certificates;

(8) to permit the Master Trustee to comply with any duties imposed upon it by law;

(9) to achieve compliance of the Master Trust Indenture with any applicable federal securities or tax law;

(10) to provide for the authentication of an Interest Rate Hedge as an Obligation hereunder in accordance with Section 5.1(b) thereof and to make such supplements or amendments to the provisions thereof as are necessary in connection therewith and not inconsistent; and

(11) to add a new Member of the Obligated Group.

(b) The Master Trustee is hereby authorized to join in the execution of any such Supplemental Master Trust Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, mortgage, pledge or assignment of any

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property thereunder, but the Master Trustee will not be obligated to enter into any such Supplemental Indenture that affects the Master Trustee's rights, duties or immunities under the Master Trust Indenture.

(c) Any Supplemental Indenture authorized by the provisions of the Section 9.1 will be executed by each Obligated Issuer and by the Master Trustee. (Section 9.1)

Modification of Master Trust Indenture with Consent of Holders.

(a) With the written consent of the Holders of a majority in aggregate principal amount of Obligations then Outstanding, the Master Trust Indenture may be amended or supplemented for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Master Trust Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, (i) no amendment will be made which adversely affects Obligations without the consent of the Holders of at least fifty-one percent (51%) in aggregate principal amount of Obligations then Outstanding so affected, and (ii) without the Consent of the Holders of all Obligations then Outstanding which would be adversely affected thereby, no such Supplemental Indenture will effect a change in the times, amounts or currency of payment of the principal of and, premium, if any, or interest on any Note or any Guaranty or a reduction in the principal amount or redemption price of any Note or the rate of interest thereon.

(b) With the written consent of 100% of the Holders of Obligations then Outstanding, the Master Trust Indenture may be amended or supplemented for the purpose of (A) reducing the aforesaid percentage of Obligations, the Holders of which are required to consent to any such Supplemental Indenture, or (B) permit the preference or priority of any Note or Notes or Guaranty over any other Note or Notes or Guaranty.

(c) During any period in which an Event of Default has occurred or is continuing, the Master Trust Indenture may be amended with the written consent of the Holders of Outstanding Obligations of not less than 80% of the principal amount of the Outstanding Obligations to (i) modify the Obligation maturities and (i) reduce the amount of principal of, interest on or redemption price of the Obligations.

(d) Upon the filing with the Master Trustee of evidence of the consent of Holders as aforesaid, the Master Trustee will join in the execution of such Supplemental Indenture unless such Supplemental Indenture affects the Master Trustee's own rights, duties or immunities under the Master Trust Indenture, in which case the Master Trustee may in its discretion, but will not be obligated, to enter into such Supplemental Indenture. Any such Supplemental Indenture will be executed by the Master Trustee and by each Obligated Issuer.

(e) It will not be necessary for the consent of the Holders under the Section 9.2 to approve the particular form of any proposed Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

(f) For the purposes of consents by Holders of Obligations hereunder, Obligations will be counted in the manner set forth in Section 7.1(c) thereof. (Section 9.2)

Effect of Supplemental Indenture.

(a) Upon the execution of any Supplemental Indenture pursuant to the provisions of the Article Nine, the Master Trust Indenture will be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under the Master Trust Indenture of the Master Trustee, each Obligated Issuer and the Holders of

Obligations issued hereunder will thereafter be determined, exercised and enforced hereunder subject in all respects to the applicable provisions of the Supplemental Indenture so executed, and all the terms and conditions of any such Supplemental Indenture will be and be deemed to be part of the terms and conditions of the Master Trust Indenture.

(b) The Master Trustee, subject to the provisions of Sections 9.1 and 9.2 thereof, may receive and rely on an opinion of Counsel as conclusive evidence that any such Supplemental Indenture complies with the provisions of the Article Nine. (Section 9.3)

ADDITIONAL OBLIGATED ISSUERS

Additional Obligated Issuers.

(a) If at any time the then existing Obligated Issuers and any other Person will determine that such other Person should become an Obligated Issuer under the Master Trust Indenture, the then existing Obligated Issuers and such other Person may execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such new Obligated Issuer: (i) to become an Obligated Issuer under the Master Trust Indenture and thereby subject to compliance with all provisions of the Master Trust Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and obligations of an Obligated Issuer hereunder; (ii) to be jointly and severally liable for the timely payment of all amounts due and payable under the terms of all Obligations then or thereafter Outstanding hereunder, whenever issued; and (iii) in order to secure its obligations under the Master Trust Indenture, to sell, assign, transfer, set over and pledge over to the Master Trustee and grant to the Master Trustee a security interest in the Collateral and in the Revenue Fund established under the Master Trust Indenture, all moneys and investments therein and all income derived from the investment thereof, to have and to hold in trust for the benefit of the Holders from time to time of all Obligations issued and Outstanding under the Master Trust Indenture, without preference or priority of any one Obligation over any other Obligation, except as otherwise expressly provided in the Master Trust Indenture.

(b) Each instrument executed and delivered to the Master Trustee in accordance with Section 10.1(a) thereof will be accompanied by an opinion of Counsel to the effect that each such instrument has been duly authorized, executed and delivered by each existing Obligated Issuer and by such new Obligated Issuer and constitutes a valid and binding obligation enforceable in accordance with its terms, except as limited by applicable fraudulent conveyance statutes (the potential effects of which will be set forth in reasonable detail), bankruptcy laws, insolvency laws and other laws and equitable principles affecting creditors' rights generally.

(c) It will be a condition precedent to the addition of any Person as an Obligated Issuer that the Master Trustee receive (i) evidence of the satisfaction of any additional conditions specified in each Supplemental Indenture in effect at the time of the transaction and (ii) an opinion of Bond Counsel to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest paid on any bonds which were previously issued pursuant to and are secured by the Related Financing Documents for any Obligations or other Outstanding Indebtedness previously incurred hereunder or any similar Outstanding Indebtedness previously incurred by the new Obligated Issuer, from gross income of the Holders of any such bonds for Federal income taxation purposes or cause the interest on such bonds to be treated as an item of tax preference under Section 57 of the Code, and that such addition of such person as an Obligated Issuer hereunder does not result in an Event of Default hereunder. (Section 10.1)

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Effects of Becoming an Obligated Issuer.

Each new Obligated Issuer pursuant to Section 10.1 thereof will be bound by the provisions of and jointly and severally liable for all Obligations issued under the Master Trust Indenture and each Supplemental Indenture executed or to be executed pursuant to the terms thereof for so long as the Master Trust Indenture and each such Supplemental Indenture remain in effect. (Section 10.2)

SATISFACTION AND DISCHARGE OF MASTER TRUST INDENTURE; RELEASE OF OBLIGATED ISSUERS; UNCLAIMED MONEYS

Satisfaction and Discharge of Master Trust Indenture.

(a) If the Master Trustee receives: (i) an amount which is (A) in the form of (1) cash, (2) Government Obligations, or (3) obligations described in subparagraph (B) or (C) of the definition of Investment Securities, and (B) in a principal amount sufficient, together with the interest thereon and any funds on deposit hereunder and available for such purpose, to provide for the payment of the principal of and premium, if any, and interest on all Outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof; and (ii) irrevocable instructions from the Obligated Group to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; then the Master Trust Indenture will cease to be of further effect, and the Master Trustee, on demand of the members of the Obligated Group, and at the cost and expense of the members of the Obligated Group, will execute all such instruments acknowledging satisfaction of and discharging the Master Trust Indenture as may be requested by the members of Obligated Group. Each Obligated Issuer hereby agrees to reimburse the Master Trustee for any costs or expenses therefor and thereafter reasonably and properly incurred by the Master Trustee in connection with the Master Trust Indenture.

(b) In like manner, the Obligated Issuer of any particular Obligation may provide for the payment thereof (or of a portion thereof) at or prior to maturity and the Obligation (or portion thereof) so provided for will thereupon cease to be Outstanding hereunder. Funds provided for such payment will be held for the sole benefit of the Holder of the Obligation to be paid and applied solely to the payment of such Obligation. No Obligation securing any bond, note or other indebtedness will be deemed defeased until the corresponding bond, note or other indebtedness is deemed defeased in accordance with the appropriate Related Financing Document.

(c) In lieu of the foregoing, the Obligated Issuer of any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, premium, if any, and interest due or to become due in respect of such Obligation and such Obligation will, upon surrender to the Master Trustee for the cancellation, no longer be deemed Outstanding hereunder.

(d) In addition to the foregoing, in the event of the issuance of Substitute Obligations under a Replacement Master Trust Indenture in accordance with Section 11.5 thereof to replace all of the then Outstanding Obligations hereunder, then the Master Trust Indenture will cease to be of further effect, and the Master Trustee, on demand of the members of the Obligated Group, and at the cost and expense of the members of the Obligated Group, will execute all such instruments acknowledging satisfaction of and discharging the Master Trust Indenture as may be requested by the members of the Obligated Group. (Section 11.1)

Release of Obligated Issuers.

Any Obligated Issuer (other than the Institution) may withdraw from the Obligated Group and be released from its obligations hereunder if (i) immediately upon the withdrawal of the Obligated Issuer, no Event of Default will exist hereunder or under the terms of any Supplemental Indenture then in effect as certified to the Trustee in writing by an officer in an Officer's Certificate, (ii) the Master Trustee will have received an opinion of Bond Counsel to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest paid on any bonds which were previously issued pursuant to and are secured by the Related Financing Documents for any Obligations or other Outstanding Indebtedness previously incurred hereunder or any similar Outstanding Indebtedness previously incurred by the new Obligated Issuer, from gross income of the Holders of any such bonds for Federal income taxation purposes or cause the interest on such bonds to be treated as an item of tax preference under Section 57 of the Code, and (iii) the Master Trustee will have received evidence of the satisfaction of any additional conditions imposed under each Supplemental Indenture then in effect with respect to the withdrawal of an Obligated Issuer from the Obligated Group. Upon compliance with the foregoing, the Master Trustee will execute and deliver such instruments as may be necessary or appropriate to effectuate or evidence the release of the Obligated Issuer from its obligations hereunder. Thereafter, such Obligated Issuer will not be bound by or entitled to any benefits under the Master Trust Indenture. (Section 11.2)

Application of Funds Deposited for Payment of Obligations.

All moneys deposited with the Master Trustee pursuant to Section 11.1 or 11.2 thereof will be held in trust and applied by it to the payment, to the Holders of the Notes and Guarantees for the payment or redemption of which such moneys have been deposited with the Master Trustee, of all sums due and to become due thereon for principal and interest and any other amounts. (Section 11.3)

Repayment of Moneys Held By Master Trustee.

To the extent allowed by applicable law, any moneys deposited with the Master Trustee for the payment of the principal of or interest on Notes or Guarantees and not applied but remaining unclaimed by the Holders of such Obligations for one (1) year after the date upon which such payment will have become due, will, to the extent permitted by applicable escheat law, be repaid to the appropriate members of the Obligated Group by the Master Trustee on written demand; and, upon such repayment, the Holder of any of such Obligations entitled to receive such payment will look only to the members of the Obligated Group for the payment thereof; provided that, before being required to make any such repayment, the Master Trustee will notify the Holders of such unpaid Obligations that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the members of the Obligated Group or any member thereof. Any such notice will be given in such manner as may be specified in the applicable Supplemental Indenture, (or if such manner is not so specified, as provided in Section 13.3 thereof) and the cost thereof will be paid by the Obligated Group. (Section 11.4)

Replacement Master Trust Indenture.

Upon written request of an Obligated Issuer and subject to any requirements set forth in any Supplemental Indenture, a Holder (or trustee on behalf of a Holder) will surrender any Obligation to the Master Trustee upon delivery to the Holder (or trustee on behalf of a Holder) of a Substitute Obligation and Replacement Master Trust Indenture executed by or on behalf of the New Group and in compliance with any other requirements set forth in any Supplemental Indenture. (Section 11.5)

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The Obligated Group Representative.

Each document to be executed under and pursuant to the Master Trust Indenture, as may be amended and supplemented from time to time, may be executed solely by the Obligated Group Representative on behalf of the Obligated Group, and each Member of the Obligated Group covenants and agrees that such executions will be binding on such member as if it had executed such document on its own accord. (Section 11.6)

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SUMMARY OF CERTAIN PROVISIONS OF THE SUPPLEMENTAL MASTER INDENTURE

The following is a summary prepared by McCarter & English, LLP, bond counsel, of certain provisions of the Supplemental Master Indenture. This summary does not purport to be complete, and reference is made to the Supplemental Master Indenture for full and complete statements of such and all provisions.

Definition of Terms.

“Bond Trustee” shall mean Wells Fargo Bank, National Association, acting as bond trustee under the Series 2017 Agreement, and its successors and assigns.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement by the Obligated Group, dated as of December 1, 2017, as may be amended and supplemented from time to time.

“Debt Service Coverage Ratio” means, for any period of time, the ratio consisting of a numerator equal to the amount determined by dividing Income Available for Debt Service for that period by the Maximum Annual Debt Service Requirement and a denominator of one; provided, however, that in making such calculation, (a) the principal amount of any Indebtedness included in such calculation shall be excluded to the extent such principal amount is paid from the proceeds of other Indebtedness incurred in accordance with the provisions of the Master Indenture, (b) to the extent a Hedge Agreement has been entered into in connection with any particular Indebtedness, the actual debt service paid after the effect of payments made to or received from the provider of the Hedge Agreement shall be used in the calculation, (c) any Subordinated Indebtedness shall be excluded except when making such calculation for the purpose of determining whether payments on Subordinated Indebtedness can be made pursuant to Section 501(a)(v) of the Series 2017 Agreement and (d) such calculation shall be based on unaudited financial statements (and adjusted retroactively for any material changes reflected in audited financial statements for the fourth quarter of a Fiscal Year) for the four consecutive quarters ending for the period of time tested.

“First Supplemental Indenture” shall mean this First Supplemental Indenture, dated as of December 1, 2017, supplementing the Master Trust Indenture (defined herein), between the Institution, on behalf of itself and any other Member of the Obligated Group, and the Master Trustee, authorizing the Series 2017 Note.

