

**SUPPLEMENT TO
PRELIMINARY OFFICIAL STATEMENT**

Dated: June 25, 2021

\$79,065,000*

**Duluth Economic Development Authority
(St. Louis County, Minnesota)
Revenue Bonds
(Benedictine Health System)
Series 2021A**

This Supplement to Preliminary Official Statement (the “*Supplement*”) supplements and amends certain information contained in the Preliminary Official Statement dated June 14, 2021 (the “*Preliminary Official Statement*”) prepared with respect to the above-captioned Bonds.

Front Part of Preliminary Official Statement

1. The provisions of the Bond Indenture summarized on page 18 of the Preliminary Official Statement in paragraph 4. under the heading “THE SERIES 2021A BONDS – Redemption Provisions Related to Series 2021A Bonds – *Extraordinary Optional Redemption of Series 2021A Bonds*” are amended as follows. Additions are noted in underlined text.

4. at a redemption price equal to the greater of (i) 100% of the principal amount thereof plus unamortized original issue premium of such bond through the first date on which such bonds may be optionally redeemed at par (calculated on the effective interest rate method in accordance with GAAP), or (ii) 104% of the principal amount thereof plus accrued interest thereon to the redemption date, in the event that (A) a Consultant determines in good faith that continued operation or use of any of the facilities comprising the Financed Facilities or any part thereof is not financially feasible or is otherwise disadvantageous to the Obligors; (B) as a result thereof, the Obligated Group Agent determines to sell, lease or otherwise dispose of, or permit alternative use of, such facilities comprising any part of the Financed Facilities to an unrelated person or entity; and (C) the redemption (which may be effected prior to, concurrently with, or after the sale, lease, other disposition or alternative use) is undertaken for the purpose of preventing such sale, lease, other disposition or alternative use from adversely affecting the exclusion of interest on the Series 2021A Bonds from gross income for purposes of federal income taxation.

2. The information on page 24 of the Preliminary Official Statement in the second paragraph under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS – The Mortgages” is amended to read as follows. Additions are noted in underlined text.

In connection with the issuance of the Series 2021A Bonds, the Corporation will deliver, for the benefit of the Master Trustee, lender’s title insurance policies insuring the Member’s ownership of or leasehold interest in the real property mortgaged under the Mortgages and the priority of the Mortgages as encumbrances on such property. The title policies will be in an aggregate amount at least equal to the initial aggregate principal amount of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds. As of the date hereof, the title company is compiling title abstracts for two communities, Benedictine Living Community | Wahpeton in Wahpeton, North Dakota and Evergreen Place in Ellendale, North Dakota. If lender’s title insurance policies for those communities are not available on the date of issuance of the Series 2021A Bonds, the Corporation covenants to provide such policies as soon as

* Preliminary, subject to change.

practicable. See “Bondholders’ Risks — Title Insurance; Limitations of Remedies Under the Mortgages.”

Appendix A to Preliminary Official Statement

1. The information on page A-2 of Appendix A to the Preliminary Official Statement under the caption “INTRODUCTION – Obligated Group” is deleted in its entirety and replaced with the following to include property acreage, CMS Stars rating and founding year of each Community in the chart:

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The chart below identifies the entities that are Members of the Obligated Group (collectively, the “Members of the Obligated Group,” and each, a “Member”) created under the Master Indenture as well as the unit mix, location, property acreage, CMS Stars rating and founding year of each Community. Each Member of the Obligated Group is a Tax-Exempt Organization.

BENEDICTINE OBLIGATED GROUP

MEMBER ORGANIZATION AND COMMUNITY NAME	LOCATION	SKILLED NURSING BEDS	ASSISTED LIVING UNITS	INDEPENDENT LIVING UNITS	CMS STARS	ACRES	FOUNDED
Benedictine Care Centers							
dba: Benedictine Living Community New Brighton	New Brighton, MN	105			5	6.33	1965
Benedictine Living Community Red Wing	Red Wing, MN	64	55		5	5.38	1977
Benedictine Health Center							
dba: Benedictine Living Community Duluth	Duluth, MN	96	104	45	2	5.21	1980
Benedictine Living Communities, Inc.							
dba: Benedictine Living Community Dickinson	Dickinson, ND	121	26		5	7.50	1969
Benedictine Living Community Ellendale	Ellendale, ND	53			5	5.28	1946
Benedictine Living Community Garrison	Garrison, ND	52	18		2	5.04	1969
Benedictine Living Community LaMoure	LaMoure, ND	41			4	2.07	1972
Benedictine Living Community Wahpeton	Wahpeton, ND	50			2	4.50	1958
Benedictine Living Community of Wahpeton							
dba: Siena Court	Wahpeton, ND		32		n/a	1.50	1958
Benedictine Living Community of Wahpeton LLC	Wahpeton, ND	n/a	n/a	n/a			
Bridges Care Center							
dba: Benedictine Living Community Ada	Ada, MN	49	18		5	6.29	1999
City of Lakes Care Center							
dba: Benedictine Living Community Minneapolis	Minneapolis, MN	95			4	1.12	1966
Ellendale Evergreen Place, Inc.							
dba: Evergreen Place	Ellendale, ND		20	5	n/a	0.59	1994
Benedictine Living Community Owatonna							
dba: Benedictine Living Community Owatonna	Owatonna, MN	79			3	7.43	2013
Madonna Meadows of Rochester							
dba: Benedictine Living Community Rochester (Madonna Meadows)	Rochester, MN		66		n/a	5.04	1999
Madonna Summit of Byron, LLC							
dba: Benedictine Living Community Byron	Byron, MN		30	20	n/a	5.00	2016
Madonna Towers of Rochester, Inc.							
dba: Benedictine Living Community Rochester (Madonna Towers)	Rochester, MN	62	54	83	2	12.00	1967
Regina Senior Living							
dba: Benedictine Living Community Regina	Hastings, MN	57	131		5	5.86	1965
Saint Anne of Winona							
dba: Benedictine Living Community Winona	Winona, MN	109	105		2	6.42	1953
St. Gertrude’s Health Center							
dba: Benedictine Living Community Shakopee	Shakopee, MN	105	40		4	4.06	1996
Steeple Pointe Senior Living Community							
dba: Benedictine Living Community Osseo	Osseo, MN		59		n/a	1.77	1999
Villa St. Vincent							
dba: Benedictine Living Community Crookston	Crookston, MN	104	53		5	8.00	1978
	TOTAL	1,242	811	153		106.39	

2. The information on page A-21 of Appendix A to the Preliminary Official Statement under the caption “DESCRIPTIONS OF OBLIGATED GROUP COMMUNITIES – Descriptions of Communities and Operations” with respect to Benedictine Living Community | Shakopee is amended to read as follows. Additions are noted in underlined text.

Benedictine Living Community | Shakopee is located in Shakopee, Minnesota. The Community provides transitional care and skilled nursing with a total of 145 units composed of 105 skilled nursing beds and 40 assisted living units. The Community is located on the campus of St. Francis Regional Medical Center, a member of the Allina system, which attracts residents seeking proximity to their primary care providers or acute care services. Allina Health has an option, which option expires in 2026, to purchase the property of Benedictine Living Community | Shakopee at fair market value. Benedictine has not received notice that Allina Health intends to exercise this right. Allina Health also has a right of first refusal to purchase the property in the event Benedictine decides to sell such property. Although there is not room to expand on the campus, opportunities to add additional post-acute floors do exist. With the recent development of Benedictine Living Community of Shakopee LLC (which is not part of the Obligated Group), Benedictine facilities offer the only full continuum of care for seniors in the area.

3. The information on page A-26 of Appendix A to the Preliminary Official Statement under the caption “FINANCIAL INFORMATION – Sources of Net Patient Service Revenue” is amended to include the following:

	Year To Date	
	04/30/2021	
	Patient Days	%
Census SNF		
Private Pay	67,700.00	21.45
Medicaid	166,682.00	52.82
Medicare	40,860.00	12.95
Geri-Psych	4,297.00	1.36
Insurance	15,756.00	4.99
VA	8,909.00	2.82
MSHO-Medicaid	5,925.00	1.88
MSHO-MC A	<u>5,426.00</u>	<u>1.72</u>
Total SNF Census	<u>315,555.00</u>	<u>100.00</u>

4. The information under the caption “FINANCIAL INFORMATION” in Appendix A is amended to include the following:

ACCUMULATED DEPRECIATION AND CAPITAL SPENDING

	FISCAL YEAR ENDED			FISCAL QUARTER ENDED
	2018	JUNE 30, 2019	2020	MARCH 31, 2021
Accumulated Depreciation	\$(111,449,711)	\$(119,763,016)	\$(127,187,007)	\$(133,363,792)
Capital expenditure Spending	\$12,236,941.17	\$4,804,562.38	\$3,717,005.70	\$2,874,913.60

5. The information on page A-33 of Appendix A to the Preliminary Official Statement under the caption “MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATIONS – IMPACT OF COVID 19 ON FINANCIAL PERFORMANCE OF THE OBLIGATED GROUP” is amended to include the following:

Within the Communities operated by the Obligated Group, there were 834 resident cases of COVID-19 (152 deaths) and 910 staff cases of COVID-19 (no deaths).

6. The information on page A-38 and A-39 of Appendix A to the Preliminary Official Statement under the caption “MISCELLANEOUS – CMS STAR RATINGS” is amended to include the following paragraph after the chart on p. A-39:

The CMS star ratings for each of the communities in the Obligated Group are set forth in the chart of Obligated Group Members on page A-2 of this Appendix A under the caption “INTRODUCTION – Obligated Group.”

7. The information on page A-39 of Appendix A to the Preliminary Official Statement under the caption “MISCELLANEOUS – INSURANCE” is amended to include the following paragraph:

Benedictine maintains blanket property insurance coverage in the amount of \$709,272,760, with a \$150,000,000 per occurrence limit. Benedictine maintains additional excess policy coverage in the amount of \$100,000,000. The property insurance policy has a \$100,000 deductible. However, Benedictine uses its captive insurance company to cover deductibles in excess of \$25,000. Benedictine maintains business interruption insurance coverage in the amount of \$99,753,900 (which is sized as one year of insurable income plus 90 days of payroll expense). Insurable income is equal to resident revenues minus variable nonpayroll expenses and minus ordinary payroll.

Appendix C to Preliminary Official Statement

The information on page C-40 of Appendix C to the “SUMMARY OF THE MASTER INDENTURE-Permitted Indebtedness” is amended as set forth below. Additions are noted in underlined text.

- (b) *Completion Indebtedness.* A Member may incur Completion Indebtedness to complete a project or Capital Addition so long as the scope of the project or Capital Addition is not being changed, upon delivery to the Master Trustee of 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 the project or Capital Addition or (B) a report of a Consultant stating that the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following the completion of the project or Capital Addition is not expected to be less than the expected Projected Debt Service Coverage Ratio would have been without the incurrence of such Long-Term Indebtedness. In addition, the Obligated Group Agent shall provide (1) a certificate of an independent architect or a Consultant with skill and experience in construction or renovation matters to the effect that the Long-Term Indebtedness incurred under this section will be sufficient to complete the project or Capital Additions and (2) an Officer’s Certificate stating that the amount of the original Long-Term Indebtedness and other available funds were expected to provide sufficient funds to complete the subject project including an explanation outlining the reasoning for such expectation.

Appendix G to Preliminary Official Statement

The form of the Continuing Disclosure Agreement set forth in Appendix G to the Preliminary Official Statement is deleted in its entirety and replaced with the form of Continuing Disclosure Agreement a set forth on Exhibit 1 to this Supplement. Additions are noted in underlined text and deletions are noted in ~~striketrough~~ text.

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Exhibit 1

Appendix G to Preliminary Official Statement

Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “*Disclosure Agreement*”) is executed and delivered by Benedictine Health System, a nonprofit corporation organized and existing under the laws of the State of Minnesota (the “*Corporation*”), as Obligated Group Agent (as defined below) on behalf of the Members of the Obligated Group (as defined below), as of _____, 2021. The Corporation covenants and agrees as follows:

Section 1. Definitions. Any capitalized terms used herein but not defined herein shall have the meanings assigned to them in the hereinafter described Master Indenture, and the following capitalized terms shall have the following meanings:

“*Annual Budget*” shall mean any Annual Budget provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report*” shall mean any Annual Report provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Authority*” shall mean the Duluth Economic Development Authority, a public body, corporate and politic, and political subdivision organized and existing under the Constitution and the laws of the State of Minnesota.

“*Bond Indenture*” shall mean the Bond Trust Indenture dated as of July 1, 2021, between the Authority and the Bond Trustee, pursuant to which the Series 2021A Bonds are issued.

“*Bond Trustee*” shall mean U.S. Bank National Association, as bond trustee.

“*Bondholders*” shall mean the owners and beneficial owners from time to time of the Series 2021A Bonds.

“*Business Day*” shall have the meaning set forth in the Bond Indenture.

“*Corporation*” shall mean Benedictine Health System, a nonprofit corporation incorporated under the laws of the State of Minnesota.

“*Days Cash on Hand*” shall have the meaning set forth in the Master Indenture.

“*Disclosure Agreement*” shall mean this agreement.

“*Dissemination Agent*” shall mean (i) initially, U.S. Bank National Association or (2) any Dissemination Agent designated in writing by the Corporation and which has filed with the Corporation a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access system of the MSRB

accessible at <http://emma.msrb.org> or such other information repository as may be determined by the SEC from time to time.

“Financial Obligation” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of a debt obligation or a derivative instrument. The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“GAAP” means generally accepted accounting principles in the United States of America.

“Historical Debt Service Coverage Ratio” shall have the meaning set forth in the Master Indenture.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Loan Agreement” shall mean the Loan Agreement dated as of July 1, 2021, among the Corporation, certain Members of the Obligated Group and the Authority relating to the Series 2021A Bonds.

“Master Indenture” shall mean the Master Trust Indenture dated as of July 1, 2021, among the Corporation, as Obligated Group Agent, the Members of the Obligated Group and the Master Trustee, as amended and supplemented from time to time.

“Master Trustee” shall mean U.S. Bank National Association as master trustee.

“Member” or *“Member of the Obligated Group”* or *“Obligated Group”* means Benedictine Care Centers, Benedictine Health Center, Benedictine Living Communities, Inc., Bridges Care Center, City of Lakes Care Center, Benedictine Living Community of Wahpeton, LLC, Benedictine Living Community of Wahpeton, Ellendale Evergreen Place, Inc., Madonna Meadows of Rochester, Madonna Summit of Byron, LLC, Madonna Towers of Rochester, Inc., Regina Senior Living, Saint Anne of Winona, St. Gertrude’s Health Center, Koda Living Community, Steeple Pointe Senior Living Community and Villa St. Vincent.

“Monthly Report” shall mean any Monthly Report provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any successor entity as described in the Rule.

“Obligated Group Agent” shall have the same meaning set forth in the Master Indenture.

“Obligated Person” shall have the meaning set forth in the Rule.

“*Offering Document*” shall mean the Official Statement dated _____, 2021 describing the Series 2021A Bonds.

“*Quarterly Report*” shall mean any quarterly report provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934.

“*SEC*” shall mean the United States Securities and Exchange Commission.

“*Series 2021A Bonds*” means the Authority’s Revenue Bonds (Benedictine Health System), Series 2021A.

“*Underwriter*” shall mean Herbert J. Sims & Company, Inc., or any additional purchaser of the Series 2021A Bonds required to comply with the Rule in connection with an offering of the Series 2021A Bonds.

Section 2. Purpose of this Disclosure Agreement. The purpose of this Disclosure Agreement is to assist the Underwriter in complying with the Rule in connection with the Series 2021A Bonds. The Corporation represents that the Members of the Obligated Group are the only Obligated Persons with respect to the Series 2021A Bonds at the time the Series 2021A Bonds are delivered to the Underwriter. In its actions under this Disclosure Agreement, if any, the Dissemination Agent shall be entitled to the same protections afforded to the Master Trustee under the Master Indenture.

Section 3. Provision of Annual Reports, Quarterly Reports, Monthly Reports and Annual Budgets. (a) The Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 150 days after the completion of each fiscal year of the Corporation (beginning with the fiscal year ending June 30, 2021), provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB) an Annual Report that is consistent with the requirements of Section 4(a) of this Disclosure Agreement.

(b) Beginning with the fiscal quarter ending June 30, 2021, the Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 60 days after the completion of each fiscal quarter of the Corporation, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB) a Quarterly Report that is consistent with the requirements of Section 4(b) of this Disclosure Agreement.

(c) The Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 45 days after the end of each month, during the period of time any Monthly Report is required under Section 4(c) hereof, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB),

a Monthly Report that is consistent with the requirements of Section 4(c) of this Disclosure Agreement.

(d) The Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 30 days prior to the start of each fiscal year, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB), an Annual Budget that is consistent with the requirements of Section 4(d) of this Disclosure Agreement.

(e) In each case the Annual Report, the Quarterly Report, the Monthly Report or the Annual Budget may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report, the Quarterly Report, the Monthly Report or the Annual Budget may be incorporated by reference from other documents that have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Group Agent shall clearly identify each such other document so incorporated by reference.

(f) The Dissemination Agent shall (if the Dissemination Agent is other than the Corporation) file a report with the Corporation certifying that the Annual Report, the Quarterly Report, the Monthly Report or the Annual Budget, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

(g) With respect to each Annual Report, Quarterly Report, Monthly Report or Annual Budget required to be submitted to the MSRB in this Section 3, the Corporation agrees to deliver such information or, alternatively, a notice of the Corporation's intent to act as its own Dissemination Agent with respect to such information, to the Dissemination Agent at least five (5) Business Days prior to the date required for dissemination to the MSRB. If the Dissemination Agent does not receive an Annual Report, Quarterly Report, Monthly Report or Annual Budget or a notice of the Corporation's intent to act as Dissemination Agent with respect to such information on or before a required dissemination date, then the Dissemination Agent shall file with the MSRB a notice of failure to file. If the Corporation is unable to provide to the MSRB an Annual Report, Quarterly Report, Monthly Report or Annual Budget by the dates required in this Section 3 and the Dissemination Agent has not filed with the MSRB a related notice of failure to file, the Corporation shall send or cause to be sent a notice of such fact to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB).

Section 4. Content of Annual Reports, Quarterly Reports, Monthly Reports and Annual Budgets. (a) The Annual Report to be delivered under Section 3(a) shall provide the following financial and operating data:

(1) Audited financial statements of Benedictine Health System and affiliates for the fiscal year immediately preceding the due date of the Annual Report. Such financial statements shall be prepared in accordance with GAAP, shall be audited by an independent certified public accountant, and shall include a combined balance sheet as of the end of such fiscal year, a combined statement of operations for such fiscal year and a

combined statement of changes in net assets for such fiscal year and a supplemental statement of cash flows for the Obligated Group, showing in each case in comparative form the financial figures for the preceding fiscal year or a written explanation detailing the reasons that comparative financial figures cannot be prepared; *provided, however*, that if such audited financial statements are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report.

(2) To the extent not otherwise provided, an update for such fiscal year of the financial and operating data included in the tables and charts under the headings “STATISTICAL INFORMATION – Historical Occupancy of the Obligated Group Communities,” “STATISTICAL INFORMATION – Sources of Net Patient Service Revenue,” “FINANCIAL INFORMATION – Combined Statements of Operations and Changes in Net Assets of the Obligated Group,” “FINANCIAL INFORMATION – Combined Balance Sheets of the Obligated Group,” “FINANCIAL INFORMATION – Debt Service Coverage Ratios,” (but excluding any Pro Forma Maximum Annual Debt Service Coverage Ratio) ~~and~~, “FINANCIAL INFORMATION – Liquidity” and “FINANCIAL INFORMATION – Accumulated Depreciation and Capital Spending” contained in APPENDIX A to the Offering Document.

(3) An Officer’s Certificate of the Obligated Group Agent stating that the Obligated Group is in material compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof.

(4) An update of the status of any construction project ongoing or completed during the fiscal year the cost of which was financed with proceeds of Master Notes ~~with projected or actual project costs in excess of 10% of Revenues of the Obligated Group.~~

(5) A management’s discussion and analysis of results of operation of the Obligated Group for the fiscal year.

(6) Most recent rating of the Obligated Group’s skilled nursing beds issued by the Centers for Medicare & Medicaid Services pursuant to its Five-Star Quality Rating System.

(b) The Quarterly Report to be delivered under Section 3(b) shall contain the following financial and operating data:

(1) Management-prepared financial statements, including a statement of operations, a statement of changes in net assets, a balance sheet and a statement of cash flows of the Obligated Group during such period, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Agent.

(2) A comparison of actual revenues and expenses of the Obligated Group year-to-date against the Annual Budget of the Obligated Group.

(3) A calculation of the Days Cash on Hand as of the last day of each quarter

and a calculation of the Historical Debt Service Coverage Ratio for each fiscal quarter of each year on a rolling four quarter basis.

(4) Information with respect to the occupancy levels of all of the facilities operated by the Obligated Group by level of care as of the end of each fiscal quarter.

(5) An Officer's Certificate of the Obligated Group Agent stating that the Obligated Group is in compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof.

(c) A Monthly Report to be delivered under this Section 4(c) shall be required in any month in which the Historical Debt Service Coverage Ratio for any fiscal year is less than 1.00:1, and a Monthly Report under this Section 4(c) shall be required for each month thereafter until the Historical Debt Service Coverage Ratio is at least 1.00:1. The Monthly Report to be delivered under this Section 4(c) shall contain the same information as that required by Section 4(b) hereof but the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group shall be calculated on a year-to-date basis each month.

Section 5. Reporting of Listed Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2021A Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021A Bonds, or other material events affecting the tax status of the Series 2021A Bonds;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2021A Bonds, if material;

- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of a Member of the Obligated Group;
- (13) the consummation of a merger, consolidation, or acquisition involving a Member of the Obligated Group or the sale of all or substantially all of the assets of a 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 action, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) the incurrence of a Financial Obligation of a Member of the Obligated Group, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms (including debt service schedules) of a Financial Obligation of a Member of the Obligated Group, any of which affect security holders, if material; and
- (16) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Member of the Obligated Group, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the Obligated Group Agent shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB). Such notice shall be filed within 10 Business Days after the occurrence of the Listed Event. If the Obligated Group Agent determines that it failed to give notice as required by this Section, it shall promptly file a notice of such occurrence in the same manner.

(c) For purposes of the event identified in subsection (a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for a 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 governmental authority has assumed jurisdiction over substantially all of the assets or business of a Member of the Obligated Group, or if such jurisdiction has been assumed by leaving by 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 a Member of the Obligated Group.

Section 6. Termination of Reporting Obligation. The Obligated Group's obligations under this Disclosure Agreement with respect to the Series 2021A Bonds shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2021A Bonds or if the Rule shall be revoked or rescinded by the SEC or declared invalid by a final decision of a court of competent jurisdiction.

Section 7. Dissemination Agent. From time to time, the Obligated Group Agent may appoint or engage a Dissemination Agent to assist the Obligated Group Agent in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Obligated Group Agent shall be the Dissemination Agent. Initially, U.S. Bank National Association shall be the Dissemination Agent. The sole remedy of any party against the Dissemination Agent shall be nonmonetary and specific performance. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent shall not be responsible for the form or content of the Annual Report, Quarterly Report, Monthly Report, Annual Budget, notice of occurrence of a Listed Event, or other document furnished to the Dissemination Agent by the Obligated Group Agent. The Dissemination Agent shall have no obligation to disclose information about the Corporation or Obligated Group except as expressly provided herein. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it hereunder and receipt of such information, disclosures or notices by the Dissemination Agent shall not constitute constructive or actual notice by the Dissemination Agent (including in its separate capacities as Master Trustee or Bond Trustee) of any information contained therein or determinable from information contained therein. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Obligated Group Agent, any Member of the Obligated Group, the Underwriter, any Bondholder or any other party. Nothing in this Disclosure Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Obligated Group Agent. The Dissemination Agent shall receive reasonable compensation for its services provided hereunder. The Dissemination Agent may resign at any time by providing at least 60 days' written notice to the Obligated Group Agent.