“Hedge Agreements” means, without limitation, (a) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (b) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (c) any contract to exchange cash flows or payments or series of payments; (d) any type of contract called, or designed to perform the function of, interest rate floors, collars, caps, options, puts or calls to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (e) any other type of contract or arrangement that the Members of the Obligated Group determine is to be used, or is intended to be used, to manage or reduce the cost of any bonds issued under a Related Financing Documents, to convert any element of any such bonds from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“Master Trust Indenture” shall mean the Amended and Restated Master Trust Indenture, dated as of December 1, 2017, amending and restating the Master Trust Indenture dated as of December 1, 2007, between the Institution, on behalf of itself and any other Member of the Obligated Group, and the Master

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Trustee, as amended and supplemented from time to time, including as supplemented by this First Supplemental Indenture.

“Master Trustee” shall mean Wells Fargo Bank, National Association, acting as master trustee under the Master Trust Indenture, and all successors and assigns.

“Mortgage” shall mean the Mortgage, Security Agreement and Fixture Filing, dated as of December 1, 2007, between the Institution and the Master Trustee, as amended and supplemented.

“Series 2017 Agreement” shall mean the Loan and Trust Agreement, dated as of December 1, 2017, among the Institution, the Massachusetts Development Finance Agency, as Issuer (the “Issuer”), and the Bond Trustee, relating to the Series 2017 Bonds, as amended and supplemented.

“Series 2017 Bonds” shall have the meaning set forth in the Series 2017 Agreement.

“Series 2017 Note” shall mean the Series 2017 Note dated December __, 2017. (Section 1.1)

Relationship to Master Trust Indenture and Additional Supplemental Indentures.

The First Supplemental Indenture is being executed and delivered pursuant to Article Nine of the Master Trust Indenture. The Master Trust Indenture and the First Supplemental Indenture will be read, taken, and construed as one and the same instrument. However, in the event of a conflict or difference between the provisions of the Master Trust Indenture and the First Supplemental Indenture, the provisions of the First Supplemental Indenture will control. The provisions thereof will remain in effect and will be deemed a part of the Master Trust Indenture for so long as the Series 2017 Note remains Outstanding. Except as amended and supplemented hereby, the provisions of the Master Trust Indenture will remain in full force and effect.

Additional Supplemental Indentures may be executed and delivered in accordance with the provisions of the Master Trust Indenture. Nothing herein contained will be deemed to relieve the Obligated Issuers from their respective obligations under any such Supplemental Indenture for so long as it remains in effect and, except as expressly provided in Article Eleven of the Master Trust Indenture, no provisions of any such Supplemental Indenture will be deemed to relieve the Obligated Issuers from their respective obligations under the First Supplemental Indenture for so long as it remains in effect. (Section 1.2)

Amendment to Article Ten of the Master Trust Indenture. Article Ten of the Master Trust Indenture is amended to add the following Section 10.3 regarding entrance into the Obligated Group.

10.3 Entrance into the Obligated Group.

Any Person may become a Member of the Obligated Group if:

- (a) Such Person is a corporation or other legal entity;
- (b) Such Person shall execute and deliver to the Master Trustee a Supplemental Indenture acceptable to the Master Trustee which shall be executed by the Master Trustee and the Obligated Group Representative on behalf of each then current Member of the Obligated Group, containing the agreement of such Person (i) to become a Member of the Obligated Group and thereby to become subject to compliance with all provisions of the Master Indenture, and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a Member of the Obligated Group pursuant to the terms and

conditions of Article Eleven of the Master Indenture) to jointly and severally make payments upon each Obligation at the times and in the amounts provided in each such Obligation;

(c) The Obligated Group Representative shall have approved the admission of such Person into the Obligated Group;

(d) The Master Trustee shall have received (i) an Officer's Certificate which demonstrates that, immediately upon such Person becoming a Member of the Obligated Group, the Members would not, as a result of such transaction, be in default in the performance or observance of any covenant or condition to be performed or observed by them hereunder, (ii) an opinion of Counsel to the effect that (x) the instrument described in paragraph (b) above has been duly authorized, executed and delivered and constitutes a legal, valid and binding agreement of such Person, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity and to such other exceptions as are not reasonably objected to by the Master Trustee and (y) the addition of such Person to the Obligated Group will not adversely affect the status as a tax-exempt organization of any Member which otherwise has such status, and (iii) an opinion of Bond Counsel to the effect that, under then existing law, the consummation of such transaction will not adversely affect the validity of any bonds issued under a Related Financing Document or any exemption from federal or state income taxation of interest payable on such bonds to which such bonds would otherwise be entitled; and

(e) The Obligated Group shall have delivered an Officer's Certificate to the Master Trustee demonstrating that after giving effect to the proposed addition the Debt Service Coverage Ratio for the immediately preceding Fiscal Year was not less than 1.20.

Each successor, assignee, surviving, resulting or transferee corporation or other legal entity of a Member must agree to become, and satisfy the above-described conditions to becoming, a Member of the Obligated Group prior to any such succession, assignment or other change in such Member's corporate status. (Section 2.1)

Amendment to Article Eleven of the Master Trust Indenture. Article Eleven of the Master Trust Indenture is amended to add the following Section 11.7 regarding to cessation of status as a Member of the Obligated Group.

11.7 Cessation of Status as a Member of the Obligated Group.

The Institution shall not withdraw from or cease to be a Member of the Obligated Group. Each Member covenants that it will not take any action, corporate or otherwise, which would cause it or any successor thereto into which it is merged or consolidated under the terms of the Master Indenture to cease to be a Member of the Obligated Group unless:

(a) if the Member proposing to withdraw from the Obligated Group is a party to any Related Financing Documents with respect to bonds which remain outstanding, another Member of the Obligated Group has issued an Obligation hereunder evidencing or assuming the obligation of the Obligated Group in respect of such bonds;

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- (b) prior to cessation of such status, there is delivered to the Master Trustee an opinion of Bond Counsel to the effect that, under then existing law, the cessation by the Member of its status as a Member will not adversely affect the validity of any related bond or any exemption from federal or state income taxation of interest payable on such related bond to which such bond would otherwise be entitled;
- (c) immediately after such cessation, no Event of Default exists hereunder and no event shall have occurred which with the passage of time or the giving of notice, or both, would become such an Event of Default, as certified to the Trustee in writing by an officer in an Officer's Certificate;
- (d) prior to such cessation there is delivered to the Master Trustee an opinion of Counsel to the effect that the cessation by such Member of its status as a Member will not adversely affect the status as a tax-exempt organization of any Member which otherwise has such status;
- (e) prior to such cessation the Obligated Group shall have delivered an Officer's Certificate to the Master Trustee demonstrating that after giving effect to the proposed cessation the Debt Service Coverage Ratio for the immediately preceding Fiscal Year was not less than 1.20.; and
- (f) prior to the cessation of such status, the Obligated Group Representative consents in writing to the withdrawal of such Member. (Section 2.2)

The Series 2017 Note

Issuance of Series 2017 Note and Terms Thereof. The Series 2017 Note is authorized to be issued in the principal amount of \$[_____]. The Series 2017 Note will be issued by the Institution, on behalf of itself and the other Obligated Issuers, will be designated as NewBridge on the Charles, Inc., Promissory Note, Series 2017, and will be issued in favor of the Master Trustee. The net proceeds of the Series 2017 Note are authorized to be applied in accordance with the applicable provisions of the Related Financing Documents for such Series 2017 Note. The Series 2017 Note will be entitled to the benefits and security of the Master Trust Indenture and the First Supplemental Indenture. (Section 3.1)

Payments Under Series 2017 Note. All payments under the Series 2017 Note will be made on the dates and in the amounts therein set forth directly to the Holder thereof, provided that, if an Event of Default has occurred and continues to exist under Section 7.1(a)(1), (3), (4) or (5) of the Master Trust Indenture, all payments in respect of the principal or redemption price of and interest on the Series 2017 Note will instead be made to the Master Trustee for deposit into the Revenue Fund established under the Master Trust Indenture on or before the last Business Day preceding the due dates thereof. (Section 3.2)

Lien of Security. The Master Trustee will take all actions necessary to perfect and to preserve the first priority lien of security interest granted by the Master Trust Indenture for the benefit of the Holder of all of the Obligations. The Institution will perform or cause to be performed any such acts and will execute and will cause to be executed any and all further instruments as may be required by law or will reasonably be requested by the Issuer, the Master Trustee, and the Holder of any of the Obligations, for such protection of the Master Trustee and the Holders of the Obligations. The Master Trustee will make such recordings, registration, filing and refiling of such instruments and of every additional instrument in such place or places that will be necessary to preserve the perfection of such security until all of the Obligations will have been paid and performed and deliver evidence of same to the Holders of all Obligations. The Institution acknowledges that, pursuant to Section 5.4 of the Master Trust Indenture, it

and each other Obligated Issuer has authorized the Master Trustee to file such financing statements, continuation statements and other instruments and documents under the UCC as the Master Trustee may deem necessary for the purpose of perfecting or continuing the perfection of the security interest granted in the Master Trust Indenture and will pay the costs of filing such financing statements, continuation statements and other instruments and documents in such public offices as the Master Trustee will designate. (Section 3.3)

Additional Provisions Relating To Series 2017 Agreement

Additional Rights of Bond Trustee; Bond Trustee Deemed Holder of 2017 Note. The Bond Trustee will, on behalf of the Bondholders, for all purposes of (i) directing the Master Trustee to take actions following an Event of Default under the Master Indenture and (ii) granting any consents or approval or taking any action permitted or required under the Master Indenture to be granted or taken by the Holder of the 2017 Note, be deemed to be the Holder of one hundred (100%) of the aggregate principal amount of the 2017 Note issued pursuant to the Master Indenture. (Section 4.1)

Consent of Bond Trustee. Notwithstanding anything to the contrary in the Master Trust Indenture or the First Supplemental Indenture, for so long as the Series 2017 Note is Outstanding, the written consent of the Bond Trustee, on behalf of the Bondholders, will be required for any amendment and supplement to the Master Trust Indenture contemplated by Sections 9.1 and 9.2 of the Master Trust Indenture. (Section 4.2)

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SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a summary prepared by McCarter & English, LLP, bond counsel, of certain provisions of the Agreement. This summary does not purport to be complete, and reference is made to the Agreement for full and complete statements of such and all provisions.

The Agreement provides for the following transactions: (i) the Agency's issue of the Bonds; (ii) the Agency's loan of the proceeds of the Bonds to the Institution for the purpose of financing and refinancing the Project; (iii) the Institution's repayment of the loan from the Agency through payment to the Trustee of all amounts necessary to pay the Bonds; (iv) the Institution's delivery to the Trustee, in Trust for the benefit of the Bondowners, of an Obligation issued under the Master Indenture, and as further supplemented and amended by the First Supplemental Indenture for the Note and (v) the Agency's assignment to the Trustee in trust for the benefit and security of the Bondowners of the Agency's rights under the Agreement and the Revenues to be received under the Agreement and the rights to receive the same.

The Assignment and Pledge of Revenues; Funds.

The Agency directs the Trustee to receive and hold the Note in trust upon the terms of the Agreement. The Agency assigns and pledges to the Trustee in trust upon the terms of the Agreement (a) all Revenues to be received from the Institution or derived from any security provided under the Agreement, (b) all rights to receive such Revenues and the proceeds of such rights, (c) all funds and investments held from time to time in the funds established under the Agreement and (d) all of its right, title and interest in the Agreement, including enforcement rights and remedies but excluding certain rights of indemnification and to reimbursement of certain expenses as set forth in the Agreement. This assignment and pledge does not include: (i) the rights of the Agency pursuant to provisions for consent, concurrence, approval or other action by the Agency, notice to the Agency or the filing of reports, certificates or other documents with the Agency, (ii) the right of the Agency to any payment or reimbursement as set forth in the Agreement, or (iii) the powers of the Agency as stated in the Agreement to enforce the rights set forth in (i) and (ii) above. As additional security for its obligations to make payments to the Debt Service Fund, the Redemption Fund, the Debt Service Reserve Fund and the Rebate Fund, and for its other payment obligations under the Agreement, the Institution grants to the Trustee a security interest in its interest in the moneys and other investments and any proceeds thereof held from time to time in such funds and accounts established under the Agreement, other than the Rebate Fund. (Section 201)

Defeasance.

When there are in the Debt Service Fund and Redemption Fund sufficient funds, or non-callable Government or Equivalent Obligations described in clause (i), (ii) or (iv) of the definition thereof in such principal amounts, bearing interest at such rates and with such maturities as will provide sufficient funds, without further reinvestment, to pay or redeem the Bonds in full, and when all the rights hereunder of the Agency and the Trustee have been provided for, upon written notice from the Institution to the Agency and the Trustee, the Bondowners shall cease to be entitled to any benefit or security under the Agreement except the right to receive payment of the funds deposited and held for payment and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof (including obligations of the Institution under Sections 306 and 1002), the security interests created by the Agreement (except in such funds and investments) shall terminate, and the Agency and the Trustee shall execute and deliver such instruments as may be necessary to discharge the lien and security interests

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created hereunder; provided, however, that if any such Bonds are to be redeemed prior to the maturity thereof, the Agency shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Agreement or irrevocable written instructions so to mail shall have been given to the Trustee. Upon such defeasance, the funds and investments required to pay or redeem the Bonds in full shall be irrevocably set aside for that purpose, subject, however, to Section 314 thereof, and moneys held for defeasance shall be invested only as provided above in this section. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds in full shall, after satisfaction of all the rights of the Agency and the Trustee and after allowance for payment into the Rebate Fund, be distributed to the Institution upon such indemnification, if any, as the Agency or the Trustee may reasonably require. (Section 203)

Establishment of Funds.

The following funds have been established and shall be maintained with the Trustee for the account of the Institution, to be held in trust by the Trustee and applied subject to the provisions of the Agreement:

Debt Service Fund;
Debt Service Reserve Fund;
Redemption Fund;
Rebate Fund; and
Expense Fund.

(Sections 303, 304, 305, 306 and 307)

Debt Service Fund.