Section 8. Amendment; Waiver; Modification. The Obligated Group may amend or waive any provision of this Disclosure Agreement, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule or adjudication of the Rule by a final decision of a court of competent jurisdiction. Section 4 establishes only the general type of information to be provided in an Annual Report, Quarterly Report or Monthly Report, and the Obligated Group Agent reserves the right (in its sole discretion and without the need for any consents or amendments) to modify from time to time the specific content for such general types of information and the format and presentation thereof. The Obligated Group may modify from time to time the general types of information required under Section 4 to be provided in an Annual Report, Quarterly Report or Monthly Report in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature, or status of any Obligated Person or type of business conducted, *provided* that any such modification will be done in a manner consistent with the Rule and will not, in the opinion of a party unaffiliated with the Authority or the Members of the Obligated Group, materially impair the interests of the Bondholders. Changes to the entities comprising the Obligated Group, the Members of the Obligated Group, the Obligated Group Agent or the Obligors effected in accordance with the provisions of the Master Indenture,

the Bond Indenture or the Loan Agreement shall be given effect hereunder without further action or amendment.

Section 9. Additional Information. The Members of the Obligated Group may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report, Quarterly Report, Monthly Report, Annual Budget or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If such Member of the Obligated Group chooses to include any information in any Annual Report, Quarterly Report, Monthly Report, Annual Budget or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, such Member shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Quarterly Report, Monthly Report, Annual Budget or notice of occurrence of a Listed Event.

Section 10. Default. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Master Indenture, the Bond Indenture or the Loan Agreement, and the sole remedy of Bondholders under this Disclosure Agreement in the event of any failure of the Obligated Group or the Obligated Group Agent, on behalf of the Obligated Group, to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Corporation, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

Section 12. Responsible Officer. The Obligated Group Agent's Senior Vice President of Finance and Chief Financial Officer shall be the officer, agency, or agent of the Obligated Group Agent responsible for providing Annual Reports, Quarterly Reports, Monthly Reports and Annual Budgets and giving notice of Listed Events, to the extent required hereunder, and any inquiries regarding this Disclosure Agreement should be directed to the Obligated Group Agent, to the attention of its Senior Vice President of Finance and Chief Financial Officer.

Section 13. Future Changes to the Rule. As set forth in Section 2 of this Disclosure Agreement, the Corporation has executed and delivered this Disclosure Agreement solely and only to assist the Underwriter in complying with the requirements of the Rule. Therefore, notwithstanding anything in this Disclosure Agreement to the contrary, in the event the SEC, the MSRB or other regulatory authority shall approve or require changes to the requirements of the Rule, the Obligated Group shall be permitted, but shall not be required, to unilaterally modify the covenants in this Disclosure Agreement, without complying with the requirements of Section 8 of this Disclosure Agreement, in order to comply with, or conform to, such changes. In the event of any such modification of this Disclosure Agreement, the Obligated Group shall file a copy of this Disclosure Agreement, as revised, on EMMA in a timely manner.

IN WITNESS WHEREOF, the Corporation has caused this Disclosure Agreement to be executed by its duly authorized officer as of the date first set forth above.

BENEDICTINE HEALTH SYSTEM, as Obligated
Group Agent on behalf of the Members of the
Obligated Group

By: _____
Senior Vice President of Finance and Chief
Financial Officer

The undersigned has reviewed this Disclosure Agreement and acknowledges and agrees to perform the duties of Dissemination Agent thereunder as of the date set forth above.

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

NEW ISSUE
BOOK-ENTRY ONLYRATING: NOT RATED
(See "No RATING" herein)

In the opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Special Tax Counsel to the Corporation and the Members of the Obligated Group, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Series 2021A Bonds (including any original issue discount properly allocable to an owner thereof) is (1) excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for State of Minnesota income tax purposes; (2) includable in taxable income for purposes of the State of Minnesota franchise tax imposed on corporations and financial institutions; and (3) not an item of tax preference for purposes of the federal or State of Minnesota alternative minimum tax. The opinions are subject to the condition that the Authority, Corporation and Members of the Obligated Group comply with all applicable federal tax requirements. Failure to comply with certain of those requirements may cause interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes and taxable net income for State of Minnesota income tax purposes, retroactive to the date of issuance of the Series 2021A Bonds. The Series 2021A Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" herein.

\$79,065,000***Benedictine**

DULUTH ECONOMIC DEVELOPMENT AUTHORITY
(ST. LOUIS COUNTY, MINNESOTA)
REVENUE BONDS
(BENEDICTINE HEALTH SYSTEM)
SERIES 2021A

Maturity Dates, Interest Rates, Prices, Principal Amounts, Yields and CUSIPs Shown on the Inside Cover

The Duluth Economic Development Authority (St. Louis County, Minnesota) (the "Authority") is issuing its \$79,065,000* Revenue Bonds (Benedictine Health System) Series 2021A (the "Series 2021A Bonds") under the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.165; the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C; the Minnesota Joint Powers Act, Minnesota Statutes, Section 471.59; and a Bond Trust Indenture dated as of July 1, 2021 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee"). The proceeds of the Series 2021A Bonds will be loaned to certain affiliates (collectively, the "Obligors") of Benedictine Health System, d/b/a Benedictine, a Minnesota nonprofit corporation (the "Corporation" and the "Obligated Group Agent"), pursuant to a Loan Agreement dated as of July 1, 2021 (the "Loan Agreement"), among the Authority, the Corporation and the Obligors. The Obligors will use the proceeds of the Series 2021A Bonds, together with certain other monies, to (i) refinance a portion of the existing indebtedness of the Members of the Obligated Group (as defined below); (ii) finance, refinance and reimburse all or a portion of the costs for the constructing, improving, renovating, furnishing and equipping of certain communities owned and operated by Members of the Obligated Group; (iii) fund a debt service reserve fund; and (iv) pay certain costs of issuance of the Series 2021A Bonds. See "PLAN OF FINANCE" herein for additional information.

The Series 2021A Bonds and the interest payable thereon are limited obligations of the Authority and, except as described in this Official Statement, are payable solely from and secured exclusively by the funds pledged thereto under the Bond Indenture, the payments to be made by the Obligors pursuant to the Loan Agreement and the payments to be made pursuant to the Series 2021A Master Note (as defined herein) issued by the Obligated Group Agent on behalf of the Members of the Obligated Group under the Master Trust Indenture, dated as of July 1, 2021, as supplemented and amended (the "Master Indenture"), among the Obligated Group Agent, the affiliates of the Corporation designated therein as members of the Obligated Group created thereunder (collectively, the "Members of the Obligated Group") and U.S. Bank National Association, as master trustee (the "Master Trustee"). The sources of payment of, and security for, the Series 2021A Bonds are more fully described in this Official Statement. The Members of the Obligated Group will deliver Mortgages (as defined herein) naming the Master Trustee as beneficiary to secure the payment of obligations of the Members of the Obligated Group under the Master Indenture. **The Corporation is not a Member of the Obligated Group and is not obligated to make any payments with respect to the Series 2021A Bonds.**

The Series 2021A Bonds are subject to optional and mandatory redemption, extraordinary redemption and purchase in lieu of redemption prior to maturity at the prices and under the circumstances described herein. See "THE SERIES 2021A BONDS — Redemption Provisions Related to Series 2021A Bonds" herein.

The Series 2021A Bonds are issuable only as fully registered Bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York. DTC will act as securities depository for the Series 2021A Bonds. Purchases of the Series 2021A Bonds will be made only in book-entry form, in denominations of \$5,000 or any integral multiple thereof.

An investment in the Series 2021A Bonds involves a certain degree of risk related to, among other things, the nature of the Obligated Group's business, the regulatory environment, and the provisions of the principal documents. A prospective Bondholder is advised to read "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS" and "BONDHOLDERS' RISKS" herein for a discussion of certain risk factors that should be considered in connection with an investment in the Series 2021A Bonds.

THE SERIES 2021A BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY AND THE SERIES 2021A BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT OF THE AUTHORITY OR THE STATE OF MINNESOTA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY OR CHARTER LIMITATION AND DO NOT CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE AUTHORITY OR THE STATE OF MINNESOTA OR A CHARGE AGAINST THEIR GENERAL CREDIT, ASSETS OR TAXING POWERS. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2021A BONDS ARE PAYABLE SOLELY FROM THE SOURCES PLEDGED TO THE PAYMENT THEREOF PURSUANT TO THE BOND INDENTURE, AS MORE FULLY DESCRIBED HEREIN. THE AUTHORITY HAS NO TAXING POWER.

The Series 2021A Bonds are being offered, subject to prior sale and withdrawal of such offer without notice, when, as and if issued by the Authority and accepted by Herbert J. Sims & Company, Inc. (the "Underwriter") subject to the approving opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota. Certain legal matters will be passed upon for the Authority by its counsel, Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota; for the Corporation and the Members of the Obligated Group by their counsel, Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, and Gilmore & Bell, P.C., Kansas City, Missouri; and for the Underwriter by its counsel, Chapman and Cutler LLP, Chicago, Illinois. Certain tax matters will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri, Special Tax Counsel to the Corporation and the Members of the Obligated Group. It is expected that the Series 2021A Bonds will be available for delivery through the facilities of DTC, against payment therefor, on or about _____, 2021.



Dated: _____, 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other changes without any notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$79,065,000*
DULUTH ECONOMIC DEVELOPMENT AUTHORITY
(ST. LOUIS COUNTY, MINNESOTA)
REVENUE BONDS
(BENEDICTINE HEALTH SYSTEM)
SERIES 2021A

Dated: Date of Delivery

Due: As shown below

The Series 2021A Bonds will be issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2021A Bonds will be payable on each January 1 and July 1, commencing January 1, 2022. The Series 2021A Bonds will be subject to redemption prior to maturity as more fully described herein.

\$ _____ SERIAL BONDS

MATURITY (JULY 1)	PRINCIPAL AMOUNT	INTEREST RATE PER ANNUM	YIELD	PRICE	CUSIP [†]
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\$ _____ TERM BONDS

\$ _____ % Term Bonds due July 1, ____; Priced at _____ to Yield _____%; CUSIP No. _____[†]
 \$ _____ % Term Bonds due July 1, ____; Priced at _____ to Yield _____%; CUSIP No. _____[†]
 \$ _____ % Term Bonds due July 1, ____; Priced at _____ to Yield _____%; CUSIP No. _____[†]

* Preliminary, subject to change.

[†] A registered trademark of The American Bankers Association. CUSIP data is provided by CUSIP Global Services (“CGS”) managed on behalf of the American Bankers Association by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference and none of the Authority, the Corporation, the Members of the Obligated Group or the Underwriter take responsibility for the accuracy of such data.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Corporation, the Members of the Obligated Group, the Authority or the Underwriter. The information set forth herein concerning the Corporation and the Members of the Obligated Group has been furnished by the Corporation and is believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any state to any person to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder will under any circumstances create any implication that there has been no change in the affairs of the Corporation or the Members of the Obligated Group since the date hereof.

THE AUTHORITY HAS NOT REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO OTHER THAN THE STATEMENTS SET FORTH UNDER THE CAPTIONS “THE AUTHORITY” AND “LITIGATION—THE AUTHORITY.”

In making an investment decision, investors must rely on their own examination of the Series 2021A Bonds, the Corporation, the Obligated Group, and the terms of the offering, including the merits and risks involved. The Series 2021A Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, no such commission or regulatory authority has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information contained in this Official Statement has been furnished by the Corporation, the Authority, DTC and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. 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.

U.S. Bank National Association, in each of its capacities, including, but not limited to, Bond Trustee, Master Trustee, bond registrar and paying agent, has not participated in the preparation of this Official Statement and assumes no responsibility for its content.

THE SERIES 2021A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2021A BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 2021A BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND IF DISCONTINUED, MAY BE RECOMMENCED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, among others, information under the caption “BONDHOLDERS’ RISKS” in the forepart of this Official Statement and information in APPENDIX A to this Official Statement.

The achievement of certain results or other expectation contained in such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. The Corporation does not plan to issue an updates or revisions to those forward looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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

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**OFFICIAL STATEMENT
relating to**

\$79,065,000*

**DULUTH ECONOMIC DEVELOPMENT AUTHORITY
(ST. LOUIS COUNTY, MINNESOTA)
REVENUE BONDS
(BENEDICTINE HEALTH SYSTEM)
SERIES 2021A**

INTRODUCTION

Purpose of this Official Statement. This Official Statement, including the cover page and Appendices hereto, is provided to furnish information with respect to the issuance, sale and delivery by the Duluth Economic Development Authority (the “*Authority*”) of its \$79,065,000* Revenue Bonds (Benedictine Health System) Series 2021A (the “*Series 2021A Bonds*”). The Series 2021A Bonds are being issued pursuant to the provisions of the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C, the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.165 and the Minnesota Joint Powers Act, Minnesota Statutes, Section 471.59 (collectively, the “*Act*”). Additionally, the Series 2021A Bonds are being issued pursuant to the Bond Trust Indenture, dated as of July 1, 2021 (the “*Bond Indenture*”), between the Authority and U.S. Bank National Association, as bond trustee (the “*Bond Trustee*”). The Series 2021A Bonds are payable from and equally and ratably secured by a master indenture note (the “*Series 2021A Master Note*”) issued under the Master Indenture described below and any supplements thereto. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS” herein.

Certain capitalized terms used herein are defined in “SUMMARY OF PRINCIPAL DOCUMENTS — DEFINITIONS” in APPENDIX C hereto. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of its terms and conditions. All statements herein are qualified in their entirety by reference to each document. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Corporation and the Obligated Group. Benedictine Health System (the “*Corporation*” and the “*Obligated Group Agent*”), d/b/a Benedictine, a Minnesota nonprofit corporation, has been determined to be exempt from federal income taxation pursuant to 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 Corporation and its subsidiaries comprise a Catholic healthcare and senior housing system that provides senior independent living, long-term care, congregate housing, assisted living, and related rehabilitation, health-care, and social services. A more complete description of the Corporation and its affiliates is contained in APPENDIX A hereto.

* Preliminary, subject to change.

The Obligated Group created under the hereinafter referred to Master Indenture is comprised of the following affiliates of the Corporation (collectively, the “*Obligated Group*” and each individually a “*Member*”):

- Benedictine Care Centers
- Benedictine Health Center
- Benedictine Living Communities, Inc.
- Bridges Care Center
- Benedictine Living Community of Wahpeton
- Benedictine Living Community of Wahpeton, LLC
- Benedictine Living Community Owatonna
- City of Lakes Care Center
- Ellendale Evergreen Place, Inc.
- Madonna Meadows of Rochester
- Madonna Summit of Byron, LLC
- Madonna Towers of Rochester, Inc.
- Regina Senior Living
- Saint Anne of Winona
- St. Gertrude’s Health Center
- Steeple Pointe Senior Living Community
- Villa St. Vincent

Each of the Members of the Obligated Group has been determined to be exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code or as a disregarded entity for federal income tax purposes, the sole member of which is an organization exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code. See APPENDIX A hereto for a further description of the Members of the Obligated Group and their operations, including the senior living communities operated by the Members of the Obligated Group (the “*Communities*”).

The Members of the Obligated Group are jointly and severally obligated on all indebtedness evidenced or secured by Master Notes (as defined in the Master Indenture) issued under the Master Indenture.

THE CORPORATION IS THE OBLIGATED GROUP AGENT UNDER THE MASTER INDENTURE BUT IS NOT A MEMBER OF THE OBLIGATED GROUP. ONLY THE MEMBERS OF THE OBLIGATED GROUP ARE OBLIGATED UNDER THE HEREINAFTER DESCRIBED SERIES 2021 MASTER NOTES AND WITH RESPECT TO THE SERIES 2021A BONDS, THE DIRECT PLACEMENT BONDS OR THE TAXABLE BONDS DESCRIBED HEREIN. THE CORPORATION IS NOT AN OBLIGOR UNDER THE LOAN AGREEMENT. NEITHER THE CORPORATION NOR ANY OTHER AFFILIATE OTHER THAN THE MEMBERS OF THE OBLIGATED GROUP WILL BE OBLIGATED UNDER THE SERIES 2021 MASTER NOTES OR WITH RESPECT TO THE SERIES 2021A BONDS, THE DIRECT PLACEMENT BONDS OR THE TAXABLE BONDS.

The Authority. The Authority is a public body, corporate and politic and political subdivision organized and existing under the laws of the State of Minnesota, exercising economic

development and redevelopment powers on behalf of the City of Duluth, Minnesota and will issue the Series 2021A Bonds pursuant to the provisions of the Act. See “THE AUTHORITY” herein.

Purpose of the Series 2021A Bonds. Pursuant to the Loan Agreement, dated as of July 1, 2021 (the “*Loan Agreement*”), among the Corporation (as Obligated Group Agent without any liability or obligation for the repayment of the Series 2021A Bonds), Benedictine Care Centers, Benedictine Health Center, Bridges Care Center, City of Lakes Care Center, Benedictine Living Community Owatonna, Madonna Meadows of Rochester, Madonna Summit of Byron, LLC, Madonna Towers of Rochester, Inc., Regina Senior Living, Saint Anne of Winona, St. Gertrude’s Health Center, Steeple Pointe Senior Living Community and Villa St. Vincent (collectively, the “*Obligors*”) and the Authority, the Obligors will use the proceeds of the Series 2021A Bonds and certain other monies of the Obligated Group, to (i) refinance a portion of the existing indebtedness of the Members of the Obligated Group; (ii) finance, refinance and reimburse all or a portion of the costs for the constructing, improving, renovating, furnishing and equipping of certain Communities owned and operated by Members of the Obligated Group; (iii) fund a deposit to a debt service reserve fund; and (iv) pay certain costs of issuance of the Series 2021A Bonds and the refunding and redemption of the Refunded Obligations (as herein defined). See “PLAN OF FINANCE” herein for additional information relating to the plan of finance. See also “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Concurrent Financings. Concurrently with the issuance of the Series 2021A Bonds, the Authority will issue its \$18,200,000* Revenue Bonds (Benedictine Health System) Series 2021B (the “*Series 2021B Bonds*”) and its \$19,000,000* Revenue Bonds (Benedictine Health System) Series 2021C (the “*Series 2021C Bonds*”) and, together with the Series 2021B Bonds, the “*Direct Placement Bonds*”) for the benefit of the Obligors. The Direct Placement Bonds are expected to be issued on the same date as the Series 2021A Bonds and will be privately placed with Bremer Bank, N.A. and National Bank of Commerce. The proceeds of the Direct Placement Bonds will be used to (i) refinance a portion of the existing indebtedness of the Obligors; and (ii) pay certain costs of issuance of the Direct Placement Bonds. In addition, the Corporation, on behalf of Benedictine Living Communities, Inc., Benedictine Living Community of Wahpeton, LLC and Villa St. Vincent (the “*Taxable Bonds Obligors*”) will issue its \$21,800,000* Benedictine Health System Revenue Bonds, Series 2021D (the “*Taxable Bonds*”) for the benefit of the Taxable Bonds Obligors, which are Members of the Obligated Group. The Taxable Bonds are expected to be issued on the same date as the Series 2021A Bonds and will be privately placed with Bremer Bank, N.A. The proceeds of the Taxable Bonds will be used to (i) refinance existing indebtedness of the Taxable Bonds Obligors; and (ii) pay certain costs of issuance of the Taxable Bonds, the Series 2021A Bonds and the Direct Placement Bonds, as necessary. See “PLAN OF FINANCE” herein for additional information relating to the Direct Placement Bonds and the Taxable Bonds.

The Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds are collectively referred to herein as the “Series 2021 Bonds.”

* Preliminary, subject to change.

Security for the Series 2021A Bonds. The Series 2021A Bonds are issued under and are equally and ratably secured under Bond Indenture, pursuant to which the Authority has assigned and pledged to the Bond Trustee (1) certain rights of the Authority under the Loan Agreement, (2) the funds and accounts (excluding the Rebate Fund), including the money and investments in such funds, which the Bond Trustee holds under the terms of the Bond Indenture, (3) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Series 2021A Bonds and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Series 2021A Bonds or that may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2021A Master Note. Under the Loan Agreement, the Obligors are required to pay amounts equal to the principal of, premium, if any, and interest on the Series 2021A Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS” herein.

To secure the obligations of the Obligors under the Loan Agreement, the Corporation, as Obligated Group Agent, will execute and deliver to the Bond Trustee the Master Indenture Note (Benedictine Health System), Series 2021A (the “*Series 2021A Master Note*”) in the same principal amount as the Series 2021A Bonds, pursuant to the terms of the Master Trust Indenture dated as of July 1, 2021, as supplemented and amended by the Supplemental Master Trust Indenture No. 1 dated as of July 1, 2021 (as supplemented and amended, including in connection with the issuance of the other Series 2021 Master Notes described below, and as further supplemented from time to time, including in connection with the issuance of the Master Notes described in the following paragraph, the “*Master Indenture*”) among the Corporation, as Obligated Group Agent, the Members of the Obligated Group and U.S. Bank National Association, as master trustee (the “*Master Trustee*”). As the holder of the Series 2021A Master Note, the Bond Trustee will be entitled to the protection of the covenants, restrictions and other obligations imposed upon the Members of the Obligated Group by the Master Indenture.

The Corporation will also execute and deliver (i) the Master Indenture Note (Benedictine Health System), Series 2021B (the “*Series 2021B Master Note*”) in the same principal amount as the Series 2021B Bonds, (ii) the Master Indenture Note (Benedictine Health System), Series 2021C (the “*Series 2021C Master Note*”) in the same principal amount as the Series 2021C Bonds and (iii) the Master Indenture Note (Benedictine Health System), Series 2021D (the “*Series 2021D Master Note*”) in the same principal amount as the Taxable Bonds, pursuant to the terms of the Master Indenture, which Series 2021B Master Note, Series 2021C Master Note and Series 2021D Master Note will be on parity with the Series 2021A Master Note issued to secure the Series 2021A Bonds and any other Master Notes issued under the Master Indenture, except the Master Reserve Fund established under the Master Indenture will initially secure only the Series 2021A Bonds. In addition, concurrently with the issuance of the Series 2021A Master Note, the Series 2021B Master Note, the Series 2021C Master Note and the Series 2021D Master Note, the Corporation will execute and deliver the Shakopee Guaranty Master Note (as herein defined). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS” and “PLAN OF FINANCE” herein. The Series 2021A Master Note, the Series 2021B Master Note, the Series 2021C Master Note, the Series 2021D Master Note and the Shakopee Guaranty Master Note are collectively referred to herein as the “*Series 2021 Master Notes.*”

In order to secure the payment of the principal of, premium, if any, and interest on the Master Notes issued under the Master Indenture, including the Series 2021A Master Note, the Members of the Obligated Group have pledged, assigned, and granted a security interest in their Gross Revenues to the Master Trustee as well as all moneys and securities from time to time held by the Master Trustee under the terms of the Master Indenture. In connection with the issuance of the Series 2021 Master Notes, each Member of the Obligated Group that owns real property on which a Community is located will also deliver either a Mortgage, Security Agreement and Assignment of Leases and Rents dated as of July 1, 2021 or a Leasehold Mortgage, Security Agreement and Assignment of Leases and Rents dated as of July 1, 2021 (collectively, the “*Mortgages*”), naming the Master Trustee as beneficiary to secure the payment of the obligations of the Members under the Master Indenture.

THE CORPORATION IS THE OBLIGATED GROUP AGENT UNDER THE MASTER INDENTURE BUT IS NOT A MEMBER OF THE OBLIGATED GROUP. ONLY THE MEMBERS OF THE OBLIGATED GROUP ARE OBLIGATED UNDER THE SERIES 2021 MASTER NOTES AND WITH RESPECT TO THE SERIES 2021A BONDS, THE DIRECT PLACEMENT BONDS OR THE TAXABLE BONDS. THE CORPORATION IS NOT AN OBLIGOR UNDER THE LOAN AGREEMENT. NEITHER THE CORPORATION NOR ANY OTHER AFFILIATE OTHER THAN THE MEMBERS OF THE OBLIGATED GROUP WILL BE OBLIGATED UNDER THE SERIES 2021 MASTER NOTES OR WITH RESPECT TO THE SERIES 2021A BONDS, THE DIRECT PLACEMENT BONDS OR THE TAXABLE BONDS.

Payment of the principal of, and interest on, the Series 2021A Bonds will be additionally secured by moneys deposited to the credit of a debt service reserve fund established under the Master Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS — Master Reserve Fund” for further information.

Bondholders’ Risks. Certain risks are inherent in the successful operation of facilities, such as those operated by the Members of the Obligated Group on a basis such that sufficient cash will be available to pay interest on and to retire indebtedness. See “BONDHOLDERS’ RISKS” below for a discussion of certain of these risks. Careful consideration should be given to those risks and other risks described elsewhere in this Official Statement.

THE AUTHORITY

The Authority is a public body, corporate and politic, and political subdivision organized and existing under the Constitution and the laws of the State of Minnesota and exercises economic development and redevelopment powers on behalf of the City of Duluth, Minnesota.