A Debt Service Fund is established with the Trustee and moneys will be deposited therein as provided in the Agreement. The moneys in the Debt Service Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided, shall be applied solely to the payment of the principal (including sinking fund installments, if any), redemption premium, if any, and interest on the Bonds. Promptly after October 1 of each Bond Year, if the amount deposited by the Institution in the Debt Service Fund during the preceding Bond Year pursuant to Section 310 was in excess of the amount required to be so deposited, the Trustee shall transfer such excess to the Institution upon written request of the Institution unless there is then an Event of Default known to the Trustee with respect to payments to the Debt Service Fund or Rebate Fund or to the Trustee or the Agency, in which case the excess shall be applied to such payments. (Section 303)

Debt Service Reserve Fund.

(a) A Debt Service Reserve Fund is established with the Trustee and moneys will be deposited therein as provided in the Agreement. The moneys in the Debt Service Reserve Fund and any investments held as a part of such Debt Service Reserve Fund shall be held in trust and, except as otherwise provided, will be applied by the Trustee on behalf of the Agency solely to the payment of the principal (including sinking fund installments) of and interest on the Bonds.

(b) If on any date the amount in the Rebate Fund is less than the amount then required by Section 306 of the Agreement, the Trustee will apply the amount in the Debt Service Reserve Fund to the extent necessary to meet the deficiency. If on any date the amount in the Debt Service Fund is less than the amount then required to be transferred to the Paying Agent to pay the principal (including sinking fund installments) and interest then due on the Bonds, the Trustee, after making all payments to the

Rebate Fund required, will apply the amount in the Debt Service Reserve Fund to the extent necessary to meet the deficiency. The Institution will remain liable for any required sums which it has not paid to the Rebate Fund or Debt Service Fund and any subsequent payment thereof shall be used to restore the funds so applied.

(c) If the amount in the Debt Service Reserve Fund on April 1 or October 1 of any year (less any payment made therefrom on that day pursuant to Subsection 304(b) of the Agreement) exceeds the Debt Service Reserve Fund Requirement, the Trustee, upon written request of the Institution, will transfer the excess to the Debt Service Fund to be credited against payments otherwise required to be made thereto.

(d) If and to the extent that the amount in the Debt Service Reserve Fund on April 1 or October 1 of any year is less than the Debt Service Reserve Fund Requirement, the Institution will on or before the next March 15 or September 15, respectively, pay to the Trustee for deposit in the Debt Service Reserve Fund the amount of the deficiency.

(e) Investments in the Debt Service Reserve Fund will be valued at market, plus accrued interest where applicable. Earnings to be transferred to the Debt Service Fund pursuant to Subsection 312(b) of the Agreement will not be included in the valuation of the Debt Service Reserve Fund. (Section 304)

Redemption Fund.

(a) A Redemption Fund is established with the Trustee and moneys will be deposited therein as provided in the Agreement. The moneys in the Redemption Fund and any investments held as a part of such Fund shall be held in trust and, except as otherwise provided, will be applied by the Trustee on behalf of the Agency solely to the redemption of Bonds. The Trustee, upon written direction of the Institution for specific purchases, will apply moneys in the Redemption Fund to the purchase of Bonds for cancellation at prices not exceeding the price at which they are then redeemable (or next redeemable if they are not then redeemable), but not within the forty-five (45) days preceding a redemption date.

(b) If on any date the amount in the Debt Service Fund is less than the amount then required to be applied by the Trustee to pay the principal (including sinking fund installments, if any) and interest then due on the Bonds or if on any date the amount in the Rebate Fund is less than the amount then required to be paid to the United States as provided in Subsection 306(a) of the Agreement, the Trustee will apply the amount in the Redemption Fund (other than any sum irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) first, to the Rebate Fund, and second, to the Debt Service Fund to the extent necessary to meet the deficiency. The Institution will remain liable for any sums which it has not paid into the Debt Service Fund or Rebate Fund and any subsequent payment thereof shall be used to restore the funds so applied.

(c) If any moneys in the Redemption Fund are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay the redemption price of Bonds called for redemption in accordance with the Agreement, then the Institution will immediately supply the deficiency. (Section 305)

Rebate Fund.

(a) Establishment and Purpose; Payments. A Rebate Fund is established by the Trustee for the purpose of complying with Section 148(f) of the Code and the regulations thereunder (the "Rebate Provision"). Amounts in the Rebate Fund will not be available to pay principal, interest, or redemption

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premium on the Bonds. Within sixty (60) days after the close of each Rebate Year (or any earlier date that may be necessary to make a required payment to the United States under Section 3.06(d)), the Institution will compute and certify to the Agency and the Trustee in reasonable detail the amount of the Excess (as defined in Section 3.06(c) of the Agreement), if any, for the Bonds as of the close of such Rebate Year, and notwithstanding any provision of the Agreement to the contrary, the Institution will pay to the Trustee for deposit into the Rebate Fund any amount necessary to make the amount in the Rebate Fund equal to the sum of the Excesses for the Bonds. For purposes of the subsection and subsection (b), (i) computations of Excess shall be made as if the last day of the Rebate Year were a “computation date” within the meaning of Treas. Reg. §1.148-3(e), or any successor regulation and (ii) an Excess with respect to the Bonds shall not be less than zero.

(b) Surplus in Rebate Fund. If at the close of any Rebate Year, the amount in the Rebate Fund exceeds the sum of the calculated Excess for the Bonds, upon certification thereof in reasonable detail by the Institution to the Agency and the Trustee, the Trustee will, upon written direction of the Institution, promptly apply such excess for deposit in the Debt Service Fund to the extent the excess is attributable to sale proceeds of Bonds or earnings thereon, and second to the Institution to the extent the excess is attributable to payments from the Institution or earnings thereon.

(c) “Excess” means the sum of (i) the excess of

(A) the aggregate amount earned on all Nonpurpose Investments (other than investments attributable to an excess described in this subparagraph) attributable to the Gross Proceeds of the Bonds; over

(B) the amount which would have been earned if such Nonpurpose Investments were invested at a rate equal to the yield (determined in accordance with the Rebate Provision) on the Bonds to which such Gross Proceeds are attributable, plus

(ii) any income attributable to the Excess described in subparagraph (i) above.

The amount of any calculated Excess shall be reduced by any payments made to the United States pursuant to Section 3.06(d) of the Agreement. The terms “Nonpurpose Investment” and “Gross Proceeds” shall have the meanings given in the Rebate Provision and shall be applied as provided therein.

(d) Payment of Rebate to the United States.

(i) No later than sixty (60) days after the close of the fifth Rebate Year following the date of execution and delivery of the Bonds in exchange for the purchase price thereof (or any earlier date that may be required to comply with the Rebate Provision or such date as provided in the Institution Tax Certificate) and the close of each fifth Rebate Year thereafter, the Trustee will pay from the Rebate Fund to the United States on behalf of the Agency the full amount of rebate then required to be paid under the Rebate Provision as certified and directed by the Institution in accordance with Section 3.06(d)(ii) of the Agreement. Within sixty (60) days after the Bonds have been paid in full, the Trustee will pay to the United States from the Rebate Fund on behalf of the Agency the full amount then required to be paid under the Rebate Provision as certified by the Institution in accordance with Section 3.06(d)(ii) of the Agreement. Each such payment shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 or any successor location specified by the Internal Revenue Service, accompanied by a Form 8038-T (or other similar information reporting form) furnished to the Trustee by the Institution. If on any Rebate Payment Date (as defined below) the amount in the Rebate Fund will be insufficient to pay the amount

required to be paid under the Rebate Provision, the Institution will pay the amount of such deficiency to the Trustee for deposit into the Rebate Fund prior to the Rebate Payment Date.

(ii) No later than thirty (30) days prior to each date on which a payment could become due under Section 3.06(d)(i) of the Agreement (a “Rebate Payment Date”), the Institution shall deliver to the Agency and the Trustee a certificate either summarizing the determination that no amount is required to be paid or specifying the amount then required to be paid pursuant to Section 3.06(d)(i) (in either case, such certificated constituting the “Rebate Amount Certificate”). If the certificate specifies an amount to be paid, (A) such certificate shall be accompanied by a completed Form 8038-T and a report prepared by a Qualified Rebate Analyst, which is to be signed by an officer of the Agency, and shall include a certification stating that the Form 8038-T is accurate and complete, and (B) the Trustee shall make such payment on the Rebate Payment Date from the Rebate Fund; provided that, (1) prior to signing the Form 8038-T, the Agency may engage a rebate analyst chosen by the Agency (the “Issuer Rebate Analyst”) to review the computations provided to it in the report of the Qualified Rebate Analyst with a view toward confirming the correctness of the Rebate Amount Certificate, and (2) the Agency reserves the right to execute a Form 8038-T with a rebate amount different from the amount set forth in the Rebate Amount Certificate. (Section 306)

Expense Fund.

An Expense Fund is established to be held by the Trustee and proceeds of the Bonds shall be deposited therein as provided in Section 302 of the Agreement. The moneys in the Expense Fund and any investments held as part of such Fund will be held in trust and, except as otherwise provided in the Agreement, shall be applied by the Trustee at the written direction of the Institution solely to the payment or reimbursement of the costs of issuing the Bonds. The Trustee will pay from the Expense Fund at the written direction of the Institution the costs of issuing the Bonds, the reasonable fees and expenses of financial consultants and Bond Counsel, any recording or similar fees and any expenses of the Institution in connection with the issuance of the Bonds as directed by the Institution. Earnings on the Expense Fund will not be applied to pay costs of issuance of the Bonds, but shall be transferred to the Debt Service Fund as provided in Subsection 313(b) of the Agreement. After all costs of issuing the Bonds have been paid any amounts remaining in the Expense Fund shall be transferred to the Debt Service Fund. To the extent the Expense Fund is insufficient to pay any of the above costs, the Institution will be liable for the deficiency and will pay such deficiency as directed by the Trustee. (Section 307)

Need Assessment.

Commencing on the fifth (5th) year anniversary of the date of the Bonds and every five (5) years thereafter, the Obligated Group Representative shall order or cause to be conducted and delivered a Needs Assessment Analysis from a consulting engineer that, in the objective and reasonable opinion of the Obligated Group Representative, is experienced in conducting needs assessment analyses for senior living facilities such as the Institution. The Needs Assessment Analysis shall be filed with the Master Trustee. (Section 308)

Application of Moneys.

If available moneys in the Debt Service Fund after any required transfers from the Redemption Fund and the Debt Service Reserve Fund are not sufficient on any day to pay all principal (including sinking fund installments, if any), redemption price and interest on the Outstanding Bonds then due or overdue, such moneys (other than any sum in the Redemption Fund irrevocably set aside for the redemption of particular Bonds or required to purchase Bonds under outstanding purchase contracts) will, after payment

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of all charges and disbursements of the Trustee in accordance with the Agreement, be applied (in the order such Funds are named in this section) first to the payment of interest, including interest on overdue principal, in the order in which the same became due (pro rata with respect to interest which became due at the same time) and second to the payment of principal (including sinking fund installments, if any) and redemption premiums, if any, without regard to the order in which the same became due (in proportion to the amounts due). For this purpose interest on overdue principal shall be treated as coming due on the first day of each month. 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 Trustee in its discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion it shall fix the date (which shall be the first of a month unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. When interest or a portion of the principal is to be paid on an overdue Bond, the Trustee may require presentation of the Bond for endorsement of the payment. (Section 309)

Payments by the Institution.

(a) The Institution will repay the Loan as set forth in the Agreement. Not later than the opening of business on the Business Day next preceding the date on which a payment of principal (including sinking fund installments) or interest is due, the Institution shall pay or cause to be paid to the Trustee for deposit in the Debt Service Fund an amount available on such payment date equal to such payment less the amount, if any, in the Debt Service Fund and available therefor. The Trustee undertakes to give the Institution notice at least seven days prior to each payment date of the amount due on such date, but failure to give such notice shall not release the Institution from the requirement to make such payments.

(b) The payments to be made under the foregoing subsection shall be appropriately adjusted to reflect the date of issue of Bonds, any accrued interest deposited in the Debt Service Fund, any earnings on amounts in the Debt Service Fund, and any purchase or redemption of Bonds, so that there will be available on each payment date in the Debt Service Fund the amount necessary to pay the interest and principal or sinking fund installment due or coming due on the Bonds and so that accrued interest will be applied to the installments of interest to which it is applicable.

(c) At any time when any principal (including sinking fund installments, if any) of the Bonds is overdue, the Institution shall also have a continuing obligation to pay to the Trustee for deposit in the Debt Service Fund an amount equal to interest on the overdue principal but the installment payments required under this section shall not otherwise bear interest. Redemption premiums shall not bear interest.

(d) Payments by the Institution to the Trustee for deposit in the Debt Service Fund under the Agreement shall discharge the obligation of the Institution to repay the Loan to the extent of such payments; provided, that if any moneys are invested in accordance with the Agreement and a loss results therefrom so that there are insufficient funds to pay principal (including sinking fund installments, if any) and interest on the Bonds when due, the Institution shall supply the deficiency.

(e) Within thirty (30) days after notice from the Agency, the Institution shall pay to the Agency all expenditures (except general administrative expenses or overhead) reasonably incurred by the Agency by reason of the Agreement.

(f) Within thirty (30) days after notice from the Trustee, the Institution shall pay to the Trustee the reasonable fees and expenses of the Trustee as set forth in Section 703 of the Agreement. (Section 310)

Unconditional Obligation.

To the extent permitted by law, the obligation of the Institution to make payments to the Agency and the Trustee under the Agreement shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, shall not be subject to setoff, recoupment or counterclaim and shall be a general obligation of the Institution to which the full faith and credit of the Institution are pledged. (Section 311)

Investments.

(a) Pending their use under the Agreement, moneys in the Funds established pursuant to the Agreement may be invested in Permitted Investments (as defined below) maturing or redeemable at the option of the holder at or before the time when such moneys are expected to be needed pursuant to written direction of the Institution if there is not then an Event of Default known to the Trustee, provided that the Institution shall not request, authorize or permit any investment that would cause any Bonds to be classified as “arbitrage bonds” as defined in Section 148 of the Code. Any investments pursuant to this subsection shall be held by the Trustee as a part of the applicable Fund and shall be sold or redeemed to the extent necessary to make payments or transfers or anticipated payments or transfers from such Fund, subject to the notice provisions of Section 9-611 of the UCC to the extent applicable.

(b) Except as set forth below, any interest realized on investments in any Fund and any profit realized upon the sale or other disposition thereof shall be credited to the Fund with respect to which they were earned and any loss shall be charged thereto. Earnings (which for this purpose include net profit and are after deduction of net loss) on the Expense Fund shall be transferred to the Debt Service Fund not less often than quarterly. Earnings on the Redemption Fund shall be transferred to the Debt Service Fund and credited against payments otherwise required to be made thereto not less often than quarterly.

(c) The term “Permitted Investments” means (A) Government or Equivalent Obligations; (B) “tax exempt bonds” as defined in Section 150(a)(6) of the Code, other than “specified private activity bonds” as defined in Section 57(a)(5)(C) of the Code, rated at least “AA” or “Aa2” by S&P and Moody’s, respectively, or the equivalent by any other nationally recognized rating agency, at the time of acquisition thereof or shares of a so-called money market or mutual fund that do not constitute “investment property” within the meaning of Section 148(b)(2) of the Code, provided either that the fund has all of its assets invested in such “tax exempt bonds” of such rating quality or, if such obligations are not so rated, that the fund has comparable creditworthiness through insurance or otherwise and which fund is rated “Aam” or “AAm-G” if rated by S&P; (C) Obligations of any state or political subdivision thereof rated at least “AA-” and “Aa3” by S&P and Moody’s, respectively, at the time of purchase; (D) negotiable certificates of deposit maturing not more than two years after the date of purchase, and interest-bearing deposit accounts of a national association or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank, which (i) has assets of not less than \$1,000,000,000, provided that the senior debt obligations of the issuing institution are rated in the highest category by Moody’s or S&P, or (ii) funds are guaranteed by the Federal Deposit Insurance Corporation, or (iii) funds are fully collateralized by Government or Equivalent Obligations; (E) bills of exchange or time drafts drawn on and accepted by a commercial bank (otherwise known as bankers acceptances), provided that such bankers acceptances may not exceed 180 days maturity, and provided further that the accepting bank has the highest short-term letter and numerical rating as provided by Moody’s or S&P; (F) Repurchase Agreements; (G) (i) the Massachusetts Development Finance Agency Short Term Asset Reserve (STAR)

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Fund (formerly known as the Massachusetts Health and Educational Facilities Authority Short Term Asset Reserve (STAR) Fund), or any other similar fund established by, or on behalf of, the Agency, which is rated “AAAm-G,” “AAAm” or “AAm” by S&P, and (ii) money market funds which have a rating of “AAAm-G,” “AAAm” or “AAm” by S&P, provided that the fund is registered under the Federal Investment Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933; (H) investment agreements with providers rated not lower than the second highest category (without regard to gradations within such category) by at least one nationally recognized rating agency, provided that if the investment agreement is guaranteed by a third party, then such rating requirement shall apply to the guarantor only, and provided further that if the provider is downgraded by one or more nationally recognized rating agency to below the second highest category, the agreement shall (i) be fully collateralized at 104% by Government or Equivalent Obligations or 105% by securities outlined in clause (K) of this definition of Permitted Investments, or (ii) terminate; (I) collateralized investment agreements with providers rated not lower than the third highest category (without regard to gradations within such category) by at least one nationally recognized rating agency, provided that if the investment agreement is guaranteed by a third party, then such rating requirement shall apply to the guarantor only, and provided further that in all cases such rating requirements shall apply only at the time the investment agreement is executed; (J) forward purchase and sale agreements with providers rated not lower than the third highest category (without regard to gradations within such category) by at least one nationally recognized rating agency, provided that if the investment agreement is guaranteed by a third party, then such rating requirement shall apply to the guarantor only, and provided further that in all cases such rating requirements shall apply only at the time the investment agreement is executed; (K) senior debt obligations and participation certificates issued by an agency or instrumentality established by an act of Congress, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank System, Student Loan Marketing Association, World Bank or Federal Agricultural Mortgage Corporation, in each case rated not lower than the second highest category (without regard to gradations within such category) by at least one nationally recognized rating agency); (L) commercial paper which is rated at the time of purchase at least “A-1+” by S&P or “P-1” by Moody’s and which matures not more than 270 days after the date of purchase; and (M) notes issued by corporate entities rated at least “AA-” and “Aa3” by S&P and Moody’s, respectively, at the time of purchase. The term “Repurchase Agreement” shall mean a written agreement under which a bank or trust company which has a capital and surplus of not less than \$50,000,000 or a government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York sells to, and agrees to repurchase from the Trustee obligations issued or guaranteed by the United States; provided that the market value of such obligations is at the time of entering into the agreement at least one hundred and three percent (103%) of the repurchase price specified in the agreement and that such obligations are segregated from the unencumbered assets of such bank or trust company or government bond dealer; and provided further that unless the agreement is with a bank or trust company, such agreement shall require the repurchase to occur on demand or on a date certain which is not later than one (1) year after such agreement is entered into and shall expressly authorize the Trustee to liquidate the purchased obligations in the event of the insolvency of the party required to repurchase such obligations or the commencement against such party of a case under the federal Bankruptcy Code or the appointment of or taking possession by a trustee or custodian in a case against such party under the Bankruptcy Code. Any such investments may be purchased from or through the Trustee.

(d) A security interest with respect to Permitted Investments, if any, shall be perfected in such manner as may be provided by law. In the case of a Repurchase Agreement, if under applicable law, including the federal Bankruptcy Code, the agreement is recognized as transferring ownership in the underlying securities to the investing party with a right to liquidate the securities and apply the proceeds against the repurchase obligation, all free and clear of the claims of creditors and transferees of the other party, the interest of the investing party shall be regarded as the equivalent of a perfected security interest

for the purposes of this subsection. In any case, however, if the underlying securities or the securities subject to the security interest are certificated securities (as opposed to uncertificated or book-entry securities), they shall be delivered to the Trustee, or to a depository satisfactory to the Trustee, either as agent for the Trustee or as bailee with appropriate instructions and acknowledgement, at the time of or prior to the investment, or, if the security interest is perfected without delivery, delivery shall be made within three (3) Business Days. Possession by the Trustee of the security for an obligation of the Trustee shall not be deemed to satisfy the requirements of this subsection unless there is an opinion of counsel satisfactory to the Agency to the effect that such possession satisfies the requirements of this subsection.

(e) The Trustee may hold undivided interests in Permitted Investments for more than one Fund (for which they are eligible) and may make interfund transfers in kind.

(f) The Trustee shall be entitled to rely conclusively on all written investment instructions provided by the Institution hereunder. Neither the Agency nor the Trustee shall have any responsibility or liability for any depreciation in the value of any investment or for any loss, direct or indirect, resulting from any investment made in accordance with the written instructions of the Institution.

(g) Although the Agency and the Institution each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Agency and the Institution hereby agree that confirmations of Permitted Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. (Section 313)

Unclaimed Moneys.

Except as may otherwise be required by applicable law, in case any moneys deposited with the Trustee for the payment of the principal of, or interest or premium, if any, on any Bond remain unclaimed for three (3) years after such principal, interest or premium has become due and payable, the Trustee may and upon receipt of a written request of the Institution shall pay over to the Institution the amount so deposited in immediately available funds, without additional interest, and thereupon the Trustee and the Agency shall be released from any further liability with respect to the payment of principal, interest or premium and the Owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Institution as an unsecured creditor for the payment thereof. (Section 314)

Avoidable of Arbitrage.

The Institution agrees to restrict the use of Bond proceeds in such manner and to such extent as necessary to assure that the Bonds will not constitute “arbitrage bonds” under Section 148 of the Code. Any officer of the Issuer having responsibility with respect to the issuance of the Bonds are authorized and directed, alone or in conjunction with any other officer, employee, or consultant of the Issuer or the Institution, to give an appropriate certificate on behalf of the Issuer, for inclusion in the transcript of proceedings for the Bonds, setting forth the facts, estimates, and circumstances, and reasonable expectations pertaining to Section 148 of the Code.

Use of Project.

(a) Compliance with Law. In the construction, maintenance, improvement and operation of the Project, the Institution covenants that it has complied and will comply in all material respects with all applicable building, zoning, land use, environmental protection, historical preservation, educational, sanitary and safety laws, rules and regulations, and all applicable grant, reimbursement and insurance requirements, and will not permit a nuisance thereon; but it shall not be a breach of this subsection if the

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Institution fails to comply with such laws, rules, regulations and requirements (other than Chapter 21E of the Massachusetts General Laws, as amended) during any period in which the Institution is diligently and in good faith contesting the validity thereof, provided that the security created or intended to be created hereby is not, in the opinion of the Trustee, unreasonably jeopardized thereby.

(b) Payment of Lawful Charges. The Institution shall make timely payment of all taxes and assessments and other municipal or governmental charges and all claims and demands for work, labor, services, materials or other objects which, if unpaid, might by law become a lien on the Project or any part thereof; but it shall not be a breach of this subsection if the Institution fails to pay any such item during any period in which the Institution is diligently and in good faith contesting the validity thereof, provided that the laws applicable to contesting its validity do not require payment thereof and proceedings for a refund and that the security created or intended to be created hereby is not, unreasonably jeopardized thereby.

(c) Institution not to Impair Tax Status: Use of Project. Notwithstanding any provision herein to the contrary, the Institution will not use any of the proceeds of the Bonds (or the income earned through the investment thereof, if any) or operate the Project in any manner, and will not take or omit any action or permit any action to be taken or omitted with the result that interest on any Bond is included in the gross income of the owners thereof for federal income tax purposes. The use of the Project (or facilities replacing the same) shall be in compliance with the Act and the Code.

(d) Permitted Purposes. The Institution agrees that the Project shall be used only for the purposes described in the Act. The Institution acknowledges that it is fully familiar with the physical condition of the Project and that it is not relying on any representation of any kind by the Agency or the Trustee concerning the nature or condition thereof. Neither the Agency nor the Trustee shall be liable to the Institution or any other person for any latent or patent defect in the Project. (Section 401)

Repair and Current Expenses.

(a) The Institution agrees that it will maintain and repair the Project and keep the same in good and serviceable condition and in at least as good condition and repair (reasonable wear and tear and casualty loss excepted) as it was on the date the same was placed in service.

(b) The Institution shall pay all costs of maintaining and operating the Project. (Section 402)

Insurance.

(a) Coverage. The Institution (i) shall keep its plant, equipment and furnishings included in its property insured against fire, lightning and extended coverage perils and against such other risks as are customarily insured against by similar institutions in the area, in the minimum amounts per person, per occurrence and in the aggregate per policy year as are usual and customary for similarly situated nonprofit educational institutions; (ii) shall, to the extent required by law, carry workers' compensation insurance, disability insurance and other insurance covering injury, sickness, disability or death of employees; (iii) shall maintain insurance against liability of the Institution imposed by law or assumed by contract for injuries to persons, and for death of persons from such injuries, in the minimum amounts per person, per occurrence and in the aggregate per policy year as are usual and customary for similarly situated nonprofit educational institutions, and for damages to property in the minimum amount per occurrence and in the aggregate per policy year as are usual and customary for similarly situated nonprofit educational institutions.

(b) Policies. All insurance carried under this section shall be with responsible and reputable companies authorized to transact business in the Commonwealth. (Section 403)

Option to Redeem Bonds Upon Casualty or Taking.

The Bonds are subject to redemption in accordance with Subsection 312(b), at the option of the Institution, in the event that there is damage to or destruction or taking of the Project which produces proceeds of insurance or condemnation awards. In the case of a casualty or taking producing proceeds of insurance or eminent domain proceeds, the Bonds shall be subject to special redemption only to the extent such proceeds exceed the lesser of ten percent (10%) of the fully insurable value of the Project allocable to the Bonds prior to the time of such casualty or taking as determined by the Institution's insurance consultant or twenty percent (20%) of the principal amount of Outstanding Bonds. Upon such determination and payment by the Institution of such proceeds to the Trustee, and the delivery of a written confirmation by such insurance consultant and the Institution, the Trustee shall use the same to redeem Bonds. (Section 404)

Additional Indebtedness.

So long as any Bonds are Outstanding, the Institution will not incur any Additional Indebtedness (whether or not incurred through the issuance of additional notes issued under the Master Indenture) other than:

(a) Long-Term Indebtedness. If no Event of Default shall have occurred and then be continuing, the Institution may incur or assume additional Long-Term Indebtedness for such lawful purposes of the Institution as shall be specified in reasonable detail in a certified resolution of the Institution; provided that, on or before the date on which any Long-Term Indebtedness, whether secured or unsecured, is to be incurred or assumed, the Institution shall deliver to the Trustee and the Master Trustee:

(i) Historical Pro Forma Test. Except as provided in paragraphs (ii) through (v) below, a certificate from an Authorized Officer of the Institution stating that the Debt Service Coverage Ratio of the Institution for the immediately preceding Fiscal Year (taking into account the Long-Term Indebtedness to be incurred) was not less than 1.20.

(ii) Historical Test and Forecast. In lieu of the requirements of paragraph (i) above,

(A) A certificate of an Authorized Officer of the Institution stating that the Debt Service Coverage Ratio of the Institution for the immediately preceding Fiscal Year (without taking into account the Long-Term Indebtedness to be incurred) was not less than 1.20, and

(B) A Feasibility Report stating that (a) the Debt Service Coverage Ratio of the Obligated Group (taking into account the Long-Term Indebtedness to be incurred) is expected to be not less than 1.30 for (i) the first complete Fiscal Year following the Fiscal Year during which the Capital Addition financed with such Long-Term Indebtedness is expected to be placed into service, or (ii) if the Long-Term Debt will finance a Capital Addition that includes additional Independent Living Units or health care beds, the earlier of (1) the first complete Fiscal Year for which the additional units achieve average occupancy of 85% or (2) the first complete Fiscal Year that begins at least 48 months after the date such additional units are expected to be placed in service.

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(iii) Pro Forma Test. In lieu of the requirements of paragraphs (i) and (ii) above, a Feasibility Report stating that the Debt Service Coverage Ratio of the Obligated Group (taking into account the Long-Term Indebtedness to be incurred) is expected to be not less than 1.35 for (i) the first complete Fiscal Year following the Fiscal Year during which the Capital Addition financed with such Long-Term Indebtedness is expected to be placed into service, or (ii) if the Long-Term Debt will finance a Capital Addition that includes additional Independent Living Units or health care beds, the earlier of (1) the first complete Fiscal Year for which the additional units achieve average occupancy of 85% or (2) the first complete Fiscal Year that begins at least 48 months after the date such additional units are expected to be placed in service.