By Resolution No. 89-0323, adopted on April 24, 1989, the City Council established the Authority pursuant to Minnesota Statutes, Sections 469.090 through 469.108. The Act authorizes the Authority to issue revenue bonds to finance, among other activities, the cost of projects suitable or used in connection with hospital, healthcare or nursing home facilities and to refund bonds previously issued under the Act.

The Authority is governed by a seven-person Board of Commissioners. The Commissioners are appointed by the Mayor of the City of Duluth subject to confirmation by the

City of Duluth City Council. The current composition of the Board of Commissioners is as follows:

Matt Cartier, President	Derek Medved*
Tim McShane, Vice President	Chauana McEntyre
Zach Filipovich*, Secretary	Ellie Just
Roz Randorf*, Treasurer	

* Members of the Duluth, Minnesota City Council

The stated purpose of the Authority as articulated by the City Council is to preserve and create jobs, enhance the tax base, implement certain housing initiatives, promote the general welfare of the people of the City of Duluth and assume primary responsibility for development activities within the City of Duluth, including operation and management of tax increment financing districts.

Pursuant to the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.165, the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C, and the Minnesota Joint Powers Act, Minnesota Statutes, Section 471.59, the Authority is authorized to issue the Series 2021A Bonds and to lend the proceeds thereof to the Obligor for the purposes described herein. As required by the Act, the Series 2021A Bonds shall not be payable from or charged upon the funds of the Authority or the City of Duluth other than the proceeds of the Series 2021A Bonds and the payments to be made under the Loan Agreement and pledged to the payment of the Series 2021A Bonds, nor shall the Authority or the City of Duluth be subject to any liability thereon. No Holder of any Series 2021A Bonds shall have the right to compel any exercise of the taxing power of the City of Duluth to pay the Series 2021A Bonds or the interest thereon nor to enforce payment against any property of the Authority or the City of Duluth other than the proceeds of the Series 2021A Bonds and the payments to be made under the Loan Agreement which are pledged to the payment of the Series 2021A Bonds. The Authority has no taxing power.

PLAN OF FINANCE

General. The Corporation will use the proceeds of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds to (i) refinance substantially all of the existing indebtedness of the Members of the Obligated Group as described below; (ii) finance, refinance and reimburse all or a portion of the costs for the constructing, improving, renovating, furnishing and equipping of certain of the Communities; (iii) fund a deposit to the Master Reserve Fund under the Master Indenture, which initially will secure only the Series 2021A Bonds; and (iv) pay certain costs of issuance of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds.

Direct Placement Bonds and Taxable Bonds. In addition to the descriptions of the Direct Placement Bonds and the Taxable Bonds contained elsewhere in this Official Statement, including the security therefor under the Master Indenture, the following is a summary of certain other terms of the Direct Placement Bonds and the Taxable Bonds*:

	Series 2021B Bonds	Series 2021C Bonds	Taxable Bonds
Principal Amount	\$18,200,000	\$19,000,000	\$21,800,000
Maturity Date ⁽¹⁾	July 1, 2041	July 1, 2031	July 1, 2041
Mandatory Purchase at Purchaser Option	Yes, July 1, 2031	No	Yes, July 1, 2031
Optional Redemption	Yes, (a) up to 15% of outstanding principal amount annually, without premium; (b) amounts above 15% @ 2% premium; (c) in case of Mandatory Purchase, within 60 days of Mandatory Purchase Date, without premium	Yes, any date @ FHLB Chicago Index based NPV make-whole premium	Yes, (a) up to 15% of outstanding principal amount annually, without premium; (b) amounts above 15% @ 2% premium; (c) in case of Mandatory Purchase, within 60 days of Mandatory Purchase Date, without premium
Interest Rate	___% stated fixed rate through July 1, 2031 and reset as of July 1, 2031 through stated maturity date	___% stated fixed rate through maturity	___% stated fixed rate through July 1, 2031 and reset as of July 1, 2031 through stated maturity date
Initial Interest Rate Formula	83% x [10-Year US Treasury + 1.90%]	0.40% + [(FHLB Chicago Index + 1.294%) x 79%]	10-Year US Treasury + 1.90%
Interest Rate Adjustments	Interest rate adjusts to after-tax equivalent rate upon changes in maximum federal corporate tax rate or determination of taxability	Interest rate adjusts to after-tax equivalent rate upon determination of taxability and to default rate (current rate + 3%) upon event of default	N/A
Interest Payment Dates	Monthly, commencing August 1, 2021	Monthly, commencing August 1, 2021	Monthly, commencing August 1, 2021
Secured by Master Reserve Fund	No	No	No
Purchaser	Bremer Bank, N.A.	National Bank of Commerce	Bremer Bank, N.A.

* Preliminary, subject to change.

(1) The stated principal payment schedules for the Direct Placement Bonds and the Taxable Bonds are based on 20-year amortization, subject to the earlier stated mandatory purchase dates (Series 2021B and Series 2021D) and maturity date (Series 2021C) set forth in the table and subject to optional redemption by the Obligated Group prior to maturity. See "ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS."

The Obligated Group is not executing any credit, financing or covenant agreements with the purchasers of the Direct Placement Bonds or the Taxable Bonds on the date of original issuance thereof other than the bond indenture, loan agreement, supplemental master indenture and master note for each series. A copy of the bond indenture and loan agreement for each series of the Direct Placement Bonds and Taxable Bonds will be provided at no charge to any prospective purchaser of the Series 2021A Bonds upon request to the Underwriter for copies thereof.

Refinancing of Existing Indebtedness. Approximately \$121,480,000* of the proceeds of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds will be used to refinance substantially all of the existing indebtedness of the Members of the Obligated Group. The existing indebtedness to be refinanced consists of the following and is collectively referred to herein as the “*Refunded Obligations*”:

REFUNDED OBLIGATIONS TO BE REFINANCED BY SERIES 2021A BONDS AND DIRECT PLACEMENT BONDS	CURRENT OUTSTANDING PRINCIPAL AMOUNT TO BE REFINANCED (\$)
City of Ada, Minnesota, Multifamily Housing Development Revenue Note, Series 2012A (Bridges Care Center Project)	2,260,000
City of Byron, Minnesota Amended and Restated Senior Housing Facility Revenue Note (Living Services Foundation/Byron Project) Series 2014A	7,090,000
City of Byron, Minnesota Amended and Restated Subordinate Senior Housing Facility Revenue Bonds (Living Services Foundation/Byron Project) Series 2014B (the “ <i>Series 2014B Bonds</i> ”)	1,510,000
Duluth Economic Development Authority Health Care Facilities Revenue Note, Series 2013 (Benedictine Health Center Project)	4,155,000
Housing and Redevelopment Authority of Duluth, Minnesota Health Care Facilities Revenue Note, Series 2013 (Benedictine Health Center Project)	4,155,000
Duluth Economic Development Authority Health Care Facilities Revenue Note, Series 2014 (Benedictine Health Center Project)	3,445,000
Housing and Redevelopment Authority of Duluth, Minnesota Health Care Facilities Revenue Note, Series 2014 (Benedictine Health Center Project)	3,445,000
Housing and Redevelopment Authority of Duluth, Minnesota Health Care Facilities Revenue Refunding Note, Series 2017 (Benedictine Health Center Project)	5,950,000
City of Owatonna, Minnesota Nursing Facility Revenue Refunding Note (Steele County Communities for a Lifetime Koda Living Community Project), Series 2017	4,270,000

* Preliminary, subject to change.

REFUNDED OBLIGATIONS TO BE REFINANCED BY SERIES 2021A BONDS AND DIRECT PLACEMENT BONDS	CURRENT OUTSTANDING PRINCIPAL AMOUNT TO BE REFINANCED (\$)
Steele County, Minnesota Nursing Facility Revenue Refunding Note (Steele County Communities for a Lifetime Koda Living Community Project), Series 2017	8,500,000
City of Preston, Minnesota Healthcare Facilities Revenue Note, Series 2015 (Madonna Living Community of Rochester)	6,390,000
City of Spring Valley, Minnesota Healthcare Facilities Revenue Note, Series 2015 (Madonna Living Community of Rochester)	6,390,000
City of St. Paul Park, Minnesota Healthcare Facilities Revenue Bonds (Regina Senior Living Project) Series 2013	3,825,000
Port Authority of Winona Minnesota Housing Revenue Refunding Note, Series 2004 (Saint Anne of Winona Project)	2,390,000
Port Authority of Winona Housing Facility Revenue Note, Series 2010 (Saint Anne of Winona Project)	1,770,000
City of Crookston, Minnesota Health Care Revenue Refunding Note, Series 2013A (Villa St. Vincent Project)	5,110,000
City of Shakopee, Minnesota Health Care and Housing Facilities Revenue Refunding Note (Benedictine Health System Obligated Group) Series 2013A and 2013B	11,440,000
City of Lauderdale, Minnesota Health Care Facilities Revenue Refunding Note (Benedictine Health System Obligated Group) Series 2016A	8,450,000
Goodhue County, Minnesota Health Care Facilities Revenue Note (Benedictine Health System Obligated Group) Series 2016B	8,900,000

REFUNDED OBLIGATIONS TO BE REFINANCED BY TAXABLE BONDS	CURRENT OUTSTANDING PRINCIPAL AMOUNT TO BE REFINANCED (\$)
2009 (Benedictine Living Communities, Inc. – D/B/A Benedictine Living Center of Garrison) Direct Loan	160,000
2013 (Benedictine Living Communities, Inc. – D/B/A Benedictine Living Center of Garrison) Direct Loan	570,000
City of Garrison, North Dakota Municipal Industrial Development Act Revenue Bond (Better Living for Garrison, Inc. Project) Series 2009	1,330,000
Stark County, North Dakota Healthcare Housing Revenue Refunding Bonds (Benedictine Living Communities, Inc. Project) Series 2007 (the “ <i>Stark Series 2007 Bonds</i> ”)	12,260,000
City of Wahpeton, North Dakota Senior Loan Participation Revenue Notes (St. Catherine’s Assisted Living Community Project) Series 2011A	3,610,000

REFUNDED OBLIGATIONS TO BE REFINANCED BY TAXABLE BONDS	CURRENT OUTSTANDING PRINCIPAL AMOUNT TO BE REFINANCED (\$)
City of Wahpeton, North Dakota Subordinate Loan Participation Revenue Notes (St. Catherine’s Assisted Living Community Project) Series 2011B	1,210,000
Villa St. Vincent – December 19, 2013 Promissory Note payable to Sisters of St. Benedict of Crookston	2,360,000
2017 Loan A: Real Estate Term Loan (Villa St. Vincent Direct Loan)	530,000

The Refunded Obligations will be either redeemed or defeased on the date of issuance of the Series 2021A Bonds, and Refunded Obligations that are defeased will be redeemed within approximately 30 days after the issuance of the Series 2021A Bonds. All liens on the Communities in favor of the Refunded Obligations will be released at the time of issuance of the Series 2021A Bonds, and thereafter the Refunded Obligations that have been defeased for the 30-day period will be secured solely by monies deposited with the trustees or escrow agents for such Refunded Obligations sufficient to pay the principal of and accrued and unpaid interest on such Refunded Obligations to the date of their payment or redemption.

Financing of Capital Expenditures. Approximately \$10,000,000* of the proceeds of the Series 2021A Bonds will be used to finance, refinance and reimburse all or a portion of the costs for the constructing, improving, renovating, furnishing and equipping of certain of the Communities. See “STRATEGIC INITIATIVES — Capital Expenditures” in APPENDIX A hereto for further information regarding the projects to be financed with proceeds of the Series 2021A Bonds.

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* Preliminary, subject to change.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds are as follows:

SOURCES OF FUNDS

Series 2021A Bonds
Original Issue Discount/Premium
Series 2021B Bonds
Series 2021C Bonds
Taxable Bonds
Funds on Deposit for Refunded Obligations
Total

USES OF FUNDS

Refunding of Refunded Obligations
Project Fund
Master Reserve Fund
Costs of Issuance[†]
Total

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[†] The bond issuance costs will approximate this amount and will include legal fees, accounting fees, Authority fees, Underwriter's discount, and other costs associated with the issuance of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required for the payment of principal of and interest on the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds at maturity or by mandatory sinking fund redemption for each Bond Year ending June 30. The following table also sets forth the amounts required for the payment of debt service on the Obligated Group’s other long-term indebtedness.

BOND YEAR	SERIES 2021A BONDS		SERIES 2021B BONDS ⁽¹⁾		SERIES 2021C BONDS ⁽¹⁾		TAXABLE BONDS ⁽¹⁾		TOTAL DEBT SERVICE
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$

⁽¹⁾ For purposes of the foregoing table, the Direct Placement Bonds and the Taxable Bonds are assumed to bear interest at their initial fixed rates of ___%, ___% and ___%, respectively, and are assumed to fully amortize at such fixed rates over a 20-year period. See “PLAN OF FINANCE – Direct Placement Bonds and Taxable Bonds” for a summary of the actual terms of the Direct Placement Bonds and the Taxable Bonds.

THE SERIES 2021A BONDS

GENERAL

The Series 2021A Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof and will be dated and bear interest from their date of issuance. The Series 2021A Bonds will mature on July 1 in the years and in the principal amounts, subject to the redemption provisions described below, and will bear interest (based on a 360-day year of twelve 30-day months) at the respective rates, all as set forth on the inside front cover of this Official Statement. Interest on the Series 2021A Bonds will be payable on each January 1 and July 1 (each, an “*Interest Payment Date*”), commencing January 1, 2022. The Series 2021A Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“*DTC*”) and will be available to ultimate purchasers (“*Beneficial Owners*”) under the book-entry only system maintained by DTC, only through brokers and dealers who are, or act through, DTC Participants. Purchases by Beneficial Owners will be made in book-entry only form in denominations of \$5,000 or any integral multiple thereof (“*Authorized Denominations*”). Beneficial Owners will not be entitled to receive physical delivery of the Series 2021A Bonds. So long as the Series 2021A Bonds are held in DTC’s book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered Owner of the Series 2021A Bonds for all purposes of the Bond Indenture, the Series 2021A Bonds and this Official Statement, and payments of principal and redemption premium, if any, and interest on the Series 2021A Bonds will be made solely through the facilities of DTC. See APPENDIX F hereto.

The principal or redemption price of the Series 2021A Bonds shall be payable upon surrender thereof at the designated corporate trust office of the Bond Trustee, and interest shall be payable by check or draft mailed to the registered owners of the Series 2021A Bonds as shown on the registration books kept by the Bond Trustee as of the close of business on the applicable record dates described below. Interest payable to the registered owner of Series 2021A Bonds in the aggregate principal amount of at least \$1,000,000 shall be made by wire transfer to an account designated in writing by such Bondowner.

The Record Date for interest due on the Series 2021A Bonds means the fifteenth day (whether or not a business day) of the calendar month next preceding each Interest Payment Date.

Notwithstanding the preceding paragraph, Defaulted Interest with respect to any Series 2021A Bond shall cease to be payable to the Owner of such Series 2021A Bond on the relevant Record Date and shall be payable to the Owner in whose name such Series 2021A Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed in accordance with the applicable provisions of the Bond Indenture. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Bond Indenture” in APPENDIX C hereto.

So long as DTC acts as securities depository for the Series 2021A Bonds, as described in APPENDIX F hereto, all references herein to “Owner,” “owner,” “Holder” or “holder” of any Bonds or to “Bondowner,” “Bondholder,” “bondowner” or “bondholder” are deemed to refer to Cede &

Co., as nominee for DTC, and not to Participants, Indirect Participants or Beneficial Owners (as defined herein).

So long as the Series 2021A Bonds are registered in the name of Cede & Co., as nominee of DTC, principal of, premium, if any, and interest on the Series 2021A Bonds will be paid as described in APPENDIX F hereto. The following information is subject in its entirety to the provisions described in APPENDIX F hereto.

REGISTRATION, TRANSFERS AND EXCHANGES

The Bond Trustee shall keep the registration books for the Series 2021A Bonds at its designated corporate trust office. Subject to the further conditions contained in the Bond Indenture, the Series 2021A Bonds may be transferred only upon the Bond Register upon surrender thereof to the Bond Trustee duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or such Registered Owner's attorney or legal representative in such form as shall be satisfactory to the Bond Trustee. Upon any such transfer, the Authority shall execute and the Bond Trustee shall authenticate and deliver in exchange for such Series 2021A Bond a new Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Bond Indenture and of the same maturity and bearing interest at the same rate.

The Person in whose name any Series 2021A Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner of such Series 2021A Bond for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such Series 2021A Bond shall be made only to or upon the order of the registered owner thereof or such Owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2021A Bond, including the interest thereon, to the extent of the sum or sums so paid.

REDEMPTION PROVISIONS RELATED TO SERIES 2021A BONDS*

Optional Redemption. The Series 2021A Bonds are subject to redemption and payment prior to maturity, at the option of the Authority, which shall be exercised upon instructions from the Obligated Group Agent, in whole or in part on any date on and after July 1, 20__, at the redemption prices set forth below, plus accrued interest to the redemption date, as follows:

REDEMPTION DATE	REDEMPTION PRICES
July 1, 20__ to but not including July 1, 20__	10 %
July 1, 20__ to but not including July 1, 20__	10 %
July 1, 20__ to but not including July 1, 20__	10 %
July 1, 20__ and thereafter	100%

* Preliminary, subject to change.

Extraordinary Optional Redemption of Series 2021A Bonds. The Series 2021A Bonds are subject to redemption and payment prior to the stated maturity thereof, at the option of the Obligated Group Agent, in whole or in part at any time, upon the occurrence of any of the following events:

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

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

3. at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date if a Member is required to operate the Financed Facilities in a manner contrary to the Ethical and Religious Directives for Catholic Health Care Services, as published by the United States Conference of Catholic Bishops, or similar guidelines; or

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

Mandatory Sinking Fund Redemption of Series 2021A Bonds. The Series 2021A Bonds are subject to mandatory redemption and payment prior to maturity on July 1 in each of the years set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Series 2021A Bonds Maturing on July 1, 20__

YEAR	PRINCIPAL AMOUNT
	\$

*

* Final Maturity

Series 2021A Bonds Maturing on July 1, 20__

YEAR	PRINCIPAL AMOUNT
	\$

*

* Final Maturity

Series 2021A Bonds Maturing on July 1, 20__

YEAR	PRINCIPAL AMOUNT
	\$

*

* Final Maturity

The Bond Trustee shall make timely selection of such Series 2021A Bonds or portions thereof to be redeemed pursuant to the terms of the Bond Indenture in Authorized Denominations and shall give notice thereof without further instructions from the Obligated Group Agent. At the option of the Obligated Group Agent, to be exercised on or before the 25th day next preceding each mandatory redemption date, the Obligated Group Agent may (1) deliver to the Bond Trustee

for cancellation Series 2021A Bonds in the aggregate principal amount designated and receive a credit as described in this paragraph, (2) furnish to the Bond Trustee funds, together with appropriate instructions, for the purpose of purchasing any Series 2021A Bonds of a maturity or maturities specified by the Obligated Group Agent from any Owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Bond Trustee shall expend such funds for such purposes to such extent as may be practical, or (3) receive a credit in respect to the mandatory redemption obligation under this subsection for any Series 2021A Bonds of the same series and maturity which prior to such date have been redeemed (other than through the operation of the requirements of the Bond Indenture) and cancelled by the Bond Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2021A Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation to redeem Series 2021A Bonds of the same series and maturity on such redemption date, and any excess of such amount shall be credited on future mandatory redemption obligations for Series 2021A Bonds of the same maturity in chronological order or such other order as the Obligated Group Agent may designate, and the principal amount of Series 2021A Bonds of the same series and maturity to be redeemed by operation of the requirements of the Bond Indenture shall be reduced accordingly. If the Obligated Group Agent intends to exercise any option granted by the provisions of clauses (1), (2) or (3) above, the Obligated Group Agent will, on or before the 25th day next preceding the applicable mandatory redemption date, furnish the Bond Trustee (with a copy to the Authority), a certificate signed by the Obligated Group Agent indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with in respect to such mandatory redemption payment.

Selection of Bonds to be Redeemed. Series 2021A Bonds shall be redeemed only in Authorized Denominations. If less than all Series 2021A Bonds that are to be redeemed pursuant to optional redemption provisions, such Series 2021A Bonds shall be redeemed in chronological order or from the maturity or maturities selected by the Obligated Group Agent. If less than all Series 2021A Bonds of any maturity are to be redeemed, the particular Series 2021A Bonds to be redeemed shall be selected by the Bond Trustee from the Series 2021A Bonds of such maturity which have not previously been called for redemption, by lot or such other method as the Bond Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Series 2021A Bonds equal to the minimum authorized denomination of the Series 2021A Bonds of a denomination larger than the minimum authorized denomination.

Purchase in Lieu of Redemption. When Series 2021A Bonds are subject to optional redemption, such Series 2021A Bonds may be purchased in lieu of redemption, from moneys paid by or on behalf of the Obligors on the applicable redemption date at a purchase price equal to the applicable redemption price established for such optional redemption and such Series 2021A Bonds shall be purchased, and not redeemed, with moneys deposited for such purchase. The purchase of the Series 2021A Bonds by the Obligors pursuant to the provisions in this paragraph or advance or use of any moneys to effectuate such purpose shall not be deemed to be a redemption of such Bonds or any portion thereof, and such purchase shall not operate to extinguish or discharge the indebtedness evidenced by such Series 2021A Bonds.

Partial Redemption. In the case of a partial redemption of the Series 2021A Bonds when Bonds of denominations greater than \$5,000 are then Outstanding, then for all purposes in

connection with such redemption each unit of principal amount being redeemed shall be treated as though it was a separate Series 2021A Bond of the amount being redeemed. If it is determined that one or more principal portions, but not all, of the principal amount represented by any fully registered Series 2021A Bond is to be selected for redemption, then upon notice of intention to redeem such portion of the Series 2021A Bond, the Owner of such Bond or such Owner's attorney or legal representative shall forthwith present and surrender such Series 2021A Bond to the Bond Trustee (1) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the principal amount called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Series 2021A Bond or Bonds of the same series and maturity of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2021A Bond. If the Owner of any such Series 2021A Bond shall fail to present such Series 2021A Bond to the Bond Trustee for payment and exchange as aforesaid, said Series 2021A Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption (and to that extent only).

Notice of Redemption. Unless waived by any Owner of Series 2021A Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Trustee on behalf of the Authority (with a copy to the Authority) by sending notice to all Bondowners at least 20 days and not more than 60 days prior to the redemption date to each Registered Owner of the Series 2021A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Trustee.

Notice of optional redemption may be conditioned upon moneys being on deposit with the Bond Trustee on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date.

Effect of Notice of Redemption. Official notice of redemption having been given as required by the Bond Indenture, the Series 2021A Bonds or portions of Series 2021A Bonds so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless payment of the redemption price has not been made) such Series 2021A Bonds or portions of Series 2021A Bonds will cease to bear interest. Upon surrender of such Series 2021A Bonds for redemption in accordance with said notice, such Series 2021A Bonds will be paid by the Bond Trustee at the redemption price.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2021A Bonds, the Bond Trustee will provide the notices specified in the Bond Indenture to the Securities Depository. It is expected that the Securities Depository will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Series 2021A Bond (having been mailed notice from the Bond Trustee, a Participant or otherwise) to notify the beneficial owner of the Series 2021A Bond so affected, will not affect the validity of the redemption of such Series 2021A Bond.

Failure to give any notice to any Owner, or any defect therein, will not affect the validity of any proceedings for the redemption of any other Series 2021A Bonds. Any notice mailed will

be conclusively presumed to have been duly given and will become effective upon mailing, whether or not any Owner receives the notice.

Purchase Offers by Obligors. The Obligated Group Agent may, on any date, regardless of whether such Series 2021A Bonds are then eligible for optional redemption, request in writing that the Bond Trustee assist the Obligated Group Agent in communicating a purchase offer of any Series 2021A Bonds or portions thereof identified by the Obligated Group Agent for such offer, in the proposed amounts and with the proposed purchase offer prices and other terms and conditions as determined by the Obligated Group Agent. Upon receipt of such request, the Bond Trustee shall assist the Obligors by giving the notice of such purchase offer, prepared by the Obligated Group Agent, to the Owners of such Series 2021A Bonds, and providing to the Obligated Group Agent any responses received from such Owners. The Bond Trustee shall follow the applicable procedure for such notice as set forth in Securities Depository's operational arrangements, as in effect at the time, if any. The Bond Trustee shall have no liability in connection with any such purchase offer, and under the Loan Agreement the Obligors are required to pay and indemnify the Obligated Group Agent and the Authority for all costs related to such purchase offer.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS

GENERAL

The Series 2021A Bonds will be issued under and will be equally and ratably secured under the Bond Indenture, pursuant to which the Authority will assign and pledge certain rights to the Bond Trustee, including the Series 2021A Master Note to be issued by the Corporation to the Authority under the Master Indenture and assigned by the Authority to the Bond Trustee under the Bond Indenture.