(iv) Limit Based on Revenues. In lieu of the requirements of paragraphs (i) through (iii) above, a certificate of an Authorized Officer of the Institution showing that the proposed Long-Term Indebtedness, together with all Long-Term Indebtedness incurred pursuant to this paragraph (iv) which is then outstanding and which is not covered by a certificate of an Authorized Officer of the Institution or Feasibility Report delivered pursuant to paragraphs (i) through (iii) above, does not exceed 10% of Revenues of the Institution for the immediately preceding Fiscal Year.

(v) Subordinated Indebtedness. Subordinated indebtedness (unsecured subordinate debt) may be incurred without limit. Payment of interest or principal on such indebtedness shall be deferred unless (i) the Debt Service Coverage Ratio for the preceding quarter was at least 1.35, and (iii) Days Cash on Hand would be at least 200 days after giving effect to such payment. Payments of principal and interest on subordinated indebtedness which are not permitted to be paid pursuant to the foregoing requirements shall be deferred without accrual of additional interest expense. Subordinated indebtedness may not be accelerated without the consent of the Trustee.

(vi) Completion Long-Term Indebtedness. In the case of Long-Term Indebtedness incurred or assumed to finance the completion of a Capital Addition, in lieu of the requirements of paragraphs (i) through (iv) above, so long as the scope of such Capital Addition is not being changed, either (A) an Officer's Certificate showing that the principal amount of the proposed Long-Term Indebtedness does not exceed 10% of the principal amount of the Long-Term Indebtedness originally incurred to finance such Capital Addition or (B) a Feasibility Report stating that the forecasted Debt Service Coverage Ratio of the Obligated Group for each of the two Fiscal Years immediately following the completion of such Capital Addition will be not less than what such Debt Service Coverage Ratio would have been without the incurrence of such Indebtedness. In addition, the Obligated Group Representative shall provide a certificate of an independent architect or a Management Consultant with skill and experience in construction or renovation matters that the Completion Long-Term Indebtedness incurred to finance the completion of the Facilities will be sufficient to complete the Facilities.

(vii) Refunding Indebtedness. In lieu of the requirements of paragraphs (i) through (v) above, in the case of Long-Term Indebtedness incurred to refinance outstanding Long-Term Indebtedness, either (A) an Officer's Certificate showing that the Maximum Debt Service Requirement on the proposed Long-Term Indebtedness does not exceed 110% of the Maximum Debt Service Requirement on the Long-Term Indebtedness to be refinanced. (Section 501)

Default by the Institution.

(a) Events of Default; Default. “Event of Default” in the Agreement means any one of the events set forth below and “default” means any Event of Default without regard to any lapse of time or notice.

(i) Debt Service. Any principal (including sinking fund installments) or interest or redemption premium on the Bonds shall not be paid when due.

(ii) Other Obligations. The Institution shall fail to make any other required payment to the Trustee, and such failure is not remedied within seven (7) days after written notice thereof is given by the Trustee to the Institution, or the Institution shall fail to perform its obligations under Subsection 403(a) of the Agreement, and such failure is not remedied within seven (7) days after written notice thereof is given by the Trustee to the Institution; or the Institution shall fail to observe or perform any of its other agreements, covenants or obligations under the Agreement and such failure is not remedied within sixty (60) days after written notice thereof is given by the Trustee to the Institution.

(iii) Failure to Meet the Debt Service Coverage Ratio. The Institution fails to achieve a Debt Service Coverage Ratio of at least 1.00 for two consecutive Fiscal Years, as described in Section 1010 herein.

(iv) Warranties. There shall be a material breach of warranty made herein by the Institution.

(v) Voluntary Bankruptcy. The Institution shall commence a voluntary case under the federal bankruptcy laws, or shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property.

(vi) Appointment of Receiver. (i) A trustee, receiver, custodian or similar official or agent shall be appointed for the Institution or for any substantial part of its property and such trustee or receiver shall not be discharged within sixty (60) days; (ii) the Institution shall commence a voluntary case under the federal bankruptcy laws, or shall make an assignment for the benefit of creditors, or shall apply for, consent to or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property; or (iii) the Institution shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days

(vii) Involuntary Bankruptcy. The Institution shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief as to it under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it and shall be consented to by it or shall remain undismissed for sixty (60) days.

(viii) Breach of Other Agreements. A breach shall occur (and continue beyond any applicable grace period) with respect to the payment of other indebtedness of the Institution for

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borrowed money with respect to loans exceeding one percent (1%) of total annual Revenues as shown on the Institution's most recent audited financial statements, or with respect to the performance of any agreement securing such other indebtedness or pursuant to which the same was issued or incurred, or an event shall occur with respect to provisions of any such agreement relating to matters of the character referred to in this section, and as a result thereof a holder or holders of such indebtedness or a trustee or trustees under any such agreement accelerates any such indebtedness; but an Event of Default shall not be deemed to be in existence or to be continuing under this clause (vii) if (A) the Institution is in good faith contesting the existence of such breach or event and if such acceleration is being stayed by judicial proceedings, or (B) such breach or event is remedied and the acceleration is wholly annulled. The Institution shall notify the Agency and the Trustee of any such breach or event immediately upon the Institution's becoming aware of its occurrence and shall from time to time furnish such information as the Agency or the Trustee may reasonably request for the purpose of determining whether a breach or event described in this clause (vii) has occurred and whether such acceleration continues to be in effect.

(ix) Any "Event of Default" as defined in any Basic Agreements shall have occurred under any of the Basic Agreements.

(x) Any writ, attachment, execution, or similar process shall be issued or levied against the Institution, any of its property of the Institution, and any such writ, attachment, execution or similar process shall not be paid, released, vacated, or fully bonded within thirty (30) days.

(xi) There shall be entered against the Institution any final uninsured judgment in excess of \$500,000 which, shall not be paid, released, vacated, reserved for, or appealed from and fully bonded within thirty (30) days of entry

(b) Waiver. If the Trustee determines that a default has been cured before the entry of any final judgment or decree with respect to it, the Trustee may waive the default and its consequences, including any acceleration, by written notice to the Institution and shall do so, upon written instruction of the Owners of at least twenty-five percent (25%) in principal amount of the Outstanding Bonds. (Section 601)

Remedies for Events of Default.

If an Event of Default occurs and is continuing:

(a) Acceleration. Upon the occurrence and continuance of any Event of Default, the Trustee shall declare any portion of the Bonds then outstanding to be due and payable immediately, and, upon such declaration, all principal and interest accrued thereon shall become immediately due and payable, and there shall be an automatic corresponding acceleration of the Institution's indebtedness on the Loan; provided, however, that upon the occurrence of an actual or deemed entry of an order for relief with respect to the Institution under the United States Bankruptcy Code, the unpaid principal amount of all outstanding Bonds and all interest accrued thereon shall automatically become due and payable without further act of the Trustee and there shall be an automatic corresponding acceleration of the Institution's indebtedness on the Loan. Interest shall accrue on the Bonds and the Loan to the date of acceleration or date of payment, whichever is later.

(b) Rights as a Secured Party. The Trustee may exercise all of the rights and remedies of a secured party under the UCC with respect to the collateral pledged hereunder, including the right to sell or

redeem such securities and the right to retain the securities in satisfaction of the obligations of the Institution hereunder. The Institution will assemble and make such property available to the Trustee, at a place designated by the Trustee, which is reasonably convenient to both of them. Notice of any public sale under the UCC shall be given in accordance with the UCC or other applicable law then in effect. Notice sent by registered or certified mail, postage prepaid, or delivered during business hours, to the Institution at least seven (7) days before an event under UCC Section 9-611, or any successor provision of law shall constitute reasonable notification of such event. (Section 602)

Court Proceedings.

The Trustee may enforce the obligations under this Agreement by legal proceedings for the specific performance of any covenant, obligation or agreement contained herein, whether or not an Event of Default exists, or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach of the provisions of this Agreement, including (to the extent this Agreement may lawfully provide) court costs, reasonable attorneys' fees and other costs and expenses incurred in enforcing the obligations hereunder. (Section 603)

Revenues after Default.

The proceeds from the exercise of the rights and remedies under Subsection 602(b) and Section 603 shall be remitted to the Trustee upon receipt and in the form received. After payment or reimbursement of the reasonable expenses and fees of the Trustee and the Agency in connection therewith, the same shall be applied, first to the remaining obligations of the Institution hereunder (other than obligations to make payments to the Agency for its own use) in such order as may be determined by the Trustee, and second, to any unpaid sums due the Agency for its own use. Any surplus thereof shall be paid to the Institution. (Section 604)

Remedies Cumulative.

The rights and remedies under the Agreement shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any of the obligations of the Institution or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance by the Institution or of the right to exercise any remedy for the violation. A delay or omission by the Trustee or any Bondholder exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. (Section 605)

Waiver of Jury Trial.

Each party to the Agreement waives its rights to a trial by jury with respect to any suit, action or proceeding, whether claim or counterclaim, brought or instituted by any party to the Agreement or any of their successors and assigns, which relates directly or indirectly to the Agreement or the Bonds. (Section 606)

Rights and Duties of the Trustee.

(a) Moneys to be Held in Trust. All moneys received by the Trustee under this Agreement shall be held by the Trustee in trust and applied subject to the provisions of this Agreement.

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(b) Accounts. The Trustee shall keep proper accounts of its transactions hereunder (separate from its other accounts), which shall be open to inspection by the Issuer and the Institution and their representatives duly authorized in writing.

(c) Performance Obligations. (i) If the Issuer shall fail to observe or perform any covenant or obligation contained in this Agreement, the Trustee may to whatever extent it deems appropriate for the protection of the Bondowners or itself, perform any such obligation in the name of the Issuer and on its behalf.

(ii) If the Institution fails to observe or perform any covenant, condition, agreement or provision contained in this Agreement with respect to the Project (including, without limitation, the insurance, maintenance or repair of the Project and the payment of taxes or other governmental charges thereon), whether or not there is an Event of Default hereunder, the Trustee may perform such covenant, condition, agreement or provision in its own name or in the Institution's name, and is hereby irrevocably appointed the Institution's attorney-in-fact for such purpose. The Trustee shall give at least seven (7) days' notice to the Institution before taking action under this section, except that in the case of emergency as reasonably determined by the Trustee, the Trustee may act on lesser notice or give the notice promptly after rather than before taking the action. The reasonable cost of any such action by the Trustee shall be paid or reimbursed by the Institution pursuant to Subsection 310(f).

(d) Actions for Protection of Bondowners. The Trustee shall not be required to monitor the financial condition of the Institution or the physical condition of the Project and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates or other documents filed with it hereunder, except to make them available for inspection by Bondowners. Upon a failure of the Institution to make a payment required of it under Subsection 310(a) when the same becomes due and payable, the Trustee shall give written notice thereof to the Issuer and the Institution. The Trustee shall not be required to take notice of any other breach or default by the Institution or the Issuer except when given written notice thereof by the Owners of at least ten percent (10%) in principal amount of the Outstanding Bonds. The Trustee shall give default notices under Section 601 and accelerate payments under Section 602 when instructed to do so by the written direction of the Owners of at least a majority in principal amount of the Outstanding Bonds. The Trustee shall proceed under Section 603 for the benefit of the Bondowners in accordance with the written directions of the Owners of a majority in principal amount of the Outstanding Bonds and shall not be liable for any action taken or omitted by it in good faith at the direction of such Owners. The Trustee shall not be required, however, to take any remedial action (other than acceleration or the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred therein.

Upon receipt of written notice, direction or instruction and indemnity, as provided above, and after making such investigation, if any, as it deems appropriate to verify the occurrence of any event of which it is notified as aforesaid, the Trustee shall promptly pursue the remedy provided by this Agreement or any of such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Bondowners, and in its actions under this paragraph, the Trustee shall act for the protection of the Bondowners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's own affairs.

(e) Responsibility. The Trustee prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Agreement. During the existence of any Event of Default (which has not been cured), the Trustee shall exercise the rights, duties and powers vested in it with the same degree of care and skill in their exercise as a prudent trustee under a corporate indenture would

exercise or use under the circumstances. The Trustee undertakes to perform only such duties as are specifically set forth in the Basic Agreements, and no implied duties shall be read into the documents against the Trustee. The Trustee shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. The Trustee may rely conclusively on any notice, certificate, opinion or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or consent or other action by the Trustee is called for by this Agreement, the Trustee may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof. A permissive right or power to act shall not be construed as a requirement to act. The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers appointed with due care and shall not be responsible for negligence or willful misconduct of any attorney, agent or receiver appointed by it with due care. The Trustee shall in no event be liable for the application or misapplication of funds (including bond proceeds), or for other acts or defaults, by any person, firm or corporation except by its own directors, officers, agents and employees. No recourse shall be had by the Institution, the Issuer, or any Bondowner for any claim based on this Agreement or the Bonds or any agreement securing the same against the Trustee unless such claim is based upon the negligence or willful misconduct of the Trustee. For the purposes of this Agreement matters shall not be considered to be known to the Trustee unless they are known to an officer in its corporate trust department or to an employee in its corporate trust department who is authorized to sign certificates of authentication on bonds on behalf of the Trustee. The Trustee shall have no responsibility for offering documents.

(f) Ownership of Bonds. The Trustee may be or become the Owner of or trade in Bonds with the same rights as if it were not the Trustee.

(g) Surety Bond. The Trustee shall not be required to furnish any bond or surety.

(h) Continuation Statements. It shall be the duty of the Trustee to file, or cause to be filed, such continuation statements, if any, as may be required by the UCC with respect to any security interest granted to the Issuer or the Trustee hereunder for the benefit of the Bondowners.

(i) Financial Obligations. Nothing contained in this Agreement shall in any way obligate the Trustee to pay any debt or meet any financial obligations to any person in relation to the Project except from moneys received under the provisions of this Agreement or from the exercise of the Trustee's rights hereunder other than the moneys received for its own purposes. In particular, none of the provisions of this Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(j) Bond Registrar and Transfer Agent. The Trustee shall act as the Paying Agent. (Section 702)

Fees and Expenses of the Trustee.