SPECIAL, LIMITED OBLIGATIONS

The Series 2021A Bonds and the interest thereon are special, limited obligations of the Authority, payable solely from the revenues received from the Obligors pledged to the payment thereof pursuant to the Loan Agreement, as evidenced and secured under the Master Indenture by the Members of the Obligated Group and the Series 2021A Master Note and certain other funds held by the Bond Trustee under the Bond Indenture and not from any other fund or source of the Authority and are secured under the Bond Indenture as described herein.

The Series 2021A Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitations of the laws of the State of Minnesota. The Authority has not pledged its faith or credit nor the faith or credit of the State of Minnesota nor any political subdivision of the State of the Minnesota to the payment of the principal of, the interest on or any other payments or costs incident to the Series 2021A Bonds. The issuance of the Series 2021A Bonds and the execution of any documents in relation thereto do not directly, indirectly or contingently obligate the Authority or any political subdivision of the State of Minnesota to apply money from or levy or pledge any form of taxation whatever to the payment of the principal of or

interest on the Series 2021A Bonds or any other payments or costs incident thereto. The Authority has no taxing power.

No recourse shall be had for the payment of the principal of or premium or interest on any of the Series 2021A Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Bond Indenture or other Authority document contained, against any past, present or future officer, director, member, employee or agent of the Authority, or any incorporator, officer, director, member, trustee, employee or agent of any successor corporation or body politic, as such, either directly or through the Authority or any successor corporation or body politic, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporators, officers, directors, trustees, members, employees or agents, as such, was expressly waived and released as a condition of and consideration for the execution of the Bond Indenture and the issuance of the Series 2021A Bonds by the Authority.

THE BOND INDENTURE

The Series 2021A Bonds are issued under and are equally and ratably secured under Bond Indenture, pursuant to which the Authority has assigned and pledged to the Bond Trustee (1) certain rights of the Authority under the Loan Agreement, (2) the funds and accounts (excluding the Rebate Fund), including the money and investments in such funds, which the Bond Trustee holds under the terms of the Bond Indenture, (3) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Series 2021A Bonds and (4) such other property as may from time to time be pledged to the Bond Trustee as additional security for such Series 2021A Bonds or that may come into possession of the Bond Trustee pursuant to the terms of the Loan Agreement or the Series 2021A Master Note.

THE LOAN AGREEMENT

Under the Loan Agreement, the Obligors are required duly and punctually to pay amounts equal to the principal of, premium, if any, and interest on the Series 2021A Bonds. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Loan Agreement” in APPENDIX C hereto.

THE MASTER INDENTURE

To secure the obligations of the Obligors under the Loan Agreement, the Corporation will execute and deliver to the Bond Trustee the Series 2021A Master Note in the same principal amount as the Series 2021A Bonds pursuant to the terms of the Master Indenture. As the holder of the Series 2021A Master Note, the Bond Trustee will be entitled to the protection of the covenants, restrictions and other obligations imposed upon the Members of the Obligated Group by the Master Indenture.

Concurrently with the issuance of the Series 2021A Master Note, the Corporation will execute and deliver (i) the Series 2021B Master Note in the same principal amount as the Series

2021B Bonds, (ii) the Series 2021C Master Note in the same principal amount as the Series 2021C Bonds, and (iii) the Series 2021D Master Note in the same principal amount as the Taxable Bonds. In addition, concurrently with the issuance of the Series 2021A Master Note, the Series 2021B Master Note, the Series 2021C Master Note and the Series 2021D Master Note, the Corporation will execute and deliver the Master Indenture Note (Benedictine Health System), Series 2021E in the principal amount of \$3,000,000 (the “*Shakopee Guaranty Master Note*”) to evidence an existing guarantee issued by certain Members of the Obligated Group that will remain outstanding and will not be refinanced with proceeds of the Series 2021A Bonds, the Direct Placement Bonds or the Taxable Bonds.

The Series 2021A Master Note will be secured on a parity basis with any other Master Notes issued under the Master Indenture, including the Series 2021B Master Note, the Series 2021C Master Note, the Series 2021D Master Note and the Shakopee Guaranty Master Note, by a lien on the trust estate pledged thereunder, except with respect to the Master Reserve Fund established under the Master Indenture, which initially will secure only the Series 2021A Bonds. Upon issuance of the Series 2021A Bonds, the Series 2021 Master Notes will be the only Master Notes outstanding under the Master Indenture, and the Series 2021A Master Note will account for 56.0%* of the principal amount of Master Notes outstanding under the Master Indenture.

In certain circumstances, the Obligated Group Agent may issue additional Master Notes on behalf of the Obligated Group under the Master Indenture that will be equally and ratably secured with the Series 2021 Master Notes and any other Master Notes hereafter issued under the Master Indenture. As further described below, the Master Reserve Fund under the Master Indenture may secure one or more series of additional revenue bonds issued on behalf of the Members and secured by Master Notes, as provided in the Master Indenture. The Series 2021 Master Notes and all Master Notes hereafter issued under the Master Indenture are referred to as the “*Master Notes*.”

The Series 2021 Master Notes and all other Master Notes hereafter issued under the Master Indenture will be secured on a parity basis by a pledge of the Gross Revenues, described below, and by the mortgaged property pledged pursuant to the Mortgages. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture” in APPENDIX C hereto.

In order to secure the payment of the principal of, premium, if any, and interest on the Master Notes, the Members of the Obligated Group have pledged, assigned, and granted a security interest in their Gross Revenues to the Master Trustee as well as all moneys and securities from time to time held by the Master Trustee under the terms of the Master Indenture. “*Gross Revenues*” means all income, revenues, receipts and other moneys received by or on behalf of any Member from any source and all rights to receive the same whether in the form of accounts, deposit accounts, contract rights, chattel paper, instruments, general intangibles or other rights now owned or hereafter acquired by any Member, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the UCC of the applicable state where a Member is located (within the meaning of the UCC); but excluding (i) gifts, grants, bequests, donations and contributions to any Member made that are specifically restricted by the donor, testator or grantor to a particular

* Preliminary, subject to change.

purpose that is inconsistent with their use for payments required under the Master Indenture or on the Master Notes, and, if also so restricted, the income and gains derived therefrom, (ii) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of that payment or deposit have been satisfied, and (iii) all deposits and advance payments made in connection with any Residency Agreements or leases respecting independent living units or other areas to be occupied by or leased to residents or tenants and received before receipt of any required certificates of occupancy for those units or other areas.

THE CORPORATION IS THE OBLIGATED GROUP AGENT UNDER THE MASTER INDENTURE BUT IS NOT A MEMBER OF THE OBLIGATED GROUP. ONLY THE MEMBERS OF THE OBLIGATED GROUP ARE OBLIGATED UNDER THE SERIES 2021 MASTER NOTES AND WITH RESPECT TO THE SERIES 2021A BONDS, THE DIRECT PLACEMENT BONDS OR THE TAXABLE BONDS. THE CORPORATION IS NOT AN OBLIGOR UNDER THE LOAN AGREEMENT. NEITHER THE CORPORATION NOR ANY OTHER AFFILIATE OTHER THAN THE MEMBERS OF THE OBLIGATED GROUP WILL BE OBLIGATED UNDER THE SERIES 2021 MASTER NOTES OR WITH RESPECT TO THE SERIES 2021A BONDS, THE DIRECT PLACEMENT BONDS OR THE TAXABLE BONDS.

MASTER RESERVE FUND

Pursuant to the Master Indenture, the Master Trustee shall establish and hold a debt service reserve fund (the “*Master Reserve Fund*”) for the benefit of the Series 2021A Master Note securing the Series 2021A Bonds and Master Notes issued to secure other Related Bonds entitled to the benefit of the Master Reserve Fund (collectively, the “*Master DSRF Bonds*”). At the time of issuance of the Series 2021A Bonds, \$ _____ will be deposited into the Master Reserve Fund from proceeds of the Series 2021A Bonds. **At the time of issuance of the Series 2021A Bonds, the Series 2021A Bonds will be the only Related Bonds entitled to the benefit of the Master Reserve Fund.** All moneys received by the Master Trustee and held in the Master Reserve Fund shall be trust funds under the terms of the Master Indenture for the benefit of all of the Master Notes securing Master DSRF Bonds that are Outstanding under the Master Indenture.

The Corporation shall maintain in the Master Reserve Fund at all times an amount equal to the Master Reserve Fund Requirement, which is defined in the Master Indenture as an amount equal to the Maximum Annual Debt Service on all Master DSRF Bonds; provided that if a Master DSRF Bond bears interest that is excludable from gross income under the Code and the Master Reserve Fund Requirement is greater than the amount permitted by the federal income tax laws to be invested without regard to yield restrictions, the Master Reserve Fund Requirement shall be reduced to an amount equal to the maximum amount permitted by the federal income tax laws to be invested without regard to yield restrictions.

Moneys held in the Master Reserve Fund shall be invested and reinvested by the Master Trustee, pursuant to written directions of the Obligated Group Agent, in accordance with the provisions of the Master Indenture in Permitted Investments that mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed.

If the Bond Trustee delivers a written notice to the Master Trustee to the effect that the amount available in the Debt Service Fund for the Series 2021A Bonds is less than the amount of principal or interest then due (a “*Deficiency*”), specifying the amount of such Deficiency of principal, interest or both, and directing the transfer of moneys from the Master Reserve Fund in the amount of any such Deficiency, the Master Trustee, without further direction, shall (i) confirm with all other Related Bond Trustees for all other series of Master DSRF Bonds as to any deficiencies in the amount of principal or interest paid by the Obligated Group or the amount otherwise available to the holder of such Master Notes securing Master DSRF Bonds is less than the amount of principal or interest then due on such Master Notes, and (ii) upon receipt of such notice or confirmation of deficiency or deficiencies, immediately withdraw moneys from the Master Reserve Fund in the amount of such Deficiency or Deficiencies and transfer such moneys to such Related Bond Trustees. Each Related Bond Trustee for a series of Master DSRF Bonds has a similar right to notify the Master Trustee of a requested withdrawal from the Master Reserve Fund. If moneys on deposit in the Master Reserve Fund are insufficient to satisfy such Deficiency or Deficiencies in whole, the Master Trustee shall pay from available moneys on deposit in the Master Reserve Fund such Deficiency or Deficiencies proportionally to each Related Bond Trustee based on the outstanding principal amount of each series of Master DSRF Bonds.

In conjunction with the redemption, refunding or maturity of all or any part of a series of Master DSRF Bonds, including the Series 2021A Bonds, the Master Trustee may, at the request and direction of the Obligated Group Agent, transfer moneys in the Master Reserve Fund to the Person designated by the Obligated Group Agent in an amount not in excess of the deposit to the Master Reserve Fund attributable to such series of Master DSRF Bonds if immediately after that transfer of moneys and after giving effect to any contemporaneous deposits to the Master Reserve Fund by the Obligated Group the amount on deposit therein is not less than the Master Reserve Fund Requirement.

Beginning on the 25th day of the month following a month in which money is withdrawn from the Master Reserve Fund, the Members of the Obligated Group jointly and severally covenant promptly to pay or cause to be paid to the Master Trustee for deposit into the Master Reserve Fund one-twelfth (1/12) of the amount so withdrawn until the Master Reserve Fund Balance is equal to the Master Reserve Fund Requirement, provided that no deposits to the Master Reserve Fund shall be made if the Obligated Group is not current in the payment of principal of or interest on all Outstanding Master Notes and all Indebtedness secured thereby.

The amount on deposit in the Master Reserve Fund shall be valued by the Master Trustee (i) three Business Days prior to each June 30 and December 31, (ii) at the time of any withdrawal from the Master Reserve Fund, (iii) at the time of refunding of any Master DSRF Bonds, (iv) at such other times as the Master Trustee deems appropriate, and (v) at any other time requested in writing by the Obligated Group Agent. Upon any such valuation, the Master Trustee shall give immediate written notice to the Obligated Group Agent if the Master Reserve Fund Balance is less than the Master Reserve Fund Requirement. For the purpose of determining the Master Reserve Fund Balance, the value of any investments shall be valued at their fair market value, including accrued interest. If on any valuation date the Master Reserve Fund Balance exceeds the Master Reserve Fund Requirement, such excess amount shall be transferred to the holders of any Master Notes securing Master DSRF Bonds for deposit into the debt service funds for the Master DSRF

Bonds. Such excess amount shall be transferred proportionally to each Owner based on the outstanding principal amount of Master Notes secured by the Master Reserve Fund. If on any valuation date the Master Reserve Fund Balance is less than 90% of the Master Reserve Fund Requirement, beginning on the 25th day of the month (and on the 25th day of each month thereafter) following a valuation in which the Master Reserve Fund Balance is less than 90% of the Master Reserve Fund Requirement due to a loss resulting from a decline in the value of Permitted Investments held for the credit of the Master Reserve Fund, the Members of the Obligated Group jointly and severally covenant promptly to pay or cause to be paid to the Master Trustee for deposit into the Master Reserve Fund, one-sixth (1/6) of the amount by which the Master Reserve Fund Requirement exceeds the Master Reserve Fund Balance until the Master Reserve Fund Balance is equal to the Master Reserve Fund Requirement, provided that no deposits to the Master Reserve Fund shall be made if the Obligated Group is not current in the payment of principal of or interest on all Outstanding Master Notes and all Indebtedness secured thereby.

For more information concerning the Master Reserve Fund, see “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture — Master Reserve Fund” in APPENDIX C.

THE MORTGAGES

The Series 2021A Master Note will be secured on a parity basis with the Series 2021B Master Note, the Series 2021C Master Note, the Series 2021D Master Note, the Shakopee Guaranty Master Note and any other Master Notes hereafter issued under the Master Indenture, by the Mortgages granted by each Member of the Obligated Group to the Master Trustee, as secured party. Pursuant to the respective Mortgage, at the date of issuance of the Series 2021 Master Notes, each Member of the Obligated Group that owns real property on which a Community is located will grant a first mortgage lien on either its fee simple interest or its leasehold interest in the real property constituting its senior living community and a security interest in certain personal property described therein (collectively, the “*Mortgaged Property*”). See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Mortgages” in APPENDIX C hereto. The lien and security interests created by the Master Indenture and the Mortgages may become subject to additional Permitted Encumbrances, as defined in the Master Indenture. Each Member of the Obligated Group granting a mortgage lien pursuant to a Mortgage retains certain Grantor’s Rights (as defined in the Master Indenture) including rights to transfer, release and otherwise dispose of Mortgaged Property in certain circumstances in accordance with the provisions of the Master Indenture. The Master Indenture does not require grants of additional mortgages as a condition to future addition of a new Member of the Obligated Group. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture — Grantor’s Rights” in APPENDIX C hereto.

In connection with the issuance of the Series 2021A Bonds, the Corporation will deliver, for the benefit of the Master Trustee, lender’s title insurance policies insuring the Member’s ownership of or leasehold interest in the real property mortgaged under the Mortgages and the priority of the Mortgages as encumbrances on such property. The title policies will be in an aggregate amount at least equal to the initial aggregate principal amount of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds. See “BONDHOLDERS’ RISKS — Title Insurance; Limitations of Remedies Under the Mortgages.”

CERTAIN COVENANTS OF THE OBLIGATED GROUP

Debt Service Coverage Ratio Covenant. Under the Master Indenture, the Obligated Group agrees to operate its Facilities on a revenue producing basis and to charge such rates and charges for its Facilities and services and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property, to pay all other payments required to be made by it under the Master Indenture to the extent permitted by law and to maintain the Historical Debt Service Coverage Ratio at the levels described below. In addition, the Obligated Group agrees to, from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of the Master Indenture summarized under this heading.

The Obligated Group agrees to maintain a Historical Debt Service Coverage Ratio at least equal to 1.20 for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022.

If the Historical Debt Service Coverage Ratio as of the end of any Fiscal Year, commencing with the Fiscal Year ending June 30, 2022, is less than 1.20, the Obligated Group Agent shall, within 30 days after delivery of the Officer's Certificate delivered in accordance with the Master Indenture disclosing such deficiency, engage a Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting its financial condition in order to increase the Historical Debt Service Coverage Ratio to at least 1.20 in the succeeding Fiscal Year. The foregoing provisions notwithstanding, if the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year does not meet the level required above, the Obligated Group shall not be obligated to engage a Consultant to make such recommendations if a Consultant's report was prepared for the previous Fiscal Year.

If the Historical Debt Service Coverage Ratio for any Fiscal Year is less than 1.20, the Obligated Group shall be deemed to have complied with the debt service coverage covenant described above for that Fiscal Year and the failure of the Obligated Group to achieve the Historical Debt Service Coverage Ratio otherwise required for that Fiscal Year will not constitute an Event of Default so long as (i) the Obligated Group Agent retains a Consultant, (ii) each Member follows the recommendations contained in the report of the Consultant applicable to it to the extent required by the Master Indenture, (iii) the Historical Debt Service Coverage Ratio for that Fiscal Year was at least 1.00, and (iv) the Days Cash on Hand as of the end of that Fiscal Year was not less than 60.

For purposes of computing the Historical Debt Service Coverage and other key financial ratios related to, among other Master Indenture provisions, the incurrence of Indebtedness, the Members may exclude the Indebtedness for any Capital Addition, the Debt Service Requirements on such Indebtedness and the Revenues and Expenses relating to the Capital Addition financed with proceeds of the Indebtedness to the extent summarized under "SUMMARY OF PRINCIPAL DOCUMENTS – Summary of the Master Indenture – Debt Service Coverage Ratio" and "– Calculation of Debt Service Requirements" in APPENDIX C hereto.

Liquidity Covenant. The Master Indenture provides that the Obligated Group will conduct its business so that on each June 30 and December 31, commencing June 30, 2021 (each such date being a “*Liquidity Testing Date*”) the Obligated Group will have not less than 60 Days Cash on Hand (the “*Liquidity Requirement*”). If the number of Days Cash on Hand as of a Liquidity Testing Date is less than the Liquidity Requirement, the Obligated Group Agent shall, not later than 30 days after receipt of the financial statements disclosing such deficiency and approval of the Consultant as described below under “Approval of Consultants,” obtain a Consultant’s recommendations setting forth in detail the reasons for such deficiency and a specific plan setting forth the steps designed to achieve the Liquidity Requirement by the second Liquidity Testing Date following the Liquidity Testing Date on which the Days Cash on Hand was less than the Liquidity Requirement; provided that no more than one Consultant’s report shall be required pursuant to the provisions of the Master Indenture summarized under this heading in any 18-month period.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the required Liquidity Requirement for any Liquidity Testing Date shall not constitute an Event of Default under the Master Indenture (i) if the Obligated Group takes all action necessary to comply with the procedures in the Master Indenture for retaining a Consultant and follows the recommendation of the Consultant to the extent feasible (as determined in the judgment of the Governing Board of the Obligated Group Agent) taking into account the requirements of the most current edition of the Ethical and Religious Directives for Catholic Health Care Services as published by the United States Conference of Catholic Bishops, or similar guidelines, and to the extent permitted by applicable law, and (ii) the Days Cash on Hand on the Liquidity Testing Date was not less than 30.

Incurrence of Additional Indebtedness. The Members of the Obligated Group agree in the Master Indenture to restrictions on the incurrence of additional Indebtedness, as more fully set forth in “SUMMARY OF PRINCIPAL DOCUMENTS – Summary of the Master Indenture – Permitted Indebtedness” in APPENDIX C. To the extent that the conditions provided in the Master Indenture are met, such Indebtedness may be secured under the Master Indenture and the Mortgages on a parity basis with the Series 2021 Master Notes and other Outstanding Master Notes. To the extent such Indebtedness constitutes Related Bonds, the Related Bonds may be designated as Master DSRF Bonds secured by the Master Reserve Fund.

Disposition of Property. The Members of the Obligated Group agree in the Master Indenture to restrictions on the disposition of their Property, as more fully set forth in “SUMMARY OF PRINCIPAL DOCUMENTS – Summary of the Master Indenture – Sale or Other Disposition of Property” and “– Grantor’s Rights” in APPENDIX C.

Approval of Consultants. Pursuant to the Master Indenture, the Owners of outstanding Master Notes have certain approval rights as to Consultants selected by the Obligated Group Agent as a result of the failure of the Obligated Group to meet the Historical Debt Service Coverage Ratio for a Fiscal Year or the Liquidity Requirement for any Liquidity Testing Date or upon an Event of Default under the Master Indenture. The Master Trustee shall, as soon as practicable but in no case longer than five business days after receipt of notice, notify the Owners of all Master Notes Outstanding of such selection. Such notice shall (i) include the name of the Consultant and a brief

description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that each Owner of a Master Note will be deemed to have consented to the selection of the Consultant named in such notice unless such Owner submits an objection to the selected Consultant in writing to the Master Trustee within 15 days of the date that the notice is sent to the Owners. No later than two business days after the end of 15-day objection period, the Master Trustee shall notify the Obligated Group Agent of the number of objections. If two-thirds or more in aggregate principal amount of the Owners of the Outstanding Master Notes have been deemed to have consented to the selection of the Consultant, the Obligated Group Agent shall engage the Consultant within five days after receiving notice of that consent. If more than one-third in aggregate principal amount of the Owners of the Master Notes Outstanding have objected to the Consultant selected, the Obligated Group Agent shall select another Consultant within 30 days after receiving notice of such objection, which Consultant may be engaged upon compliance with the procedures of the Master Indenture described under this caption.

See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture – Approval of Consultants” in APPENDIX C hereto.

Rating Application. The Obligated Group Agent agrees for the benefit of the owners of the Series 2021A Bonds that it will seek a rating of the Series 2021A Bonds from any Rating Agency each year after a determination is made by the Obligated Group in consultation with a Consultant, which may be the Underwriter for the Series 2021A Bonds, that an investment grade rating is reasonably obtainable until an investment grade rating is achieved; *provided* that if during any such year the Obligated Group receives a preliminary indication from any Rating Agency that the Series 2021A Bonds will not be assigned an investment grade rating, the Obligated Group is required to withdraw any request for such year to have such Rating Agency assign a rating to the Series 2021A Bonds. The Obligated Group Agent agrees to provide to such Consultant such information as it may reasonably request in order to assist it in making such assessment. If such Consultant determines that such rating is obtainable, the Obligated Group agrees that it will, at the Obligated Group’s sole expense, solicit and make a good faith effort to obtain such rating and the Obligated Group Agent shall notify the Master Trustee if a rating has been obtained or not.

CERTAIN AMENDMENTS TO BOND INDENTURE AND MASTER INDENTURE

Except for certain amendments not requiring consent under the Bond Indenture, with the consent of the Owners of not less than a majority in principal amount of the Series 2021A Bonds then Outstanding, and with the written consent of the Obligated Group Agent, the Authority, at the written request of the Obligated Group Agent, and the Bond Trustee may from time to time enter into such other Supplemental Bond Indenture or Supplemental Bond Indentures as shall be deemed necessary or desirable by the Bond Trustee for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any Supplemental Bond Indenture; *provided* that nothing described under this heading shall permit or be construed as permitting without the written consent of every Bondowner affected thereby (a) a change of the maturity date of the principal of any Series 2021A Bond, any mandatory sinking fund redemption schedule for any of the Series 2021A Bonds, the scheduled date of payment of interest on any Series 2021A Bond or the earliest optional redemption date for any Series 2021A

Bond, (b) a reduction in the principal amount, redemption premium or any interest payable on any Series 2021A Bond, (c) a privilege or priority of any Series 2021A Bond or Bonds over any other Series 2021A Bond or Bonds, or (d) a reduction in the aggregate principal amount of Series 2021A Bonds the Owners of which are required for consent to any such Supplemental Bond Indenture, or (e) the modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee.

With the consent of the Owners of not less than a majority in principal amount of all Master Notes then Outstanding affected by such Supplemental Master Indenture, the Members of the Obligated Group and the Master Trustee may enter into one or more Supplemental Master Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any provision of the Master Indenture or of modifying in any manner the rights of the Owners of the Master Notes under the Master Indenture; *provided* that no such Supplemental Master Indenture shall, without the consent of the Owner of each Outstanding Master Note affected thereby, (a) change the stated maturity of the principal of, or any installment of interest on, any Master Note, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Master Note, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (b) reduce the percentage in principal amount of the Outstanding Master Notes, the consent of whose Owners is required for any such Supplemental Master Indenture, or the consent of whose Owners is required for any waiver provided for in the Master Indenture of compliance with certain provisions of the Master Indenture or certain defaults under the Master Indenture and their consequences, or (c) modify the obligation of the Members to make payment on or provide funds for the payment of any Master Note, or (d) modify the provisions of the Master Indenture allowing for Supplemental Master Indentures with the consent of Master Noteowners, except to increase any percentage set forth in said provisions or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Owner of each Master Note affected thereby, or (e) permit the creation of any lien ranking prior to or on a parity with the lien of the Master Indenture with respect to any of the Trust Estate that is not a Permitted Encumbrance or terminate the lien of the Master Indenture on any Property at any time subject to the Master Indenture or deprive the Owner of any Master Note of the security afforded by the lien of the Master Indenture. **The Master Indenture provides that during any period of time in which an Event of Default has occurred and is continuing, an amendment of the type described in paragraphs (a) through (e) above may be made with respect to any Outstanding Master Notes with the consent of the holders of at least 80% in aggregate principal amount of all Outstanding Master Notes; *provided, however*, any such amendment shall not result in a preference or priority of any Master Note over any other Master Note and no such amendment described in paragraphs (a) through (e) above shall result in a disproportionate change, reduction or modification with respect to any Master Notes.** See “BONDHOLDERS’ RISKS — Amendments to Bond Documents and Master Indenture.”

BONDHOLDERS’ RISKS

Set forth below are certain risk factors that should be considered before any investment in the Series 2021A Bonds is made. Certain risks are inherent in the successful operation of the

Communities. **This section discusses some of these risks but is not intended to be, and should not be considered, a comprehensive listing of all risks associated with the operation of the Communities or the payment of the Series 2021A Bonds.** All or any of the following risks could be exacerbated by the COVID-19 (defined below) pandemic.

GENERAL RISK FACTORS

The purchase and ownership of the Series 2021A Bonds involves investment risks that are discussed throughout this Official Statement. These risk factors should not be considered definitive or exhaustive. Prospective purchasers of the Series 2021A Bonds should evaluate all of the information presented in this Official Statement. This section on bondholders' risks focuses primarily on the general risks associated with the health care industry and the operations of senior living facilities, whereas APPENDIX A describes the Corporation, the Obligated Group Members, and the Communities, specifically. These should be read together.

As described herein under the captions, "INTRODUCTION — Security for the Series 2021A Bonds" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS," the principal of and premium, if any, and interest on the Series 2021A Bonds, except to the extent that the Series 2021A Bonds will be payable, under certain circumstances, from investment earnings and proceeds of insurance, sale or condemnation awards or net amounts by recourse to the Mortgages, are payable solely from amounts payable by the Obligors under the Loan Agreement, from amounts payable by the Obligated Group on the Series 2021A Master Note and from certain funds held by the Bond Trustee under the Bond Indenture and the Master Trustee under the Master Indenture. No representation or assurance is given or can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay debt service on the Series 2021A Bonds when due and to pay other amounts necessary to meet the financial obligations of the Obligated Group. The risk factors discussed below should be considered in evaluating the ability of the Obligated Group to make payments in amounts sufficient to provide for the payment of the principal of, the premium, if any, and interest on the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds. This discussion of risk factors is not, and is not intended to be, exhaustive.

The receipt of future revenues by the Obligated Group will be subject to, among other factors, the duration, scope and aftereffects of the COVID-19 pandemic, federal and state policies affecting the senior housing and health care industries, increased competition from other senior housing and health care providers, the capability of management of the Obligated Group ("*Management*"), and future economic and other conditions that are impossible to predict. The extent of the ability of the Obligated Group to generate future revenues has a direct effect upon the payment of principal of, premium, if any, and interest on the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligated Group. See also "UNCERTAINTY OF REVENUES" below.

LIMITED OBLIGATIONS

THE SERIES 2021A BONDS AND THE INTEREST THEREON CONSTITUTE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM PROCEEDS OF THE SERIES 2021A BONDS,

THE REVENUES PLEDGED TO THE PAYMENT THEREOF PURSUANT TO THE LOAN AGREEMENT, AND THE FUNDS AND ACCOUNTS HELD UNDER AND PURSUANT TO THE BOND INDENTURE AND THE MASTER INDENTURE AND PLEDGED THEREFOR. THE SERIES 2021A BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OF THE LAWS OF THE STATE OF MINNESOTA. THE AUTHORITY HAS NOT PLEDGED ITS FAITH OR CREDIT NOR THE FAITH OR CREDIT OF THE CITY OF DULUTH, THE STATE OF MINNESOTA OR ANY POLITICAL SUBDIVISION OF THE STATE OF THE MINNESOTA TO THE PAYMENT OF THE PRINCIPAL OF, THE INTEREST ON OR ANY OTHER PAYMENTS OR COSTS INCIDENT TO THE SERIES 2021A BONDS. THE ISSUANCE OF THE SERIES 2021A BONDS AND THE EXECUTION OF ANY DOCUMENTS IN RELATION THERETO DO NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE AUTHORITY, THE CITY OF DULUTH, OR ANY POLITICAL SUBDIVISION OF THE STATE OF MINNESOTA TO APPLY MONEY FROM OR LEVY OR PLEDGE ANY FORM OF TAXATION WHATEVER TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2021A BONDS OR ANY OTHER PAYMENTS OR COSTS INCIDENT THERETO. THE AUTHORITY HAS NO TAXING POWER.

ECONOMIC AND FINANCIAL MARKET DISRUPTION DUE TO COVID-19 PANDEMIC AND OTHER GENERAL ECONOMIC FACTORS

Economic and Financial Market Disruption Due to COVID-19. The Novel Coronavirus 2019 (“COVID-19”) pandemic has adversely impacted, and continues to adversely impact, global financial markets and economies, including financial markets and economic conditions in the United States. Access to credit and liquidity markets by borrowers in the health care, senior care, and other industries has been adversely affected, the cost of borrowing and liquidity facilities has increased, and significant realized and unrealized losses in investment portfolios have occurred. In December of 2020 and January of 2021, COVID-19 vaccines began to be administered in the United States. At the same time, new variants of COVID-19 have been discovered, several of which are more transmissible than the original strain, and some of which appear to be resistant to the effectiveness of vaccines or natural immunity in persons who have recovered from COVID-19. For these reasons, more than a year after the declaration of a global pandemic, the future of the COVID-19 pandemic remains uncertain. It is generally expected that the impact of the COVID-19 pandemic on the U.S. economy will continue to be broad based and materially adverse. The ultimate effect of the pandemic on the operations and financial condition of the Obligated Group cannot be predicted at this time due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its duration and severity, and the future actions of governmental authorities to contain or mitigate its impact, though such impact could be material and adverse.

A variety of federal efforts have been initiated in response to the economic disruption caused by the COVID-19 pandemic. On March 13, 2020, President Trump declared a “national emergency” under both the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988, which allowed access to disaster relief funds to address the COVID-19 pandemic and related economic dislocation, and the National Emergencies Act, which allowed the U.S. Department of Health and Human Services to waive certain guidelines related to federal health care programs, including Medicare and Medicaid, to address the COVID-19 pandemic. The U.S. Congress followed by passing a series of federal relief packages to address the COVID-19 crisis, including (1) the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 (“CPRSAA”), (2) the Families First Coronavirus Response Act (“FFA”), (3) the Coronavirus Aid,

Relief, and Economic Security Act (“*CARES Act*”), (4) Paycheck Protection Program and Health Care Enhancement Act (“*Enhancement Act*”), (5) the coronavirus response and relief portions of the Consolidated Appropriations Act, 2021 (“*2021 Appropriations Act*”), and (6) the American Rescue Plan (“*American Rescue Plan*” and together with collectively, CPRSAA, FFA, CARES Act, Enhancement Act, and 2021 Appropriations Act the “*COVID-19 Relief Legislation*”). COVID-19 Relief Legislation provisions that may specifically alleviate some of the financial strain on health care and senior living providers, include, among others: (1) a \$178 billion “Public Health and Social Services Emergency Fund” created to reimburse eligible health care providers for “health care related expenses or lost revenues that are attributable to coronavirus” (“*Provider Relief Fund*”), (2) various Medicare and Medicaid policy changes that temporarily boost Medicare and Medicaid reimbursement or provide for additional flexibility in patient care during the COVID-19 emergency period, and (3) the Paycheck Protection Program (“*PPP*”), a Small Business Administration loan program intended to provide short-term, low-interest, forgivable loans to certain small businesses to help cover costs associated with payroll, mortgage interest payments, lease payments and utility expenses (“*Allowable Costs*”) for a limited window of time during the pandemic. Although the federal government may consider future COVID-19 emergency response and relief legislation, the content and passage of any such legislation is uncertain.

The Obligated Group has received certain COVID-19 relief funds, including from the Provider Relief Fund as described in “APPENDIX A — MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATIONS — Impact of COVID-19 on Financial Performance of the Obligated Group.” Because the acceptance of certain stimulus programs funds, including Provider Relief Fund distributions, is conditioned upon eligibility and the acceptance of terms and conditions, a failure to comply with such requirements could result in recoupment or False Claims Act (discussed below) liability. The timing, adequacy and other ultimate effects of any current or future federal or state stimulus programs on the Obligated Group, or on the economy generally, cannot be predicted at this time.

General Economic Conditions. The U.S. economy is unpredictable. Economic downturns and other unfavorable economic conditions have previously impacted the health care and senior care industries and health care and senior care providers’ business and financial condition and, as described above, the COVID-19 pandemic has had, and continues to have, an adverse impact on the U.S. economy. If general economic conditions further worsen as a result of the COVID-19 pandemic and/or other causes, the Obligated Group may not be able to achieve or sustain future profitability, and its liquidity and ability to repay outstanding debt, including debt service on the Series 2021A Master Note, may be adversely affected. Broad economic factors—such as unemployment rates, instabilities in consumer demand and consumer spending or instabilities in the housing market in the Communities’ service areas—could affect the Communities’ occupancy rates and the Obligated Group’s ability to collect outstanding receivables. Other economic conditions that from time to time may adversely affect the Obligated Group’s financial condition, and consequently, its ability to make payments on the Series 2021A Master Note, include but are not limited to: (1) an inability to access financial markets on acceptable terms at a desired time or at increased borrowing costs, (2) significant investment portfolio losses, (3) increased business failures and consumer and business bankruptcies, (4) federal and state budget challenges, (5) a reduction in the demand for health care or senior housing services, (6) an increase in lawsuits and

malpractice and casualty insurance expenses, (7) reduced availability or affordability of insurance, (8) a shortage of nursing or other professional personnel, (9) a shortage of medical supplies, (10) increased operating costs, (11) a reduction in the availability and receipt of grants and charitable contributions, (12) unfavorable demographic developments in the Communities' service areas, or (13) increased competition from other senior living facilities or health care institutions. All or any of the foregoing conditions could be exacerbated by the COVID-19 pandemic.

Some of the challenges caused by the disruptions in the credit markets and general economic conditions are further highlighted below. These and other risks may adversely affect the Obligated Group and jeopardize the Obligors' ability to make payments under the Loan Agreement and the Obligated Group's ability to generate revenues, make payments on the Series 2021A Master Note and, consequently, make payments on the Series 2021A Bonds. There can be no assurance that the financial condition of the Obligated Group and/or the utilization of the Communities will not be adversely affected by any of these circumstances.

COVID-19 PANDEMIC OR OTHER INFECTIOUS DISEASE OUTBREAK

The COVID-19 pandemic, or another highly infectious disease outbreak in one or more Communities or in the service area of one or more Communities, could materially adversely affect the Obligated Group's business or financial condition. The COVID-19 pandemic or other highly infectious disease outbreak may affect the Obligated Group's operations and revenues in various ways, including but not limited to (1) reputational damage, (2) a quarantine or temporary shutdown, (3) medical supply shortages, (4) professional or non-professional staff shortages or illness and related absence, or (5) failure to maintain or turnover occupancy due to potential residents choosing to defer or avoid senior care. Governmental and private responses to the COVID-19 pandemic and resulting economic conditions may also directly or indirectly affect the Obligated Group's operations and revenues. For example, domestic or foreign governmental responses or commercial business responses to the COVID-19 pandemic or another highly infectious disease outbreak, such as shelter-in-place orders, sick-leave mandates or remote work policies, could (1) disrupt the production or supply of medical supplies or increase the costs of such products, (2) increase employee sick-leave expenses or other employee costs, (3) delay or reduce government support payments, or (4) otherwise materially adversely impact the Obligated Group's business in ways that are difficult to predict at this time. The extent to which business interruption insurance would be available in connection with any events resulting from the COVID-19 pandemic is dependent upon the specific facts of the events, and there can be no assurance that adequate business interruption insurance would be available to cover such losses. Management cannot predict the duration, scope and aftereffects of the COVID-19 pandemic on the Communities, nor can it predict the likelihood or severity of any of the aforementioned events upon the Obligated Group's business or financial condition, though such effect could be material and adverse.

Senior living has been among the hardest hit industries during the COVID-19 pandemic because the disease has particularly affected seniors, who represent approximately eighty percent (80%) of COVID-19 reported deaths according to the Centers for Disease Control and Prevention ("*CDC*"). Management is monitoring developments with respect to the COVID-19 pandemic and intends to follow any applicable requirements from the CDC, the Centers for Medicare and

Medicaid Services (“CMS”) or other federal, state and local regulatory agencies. See also, “ECONOMIC AND FINANCIAL MARKET DISRUPTION DUE TO COVID-19 PANDEMIC AND OTHER GENERAL ECONOMIC FACTORS” above and “FEDERAL AND STATE BUDGETARY PRESSURES” below.

ADDITIONS TO AND WITHDRAWALS FROM THE OBLIGATED GROUP

Currently, the Obligated Group is comprised of the Members of the Obligated Group described herein. **The Corporation is not a Member of the Obligated Group and is not obligated to make any payments on the Series 2021 Master Notes.** Upon satisfaction of certain conditions in the Master Indenture, other entities can become Members of the Obligated Group and existing Members may withdraw from the Obligated Group. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture — Entrance into the Obligated Group” and “— Withdrawal from the Obligated Group” in APPENDIX C. Management currently has no immediate plans to add additional Members to or withdraw initial Members from the Obligated Group. However, if and when new Members are added or existing Members withdraw, the Obligated Group’s financial situation and operations will likely vary from that of the existing Obligated Group.

FEDERAL AND STATE BUDGETARY PRESSURES

From time to time, federal and state governments face financial challenges that may cause a shortfall between revenue and spending demands. In many cases, such financial challenges have been exacerbated by the COVID-19 pandemic. Although Minnesota and North Dakota are currently operating with budget surpluses, budget deficits may occur in the future.

Federal and state budget deficits may negatively affect the health care industry and long-term care residents in a number of ways, including, but not limited to, reductions or delays in Medicare or Medicaid reimbursement or pension benefit cuts. Additionally, the federal government is subject to a debt “ceiling” established by Congress. In the past several years political disputes concerning authorization of a federal debt ceiling increase have led to shutdowns of substantial portions of the federal government and other federal budget authorization delays have occurred. Federal budget delays and federal government shutdowns are unpredictable and may occur in the future. Congressional proposals to cap the federal share of Medicaid expenditures or “block grant” the Medicaid program could further shift rising costs to the states, resulting in additional state budget challenges. Management is unable to determine what impact, if any, federal or future state budget challenges may have on the operations and financial condition of the Obligated Group. See also “FEDERAL AND STATE REGULATION — Federal Health Care Program Reimbursement Cuts or Delays” below.

TAX-EXEMPT STATUS OF THE SERIES 2021A BONDS

The tax-exempt status of the Series 2021A Bonds, which are being issued as part of a single issue for federal income tax purposes with the Direct Placement Bonds (collectively, the “*Series 2021ABC Bonds*”), is based on the continued compliance by the Authority, the Members of the Obligated Group, and users of property financed or refinanced with proceeds of the Series 2021ABC Bonds with certain covenants relating generally to restrictions on the use of the facilities

financed or refinanced with the proceeds of such Series 2021ABC Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants with respect to the Series 2021ABC Bonds could cause interest on the Series 2021A Bonds to become subject to federal income taxation retroactive to the original date of issue of the Series 2021A Bonds. No additional interest or penalty is payable in the event of the taxability of interest on the Series 2021A Bonds.

POTENTIAL CHANGES TO TAX TREATMENT OF THE SERIES 2021A BONDS

Proposals to alter or eliminate the exclusion of interest on tax-exempt bonds from gross income for some or all taxpayers have been made in the past and may be made again in the future. Such legislative proposals, if enacted, could alter the federal and/or state tax treatment described under the heading “TAX MATTERS” herein. Whether or not enacted, such proposals could adversely affect the market value or marketability of the Series 2021A Bonds. Certain legislative proposals, if enacted, could impose a tax on all or a portion of the interest on tax exempt bonds, including the Series 2021A Bonds, for certain taxpayers under the regular income tax, the alternative minimum tax or otherwise, and could apply to bonds issued before, on, or after the date of enactment.

It is unclear whether any legislation will be enacted affecting the tax treatment of interest on the Series 2021A Bonds. If any such legislation is retroactive and applies to tax-exempt bonds previously issued for the benefit of the Obligated Group, including the Series 2021A Bonds, the adoption of any such legislation could adversely affect the market value or marketability of the Series 2021A Bonds and the financial condition of the Obligated Group. In addition, the adoption of any such legislation could increase the cost to the Obligated Group of financing future capital needs.

PROPERTY TAXES; STATE AND LOCAL TAX EXEMPTION

Local property tax assessors take differing positions as to whether facilities such as those owned by the Obligated Group Members are exempt from property taxation. The portions of the Minnesota Communities that are skilled nursing facilities are exempt from property taxation; however, assisted and independent living facilities in Minnesota are subject to property taxation. Communities in North Dakota are exempt from property taxation. Budgetary pressures on local government may lead to increasing pressures for state legislation to amend the property tax statutes to subject to taxation, or higher taxation, various properties owned by nonprofit organizations or to condition exemption from taxation upon the performance of specific types or levels of charitable activity.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of federal, state or local governments will not materially or adversely affect the operations and financial condition of the Obligated Group by requiring the Obligated Group Members and any future Members of the Obligated Group to pay income or higher local property taxes.

GENERAL RISKS OF LONG-TERM CARE FACILITIES

There are many diverse factors not within the Obligated Group's control that have a substantial bearing on the risks generally incident to the operation of the Communities. These factors include adverse use of adjacent or neighboring real estate, community acceptance of the Communities, changes in demand for the Communities, changes in the number of competing facilities, changes in the costs of operation of the Communities, changes in state laws affecting long term care programs, potential federal law changes, the limited income of senior citizens, general changes in the long term care and health care industries (including those imposed by health care reform), difficulties in or restrictions on the Obligated Group's ability to raise rates charged, access to financial capital, demographic trends, and general economic conditions. In recent years, a number of long-term care facilities throughout the United States have defaulted on various financing obligations or otherwise have failed to perform as originally expected. There can be no assurance the Obligated Group will not experience one or more of the adverse factors that caused other facilities to fail. Many other factors may adversely affect the operation of facilities like the Communities and cannot be determined at this time.

UNCERTAINTY OF REVENUES

The ability of the Obligors to make payments under the Loan Agreement and of the Obligated Group and any future Members of the Obligated Group to make payments on the Series 2021 Master Notes is dependent upon the generation by the Obligated Group and any future Members of the Obligated Group of revenues in the amounts necessary to pay the principal of and interest on the Series 2021A Master Note and thus the Series 2021A Bonds, the Direct Placement Bonds or the Taxable Bonds as well as other operating and capital expenses. The failure of the Obligated Group to make payments on the Direct Placement Bonds or the Taxable Bonds or the Series 2021B Master Note, the Series 2021C Master Note, or the Series 2021D Master Note securing the same would trigger an event of default with respect to the Series 2021A Bonds and the Series 2021A Master Note. The realization of future revenues and expenses is subject to, among other things, (1) the ability of the Obligated Group to provide the living environment expected by residents and potential residents, (2) the capabilities of Management, (3) governmental policy and regulation, (4) the policies of third-party payors, including government payors (e.g. Medicare and Medicaid), (5) cost increases, (6) the duration, scope, and aftereffects of the COVID-19 pandemic and governmental and private responses to such pandemic, (7) future economic conditions, including as impacted by the COVID-19 pandemic and changing demographics, (8) increased competition from other senior living providers, and (9) other conditions that are unpredictable and that may adversely affect revenues and payment of principal of and interest on the Series 2021A Bonds. No representation or assurance can be made that revenues will be realized by the Obligors in amounts sufficient to make the required payments with respect to debt service on the Series 2021A Bonds or by the Obligated Group in amounts sufficient to make the required payments with respect to debt service on the Series 2021A Master Note. Neither the Underwriter nor the Authority has made any independent investigation of the extent to which any such factors may have an adverse effect on the revenues of the Obligors or the remainder of the Obligated Group.

FAILURE TO ACHIEVE AND MAINTAIN OCCUPANCY AND TURNOVER

The ability of the Obligated Group to generate sufficient revenues depends in large part upon the ability of the Obligated Group to achieve and maintain substantial occupancy of the Communities throughout the term of the Series 2021A Bonds and to charge and collect monthly rental, residency, long-term care, and service and other fees sufficient to pay operating expenses and debt service. Because occupancy and turnover at the Obligated Group's facilities depend upon factors outside of Management's control, such as residents' rights to terminate their contracts with the Communities or residents' financial conditions, Management must rely on various assumptions about the Communities' residents and the market for their services. Where such assumptions prove to be wrong, the Obligated Group's revenues will be affected. For example, revenues would be impaired if the Obligated Group is unable to remarket units as they become available. If the Obligated Group fails to maintain occupancy levels, release in a timely manner independent living units and assisted living units as they become available, or fill unoccupied long-term care beds, or if there is a reduction in the amount of rental, residency, long-term care and service fees received, there may be insufficient funds to pay the debt service on the Series 2021A Master Note.

MALPRACTICE CLAIMS, GENERAL LIABILITY INSURANCE AND LITIGATION

The operations of the Obligated Group may be affected by increases in the incidence of malpractice lawsuits against physicians, nurses, elder care facilities and care providers in general and by increases in the dollar amount of damage recoveries. These may result in increased insurance premiums and an increased difficulty in obtaining malpractice insurance. Insurance may not provide coverage for judgments for punitive damages. The Obligated Group insures against malpractice claims. No assurance can be given that present levels of coverage can be maintained in ensuing years or that the price of such future coverage will not increase substantially over prior periods. Malpractice and other lawsuits are likely to increase as a result of the COVID-19 pandemic. A number of states, through executive orders and/or legislation, have granted certain health care providers and facilities immunity protections from certain lawsuits relating to the COVID-19 crisis. The scope of immunity protections varies from state to state and may not be sufficient to protect health care facilities and providers from material losses stemming from COVID-19 related lawsuits.

Litigation may also arise from the corporate and business activities of the Obligated Group, including from its status as an employer, restrictions on the age of the occupants, restrictions on marital status or ADA violations. Many of these risks should be covered by insurance, but some might not be. For example, certain antitrust claims, claims arising from physical harm or assault, including sexual molestation, business disputes and workers' compensation claims may not be covered by insurance or other sources and may, in whole or in part, be a liability of the Obligated Group if determined or settled adversely.

NATURE OF THE INCOME AND ASSETS OF SENIOR CITIZENS

A significant percentage of the monthly income of the residents of the Communities is fixed income derived from pensions and Social Security. In addition, some prospective residents may need to liquidate assets in order to pay the monthly rental, residency, long-term care, service

and other fees. If, due to inflation or otherwise, substantial increases in fees are required to cover increases in operating costs, including wages, benefits and other expenses, many residents may have difficulty paying or may be unable to pay such increased fees. Alternatively, any decrease in the amounts paid by such fixed income sources could affect the ability of residents to pay fees, and additional restrictions imposed upon Social Security or other fixed income sources could affect the ability of future residents to pay entrance fees or to meet the financial obligations under the rental, residency, or long-term care agreements. The Obligated Group's inability to collect the full amount of residents' payment obligations may jeopardize the ability of the Obligors to pay amounts due under the Loan Agreement and the ability of the Obligated Group and any future Members of the Obligated Group to pay amounts due on the Series 2021A Master Note.