Except to the extent the Trustee has been paid or reimbursed from the Expense Fund, the Institution shall pay to the Trustee reasonable compensation for its services and pay or reimburse the Trustee for its

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reasonable expenses and disbursements, including attorneys' fees, hereunder. The Institution shall indemnify and save the Trustee, and its officers, directors, and employees harmless against any expenses and liabilities that it may incur in the exercise of its duties hereunder and which are not due to its negligence or willful misconduct. Any fees, expenses, reimbursements or other charges which the Trustee may be entitled to receive from the Institution hereunder, if not paid within thirty (30) days when due, shall bear interest at the "prime rate" of the Trustee (or, if none, the nearest equivalent), and if not otherwise paid, shall be a first lien upon any funds or other property then or thereafter held hereunder by the Trustee. The Trustee may apply any such funds to any of the foregoing items, and in that event the lien of this section shall continue to apply to any other such funds, and the Institution shall remain liable for the same. Any subsequent payment of any such item by the Institution shall be used to restore the funds so applied. The provisions of this Section shall survive the termination or defeasance of this Agreement and the resignation or removal of the Trustee for any reason. (Section 703)

Resignation or Removal of the Trustee.

The Trustee may resign on not less than thirty (30) days' notice given in writing to the Issuer, the Bondowners and the Institution, but such resignation shall not take effect until a successor has been appointed. The Trustee will promptly certify to the Issuer that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. The Trustee may be removed (i) by written notice from the Owners of a majority in principal amount of the Outstanding Bonds to the Trustee, the Issuer and the Institution; (ii) with or without cause by the Institution with the approval of the Issuer if the Institution is not in default; or (iii) with cause by the Issuer. (Section 704)

Successor Trustee.

Any corporation or association which succeeds to the corporate trust business of the Trustee as a whole or substantially as a whole, whether by sale, merger, transfer, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Trustee under this Agreement, without any further act or conveyance.

In case the Trustee resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property is appointed, or if a public officer takes charge or control of the Trustee, or of its property or affairs, a successor shall be appointed by written notice from the Institution to the Issuer. The Institution shall notify the Bondowners of the appointment in writing within twenty (20) days from the appointment. The Institution will promptly certify to the successor Trustee that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. If no appointment of a successor is made within forty-five (45) days after the giving of written notice in accordance with Section 704 or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Bondowner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a trust company or a bank having the powers of a trust company, authorized to serve as Trustee under the Act, having a capital and surplus of not less than \$75,000,000. Any such successor Trustee shall notify the Issuer and the Institution of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights and powers of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder. (Section 705)

Proceedings by Bondowners.

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the Agreement or any applicable remedy hereunder, unless the Bondowners have directed the Agency to act and furnished the Agency indemnity as provided in Subsection 803(c) and have afforded the Agency reasonable opportunity to proceed, and the Agency shall thereafter fail or refuse to take such action.

No Bondowner shall have any right to institute any legal proceedings for the enforcement of the obligations of the Agency under the Agreement or any applicable remedy hereunder, unless the Bondowners have directed the Trustee to act and furnished the Trustee indemnity as provided in Subsection 702(d) and have afforded the Trustee reasonable opportunity to proceed, and the Trustee shall thereafter fail or refuse to take such action.

Subject to the foregoing, any Bondowner may by any available legal proceedings enforce and protect its rights hereunder and under the laws of The Commonwealth of Massachusetts. (Section 902)

Tax Status.

(a) The Institution represents and warrants that (i) it is an organization described in Section 501(c)(3) of the Code (or corresponding provisions of prior law) and it is not a “private foundation” as defined in Section 509 of the Code (or corresponding provision of prior law); (ii) it has received letters from the Internal Revenue Service to that effect; (iii) such letters have not been modified, limited or revoked; (iv) it is in compliance with all terms, conditions and limitation, if any, contained in such letters; (v) the facts and circumstances which form the basis of such letters continue substantially to exist as represented to the Internal Revenue Service; and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that it will not take any action or omit to take any action or cause or permit any circumstance within its control to arise or continue if such action or circumstance or omission would cause any revocation or adverse modification of such federal income tax status of the Institution, unless it obtains an opinion of Bond Counsel that such revocation or modification will not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid on the Bonds.

(b) The Institution shall not take or omit to take any action if such action or omission (i) would cause the Bonds to be “arbitrage bonds” under Section 148 of the Code, (ii) would cause the Bonds to not meet any of the requirements of Section 149 of the Code, or (iii) cause the Bonds to cease to be “qualified 501(c)(3) bonds” under Section 145 of the Code.

(c) The Institution shall not sell, lease, transfer, or otherwise dispose of any portion of the property financed or refinanced with the proceeds of the Bonds except personal property after the end of its useful life unless at the time of any such sale, lease, transfer, or disposition, the Institution shall deliver to the Agency and the Trustee, an opinion of Bond Counsel addressed to and reasonably satisfactory to the Agency and the Trustee that such sale, lease, transfer, or other disposition will not adversely affect the exclusion of the interest on any Bond from the gross income of the owners thereof for federal income tax purposes, which opinion may include a requirement that a portion of the Bonds be redeemed. No sale, lease, transfer, or other disposition of the Project shall relieve the Institution of any of its obligations under the Agreement.

(d) The Institution represents and warrants that no arrangement, formal or informal, has been, and covenants that none shall be, authorized, permitted or made for the purchase of any of the Bonds by the Institution or any related party (as defined in Section 1.150-(b) of the Treasury Regulations) in an amount related to the amount loaned by the Agency to the Institution.

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(e) The Institution confirms its representations and warranties set forth in the Institution Tax Certificate, and shall comply with its covenants set forth in the Institution Tax Certificate.

(f) No arrangement, formal or informal, has been, and none shall be, authorized, permitted or made for the purchase of any of the Bonds by the Institution or any related party (as defined in Section 1.150-1(c) of the Treasury Regulations) in an amount related to the amount of the Loan. (Section 1002)

Fees and Charges.

The Institution agrees, subject to any governmental restrictions, its fiduciary obligations and limitations imposed by law, to charge and collect rates and charges which, together with any other moneys legally available to it, shall provide moneys sufficient at all times: (a) to make the payments required by the Agreement and comply with the Agreement in all other respects, and (b) to satisfy all other obligations of the Institution in a timely fashion. (Section 1004)

Reporting Requirements.

(a) Periodic Reporting and Annual Reporting.

(i) The Institution shall from time to time render reports concerning the condition of the Project or compliance with the Agreement as the Agency or the Trustee may reasonably request.

(ii) Within one hundred fifty (150) days after the close of each of its Fiscal Years, the Institution shall furnish to the Trustee and the Agency and to Bondowners requesting the same, copies of its audited financial statements, unless such audited financial statements are available for public access on the Electronic Municipal Market Access (“EMMA”) website or on the Institution’s website. If the audited financial statements are not available for public access on EMMA or on the Institution’s website, copies of the reports and statements required to be filed with the Trustee and the Agency pursuant to this section shall be filed with the Trustee and the Agency in sufficient quantity to permit the Trustee and the Agency to retain at least one copy for inspection by Bondowners and to permit the Trustee to mail a copy to each Bondowner who requests it. The Trustee shall maintain a list of Bondowners who have made such a request. The Trustee and the Agency shall have no duty to review such financial statements, is not considered to have notice of the content of such financial statements or an event of default that may be disclosed therein in any manner, and does not have a duty to verify the accuracy of such financial statements. The Institution shall furnish to the agencies rating the Bonds such information as they may reasonably require for current reports to their subscribers.

(iii) The Institution shall furnish to the Agency and to the Trustee, within one hundred fifty (150) days after the close of each of its Fiscal Years, a certificate signed by an Authorized Officer stating that the Institution has caused its operations for the year to be reviewed and that in the course of that review, no default under the Agreement has come to its attention or, if such a default has appeared, a description of the default. Additionally, the certificate shall contain its calculations of the Liquidity Covenant and Debt Service Coverage Ratio covenant set forth in Sections 1009 and 1010 herein.

(b) Quarterly and Semiannually Reporting

(i) Within sixty days after the end of each of the Institution's quarter end dates, the Institution shall furnish to the Agency and to the Trustee the occupancy levels across all levels of care at the Institution's facilities and the healthcare payor mix. The Trustee shall have no duty to review such occupancy levels and healthcare payor mix, is not considered to have notice of the content of such occupancy levels or healthcare payor mix or an event of default that may be disclosed therein in any manner, and does not have a duty to verify the accuracy of such occupancy levels and healthcare payor mix.

(ii) Within sixty days after the end of each of the Institution's quarter end dates, the Institution shall furnish to the Agency and to the Trustee, the Institution's Debt Service Coverage Ratio compliance.

(iii) Semiannually, the Institution shall furnish to the Agency and to the Trustee, the Institution's Liquidity Covenant compliance.

(iv) Within sixty days after the end of each of the Institution's quarter end dates, the Institution shall furnish to the Agency and to the Trustee the Institution's unaudited financial statements. The Trustee shall have no duty to review such unaudited financial statements, is not considered to have notice of the content of such unaudited financial statements or an event of default that may be disclosed therein in any manner, and does not have a duty to verify the accuracy of such unaudited financial statements.

(v) Within sixty days after the end of each of the Institution's quarter ended dates, the Institution shall furnish to the Agency and to the Trustee the balances in each of the Trustee held funds.

(c) Annual Continuing Disclosure Calls with Bondowners. Each year, commencing with the Fiscal Year ending September 30, 2018, the Institution shall hold an annual investor call 60 days following the release of its audited financial statements for the immediately preceding Fiscal Year for the purpose of reviewing financial results of such Fiscal Year. (Section 1005)

Maintenance of Corporate Existence.

The Institution shall maintain its existence as a nonprofit corporation qualified to do business in the Commonwealth and shall not dissolve, dispose of or spin off all or substantially all of its assets, or consolidate with or merge into another entity or entities, or permit one or more other entities to consolidate with or merge into it, except that it may consolidate with or merge into one or more other entities or permit one or more other entities to consolidate with or merge into it, or transfer all or substantially all of its assets to one or more other entities (and thereafter dissolve or not dissolve as it may elect), if (a) the surviving, resulting or transferee entity or entities each is a corporation having the status and powers set forth in Sections 1001, 1002 and 1003, (b) the transaction does not result in a conflict, breach or default referred to in Section 1001, (c) the surviving, resulting or transferee entity or entities each (i) (if not the Institution) assumes by written agreement with the Agency and the Trustee all the obligations of the Institution hereunder and (ii) notifies the Agency and the Trustee of any change in the name of the Institution. (Section 1006)

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Continuing Disclosure.

The Institution, as the sole member of the Obligated Group, hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. The Agency shall have no liability to the Owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Agreement, failure of the Institution to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner (including a Beneficial Owner) of Bonds may seek specific performance of the Institution's obligations to comply with its obligations under the Continuing Disclosure Agreement or this Section 1007 and not for money damages in any amount. (Section 1007)

Indemnification by the Institution.

The Institution, regardless of any agreement to maintain insurance, will indemnify the Agency against: (a) any and all claims by any Person related to the participation of the Agency in the transactions contemplated by the Agreement, including without limitation claims arising out of (i) any condition of the Project or the construction, use, occupancy or management thereof; (ii) any accident, injury or damage to any Person occurring in or about or as a result of the Project; (iii) any breach by the Institution of its Obligations under the Agreement; (iv) any act or omission of the Institution or any of its agents, contractors, servants, employees or licensees; or (v) the offering, issuance, sale or any resale of the Bonds to the extent permitted by law, and (b) all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Agency by reason of any such claim, the Institution will defend the same at its expense upon notice from the Agency, and the Agency will cooperate with the Institution, at the expense of the Institution, in connection therewith. The Institution shall indemnify the Trustee against: (a) the claims of any person arising out of any condition of the Project, the construction, use, occupancy or management thereof, or any accident, injury or damage to any person occurring in or about the Project; and (b) any and all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Trustee by reason of any such claim, the Institution upon notice from the Trustee shall defend the same and the Trustee shall cooperate with the Institution at the expense of the Institution in connection therewith. This indemnification shall survive the termination or defeasance of the Agreement and the resignation or removal of the Trustee for any reason. (Section 1008)

Liquidity Covenant.

(a) "Liquidity Covenant" means, the Institution shall maintain not less than 125 Days Cash on Hand to be measured semiannually and tested annually at the end of each of the Institution's Fiscal Years, commencing September 30, 2018.

(b) If the Institution shall fail to meet the Liquidity Covenant set forth in this Section 1009 for any Fiscal Year, the Institution shall employ a Management Consultant to review and analyze the operations and administration of the Institution and submit to the Institution and the Trustee written reports, and make such recommendations as to the operation and administration of the Institution as such Management Consultant deems appropriate, including any recommendation regarding the actions necessary to be taken to bring the Liquidity Covenant back to the required levels in future testing periods. The Institution shall consider any recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the board of directors of the Institution) and permitted by law. The Trustee has no duty or obligation to review such reports and recommendations,

and shall retain such reports and recommendations solely as a repository for the Beneficial Owners of the Bonds.

(c) It shall not constitute an Event of Default hereunder if the Liquidity Covenant is not met. (Section 1009)

Debt Service Coverage Ratio.

(a) As of the end of each Fiscal Year of the Institution, the Institution shall have a Debt Service Coverage Ratio for the Fiscal Year ending September 30, 2018 to be at least 1.10 and for each Fiscal Year ending September 30, 2019 and thereafter to be at least 1.20.

(b) If the Institution fails to meet the Debt Service Coverage Ratio requirement set forth in this Section 1010, but the Debt Service Coverage Ratio is in excess of 1.00, the Institution shall be required to prepare and submit a management report to the Trustee outlining the reasons for the deficiency and a corrective action plan to bring the Debt Service Coverage Ratio back to the required levels. If the Institution shall fail to meet the Debt Service Coverage Ratio requirement set forth in this Section 1010 and the Debt Service Coverage Ratio is less than 1.00, the Institution shall employ a Management Consultant to review and analyze the operations and administration of the Institution and submit to the Institution and the Trustee written reports, and make such recommendations as to the operation and administration of the Institution as such Management Consultant deems appropriate, including any recommendation regarding the actions necessary to be taken to bring the Debt Service Coverage Ratio requirement back to the required levels. The Institution shall consider any recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the board of directors of the Institution) and permitted by law. . The Trustee has no duty or obligation to review such reports and recommendations, and shall retain such reports and recommendations solely as a repository for the Beneficial Owners of the Bonds.