SALE OF PERSONAL RESIDENCES

Some prospective residents of the Communities may need to sell their current homes to meet financial obligations under their rental, residency, long-term care, or other agreements. If prospective residents encounter difficulties in selling their current homes due to local or national economic conditions affecting the sale of residential real estate, some prospective residents may not have sufficient funds to meet the financial obligations under their rental, residency, long-term care, or other agreements, thereby causing a delay in scheduled occupancy of the Communities or the remarketing of vacated units or beds, or a reduction in the amount of monthly rental, residency, long-term care or service or other fees payable, all of which may have an adverse impact on the revenues of the Obligated Group.

LONG-TERM CARE INSURANCE

Some residents of the Communities may use long-term care insurance to help cover their costs of care. If long-term care insurance premiums rise, or residents otherwise lose their long-term care insurance coverage due to insurance market disruptions or reforms, such residents may have difficulty meeting their financial obligations. The Obligated Group's inability to collect the full amount of residents' payment obligations may adversely affect the ability of the Obligated Group to make payments with respect to the Series 2021A Bonds.

FINANCIAL ASSISTANCE AND OBLIGATION TO RESIDENTS

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

UTILIZATION AND DEMAND

Several factors could, if implemented, affect demand for services of the Obligated Group, including: (1) governmental, commercial and individual responses to the COVID-19 pandemic, as described above under “COVID-19 PANDEMIC OR OTHER INFECTIOUS DISEASE OUTBREAK”; (2) efforts by insurers and governmental agencies to reduce utilization of long-term care facilities by means such as preventative medicine and home health programs; (3) advances in scientific and medical technology; (4) a decline in the population or a change in the age composition of the population; (5) a decline in the economic conditions of the primary market area of the Communities; (6) increased or more effective competition from assisted living communities and other senior living communities now or hereafter located in the Communities’ service areas; (7) to the extent any residents use long-term care insurance to help pay for their care, an increase in long-term care insurance premiums or other disruptions in the long-term care insurance market; and (8) general disruptions in the health care, long-term care or insurance markets resulting from the COVID-19 pandemic or health care reform efforts.

UNCERTAINTY OF INVESTMENT INCOME

The investment earnings of, and accumulations in, certain funds established pursuant to the Bond Indenture and the Master Indenture have been estimated and are based on assumed interest rates. While these assumptions are believed to be reasonable in view of the rates of return presently and previously available on the types of securities in which the Bond Trustee or the Master Trustee, as applicable, is permitted to invest, there can be no assurance that similar interest rates will be available on such securities in the future, nor can there be any assurance that the estimated earnings will actually be realized. Guaranteed investment contracts may be entered into with respect to certain of the funds.

PHILANTHROPY

The Obligated Group derives income from unrestricted gifts and donations. See APPENDIX B — “AUDITED FINANCIAL STATEMENTS OF BENEDICTINE HEALTH SYSTEM FOR THE FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020.” Although Management expects gifts and donations to remain at least at current levels and to increase at a moderate rate, there can be no assurance that this revenue will not decrease.

RIGHTS OF RESIDENTS

The Members of the Obligated Group enter into rental, residency, and long-term care agreements with certain of their residents. Although these agreements give to each resident a contractual right to use space and do not grant any ownership rights in the Obligated Group’s facilities, in the event that either the Bond Trustee or the holders of the Series 2021A Bonds seek to enforce any of the remedies provided by the Bond Indenture upon the occurrence of a default or the Master Trustee seeks to enforce remedies under the Master Indenture, Management is unable to predict the resolution that a court might make of competing claims between the Bond Trustee, the Master Trustee, the Authority or the holders of the Series 2021A Bonds and a resident of the

Obligated Group's facilities who has fully complied with all the terms and conditions of his or her rental, residency, or long-term care agreement.

The Obligated Group may, from time to time, be subject to pressure from organized groups of residents seeking, among other things, to raise the level of services or to maintain the level of monthly rental, residency, long-term care or service fees or other charges without increase. Moreover, the Obligated Group may be subject to conflicting pressures from different groups of residents, some of whom may seek an increase in the level of services while others wish to hold down monthly rental, residency, long-term care or service fees and other charges. No assurance can be given that the Obligated Group will be able satisfactorily to meet the needs of such resident groups.

COMPETITION

Increased competition from a wide variety of potential sources, including but not limited to other continuing care retirement communities, life care communities, life plan communities, assisted living and retirement communities, memory care communities, residential living communities, skilled nursing facilities, nursing homes, inpatient and outpatient health care facilities, independent living communities, home health agencies and others could adversely affect the utilization of the facilities and/or revenue of the Obligated Group. Existing and potential competitors may not be subject to various restrictions applicable to the Obligated Group, and competition may, in the future, arise from new sources not currently anticipated or prevalent. Such competition could inhibit the extent to which the Obligated Group will be able to raise charges and maintain or increase admissions. There can be no assurance that additional competing facilities will not be constructed in the future or that medical and technological advances will not reduce demand for the Obligated Group's programs and services.

CHANGING CAPABILITIES OF HOME HEALTH CARE TECHNOLOGY; IMPACT ON DEMAND FOR FACILITIES

New and changing methods of care delivery, such as web-based home monitoring, telemedicine, mobile health, and smartphone technology will continue to rapidly change the way in which providers of services to seniors deliver home health, hospice and other community-based services. These developments will further the ability of the home health and hospice industry to care for patients in their homes. Proliferation and the availability of technological changes are expected to increase the ability of seniors to remain in their homes longer into their lives than has historically been feasible, which could result in significantly reduced demand for facilities such as the Obligated Group's. Efforts to reduce hospital readmissions and costs in the overall care continuum will further the use of these new and changing technologies. These changes may allow other companies, including hospitals and other healthcare organizations that are not currently providing home health and hospice care, to expand their services to include home health services, hospice care, telehealth services or similar services. The Obligated Group Members and any future Member of the Obligated Group may encounter increased competition in the future that could negatively impact resident referrals to it, limit its ability to maintain or increase its market position and adversely affect the Obligated Group's profitability.

FEDERAL AND STATE REGULATION

General. The Obligated Group's operations are subject to various federal, state and local laws and regulations, and sanctions imposed under or changes to such laws or regulations could adversely affect the operations or financial results of the Obligated Group. In addition, senior living facilities such as the Communities are subject to numerous licensing, permit, certifications, accreditation, and other governmental requirements. Renewal and continuance of required licenses, permits, certifications, or other approvals are based upon inspections, surveys, audits, investigations or other review, some of which may require or include affirmative action or response by the affected Member of the Obligated Group. An adverse determination could result in a loss, fine or reduction in an Obligated Group Member's scope of licensure, certification, or accreditation, could affect the ability to undertake certain expenditures, or could reduce the payment received or require the repayment of the amounts previously remitted. Licensing and permitting requirements are subject to change, and there can be no assurance that the Obligated Group Members will continue to be able to maintain necessary licenses or permits or that they will not incur substantial costs in doing so. From time to time, the Obligated Group Members may receive notices from regulatory agencies relating to alleged deficiencies for failure to comply with all components of licensing or other applicable regulations. In response to the COVID-19 pandemic, senior living providers will likely be subject to increased regulatory inspection and survey activity. It is impossible to predict the effect of future governmental regulation on the Obligated Group's operations or the financial condition of the Obligated Group. See "STATE LICENSURE AND REGULATION OF SENIOR LIVING PROVIDERS" below for more information.

Federal Health Care Program Reimbursement Cuts and Delays. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older, blind, disabled, or qualify for the end stage renal disease program. Medicaid is a program of financial assistance, funded jointly by the federal government and each of the various states, primarily for medical assistance to certain needy individuals and their dependents. The Communities' skilled nursing facilities are certified for both Medicare and Medicaid reimbursement and the Obligated Group Members are highly dependent upon reimbursement from such programs. For the fiscal years ended June 30, 2020 and 2019, Medicare payments represented approximately 12.4% and 14.6%, respectively, of the Obligated Group's net patient service revenues and Medicaid payments represented approximately 35.2% and 35.4%, respectively, of the Obligated Group's net patient service revenues. For a description of the Obligated Group's complete payor mix, including private pay, Medicare and Medicaid reimbursement, see "STATISTICAL INFORMATION — Sources of Net Patient Service Revenue" in APPENDIX A.

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

Additionally, federal and state governments have in the past, and may in the future, reduce or change the timing of health care program spending, either pursuant to budget reductions or in accordance with health care reform laws or efforts. The reduction and timing of the receipt of Medicare or Medicaid spending may have a material adverse effect upon communities where residents receive services funded by Medicare and Medicaid payments. See also, “FEDERAL AND STATE BUDGETARY PRESSURES” above.

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

Medicare reimburses SNFs pursuant to a prospective payment system (“PPS”). Historically, Medicare PPS payments to SNFs were based upon certain resource utilization group (“RUG”) per diem payment rates developed by CMS that provided various levels of reimbursement based upon a patient case-mix classification system. Effective October 1, 2019 the RUG payment methodology was replaced with a revised payment methodology called the “SNF Patient-Driven Payment Model” (“PDPM”). Reimbursement under the PDPM is determined based on ICD-10 diagnosis codes and patient characteristics and adjusted based on the services rendered in order to account for varying costs throughout the stay. Per CMS, the goals of the PDPM are to tie payment to patient conditions and needs rather than the volume of services and to reduce provider paperwork burdens. There is no assurance that Medicare PPS payments will be sufficient to cover a SNF’s costs. Additionally, Management cannot predict with any reasonable degree of certainty or reliability the ultimate effects of the new PDPM payment model on the Obligated Group’s operations or financial condition, though revenues may be negatively affected.

The SNF Value-Based Purchasing Program (“SNF VBP Program”) rewards SNFs with incentive payments based on the quality of care they provide to Medicare beneficiaries by either positively or negatively adjusting a SNF’s reimbursement payments based on its performance on the program’s hospital readmission measure. Under the SNF Quality Reporting Program (“SNF QRP”), SNFs that fail to submit the required quality data to CMS are subject to a 2% reduction in the otherwise applicable annual market basket percentage update with respect to that fiscal year. Management cannot predict the Obligated Group’s performance under these programs or the corresponding effects on the Obligated Group’s operations or financial condition. See also “— *Industry Trend Toward Alternative Payment Models*” below.

Medicaid. States currently fund a substantial portion of Medicaid payments and exercise considerable discretion in determining payments to care providers. Federal regulations provide that states are not required to pay for long-term care services on a cost-related basis but may do so according to payment rate systems established by the state and identified in a state Medicaid plan. Those payment systems may be implemented after the state provides public notice of its methodologies and justifications and affords providers, beneficiaries and other interested parties a reasonable opportunity to comment. As a result, Medicaid payments allowed by states for qualifying residents may be based on factors other than the actual costs of the nursing services.

The Minnesota and North Dakota Medicaid programs are described in more detail below. Both state Medicaid programs have higher than average payment rates which help to balance the effect of the states' Medicaid equalization laws (discussed below).

Minnesota Medicaid. The Minnesota Medicaid program currently pays nursing facilities using a cost reimbursement system. Payment rates are adjusted on January 1st of each year based on facility cost reports filed on September 30th of the second preceding year. The daily payment rate per resident is equal to the sum of three components: "Operating", "Property" and "External Fixed" costs. The allowable "Operating" cost category is further split into three categories: "Care", "Other Care" and "Other Operating" costs. Allowable "Care" and "Other Care" costs are subject to a limit based on the median per diem of facilities in the seven-county Twin Cities metro region adjusted by the applicable facility's quality score. "Other Operating" costs are reimbursed based on the median "Other Operating" per diem of facilities in the seven-county metro area increased by 5%. The "Property" cost is determined based on the historical property cost plus inflation. "External Fixed" costs are those costs that are considered a pass-through on the applicable facility's rates, including costs relating to nursing home licensure, provider surcharge, health insurance, scholarships, real estate taxes and special assessments.

Minnesota's rate equalization law prohibits nursing facilities participating in the Medicaid program from charging private-pay residents in multiple-occupancy rooms a higher rate than Medicaid residents. Private room fees (with a differential in the \$30-\$40/day range) are permitted to be charged to residents in single-bed rooms.

North Dakota Medicaid. The North Dakota Medicaid program currently pays nursing facilities using a cost reimbursement system with rates adjusted each January 1st based on cost reports filed for the previous fiscal year. Operating costs are determined using "Direct," "Other Direct" and "Indirect" cost categories and a "Property" rate. Costs in the "Direct," "Other Direct" and "Indirect" cost categories are subject to a limit currently set at 120% of the median per diem and costs in the "Indirect" cost category are subject to a limit currently set at 110% of the median per diem. Allowable operating costs are increased by an inflationary factor (currently 2%) and an additional operating margin (currently 4.4%) is applied to the "Direct" and "Other Direct" per diems. To the extent that a facility's "Indirect" per diem is below the limit, an efficiency incentive equal to 70% of the amount under the limit up to a maximum of \$2.60 is also added to the rate. The "Property" payment rate is based on allowable property costs including depreciation, interest and bad debts.

During the 2019 legislative session, the North Dakota Department of Human Services was asked to conduct a study investigating alternative payment methods for North Dakota nursing homes. A new payment system was approved during the 2021 North Dakota legislature session. The new system for reimbursing operating costs would begin to be phased in with the January 1, 2022 rates and a new property payment system would begin to be phased in with the January 1, 2023 rates. The operating cost payment system will continue to be a cost reimbursement system with a single limit rather than the current three limits with ability to receive a portion of the amount a facility is below the limit as on operating margin add-on, up to a maximum of 3.46%. The property payment system will transition to a Fair Rental Value approach. Management has

examined the proposed payment systems and anticipates that such systems will benefit the Obligated Group's North Dakota communities.

North Dakota's rate equalization law prohibits nursing facilities participating in the Medicaid program from charging private-pay residents in multiple-occupancy rooms a higher rate than Medicaid residents. Private room fees (with a differential in the \$30-\$40/day range) are permitted to be charged to residents in single-bed rooms.

Health Care Reform. The Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Affordability Reconciliation Act of 2010 (collectively referred to as the "ACA") have significantly changed the United States health care delivery system, addressing almost all aspects of health care facility and provider operations, including the delivery of health care services, the financing of health care costs, health care provider reimbursement and the legal obligations of health care providers, insurers, employers and consumers. Due to the controversial nature of health care reform generally, implementation of the ACA has been and remains politically controversial. The ACA has continually faced, and continues to face, legal and legislative challenges, including repeated repeal efforts, since its enactment. Previously, Republican leaders of Congress have repeatedly cited health care reform and particularly repeal and replacement of the ACA, as a key goal. These actions included introducing and voting on various bills aimed at repealing and replacing all or portions of the ACA. While no bills wholly repealing the ACA have passed both chambers of Congress, the Tax Cuts and Jobs Act of 2017 effectively eliminated a key provision of the ACA – a tax penalty associated with failing to maintain health coverage (the "Individual Mandate Tax Penalty") – by reducing the penalty to zero dollars effective 2019. In addition to actual and possible legislative changes, executive branch actions can also have a significant impact on the viability of the ACA. President Biden is expected to undertake executive actions that will strengthen and build on the ACA and may reverse certain policies of the prior administration that are seen as undermining the ACA.

Other efforts to weaken the ACA included the Trump administration's refusal to defend key parts of the ACA in a federal case filed in Texas, where plaintiffs have argued that the ACA is unconstitutional as a result of the repeal of the individual mandate penalty. On December 14, 2018, a Texas Federal District Court judge, in the case of *Texas v. Azar* declared the ACA unconstitutional, reasoning that the Individual Mandate Tax Penalty was essential to and inseparable from the remainder of the ACA. The case was appealed to the U.S. Court of Appeals for the Fifth Circuit. On December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit affirmed the Texas Federal District Court judge's ruling that the Individual Mandate Tax Penalty was unconstitutional but stopped short of invalidating the entirety of the ACA. The Fifth Circuit remanded the case to the Texas District Court to reconsider whether the remainder of the ACA is severable or must also be held unconstitutional. On March 2, 2020, the U.S. Supreme Court agreed to hear two consolidated cases, filed by the State of California and the United States House of Representative, asking the Supreme Court to review the severability issue. Oral argument for the case occurred on November 10, 2020. The U.S. Supreme Court is expected to rule on the case before its current term ends in June 2021. In a February 10, 2021 letter to the U.S. Supreme Court, the Department of Justice reversed its earlier position and stated its position that the ACA is constitutional. The ACA will remain law while the case proceeds through the appeals process;

however, the case creates additional uncertainty as to whether any or all of the ACA could be struck down, which creates operational risk for the health care industry.

Management cannot predict the effect of the elimination of the Individual Mandate Tax Penalty, the final result and effect of the *Texas v. Azar* case, the likelihood of any future ACA repeal bills or other health care reform bills becoming law, or the subsequent effects of any such laws or legal decisions, though such effects could materially impact the Obligated Group's business or financial condition. In particular, any legal, legislative or executive action that (1) reduces federal health care program spending, (2) increases the number of individuals without health insurance, (3) reduces the number of people seeking health care or senior care, or (4) otherwise significantly alters the health care, senior care, or health insurance markets could have a material adverse effect on the business or the financial condition of the Obligated Group.

Federal Privacy Laws. Specific state and federal laws govern the use and disclosure of confidential patient health information, as well as patients' rights to access and amend their own health information. The Health Insurance Portability and Accountability Act of 1996 ("*HIPAA*") and its implementing regulations established national standards to facilitate the electronic exchange of Protected Health Information ("*PHI*") and to maintain the privacy and security of the PHI. These standards have a major effect on health care providers which transmit PHI in electronic form in connection with HIPAA standard transactions (*e.g.*, health care claims). In particular, HIPAA established standards governing: (1) electronic transactions and code sets; (2) privacy; (3) security; and (4) national identifiers.

In 2009, HIPAA was amended by the Health Information Technology for Economic and Clinical Health ("*HITECH*") Act to impose certain of the HIPAA privacy and security requirements directly upon business associates of covered entities and significantly increase the monetary penalties for violations of HIPAA. Regulations that took effect in late 2009 also require business associates to notify covered entities, who in turn must notify affected individuals and government authorities, of data security breaches involving unsecured PHI. Since the passage of the HITECH Act, enforcement of HIPAA violations has increased.

State privacy laws may provide additional sources of potential legal liability related to unlawful access, use, or disclosure of a patient's health care information. State consumer privacy laws may also provide the basis for legal action for privacy and security breaches and, unlike HIPAA, authorize a private right of action. The Obligated Group has developed policies, procedures and practices that Management believes comply with the HIPAA and HITECH ACT standards and requirements, but if it was determined that an Obligated Group Member was not in compliance there could be criminal and civil penalties imposed.

Federal and State Fraud and Abuse Laws. Certain federal laws, including the laws commonly known as the Anti-Kickback Statute, the Stark Law and the False Claims Act, are designed to protect the federal health care programs from fraud and abuse (collectively, the "*Federal Health Care Fraud Laws*"). The Federal Health Care Fraud Laws are complex, heavily enforced and subject to frequent amendment. In addition, *qui tam* or "whistleblower" lawsuits under the False Claims Act allows private individuals to bring actions on behalf of the government. Violation of the Federal Health Care Fraud Laws may result in significant financial penalties, fines,

exclusion from the federal health care programs and/or criminal liability. Additionally, a number of states, including Minnesota and North Dakota, have passed healthcare fraud and abuse laws similar in scope to the Federal Healthcare Fraud Laws, but have expanded the prohibitions to private insurers. Violation of state fraud and abuse laws may also result in significant financial penalties, fines, exclusion from the federal health care programs and/or criminal liability.

Although the Obligated Group has a compliance program designed to help promote material compliance with laws, rules and regulations affecting the health care industry, including the Federal Healthcare Fraud Laws and similar state laws, these policies and procedures may not be wholly effective. If an Obligated Group Member is alleged or found to have violated such laws, rules or regulations or if government health care program payments are suspended due to an allegation of fraud, the Obligated Group's operations and the financial condition of the Obligated Group could be materially adversely affected. At the present time, Management is not aware of any pending or threatened claims, investigations or enforcement actions regarding any applicable federal or state statutes which, if determined adversely to an Obligated Group Member would have a material adverse effect on the financial condition of the Obligated Group.

Billing Practices. Medicare and Medicaid require that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act may be violated by mere negligence or recklessness in the submission of information to the government even without any specific intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance may all result in liability. The penalties for violation include criminal or civil liability and may include, for serious or repeated violations, exclusion from participation in the Medicare and Medicaid programs. While Management believes that the Obligated Group's billing practices are consistent with federal criteria, those criteria are often vague and subject to interpretation and there can be no assurance that aggressive anti-fraud actions will not adversely affect the business of the Obligated Group.

Industry Trend Toward Alternative Payment Models. Alternative payment models that condition reimbursement on patient outcome measures (such as the SNF VBP Program discussed above) have become more common and involve a higher percentage of reimbursement amounts. As discussed above, the Affordable Care Act contains a number of health care delivery reform measures intended to promote value-based purchasing in the federal health care programs and commercial third-party payors are increasingly implementing value-based purchasing and other alternative payment models. Additionally, some states have begun tying all or a portion of skilled nursing care Medicaid reimbursement to quality or value metrics. This rapid volume-to-value reimbursement shift within the health care industry could present financial challenges for the Obligated Group and the employed or contracted clinicians with whom the Obligated Group partners to deliver care, particularly to the extent they are unable to meet targeted measures.

STATE LICENSURE AND REGULATION OF SENIOR LIVING PROVIDERS

The Obligated Group's operations are subject to numerous licensing, certification, accreditation and other governmental requirements that are administered by a variety of federal

and state governmental agencies as well as by self-regulatory associations and commercial medical insurance reimbursement programs. These include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment and requirements relating to state licensing agencies, private payors and accreditation organizations. In response to the COVID-19 pandemic, CMS has initiated a performance-based funding requirement tied to CARES Act funding for state surveying agencies. Accordingly, skilled nursing providers will likely be subject to increased state inspection and survey activity. CMS has also increased civil monetary penalties relating to skilled nursing facility infection control deficiencies.

Skilled Nursing and Assisted Living Licensure. As described in APPENDIX A — “DESCRIPTIONS OF THE OBLIGATED GROUP COMMUNITIES,” the Communities offer a full spectrum of senior care, including independent living units, assisted living units, skilled nursing units, memory care, and hospice care. In Minnesota, the Communities’ assisted living buildings are licensed as “housing with services” establishments (with care delivered pursuant to comprehensive home care licenses) and the skilled nursing components are licensed as “nursing homes,” both by the Minnesota Department of Health. Effective August 1, 2021, assisted living facilities in Minnesota will need to obtain an “assisted living facility” license (managed by a licensed assisted living director) from the Minnesota Department of Health. All Obligated Group assisted living facilities have submitted applications for an assisted living facility license by the June 1, 2021 application deadline. In North Dakota, the Communities’ assisted living components are licensed as “assisted living facilities” by the North Dakota Department of Human Services and/or as “basic care facilities by the North Dakota Health Department and the skilled nursing components are licensed as “nursing facilities” by the North Dakota Health Department. Each licensed component of the Communities must satisfy various regulatory requirements, such as requirements relating to facility building standards, administration and staffing, residency agreement provisions, operating policies and procedures and resident rights and services. State regulatory agencies regularly survey senior care facilities to ascertain compliance with applicable state rules and regulations and any applicable Medicare “conditions of participation” standards. Failure to comply with such requirements could result in a loss of the right to payment by Medicare, as well as loss of the right to conduct the business of the licensed entity.

Management believes that the Obligated Group currently maintains all licenses and registrations required for operation of the Communities and currently anticipates no difficulty in renewing or continuing the Obligated Group’s currently-held licenses, certifications and accreditations. In addition, Management has examined Minnesota’s new assisted living facility statute and anticipates no difficulty converting any applicable facility licenses to assisted living facility licenses and otherwise complying with the new regulatory scheme for assisted living facilities in the state. However, no assurance can be given that the Obligated Group Members will be able to maintain existing licenses or registrations or that conditions pertaining to such licenses and registrations will not change in a manner that adversely affects the Obligated Group’s financial condition or operations.

Continuing Care Retirement Community Registration. As described in APPENDIX A — “MISCELLANEOUS — Governmental Regulation and Litigation” neither Minnesota nor North Dakota state law imposes additional licensure or registration requirements on continuing care facilities. Benedictine Living Community of Duluth and Benedictine Living Community of

Rochester (Madonna Towers) charge entrance fees in connection with independent living residency agreements, but Management has determined that these facilities are not subject to Minnesota Statutes Chapter 80D, which governs continuing care facilities in Minnesota.