(c) If the Institution fails to achieve a Debt Service Coverage Ratio of at least 1.00 for two consecutive Fiscal Years, it shall constitute an Event of Default. (Section 1010)

Liens.

The Institution will not create, incur, assume or suffer to exist, nor permit the Obligated Group to create, incur, assume or suffer to exist, any lien upon or with respect to any of its Property or assets (including, without limitation, any liens affecting any of the Institution's cash or investment securities), now owned or hereafter acquired except Permitted Liens and Encumbrances. The Institution will not, and will not permit any of the Obligated Group to, enter into or permit to exist any agreement, arrangement or understanding, either oral or in writing, with any Person other than the Trustee that restricts or prohibits Institution or the Obligated Group from incurring or permitting to exist any lien, mortgage, security interest, pledge, charge or other encumbrance on all or any portion of the Property or assets of the Institution and the Obligated Group. (Section 1011)

Disposition of Property.

The Institution shall be permitted to dispose of Property in the ordinary course of business for replacement or upon a determination that the Property is obsolete and, during any Fiscal Year, Property that does not exceed 5% of the Book Value of all Property for such Fiscal Year, provided that:

(a) If the historical Debt Service Coverage Ratio described in Section 501(a)(i) herein is not less than 1.20, the 5% percentage of total Book Value may be increased under the following conditions:

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(i) To 7.5% provided the Days Cash on Hand shall not be less than 300 after the effect of such disposition.

(ii) To 10% provided the Days Cash on Hand shall not be less than 350 after the effect of such disposition.

For the avoidable of doubt, the Institution acknowledges that Property, as used in this Section 1011 shall not include cash. (Section 1012)

Cash Distributions.

The Institution shall be permitted to (i) distribute cash to HSL for payment of previously deferred management fees, incentive management fees and affiliation management fees due under the Management Agreement and (ii) once previously deferred fees have been fully repaid, to distribute cash to HRC and HSL, in each case, so long as the Days Cash on Hand, determined on a pro forma basis after giving effect to the distribution, is at least 275. (Section 1013)

Actuarial Study.

Commencing with the Fiscal Year ending September 30, 2020, and at least once every three Fiscal Years thereafter, the Institution, at the Institution's expense, shall provide a management summary of the actuarial study described below. The actuarial study shall be prepared by a Management Consultant and include (a) the amount, if any, of the Institution's obligations to provide services under the Residency Agreements anticipated to be in excess of those that could be satisfied using the rates, fees and charges applicable under the Residency Agreements as then in effect, and (b) recommendations, if any, with respect to the rates, fees and charges of the Institution's methods of operation and other factors affecting its financial condition in order to enable the Institution to satisfy such obligations. The Institution shall consider any recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the board of directors of the Institution) and permitted by law. (Section 1014)

Rating Solicitation.

The Institution agrees that, commencing with the Fiscal Year ending September 30, 2018 and for each Fiscal Year thereafter, and following the issuance of audited financial statements for such Fiscal Year, it will engage a Management Consultant (which for this purpose may include any investment banking firm experienced in the underwriting of municipal obligations of a type similar to the Bonds), to advise the Institution as to the likelihood of the Institution obtaining a rating on the Bonds from Fitch of not less than the lowest "investment grade" of such rating agency. If the Management Consultant determines in a writing delivered to the Institution that it believes that such rating is obtainable, the Institution agrees that, at its sole expense, it will undertake reasonable efforts to obtain such rating. If an investment grade rating is obtained, the Institution shall have no obligation to maintain the rating so obtained or to seek any ratings upgrade, nor shall it have any further obligations under this Section. (Section 1015)

Approval of Management Consultants.

If at any time the Institution is required to engage a Management Consultant under the Agreement, such Management Consultant shall be engaged in the manner set forth below:

(a) Upon engaging a Management Consultant as required under the provisions of the Agreement, the Institution will provide written notice to the Trustee of such engagement. The Trustee

shall, as soon as practicable but in no case longer than five (5) Business Days after receipt of notice, send a copy of such notice to the Owners of the Bonds Outstanding under the Agreement. Such notice prepared by the Institution shall (i) include the name of the Management Consultant and a brief description of the Management Consultant, (ii) state the reason that the Management Consultant is being engaged, including a description of the covenant(s) of the Agreement that require the Management Consultant to be engaged, and that the engagement of the Management Consultant is authorized by the Agreement, and (iii) state that the Owners of the Bonds will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Owner submits an objection to the engaged Management Consultant in writing to the 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 the 15-day objection period, the Trustee shall notify the Institution of the number of any objections. If 66.6% or more in aggregate principal amount of the Owners of the Outstanding Bonds have been deemed to have consented to the engagement of the Management Consultant or have not responded to the request for consent, the Institution shall engage the Management Consultant within three Business Days. If 33.4% or more in aggregate principal amount of the Owners of the Bonds Outstanding have objected to the Management Consultant engaged, the Institution shall select another Management Consultant which may be engaged upon compliance with the procedures of this Section. (Section 1016)

Mergers and Affiliations.

The Institution may consent to any merge, transfer or affiliate by HSL of the Institution with another affiliate of HSL as long as the merger, transfer or affiliation does not impact the Institution's ability to meet its obligations hereunder and under the Master Indenture, as supplemented and amended from time to time. The Institution may consent to HSL selling a minority portion of the Institution to a not-for-profit entity as long as it does not impact the ability of the Institution to meet its obligations hereunder and under the Master Indenture, as supplemented and amended from time to time. (Section 1101)

Amendment.

(a) The Agreement may be amended by the parties without the Bondowners consent for any of the following purposes: (a) to provide for the issuance of Additional Indebtedness pursuant to Section 501, (b) to subject additional property to the lien of the Agreement, (c) to provide for the establishment or amendment of a book entry system of registration for any series of Bonds through a securities depository (which may or may not be DTC), (d) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, or (e) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Bonds.

(b) During any period in which an Event of Default has occurred and is continuing, the Agreement may be amended with the written consent of the Owners of not less than 80% of the principal amount of the Outstanding Bonds to: (i) modify the Bond maturities and (ii) reduce the amount of principal of, interest on or redemption price of the Bonds.

(c) Unless the event in Section 1201(a) above has occurred or is continuing, the Agreement may be amended with the written consent of 100% of the Owners of the Outstanding Bonds to: (i) modify the Bond maturities, (ii) reduce the amount of principal of, interest on or redemption price of the Bonds (iii) reduce the priority of lien and (iv) reduce the percentage required to amend.

(d) The Agreement may be amended by the parties with the written consent of a majority of the Owners of Outstanding Bonds: (a) to subject additional property to the lien of the Agreement, (b) to provide for the establishment or amendment of a book entry system of registration for the Bonds through

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a securities depository (which may or may not be DTC), (c) to add to the covenants and agreements of the Institution or to surrender or limit any right or power of the Institution, or (d) to cure any ambiguity or defect, or to add provisions which are not inconsistent with the Agreement and which do not impair the security for the Bonds.

Any amendment of the Agreement shall be accompanied by an opinion of Bond Counsel to the effect that the amendment (i) is permitted by the Agreement and (ii) will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

When the Trustee determines that the requisite number of consents has been obtained for an amendment which requires Bondowner consents, it shall, within ninety (90) days, file a certificate to that effect in its records and mail notice to the Bondowners. No action or proceeding to invalidate the amendment shall be instituted or maintained unless it is commenced within sixty (60) days after such mailing. The Trustee will promptly certify to the Agency that it has mailed such notice to all Bondowners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. A consent to an amendment may be revoked by a notice given by the Bondowner and received by the Trustee prior to the Trustee's certification that the requisite consents have been obtained. (Section 1201)

APPENDIX E**PROPOSED FORM OF BOND COUNSEL OPINION**

December __, 2017

Massachusetts Development Finance Agency
99 High Street, 11th Floor
Boston, MA 02110

Ladies and Gentlemen:

We have examined the Constitution and laws of The Commonwealth of Massachusetts (the "Commonwealth"), particularly Chapters 23G and 40D of the General Laws of the Commonwealth and amendments thereto (collectively, the "Act"), a Certificate of Legal Existence as to the Massachusetts Development Finance Agency (the "Issuer"), a record of the proceedings of the Issuer and other proofs submitted to us relating to the issuance and sale consisting of

\$ _____

Massachusetts Development Finance Agency
Revenue Refunding Bonds
NewBridge on the Charles, Inc. Issue
Series 2017 (the "Bonds")

dated December __, 2017. The Bonds are issuable only in fully registered form and bear interest at the rates, are payable as to principal and interest and are subject to redemption upon certain terms and conditions, all as provided, with respect to the above-captioned Bonds, in the Loan and Trust Agreement dated as of December 1, 2017 (the "Agreement"), by and among Massachusetts Development Finance Agency (the "Issuer"), NewBridge on the Charles, Inc. (the "Borrower"), and Wells Fargo Bank, National Association, as Bond Trustee (the "Bond Trustee").

Each of the Bonds should be signed by the manual or facsimile signature of the President and Chief Executive Officer; Treasurer, Chief Financial Officer and Executive Vice President for Finance & Administration; Executive Vice President for Finance Programs; Executive Vice President for Real Estate; General Counsel and Secretary; or Senior Vice President, Investment Banking of the Issuer and should bear the seal of the Issuer or a facsimile thereof and the authenticating certificate, duly executed by the Bond Trustee.

Of the issues described, we have examined the Bonds as executed, and we are of the opinion that the form of the Bonds and the form of their execution and authentication is regular and proper.

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APPENDIX E

We have also examined executed copies of the Agreement, and such other documents, instruments, proceedings and opinions as we deem relevant in rendering this opinion. As to questions of fact material to our opinion we have relied upon representations and covenants of the Issuer and the Borrower contained in the Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the Borrower and others, without undertaking to verify the same by independent investigation. Reference is made to an opinion of even date of Nutter, McClennan & Fish, LLP, counsel to the Borrower, with respect to, among other matters, the corporate status and qualifications to do business of the Borrower, the status of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code, the power of the Borrower to enter into and perform the Agreement, the authorization, execution and delivery of the Agreement by the Borrower and the extent to which the Agreement is binding and enforceable upon the Borrower. In rendering the opinions set forth herein, we have relied upon the opinion of Nutter, McClennan & Fish, LLP.

The Bonds are issued under and pursuant to and secured by the Agreement. The Bonds are payable solely from funds to be provided therefor by the Borrower pursuant to the Agreement. The proceeds of the Bonds will be loaned by the Issuer to the Borrower to refinance the costs of a Project, as defined in the Agreement.

The opinions set forth in paragraph 4 below are subject to the condition that the Borrower and the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be or continue to be excluded from gross income for federal income tax purposes. The Borrower and the Issuer have covenanted to comply with such requirements. Failure to comply with such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes, and such inclusion may be retroactive to the date of issuance of the Bonds.

Based on the foregoing, we are of the opinion that:

1. The Issuer is a duly constituted and existing body politic and corporate and a public instrumentality of the Commonwealth with power to issue the Bonds and to enter into and perform its obligations under the Agreement.
2. The Agreement has been duly authorized, executed and delivered by the Issuer and is the valid and binding obligation of the Issuer, and subject to the penultimate paragraph of this opinion, are enforceable in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer. The Bonds do not constitute a general obligation of the Issuer or a debt or a pledge of the faith and credit of the Commonwealth.

4. Under existing law, interest on the Bonds is (i) excluded from gross income of the holders of the Bonds for federal income tax purposes, and (ii) not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax on corporations. We express no opinion as to any other federal tax consequences or other federal tax matters with respect to the Bonds.

5. Under existing law, interest on the Bonds and any profit on the sale of the Bonds are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to any other state tax matters with respect to the Bonds.

6. An executed copy of the Agreement is on file with the Issuer. No other filing or recording is required to make effective the pledge and assignment made by the Issuer in the Agreement.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

Neither we nor the Issuer has assumed any responsibility for the accuracy or sufficiency of representations made or materials furnished by any other party to the purchaser of the Bonds for the purpose of inducing the purchase of the Bonds. It is understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Agreement are subject to the exercise of judicial discretion in accordance with general equitable principles and to bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors heretofore or hereafter enacted, to the extent that the same may be constitutionally applied.

This opinion is limited to the matters expressly set forth herein and no opinion is implied or may be inferred beyond the matters expressly stated herein. Copies of this opinion may not be delivered to and may not be relied upon by any other party without our express prior written consent.

Very truly yours,

McCarter & English, LLP

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is dated as of December 1, 2017 and is executed and delivered by NewBridge on the Charles, Inc. (the “Institution”) as the sole Member of the Obligated Group (as defined herein) in connection with the issuance of \$ _____ Massachusetts Development Finance Agency Revenue Refunding Bonds, NewBridge on the Charles, Inc. Issue, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to a Loan and Trust Agreement, dated as of December 1, 2017 (the “Agreement”), among the Massachusetts Development Finance Agency (the “Issuer”), the Institution and Wells Fargo Bank, National Association, as bond trustee (the “Trustee”). The obligation of the Institution to make payments under the Agreement is secured by an obligation issued pursuant to the Amended and Restated Master Trust Indenture, dated as of December 1, 2017, amending and restating the Master Trust Indenture, dated as of December 1, 2007, and as amended and supplemented through and including the First Supplemental Indenture, dated as of December 1, 2017 (as amended and supplemented, the “Master Indenture”), between the Institution, as the sole Member of the Obligated Group, and Wells Fargo Bank, National Association, as master trustee (the “Master Trustee”). For valuable consideration, the receipt of which is acknowledged, the Institution, on behalf of itself and as sole Member of the Obligated Group, covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Group for the benefit of the Bondholders (defined below), and in order to assist the Underwriters (defined below) in complying with the Rule (defined below). The Obligated Group acknowledges that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Holder of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the first paragraph of this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Bondholder” or the term “Holder”, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Bond and any beneficial owner thereof.

“Dissemination Agent,” if any, shall mean any Dissemination Agent designated in writing by the Obligated Group and acceptable to the Issuer and which has provided the Trustee a written acceptance of such designation.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market System.

“Fiscal Year” shall mean the Institution’s fiscal year ending on September 30 (or any change of the Obligated Group’s fiscal year from the present October 1 to September 30 fiscal year).

“GAAP” shall mean generally accepted accounting principles in the United States of America.

“Listed Events” shall mean any of the events listed in Section 7(a) of this Disclosure Agreement.

“Member of the Obligated Group” means, initially, the Institution and, thereafter, any Person (as defined in the Master Indenture) which shall become a Member of the Obligated Group in accordance with the Master Indenture and not including any Person which shall have withdrawn from the Obligated Group in accordance with the Master Indenture.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement.

“Obligated Group” shall mean, collectively, the Members of the Obligated Group.

“Official Statement” shall mean the Official Statement pertaining to the Bonds, dated _____, 2017.

“Quarterly Report” shall mean any Quarterly Report provided by the Obligated Group pursuant to, and as described in, Section 5 of this Disclosure Agreement.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Underwriters” shall mean the underwriters of the Bonds required to comply with the Rule in connection with the issuance of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Obligated Group shall, or shall cause the Dissemination Agent, if any, to, not later than 150 days after the close of the Obligated Group’s Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. On or prior to said date (except that in the event the Obligated Group elects to have the Dissemination Agent, if any, file such report, fifteen (15) days prior to such date) such Annual Report shall be filed by the Obligated Group with the MSRB, or, if and when a Dissemination Agent has been appointed or engaged, provided by the Obligated Group to the Dissemination Agent together with either (i) a letter authorizing the Dissemination Agent to file the Annual Report with the MSRB, or (ii) a certificate stating that the Obligated Group has provided the Annual Report to the MSRB and the date on which such Annual Report was provided. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Obligated Group may be submitted separately from the balance of the Annual Report. The Obligated Group shall promptly notify the Dissemination Agent, if any, of any change in the Obligated Group’s Fiscal Year.

(b) by five (5) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, if and when a Dissemination Agent has been appointed or engaged and the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Obligated Group to request a report regarding compliance with the provisions governing the Annual Report.

(c) If the Obligated Group is unable to provide an Annual Report to the MSRB by the date required in subsection (a), the Obligated Group shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(d) If and when a Dissemination Agent has been appointed or engaged and the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a reminder notice to the Obligated Group and the Issuer and shall send a notice to the MSRB in substantially the form attached as Exhibit A hereto.

(e) If and when a Dissemination Agent has been appointed or engaged, the Dissemination Agent shall file a report with the Obligated Group, the Issuer and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Obligated Group has filed a report (directly or through the Dissemination Agent) purporting to be an Annual Report pursuant to this Disclosure Agreement, and stating the date it was provided (if such report was provided).

SECTION 4. Content of Annual Reports. The Obligated Group’s Annual Report shall contain or incorporate by reference the following information relating to the Obligated Group for or as of the most recently completed fiscal year of the Obligated Group:

- 1) Audited Financial Statements;

(2) an Authorized Officer's Certificate as to the calculation of the Debt Service Coverage Ratio and satisfaction of the Liquidity Covenant, both as calculated pursuant to the Agreement,

(3) evidence of the Institution's then current rating pursuant to the Centers for Medicare & Medicaid Services (CMS) "Five Star Quality Rating System," as long as such rating system is in effect;

(4) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information set forth in the tables included in the subsections titled "INSTITUTION – Current Independent Living Units and Related Monthly Service Fees and Entrance Fees," and "– Assisted Living" in Appendix A to the Official Statement; and

(5) an Authorized Officer's Certificate stating whether, to the best of the knowledge of the signer of such Authorized Officer's Certificate, the Institution is not in compliance with any covenant contained in the Master Indenture or the Agreement (including any covenant in the Institution's Tax Certificate incorporated into the Agreement by reference) and, if so, specifying each failure to comply of which the signer may have knowledge and the steps that are being taken to cure such non-compliance.

The Obligated Group agrees that the financial statements provided pursuant to Sections 3 and 4 of this Disclosure Agreement shall be prepared in conformity with GAAP (to the extent applicable), as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Obligated Group is an "obligated person" (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Obligated Group shall clearly identify each such other document so incorporated by reference.

SECTION 5. Quarterly Reports. Within sixty (60) days after the end of each quarter of each Fiscal Year, commencing with the fiscal quarter ending December 31, 2017, the Institution shall, or shall cause the Dissemination Agent, if any, to provide to the MSRB, the following information:

(1) quarterly unaudited financial statements of the Obligated Group, including a combined or combining statement of revenues and expenses (including a comparison to budget) and statement of cash flows of the Obligated Group during such period, a combined or combining balance sheet as of the end of each such fiscal quarter; and

(2) the financial and statistical data as of a date not earlier than the end of the preceding fiscal quarter for the type of information described in the table included in the subsection titled "THE INSTITUTION – Occupancy and Payor Mix," and the type of information described in the tables included in the subsections titled "SELECTED FINANCIAL INFORMATION – Historical Summary Balance Sheet," "– Historical Summary Statement of Operations," and "– Financial Ratios (with the exception of the calculation of Days Cash on Hand, which need only be provided following the second and fourth quarters, respectively, of each Fiscal Year of the Institution)" all in Appendix A to the Official Statement.

SECTION 6. Additional Reports. The Institution shall, or shall cause the Dissemination Agent, if any, to provide to the MSRB, the following information, as applicable:

(1) At any time during the Fiscal Year, copies of any correspondence to or from the Internal Revenue Service questioning or contesting the status of a Member of the Obligated Group as an organization described in Section 501(c)(3) of the Code or with respect to the tax-exempt status of the Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes, promptly upon receipt;

(2) Within ten (10) days following its delivery to the Trustee a copy of any Authorized Officer's Certificate and any report and recommendations of any Management Consultant required to be delivered to

the Trustee under the Agreement, as it relates to compliance with the Debt Service Coverage Ratio and Liquidity Covenant; and

(3) Within ten (10) days after the occurrence of such event, notice of the failure to make any payment under the Agreement when due if such failure has not been cured.

SECTION 7. Reporting of Significant Events.

(a) This Section 7 shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. Principal or interest payment delinquencies on the Bonds;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancement reflecting financial difficulties;
5. Substitution of credit or liquidity providers or its failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to the rights of the Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of any Member of the Obligated Group¹;
13. The consummation of a merger, consolidation, or acquisition involving any Member of the Obligated Group or the sale of all or substantially all of the assets of any Member of the Obligated Group, 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; and

¹ Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for any Member of the Obligated Group in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of any Member of the Obligated Group, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of any Member of the Obligated Group.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Obligated Group obtains knowledge of the occurrence of a Listed Event, the Obligated Group or the Dissemination Agent, if any, shall provide, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to the MSRB and the Issuer.

SECTION 8. Investor Call. The Obligated Group shall have an investor call no later than sixty (60) days following the release of the Obligated Group's audited financial statements for the immediately preceding fiscal year. The Obligated Group shall post or cause to be posted on EMMA at least fifteen (15) days before such investor call notice of the scheduled date and time of such call with a call-in number.

SECTION 9. Termination of Reporting Obligation.

(a) The Obligated Group's and the Dissemination Agent's, if any, obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Institution's obligations under the Agreement and the Obligated Group under the Master Indenture are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Institution and the Obligated Group, respectively. The original Institution or the Obligated Group, as applicable, shall have no further responsibility hereunder only to the extent that the Institution or the Obligated Group, as applicable, ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

(b) In addition, the Obligated Group's obligations under the provisions of this Disclosure Agreement, if any, shall terminate (in whole or in part, as the case may be) in the event that (1) the Obligated Group delivers to the Dissemination Agent, the Trustee, and the Issuer an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Dissemination Agent, if any, the Trustee and the Issuer, to the effect that those portions of the Rule which require the provisions of this Disclosure Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion (but such termination of the Obligated Group's obligations shall be effective only to the extent specifically addressed by such opinion), and (2) the Obligated Group or the Dissemination Agent, if any, delivers copies of such opinion to (i) the MSRB, (ii) the Issuer, (iii) the Trustee (if other than the Dissemination Agent), and (iv) Herbert J. Sims & Co., Inc., as Representative of the Underwriters. The Obligated Group or the Dissemination Agent, if any, shall so deliver such opinion promptly.

SECTION 10. Dissemination Agent.

(a) The Obligated Group may, from time to time, appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Obligated Group is not obligated to appoint or engage a third-party Dissemination Agent under this Disclosure Agreement, however, should the Obligated Group not appoint or engage a third-party Dissemination Agent, the Obligated Group will be solely responsible for carrying out its obligations under this Disclosure Agreement.

(b) The Dissemination Agent, if any, or any successor thereof, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer, the Obligated Group, the Trustee (if other than the Dissemination Agent) and the registered owners of the Bonds, specifying the date when such resignation shall take effect. Such resignation shall take effect upon the date a successor shall have been appointed by the Obligated Group or by a court upon the application of the Dissemination Agent.

(c) In case the Dissemination Agent, if any, or any successor thereof, shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Dissemination Agent or of its property shall be appointed, or if any public officer shall take charge of control of the Dissemination Agent, or of its property or affairs, the Obligated Group may forthwith

appoint a Dissemination Agent to act. The Obligated Group shall give or cause to be given written notice of any such appointment to the Owners (as such term is defined in the Agreement), the Trustee (if the Trustee is not the Dissemination Agent), and the Issuer.

(d) Any company into which the Dissemination Agent, if any, may be merged or with which it may be consolidated or any company resulting from any merger or consolidation to which it shall be a party or any company to which such Dissemination Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Dissemination Agent, without any further act or deed.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Obligated Group or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Obligated Group shall have delivered an opinion of counsel, addressed to the Issuer, the Obligated Group, the Dissemination Agent, if any, and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Obligated Group shall have delivered to the Issuer, the Trustee and the Dissemination Agent, if any, an opinion of counsel, or a determination by a person, in each case unaffiliated with the Obligated Group (such as bond counsel) and acceptable to the Obligated Group, to the effect that the amendment does not materially impair the interests of the Holders of the Bonds or (ii) the Holders of the Bonds consent to the amendment to this Disclosure Agreement pursuant to the same procedures as are required for amendments to the Agreement with consent of the Holders of the Bonds pursuant to the Agreement as in effect on the date of this Disclosure Agreement, and (5) the Obligated Group shall have delivered copies of such opinion(s) and amendment to the MSRB. The Dissemination Agent, if any, may rely and act upon such opinions.

SECTION 12. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

SECTION 13. Default. In the event of a failure of the Obligated Group to comply with any provision of this Disclosure Agreement, the Dissemination Agent, if any, may (and, at the request of any of the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds who have provided security and indemnity deemed acceptable to the Dissemination Agent, shall), or any party who can establish beneficial ownership of any of the Bonds, or any Bondholder may, after providing fifteen (15) days written notice to the Obligated Group to give the Obligated Group opportunity to comply within such fifteen-day period, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Obligated Group to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Agreement or Master Indenture, and the sole remedy available to the Dissemination Agent, if any, any beneficial owners of the Bonds or the Bondholders under this Disclosure Agreement in the event of any failure of the Obligated Group to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 14. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent that the Dissemination Agent, if any, is required under the terms of this Disclosure Agreement to report any information, it is only required to report information that it receives from the Obligated Group in the form in which it is received, and the Dissemination Agent shall be under no responsibility or

duty with respect to the accuracy and content of the information which it receives from the Obligated Group. The Obligated Group agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence, misconduct or default. The obligations of the Obligated Group under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) Unless otherwise provided by contract with a Dissemination Agent, the Obligated Group shall pay or cause to be paid to the Dissemination Agent after reasonable notice to the Obligated Group in light of the reimbursement sought to be received, reasonable reimbursement for its reasonable out-of-pocket expenses, charges, counsel fees and expenses and other disbursements and those of its attorneys, agents, and employees, actually incurred in and about the performance of its powers and duties hereunder. The Obligated Group shall indemnify and save the Dissemination Agent harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence, misconduct or default. None of the provisions contained in this Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers. The obligations of the Obligated Group under this Section to compensate the Dissemination Agent, to pay or reimburse the Dissemination Agent for expenses, disbursements, charges and counsel fees and to indemnify and hold harmless the Dissemination Agent shall survive the termination of this Disclosure Agreement.

SECTION 15. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB pursuant to this Disclosure Agreement shall be provided to the MSRB's EMMA system, the current internet web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Obligated Group, the Trustee, the Dissemination Agent, if any, the Underwriters, parties who can establish beneficial ownership of the Bonds and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Disclaimer. No Annual Report, Quarterly Report, Additional Report or notice of a Listed Event filed by or on behalf of the Obligated Group under this Disclosure Agreement shall obligate the Obligated Group to file any information regarding matters other than those specifically described in Sections 3, 4, 5, 6 and 7 hereof, nor shall any such filing constitute a representation by the Obligated Group or any Obligated Group member or raise any inference that no other material events have occurred with respect to the Obligated Group, any Obligated Group Member or the Bonds or that all material information regarding the Obligated Group, each Obligated Group Member or the Bonds has been disclosed. The Obligated Group shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 18. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 19. Notices. The parties hereto may be given notices required hereunder at the addresses set forth for them in the Agreement.

SECTION 20. Applicable Law. This Disclosure Agreement shall be governed by the laws of the Commonwealth of Massachusetts, and by applicable federal laws.

Dated as of December 1, 2017

OBLIGATED GROUP:

NEWBRIDGE ON THE CHARLES, INC., on behalf of
itself and as sole Member of the Obligated Group

By: _____
Authorized Officer

EXHIBIT A
To Continuing Disclosure Agreement

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Massachusetts Development Finance Agency

Name of Bond Issue: \$_____ Massachusetts Development Finance Agency Revenue Refunding Bonds,
NewBridge on the Charles, Inc. Issue, Series 2017

Name of Obligated Group: NewBridge on the Charles, Inc.

Date of Official Statement: _____, 2017

NOTICE IS HEREBY GIVEN that the Obligated Group has not yet provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement by NewBridge on the Charles, Inc. (the "Obligated Group"), dated as of December 1, 2017.

Dated: _____

_____, [as
Dissemination Agent]

By: _____
Name: _____
Title: _____

cc: Obligated Group
Issuer

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NEWBRIDGE ON THE CHARLES



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