INCREASES IN MEDICAL COSTS

A deviation from the anticipated mortality rate or medical care requirements of the resident population or substantial unanticipated increases in the cost of care could have a negative impact on the operations of the Obligated Group's communities. The undertaking to provide such care is a contractual obligation of the Obligated Group, and no assurance can be given that the Obligated Group will have sufficient funds to meet its anticipated obligations. In addition, the cost of providing health care services may increase due to increases in salaries paid to nurses and other health care personnel and due to shortages in such personnel which may require use of employment agencies. Increases in third party therapy services and other ancillary costs such as drugs and medical supplies may also increase costs. Such cost increases may be exacerbated by the COVID-19 pandemic.

ADDITIONAL CAPITAL REQUIREMENTS

The Obligated Group Members' operations are capital intensive. Economic conditions such as credit market dysfunction and increased regulation of the financial industry could make it more difficult for the Obligated Group to access the capital markets or to otherwise fund capital expenses through borrowings on favorable terms and conditions. Any such limitation could result in delayed or deferred capital expenditures that could be integral to the Obligated Group's operations.

LABOR COSTS AND RELATIONS

The Obligated Group's workforce includes (or will include) professional, quasi-professional, technical, clerical, housekeeping, maintenance, dietary, and other types of workers. As with all employers, the Obligated Group will bear a wide variety of risks in connection with these employees. These risks include strikes (for the portion of the Obligated Group's workforce that is currently unionized as well any other portions that may be unionized in the future) and other related work actions, contract disputes, difficulties in recruitment, discrimination claims, personal tort actions, work-related injuries, exposure to hazardous materials, interpersonal torts, risks related to benefit plans, and other risks that may flow from the relationships between employer and employee or between residents and employees. Certain of these risks are not covered by insurance, and certain of them cannot be anticipated or prevented in advance. Such risks, alone or in combination, could have material adverse consequences to the financial condition or operations of the Obligated Group.

The Obligated Group cannot control the prevailing or required minimum wage rates in its service area and any increase in such rates will directly affect the costs of its operations. Management has examined the effect of applicable minimum wage laws and does not anticipate that any pending minimum wage increases will have a material adverse effect on the financial condition of the Obligated Group.

NURSING OR OTHER STAFF SHORTAGE

The health care industry occasionally experiences a scarcity of nursing personnel, respiratory therapists and other trained health care technicians. Currently, nursing shortages are affecting certain geographic areas, including Minnesota and North Dakota. These shortages may result in increased costs and lost revenues from time to time due to the need to hire agency nursing personnel at higher rates or increased compensation levels. Such increased costs and lost revenues could adversely affect the operations or financial condition of the Obligated Group. Nursing and other staff shortages may be exacerbated by the COVID-19 pandemic.

TAX EXEMPT STATUS; CONTINUING LEGAL REQUIREMENTS

The tax-exempt status of interest on the Series 2021A Bonds depends, among other things, upon maintenance by the Obligated Group Members as organizations described in or treated as described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules based on the Code, Treasury regulations and judicial decisions regarding the organization and operation of tax-exempt health care providers. The Internal Revenue Service's ("IRS") interpretation of and position on these rules as they affect the organization and operation of health care organizations are constantly evolving. The IRS can, and in fact occasionally does, alter or reverse its positions concerning tax-exemption issues, even concerning long-held positions upon which tax-exempt health care organizations have relied.

Section 4958 of the Code imposes excise taxes on "excess benefit transactions" between "disqualified persons" and tax-exempt organizations such as the Obligated Group Members. According to the legislative history and regulations associated with Section 4958, these excise taxes may be imposed by the IRS either in lieu of or in addition to revocation of exemption. These intermediate sanctions may be imposed in situations in which a "disqualified person" (such as a voting member of the board, certain officers and others in a position to exercise substantial influence over the affairs of the exempt organization) engages in "excess benefit transactions" such as (i) a transaction with a tax-exempt organization on other than a fair market value basis, (ii) receipt of unreasonable compensation from a tax-exempt organization or (iii) receipt of payment in an arrangement that otherwise violates the prohibition against private inurement. A disqualified person who benefits from an excess benefit transaction will be subject to an excise tax equal to 25% of the amount of the excess benefit. Organization managers who participate in the excess benefit transaction knowing it to be improper are subject to an excise tax equal to 10% of the amount of the excess benefit, subject to a maximum penalty of \$20,000 per transaction. A second penalty, in the amount of 200% of the excess benefit, may be imposed on the disqualified person (but not upon the organization manager) if the excess benefit is not corrected within a specified period of time. Fair market value and reasonable compensation for tax purposes typically reflect a range rather than a specific dollar amount, and the IRS does not rule in advance on whether a transaction results in more than fair market value payment or more than reasonable compensation to a disqualified person. Although it is not possible to predict what enforcement action, if any, the IRS might take related to potential excess benefit transactions, the regulations indicate that not all excess benefit transactions jeopardize exempt status. Rather, the IRS will consider all relevant facts and circumstances including: the size and scope of the organization's activities that further its exempt purposes before and after the excess benefit transaction or transactions occurred; the

size and scope, and frequency, of any excess benefit transactions; whether the organization has implemented appropriate safeguards reasonably calculated to prevent excess benefit transactions; and whether the organization has corrected, or made good faith efforts to correct, any excess benefit such as by obtaining repayment of the amount of any excess benefit.

Moreover, the legislation is potentially favorable to taxpayers because it provides the IRS with a punitive option short of revocation of exempt status to deal with incidents of private inurement. However, the standards for tax exemption have not been changed, including the requirement that no part of the net earnings of an exempt entity inure to the benefit of any private individual. Consequently, although the IRS has only infrequently revoked the tax exemption of nonprofit health care corporations in the past, the risk of revocation remains and there can be no assurance that the IRS will not direct enforcement activities against an Obligated Group Member.

The Tax Exempt and Governmental Entities Division of the IRS is responsible for the Team Examination Program (“TEP”) of the IRS, which conducts audits of exempt organizations using teams of revenue agents. The TEP audit teams consider a wide range of possible issues, including the community benefit standard, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business income. In addition, the IRS conducts compliance checks and correspondence audits that focus initially on limited issues, such as executive compensation, unrelated business income or community benefit. Such limited scope reviews can be expanded in certain circumstances to include a variety of other issues as in a TEP audit.

The Obligated Group Members or a future Member of the Obligated Group could be audited by the IRS. Management believes that the Obligated Group Members have properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a TEP or other audit could result in additional taxes, interest and penalties. A TEP or other audit also could potentially affect the tax-exempt status of an Obligated Group Member or a future Member of the Obligated Group.

Loss of tax-exempt status by an Obligated Group Member could result in loss of the exclusion from gross income of the interest on the Series 2021A Bonds that, in turn, could result in a default under the Bond Indenture, potentially triggering an acceleration of the Series 2021A Bonds. The Bond Indenture does not provide for additional interest or penalties on the Series 2021A Bonds or a mandatory redemption thereof if the interest thereon is determined to be includible in gross income for federal income tax purposes. Any such event would have material adverse consequences on the future financial condition and results of operations of the Obligated Group. Additionally, the loss of federal tax-exempt status by an Obligated Group Member or any future Member of the Obligated Group could adversely affect the Obligated Group’s access to future tax-exempt financing.

CERTAIN MATTERS RELATING TO ENFORCEABILITY OF THE MASTER INDENTURE

The obligation of the Obligated Group Members and any future Members of the Obligated Group under the Series 2021A Master Note will be limited to the same extent as the obligations of

debtors typically are affected by bankruptcy, insolvency and the application of general principles of creditors' rights and as additionally described below.

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

A Member of the Obligated Group may not be required to make any payment on any Master Note, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group, to the extent that such payment would render such Member of the Obligated Group insolvent or which would conflict with or not be permitted by or which is subject to recovery for the benefit of other creditors of such Member of the Obligated Group under applicable laws. There is no clear precedent in the law as to whether such payments from a Member of the Obligated Group in order to pay debt service on the Series 2021A Master Note may be voided by a trustee in bankruptcy in the event of bankruptcy of a Member of the Obligated Group, or by third-party creditors in an action brought pursuant to state fraudulent conveyance statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes and common law, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or state fraudulent conveyance statutes, or the guarantor is undercapitalized.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. It is possible that, in an action to

force a Member of the Obligated Group to pay debt service on a Master Note for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that the Member of the Obligated Group is analogous to a guarantor of the debt of the Member of the Obligated Group who directly benefited from the borrowing and that sufficient consideration for the Member of the Obligated Group's guaranty was not received and that the incurrence of such Master Note has rendered or will render the Member of the Obligated Group insolvent.

CERTAIN MATTERS RELATING TO ENFORCEABILITY OF SECURITY INTEREST IN GROSS REVENUES

The effectiveness of the security interest in the Gross Revenues granted in the Master Indenture may be limited by a number of factors, including: (i) the absence of an express provision permitting assignment of receivables owed to the Members of the Obligated Group under their contracts, and present or future prohibitions against assignment contained in any applicable statutes or regulations; (ii) certain judicial decisions which cast doubt upon the right of the Master Trustee, in the event of the bankruptcy of a Member of the Obligated Group, to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; (iii) commingling of the proceeds of Gross Revenues with other moneys not subject to the security interest in the Gross Revenues; (iv) statutory liens; (v) rights arising in favor of the United States of America or any agency thereof; (vi) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (vii) federal bankruptcy laws or state insolvency laws which may affect the enforceability of the security interest in the Gross Revenues of the Members of the Obligated Group which are earned by the Members of the Obligated Group within 90 days, preceding or, in certain circumstances with respect to related corporations, within one year preceding and after any effectual institution of bankruptcy proceedings by or against a Member of the Obligated Group; (viii) rights of third parties in Gross Revenues converted to cash and not in the possession of the Master Trustee; and (ix) claims that might arise if appropriate financing or continuation statements are not filed or other documents are not executed in accordance with the Uniform Commercial Code of the State of Minnesota or North Dakota, as applicable, as from time to time in effect. If an Obligated Group Member or any future Member of the Obligated Group participates in Medicare and/or Medicaid, provisions prohibiting the direct payment of amounts due to health care providers from Medicare and Medicaid programs to persons other than such providers could also compromise the enforceability of the effectiveness of the pledge of Gross Revenues.

Accounts receivable of the Members of the Obligated Group which constitute Gross Revenues and are pledged as security under the Master Indenture may be pledged or sold if such pledge or sale is in accordance with the provisions of the Master Indenture. Any lien created under the Master Indenture on such accounts receivable would terminate and be immediately released upon any such pledge or sale with respect to any such accounts receivable so pledged or sold.

ENFORCEABILITY OF REMEDIES; PRIOR CLAIMS

The Series 2021A Bonds are secured by an assignment by the Authority to the Bond Trustee of certain rights under the Loan Agreement (except as provided therein). The remedies specified by the Loan Agreement and the Bond Indenture upon a default may require judicial actions, which are often subject to discretion and delay. Under existing law (including, without

limitation, the Bankruptcy Code), the remedies specified by the Loan Agreement may not be readily available or may be limited. The various opinions to be delivered concurrently with the delivery of the Loan Agreement will be qualified as to the enforceability of the various legal instruments by, among others, limitations imposed by state and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights generally.

RATE SETTING

Future legislative proposals granting full or partial rate fixing authority to a state or federal agency could prevent an Obligated Group Member and any future Member of the Obligated Group from increasing rates to adequately cover potential increases in their operating costs or other expenses. In addition, proposed legislation, if enacted, would limit the frequency of rate increases imposed by long term care facilities and the ability to assess separate charges for items and services not authorized in the initial admission agreement.

TITLE INSURANCE; LIMITATIONS OF REMEDIES UNDER THE MORTGAGES

In connection with the issuance of the Series 2021A Bonds, the Corporation will deliver, for the benefit of the Master Trustee, lender's title insurance policies insuring the ownership of or leasehold interest in the real property mortgaged under the Mortgages and the priority of the Mortgages as encumbrances on such property. The title policies will be in an aggregate amount at least equal to the initial aggregate principal amount of the Series 2021A Bonds, the Direct Placement Bonds and the Taxable Bonds. The Corporation is not required to obtain an increase in the amount of the policies in connection with the issuance of any additional Master Notes subsequent to the issuance of the Series 2021A Master Note, and the title insurance policies will not pay any claim that exceeds the aggregate face amount of the policies.

The Obligated Group Members have executed the Mortgages to secure the obligations of the Obligated Group pursuant to the Master Indenture and with respect to all Master Notes, including the Series 2021A Master Note. In the event that there is a default under the Master Indenture, the Bond Indenture, the Loan Agreement, or any other financing document to which a Member is a party, the Master Trustee has the right to foreclose on the Mortgaged Property under certain circumstances. All amounts collected upon foreclosure of the Mortgages will be used to pay certain costs and expenses incurred by, or otherwise related to, the foreclosure, the performance of the Master Trustee and/or the beneficiary under the Mortgages, and then to pay amounts owing under the Master Indenture with respect to the then-outstanding Master Notes, including the Series 2021 Master Notes and any future Master Notes.

No appraisals have been obtained by the Obligated Group for purposes of determining the allocation of title insurance coverage among the Communities or any other purposes related to the plan of finance described herein. The value of the Mortgaged Property will at all times be dependent upon many factors beyond the control of the Members, such as changes in general and local economic conditions, changes in the supply of or demand for competing properties in the same locality, and changes in real estate and zoning laws or other regulatory restrictions. A material change in any of these factors could materially change the value in use of the Mortgaged

Property. Any weakened market condition may also depress the value of the Mortgaged Property. Any reduction in the market value of the Mortgaged Property could adversely affect the security available to the owners of the Series 2021A Bonds. There is no assurance that the amount available upon foreclosure of the Mortgaged Property after the payment of foreclosure costs will be sufficient to pay the amounts owing by the Obligated Group with respect to the then-outstanding Master Notes, including the Series 2021 Master Notes and any future Master Notes.

In the event of foreclosure, a prospective purchaser of some or all of the Mortgaged Property may assign less value to that Mortgaged Property than the value of the facilities while owned by the Members since such purchaser may not enjoy the favorable financing rates associated with the Series 2021A Bonds and other benefits. To the extent that buyers whose income is not tax-exempt may be willing to pay less for the Mortgaged Property than nonprofit buyers, then the resale of the Mortgaged Property after foreclosure may require more time to solicit nonprofit buyers interested in assuming the financing now applicable to the Mortgaged Property. In addition, there can be no assurance that any of the facilities could be sold at their fair market value in the event of foreclosure. Although the Master Trustee will have available the remedy of foreclosure of the Mortgages in the event of a default (after giving effect to any applicable grace periods, and subject to any legal rights which may operate to delay or stay such foreclosure, such as may be applicable in the event of a Member's bankruptcy), there are substantial risks that the exercise of such a remedy will not result in recovery of sufficient funds to pay amounts due with respect to the then-outstanding Master Notes, including the Series 2021 Master Notes and any future Master Notes.

Applicable state foreclosure laws permit a secured party to foreclose upon mortgaged property such as the Mortgaged Property. Although the Master Trustee has a security interest in the Mortgaged Property, legal procedures connected with the exercise of remedies available may cause delays in the collection of funds available for payment of debt service on the Series 2021A Bonds. There can be no assurance that amounts realized from the foreclosure of the Mortgaged Property would be sufficient to pay the debt service on the Series 2021A Bonds. Potential purchasers of the Series 2021A Bonds should consult legal counsel or otherwise familiarize themselves with the relevant state laws.

EXISTENCE OF LEASE OF REAL PROPERTY WITH LANDLORD MAY IMPACT RECOVERY IN EVENT OF DEFAULT

Certain of the Mortgaged Property is leased by a Member of the Obligated Group. In the event of a default under the Bond Indenture or the Master Indenture, the fact that such Mortgaged Property is leased, not owned, may make it difficult for the Bond Trustee or the Master Trustee to realize the amount of the outstanding Series 2021A Bonds from the sale or lease of such Mortgaged Property if it were necessary to proceed against such Mortgaged Property, whether pursuant to a judgment against such Member of the Obligated Group or otherwise.

FACTORS THAT COULD AFFECT THE VALIDITY OR VALUE OF THE LIEN AGAINST THE OBLIGATED GROUP'S GROSS REVENUES AND THE ENFORCEABILITY OF THE LOAN AGREEMENT AND LEGAL OPINIONS

The legal right and practical ability of the Bond Trustee to enforce the rights and remedies under the Loan Agreement and of the Master Trustee to enforce the rights and remedies under the Master Indenture may be limited by laws relating to bankruptcy (see "BANKRUPTCY" directly following), insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors rights. The enforcement of such rights and remedies will also depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

In addition, there exists common law authority and certain statutory authority for the ability of the courts to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court's own motion or pursuant to a petition of the state Attorney General or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see the application of their funds to their intended charitable uses.

The various legal opinions to be delivered concurrently with the execution and delivery of the Series 2021A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by States of Minnesota and North Dakota and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

BANKRUPTCY

If a Member of the Obligated Group were to file a petition for relief under Title 11 of the United States Code (the "*Bankruptcy Code*"), the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Member and any interest it has in property. If the bankruptcy court so ordered, the Member's property, including its accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of the Member's bankruptcy estate despite the claims of its creditors.

In a case under the current Bankruptcy Code, a Member of the Obligated Group could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against such Member and could result in the modification of rights of any class of creditors, secured or unsecured. To confirm a plan of reorganization, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of a plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the

confirmed plan, all claims and interests are discharged and extinguished. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court and the dissenting claims and interests would be bound thereby. For this to occur, at least one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the nonconsenting class or classes. The Bankruptcy Code establishes different fair and equitable tests for secured claims and interest holders. To be confirmed, the bankruptcy court must also determine that a plan, among other requirements, provides creditors with not less than would be received in the event of liquidation, is proposed in good faith, and that the debtor’s performance is feasible.

ENVIRONMENTAL AND OCCUPATIONAL HEALTH MATTERS

Typical health care and senior living facility operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, health care and senior living facility operations are particularly susceptible to the practical, financial and legal risks associated with compliance with environmental and occupational health and safety laws and regulations. Most recently, the Occupational Safety and Health Commission (“*OSHA*”) announced the implementation of an Emergency Temporary Standard (“*ETS*”) for COVID-19 that applies to health care and senior living providers with certain limited exceptions. In addition, OSHA announced that it would be focusing its inspection and enforcement efforts on industries with higher COVID-19 risk, such as health care facilities and assisted living facilities. Compliance with environmental and occupational health and safety laws, including the ETS, may increase operating costs. Further, environmental and occupational health and safety risks may result in (1) damage to individuals, property or the environment, (2) the interruption of operations and/or increased costs, (3) legal liability, damages, injunctions, citations or fines, and (4) investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions. Such actions may not be covered by insurance. There is no assurance that the Obligated Group will not encounter such problems in the future and such problems may result in material adverse consequences to the Obligated Group’s business or financial condition. At the present time, Management is not aware of any pending or threatened claim, investigation or enforcement action regarding any such environmental or occupational health and safety issues which, if determined adversely to the Members of the Obligated Group, would have a material adverse effect on the Obligated Group’s business or financial condition.

In the event of damage to or destruction of the Mortgaged Property or any part thereof, or condemnation or sale consummated under threat of condemnation of the Mortgaged Property or any part thereof, the Series 2021A Bonds could be subject to extraordinary optional redemption prior to maturity. See “THE SERIES 2021A BONDS — REDEMPTION PROVISIONS RELATED TO SERIES 2021A BONDS – Extraordinary Optional Redemption of Series 2021A Bonds” herein.

POSSIBLE FUTURE CHANGES TO ACCOUNTING POLICIES AND PROCEDURES

From time to time, accounting policies and procedures change as accounting principles that are generally accepted in the United States change. Such changes may cause a variation in the presentation of the financial information of the Obligated Group. There can be no assurance that

any such changes would not have a material adverse impact on the Obligated Group's compliance with certain covenants contained in the Master Indenture.

ADDITIONAL DEBT

Upon the issuance of the Series 2021A Bonds, the Series 2021 Master Notes will be the only Master Notes outstanding under the Master Indenture. Under certain circumstances, the Master Indenture permits the Obligated Group to issue additional Master Notes that will be equally and ratably secured with the Series 2021 Master Notes and any other Master Notes hereafter issued under the Master Indenture. Any such additional parity indebtedness would be entitled to share ratably in the security interest with the owners of the Series 2021A Master Note, except the Master Reserve Fund will secure only Master Notes issued to secure Related Bonds that are designated as Master DSRF Bonds. Any moneys realized from the exercise of remedies in the event of a default by the Obligated Group could reduce the Debt Service Coverage Ratio and could impair the ability of the Obligated Group to maintain its compliance with certain covenants described herein under "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2021A BONDS — Certain Covenants of the Obligated Group — Debt Service Coverage Ratio Covenant" and "SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture – Debt Service Coverage Ratio" in APPENDIX C. There is no assurance that, despite compliance with the conditions upon which additional indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Series 2021A Master Note may not be materially adversely affected upon the incurrence of additional indebtedness. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021A BONDS" herein.

NATURAL DISASTERS

The occurrence of natural disasters, including floods, droughts, tornadoes, severe storms, wildfires, earthquakes, or volcanic activity, some of which could be amplified by climate change, may damage or destroy part or all of a Community, interrupt utility service to part or all of a Community, or otherwise temporarily or permanently impair the operation of part or all of a Community or the generation of revenues from part or all of a Community beyond existing insurance coverage. No assurance is given as to the continuation of such insurance coverage, which, among other things, may not be available at a reasonable cost in the future. Two of the Communities are located in 100 year flood plains, and the Members owning those Communities maintain certain flood insurance with \$500,000 coverage limits on buildings and contents.

CYBERSECURITY

The Corporation and the Members of the Obligated Group rely on computer systems and information technology ("IT") systems to conduct many of their operations, including operations of the Corporation on behalf of the Members of the Obligated Group. Despite security measures, policies and training, the IT systems may be vulnerable to attacks by outside or internal hackers or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise IT systems and the information stored thereon including the PHI or other personally identifiable information of residents or employees, Obligated Group proprietary and confidential business performance data, or other sensitive and confidential data. Any such disruptions or other

loss of information could result in a disruption in the efficiency of the services provided by the Obligated Group, thereby adversely affecting revenues. Cyber-attacks, such as malware attacks or ransomware attacks, specifically targeting health care facilities have been occurring more frequently, and in some recent cases, have resulted in the interruption or temporary cessation of services. On October 28, 2020, three federal agencies, including the Federal Bureau of Investigation, issued a joint alert warning of an imminent threat to United States health care providers that could result in data theft and disruption of health care services.

RISK OF REDEMPTION PRIOR TO MATURITY

There are a number of circumstances under which all or a portion of the Series 2021A Bonds may be redeemed prior to their stated maturity. For a description of the circumstances in which Bonds may be redeemed and the terms of redemption, see “THE SERIES 2021A BONDS — REDEMPTION PROVISIONS RELATING TO SERIES 2021A BONDS” herein.

RISK OF LOSS UPON REDEMPTION

The rights of the owners of the Series 2021A Bonds to receive interest will terminate on the date, if any, on which such Series 2021A Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Bond Indenture, and interest on such Series 2021A Bonds will no longer accrue on and after the redemption date if monies sufficient for such purpose are deposited with the Bond Trustee in accordance with the Bond Indenture.

LACK OF MARKETABILITY FOR THE SERIES 2021A BONDS

The Underwriter is not obligated to make a market for the Series 2021A Bonds. There can be no assurance that there will be a secondary market for the Series 2021A Bonds, and the absence of such a market for the Series 2021A Bonds could result in investors not being able to resell the Series 2021A Bonds should they need to or wish to do so.

AMENDMENTS TO BOND DOCUMENTS AND MASTER INDENTURE

Certain amendments to the Bond Indenture and the Loan Agreement may be made without the consent of the owners of the Series 2021A Bonds and other amendments may be made with the consent of the owners of a majority in an aggregate principal amount of all outstanding Series 2021A Bonds. Such amendments could affect the security for the Series 2021A Bonds. Certain amendments may be made without the consent of the owners of the Series 2021A Bonds. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Bond Indenture — Supplemental Bond Indentures Not Requiring Consent of Bondowners,” “— Supplemental Bond Indentures Requiring Consent of Bondowners,” “— Supplemental Loan Agreements Not Requiring Consent of Bondowners,” “— Supplemental Loan Agreements Requiring Consent of Bondowners” in APPENDIX C.

The Corporation, as Obligated Group Agent, and the Master Trustee may modify the provisions of the Master Indenture in certain instances without the consent of the holders of Master

Notes, including the Series 2021A Master Note, and in other instances with consent of not less than a majority in aggregate principal amount of outstanding Master Notes. See “SUMMARY OF PRINCIPAL DOCUMENTS — Summary of the Master Indenture — Supplemental Master Indentures” in APPENDIX C.

CERTAIN RISKS RELATING TO DIRECT PURCHASE BONDS, OTHER BANK-SUPPORTED AND BANK-HELD DEBT, AND INTEREST RATE SWAPS

Mandatory Tender, Purchase or Redemption Prior to Maturity. The Obligated Group has entered, and may in the future enter, into credit enhancement arrangements or loans with respect to certain bonds pursuant to which those bonds may be subject to mandatory tender, purchase or redemption prior to maturity at the direction of the applicable bank in certain circumstances including as a result of the bank’s determination not to hold or support such debt beyond the effective term of the bank’s commitment. For example, although the Series 2021B Bonds and the Taxable Bonds will initially have a stated final maturity in 2041, the bank purchaser of such bonds has an option to cause mandatory purchase of such bonds by the Obligors in 2031. If the Obligated Group and the applicable bank do not agree to a renewal or extension of the bank’s commitment to support or hold the applicable debt, the Obligated Group will need to refinance such debt. No assurance can be given that the Obligated Group will be successful in renewing or extending the bank’s commitment or in refinancing such debt.

Bank Agreements. Although the initial transactions for the Direct Placement Bonds are being entered into without any continuing covenant agreements, reimbursement agreements, supplemental agreements or other special bank agreements (collectively, “*bank agreements*”) and are subject only to the financial covenants set forth in the Master Indenture, the Obligated Group may in the future enter bank agreements that contain certain covenants, including financial covenants and other affirmative and negative covenants, rights and remedies that are not included in the Master Indenture or the Loan Agreement for the Series 2021A Bonds. These additional covenants, rights and remedies may be solely for the benefit of the applicable bank or other lenders, and the owners of the Series 2021A Bonds would not be entitled to rely on such covenants, rights or remedies. The covenants contained in bank agreements may be waived or amended with the consent of the applicable bank or other lenders and without the necessity of obtaining the consent of any other party, and the remedies for covenant violations under bank agreements are controlled by the applicable bank or other lenders.

Interest Rate Swaps. Although the Obligated Group has not entered into any interest rate swaps in connection with the issuance of the Series 2021A Bonds, the Obligated Group may enter into interest rate swap agreements in the future. Among other inherent risks such as interest rate risk, interest rate swaps may involve counterparty payment risk. Further, certain swap arrangements may not be terminable except upon the payment of potentially significant termination fees. In some cases, negative mark-to-market valuation of certain swap arrangements must be booked on an institution’s balance sheet. These factors may have a material adverse impact on institutions involved in such financial arrangements.

OTHER POSSIBLE RISK FACTORS

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

- (1) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, given an inability to obtain corresponding increases in revenues from residents whose incomes will largely be fixed;
- (2) Changes to the laws and regulations affecting the Obligated Group's operations such as reinstatement or establishment of mandatory governmental wage, rent or price controls, or changes in tax, pension, social security or other laws and regulations affecting the provisions of health care, retirement benefits and other services to the elderly;
- (3) The cost and availability of energy which could, among other things, affect the cost of utilities of the Obligated Group's facilities;
- (4) Any increase in the quantity of indigent care provided which is mandated by law or required due to increased needs of the Communities in order to maintain the charitable status of the Members of the Obligated Group;
- (5) Inflation or other adverse economic conditions;
- (6) Cost and availability of any insurance, such as malpractice, fire, earthquake, automobile and general comprehensive liability, that organizations such as the Members of the Obligated Group generally carry; or
- (7) The outcome of political elections or political or civil unrest.

Certain statements contained in this Official Statement do not reflect historical facts but instead are forecasts and "Forward-Looking Statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe" and other similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2021A Bonds made hereunder or pursuant hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the Obligated Group or any other person described herein since the date hereof.

CONTINUING DISCLOSURE

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “*Rule*”), the Corporation, as Obligated Group Agent, has entered into a continuing disclosure undertaking with respect to the Series 2021A Bonds (the “*Continuing Disclosure Agreement*”) for the benefit of the Bondholders to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“*EMMA*”) (i) certain financial information and operating data (the “*Annual Financial Information and Operating Data*”) relating to the Obligated Group by no later than 150 days following the end of each Fiscal Year of the Obligated Group, commencing with the report for the Fiscal Year ending June 30, 2021; (ii) quarterly unaudited financial statements and operating data (the “*Quarterly Financial Information and Operating Data*”) within 60 days of the end of any fiscal quarter, commencing with the report for the quarter ending June 30, 2021; and (iii) notice of the occurrence of certain enumerated events (the “*Material Event Notices*”), all as more fully described in “FORM OF CONTINUING DISCLOSURE AGREEMENT” in APPENDIX G hereto.

The Continuing Disclosure Agreement provides holders of the Series 2021A Bonds with certain enforcement rights in the event of a failure by the Corporation to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement does not constitute a default under the Bond Indenture, the Loan Agreement or the Master Indenture. The Continuing Disclosure Agreement may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2021A Bonds are advised that the Continuing Disclosure Agreement, the form of which is attached hereto as “FORM OF CONTINUING DISCLOSURE AGREEMENT” in APPENDIX G, should be read in its entirety for more complete information regarding its contents.

Copies of the Annual Financial Information and Operating Data, Quarterly Financial Information and Operating Data and any Material Event Notices may be obtained on EMMA.

The Corporation has previously executed a similar continuing disclosure agreement related to the Housing Redevelopment Authority of Duluth, Minnesota Healthcare and Housing Revenue Bonds (Benedictine Health Center Project) Series 2007 (the “*2007 Disclosure Agreement*”). The Corporation and certain related affiliates (collectively the “*2014 Disclosure Obligors*”) have previously executed a continuing disclosure agreement related to the Series 2014B Bonds (the “*2014 Disclosure Agreement*”). Benedictine Living Communities, Inc., has previously executed a continuing disclosure agreement related to the Stark Series 2007 Bonds (the “*Stark Disclosure Agreement*” and together with the 2007 Disclosure Agreement and the 2014 Disclosure Agreement, the “*Prior Disclosure Agreements*”). Failure by the Corporation or any Member of the Obligated Group to comply with the Prior Disclosure Agreements must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of such other bonds in the secondary market. Any such failure may adversely affect the transferability and liquidity of the Series 2021A Bonds and their market price.

During the five-year period preceding this Official Statement, (a) the 2014 Disclosure Obligors did not timely file Quarterly Reports required to be filed under the 2014 Disclosure

Agreement for the fiscal quarters ending September 30, 2016, December 31, 2016, June 30, 2017, September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018 (b) the Corporation failed to file the quarterly financial information as required under the 2014 Disclosure Agreement for the fiscal quarters ending March 31, 2016 and June 30, 2016, (c) Benedictine Living Communities, Inc. failed to include the information relating to the Manager required under the Stark Disclosure Agreement for the fiscal years ending June 30, 2016, June 30, 2017, June 30, 2018, June 30, 2019 and June 30, 2020, and (d) the Corporation failed to include the information relating to the Facilities and the Manager required under the 2007 Disclosure Agreement for the fiscal year ending June 30, 2016.

Management of the Corporation has implemented procedures to ensure full compliance with the requirements of the Continuing Disclosure Agreement. In addition, the Corporation, as Obligated Group Agent, has engaged U.S. Bank National Association to act as dissemination agent under the Continuing Disclosure Agreement.

LITIGATION

THE AUTHORITY

There is not now pending, after service of process, or, to the knowledge of the Authority, threatened, any litigation against the Authority related to the Series 2021A Bonds that questions or affects the (i) validity of the Series 2021A Bonds or the proceedings or authority under which they will be issued or (ii) right of the Authority to enter into the Bond Indenture or the Loan Agreement or to secure the Series 2021A Bonds in the manner provided in the Bond Indenture and the relevant statutes under which the Series 2021A Bonds will be issued. Neither the creation, organization or existence of the Authority nor the title of any of the present members or other officers of the Authority to their respective offices is being contested.

THE OBLIGATED GROUP

There is no litigation or proceeding pending or, to the knowledge of the Members of the Obligated Group, threatened against the Members of the Obligated Group which (i) seeks to restrain or enjoin the issuance or delivery of the Series 2021A Bonds or the execution or the performance by the Corporation and the Obligors of their obligations under the Loan Agreement or the Members of the Obligated Group of their obligations under the Series 2021A Master Note, (b) in any way contests or affects the issuance or the validity of the Series 2021A Bonds or the enforceability of the Loan Agreement or the Series 2021A Master Note, or (c) in any way contests the legal existence or powers of the Members of the Obligated Group. There is no litigation or proceeding pending or, to the knowledge of the Members of the Obligated Group, threatened against the Members of the Obligated Group except for (i) litigation being defended by insurance carriers on behalf of the Members of the Obligated Group, the claims in which are entirely within the insurance policy limits of the Members of the Obligated Group, (ii) litigation in which the expected maximum aggregate recovery against the Members of the Obligated Group could be satisfied from the insurance or the reserves maintained by the Members of the Obligated Group or (iii) claims for damages arising in the ordinary course of their operations, none of which is deemed

to be material to the operation or condition, financial or otherwise, of the Members of the Obligated Group. There is no litigation pending or, to the knowledge of the Members of the Obligated Group, threatened that might have a material adverse effect upon the operations or financial condition of the Members of the Obligated Group.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2021A Bonds are subject to the approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, Bond Counsel to the Authority, who will render an opinion with respect to the Series 2021A Bonds in substantially the form attached hereto as APPENDIX D.

Certain tax matters will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri, Special Tax Counsel. A complete copy of the proposed form of Special Tax Counsel opinion is contained in APPENDIX E hereto.

Certain matters will be passed upon for the Authority by its counsel, Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota; for the Obligated Group by its counsel, Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, and Gilmore & Bell, P.C., Kansas City, Missouri; and for the Underwriter by its counsel, Chapman and Cutler LLP, Chicago, Illinois. Gilmore & Bell, P.C. represents the Underwriter from time to time in matters unrelated to the issuance of the Series 2021A Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

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

of holding and disposing of the Series 2021A Bonds. The form of Special Tax Counsel opinion is attached hereto as APPENDIX E.

OPINION OF SPECIAL TAX COUNSEL

In the opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Special Tax Counsel to the Corporation and the Members of the Obligated Group, under the law existing as of the issue date of the Series 2021A Bonds:

Federal and State of Minnesota Tax Exemption. The interest on the Series 2021A Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and excludable from taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes. The interest on the Series 2021A Bonds is includable in taxable income for purposes of the State of Minnesota franchise tax imposed on corporations and financial institutions.

Alternative Minimum Tax. The interest on the Series 2021A Bonds is not an item of tax preference for purposes of computing the federal or the State of Minnesota alternative minimum tax.

Bank Qualification. The Series 2021A Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Special Tax Counsel’s opinions are provided as of the date of the original issue of the Series 2021A Bonds, subject to the condition that the Authority, Corporation and the Members of the Obligated Group comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021A Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from State of Minnesota taxable net income of individuals, estates and trusts. The Authority, Corporation and the Members of the Obligated Group have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2021A Bonds in gross income for federal income tax purposes or State of Minnesota taxable net income retroactive to the date of issuance of the Series 2021A Bonds. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2021A Bonds, but has reviewed the discussion under the heading “TAX MATTERS.”

OTHER TAX CONSEQUENCES

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2021A Bond over its issue price. The stated redemption price at maturity of a Series 2021A Bond is the sum of all payments on the Series 2021A Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2021A Bond is generally the first price at which a substantial amount of the Series 2021A Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series

2021A Bond during any accrual period generally equals (1) the issue price of that Series 2021A Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2021A Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2021A Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2021A Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2021A Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2021A Bond is the sum of all payments on the Series 2021A Bond other than "qualified stated interest" (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2021A Bond is generally the first price at which a substantial amount of the Series 2021A Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Series 2021A Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2021A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2021A Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

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

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

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

FINANCIAL STATEMENTS

The audited financial statements of Benedictine Health System as of June 30, 2018, 2019 and 2020 included in this Official Statement in APPENDIX B have been audited by CliftonLarsonAllen LLP, independent auditors, as stated in its report appearing in APPENDIX B hereto.

NO RATING

THE SERIES 2021A BONDS ARE NOT RATED. NEITHER THE AUTHORITY NOR THE OBLIGATED GROUP HAS APPLIED TO ANY RATING SERVICE FOR A RATING OF THE SERIES 2021A BONDS.

UNDERWRITING

The Series 2021A Bonds are being purchased by Herbert J. Sims & Co., Inc. as Underwriter, for a purchase price of \$_____ (representing the par amount of the Series 2021A Bonds less an underwriter’s discount of \$_____ and plus/less original issue premium/discount on the Series 2021A Bonds of \$_____) pursuant to a Bond Purchase Agreement, entered into among the Authority, the Corporation, as Obligated Group Agent on behalf of the Obligated Group, and the Underwriter (the “*Purchase Agreement*”). The Members of the Obligated Group have agreed to indemnify the Underwriter and the Authority against certain liabilities. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2021A Bonds to the public. The obligations of the Underwriter to accept delivery of the Series 2021A Bonds are subject to various conditions contained in the Purchase Agreement, including the simultaneous issuance of the Direct Placement Bonds and the Taxable Bonds, as described herein. The Purchase Agreement provides that the Underwriter will purchase all of the Series 2021A Bonds if any Series 2021A Bonds are purchased.

MISCELLANEOUS

The references herein to the Act, the Bond Indenture, the Loan Agreement, the Master Indenture, the Mortgages, the Continuing Disclosure Agreement and other materials are only brief

outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such instruments, documents and other materials, including Appendix C: “SUMMARY OF PRINCIPAL DOCUMENTS” and copies of which will be furnished by the Bond Trustee to any prospective purchaser of the Series 2021A Bonds upon request.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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

It is anticipated that CUSIP identification numbers will be printed on the Series 2021A Bonds, but neither the failure to print such numbers on any Series 2021A Bond nor any error in the printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of or pay for any Series 2021A Bonds.

The information assembled in this Official Statement has been supplied by the Corporation and other sources believed to be reliable, and, except for the statements under the heading “THE AUTHORITY” herein and information relating to the Authority under the heading “LITIGATION—The Authority,” the Authority makes no representations with respect to nor warrants the accuracy of such information. The Members of the Obligated Group have agreed to indemnify the Authority and the Underwriter against certain liabilities relating to this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the Authority or the Members of the Obligated Group and the holder of any of the Series 2021A Bonds.

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The execution, delivery and distribution of this Official Statement has been duly authorized by the Corporation, as Obligated Group Agent on behalf of the Members of the Obligated Group.

BENEDICTINE HEALTH SYSTEM

By: _____
Kevin Rymanowski, Senior Vice President
of Finance and Chief Financial Officer

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APPENDIX A
INFORMATION CONCERNING
BENEDICTINE HEALTH SYSTEM OBLIGATED GROUP

**The information contained herein has been provided by Benedictine Health System Obligated Group
and from other sources believed to be reliable.**

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INTRODUCTION

GENERAL

Benedictine Health System, a Minnesota nonprofit corporation doing business as Benedictine (“*Benedictine*”), is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “*Code*”), exempt from federal income taxation pursuant to Section 501(a) of the Code (a “*Tax-Exempt Organization*”). Benedictine and its subsidiaries collectively form a Catholic healthcare and senior housing system that provides long-term care services, congregate housing, assisted living, rehabilitation services, and other health-care and social services. Benedictine owns or has a controlling interest in 23 nursing facilities with 1,815 licensed nursing beds and 26 senior housing facilities with 1,890 units in five states (collectively, “*Communities*”). In addition, Benedictine has a non-controlling interest in and provides management services to three nursing facilities with 345 licensed beds in Minnesota and four senior housing facilities with 578 units in Minnesota and Illinois.

This APPENDIX A is intended to provide information about Benedictine and the Obligated Group (described below) that is not presented elsewhere in this Official Statement. For additional information about the Obligated Group, potential investors should refer to the audited consolidated financial statements of Benedictine and supplementary information for the fiscal years ended June 30, 2018, 2019 and 2020, that are included in this Official Statement as APPENDIX B. The materials included in this APPENDIX A and the other appendices to this Official Statement should be read in their entirety.

Capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the front part of this Official Statement and in APPENDIX C to this Official Statement.

OBLIGATED GROUP

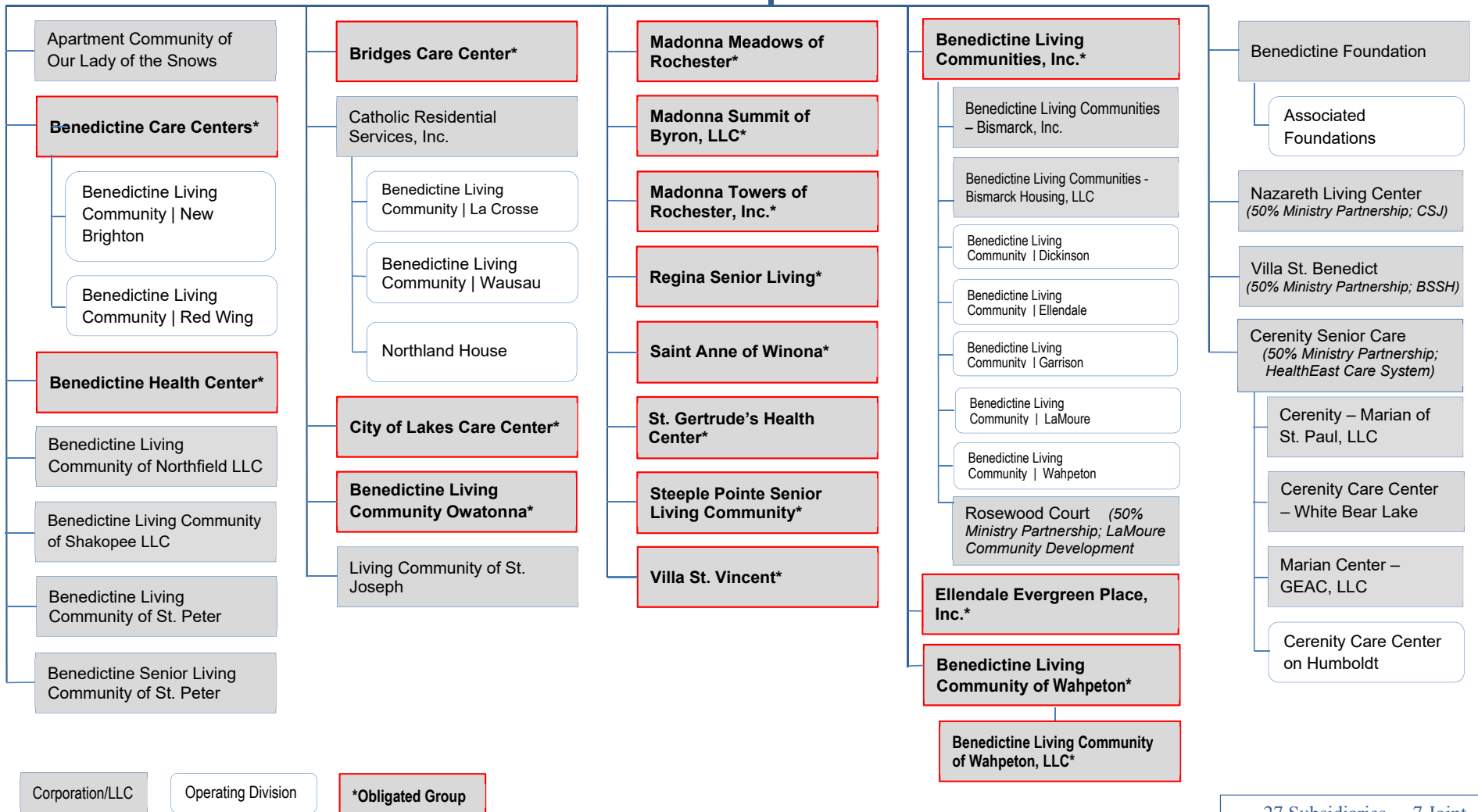
Benedictine is the Obligated Group Agent under the Master Trust Indenture dated as of June 1, 2021, as supplemented and amended (as supplemented, the “*Master Indenture*”) among Benedictine, as Obligated Group Agent, the Members of the Obligated Group (described below), and U.S. Bank National Association, as master trustee (the “*Master Trustee*”). Seventeen separate entities that operate Benedictine Communities are members of an obligated group (the “*Obligated Group*”) created under the Master Indenture. Each of the Members of the Obligated Group is jointly and severally obligated on all indebtedness evidenced or secured by Master Notes issued under the Master Indenture, including the **Series 2021 Master Notes**. ***Benedictine is not a Member of the Obligated Group and is not liable for the payment of debt service on any Master Notes.*** As Obligated Group Agent, Benedictine will have administrative responsibility for all of the actions required to be taken by the Obligated Group under the Master Indenture. The Members of the Obligated Group operate 21 facilities with 1,242 licensed nursing beds, 811 assisted living units and 153 rental independent living units located in the states of Minnesota and North Dakota.

The chart below identifies the entities that are Members of the Obligated Group (collectively, the “Members of the Obligated Group,” and each, a “Member”) created under the Master Indenture as well as the unit mix and location of each Community. Each Member of the Obligated Group is a Tax-Exempt Organization.

BENEDICTINE OBLIGATED GROUP

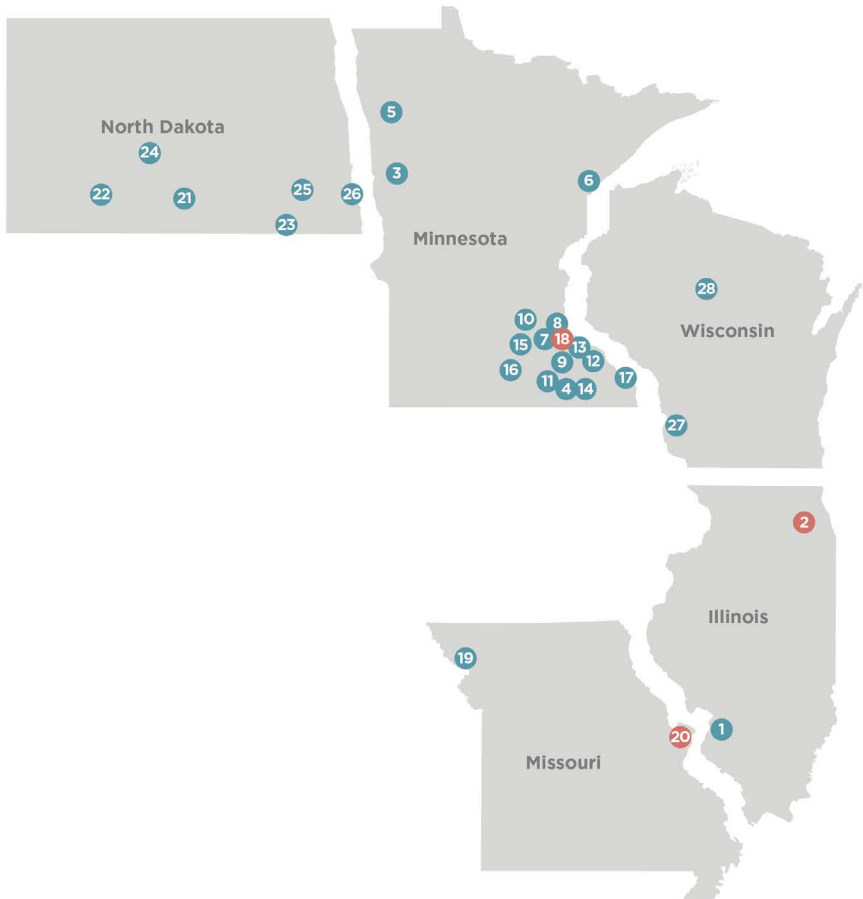
<u>MEMBER ORGANIZATION AND COMMUNITY NAME</u>	<u>LOCATION</u>	<u>SKILLED NURSING BEDS</u>	<u>ASSISTED LIVING UNITS</u>	<u>INDEPENDENT LIVING UNITS</u>
Benedictine Care Centers				
dba: Benedictine Living Community New Brighton	New Brighton, MN	105		
Benedictine Living Community Red Wing	Red Wing, MN	64	55	
Benedictine Health Center				
dba: Benedictine Living Community Duluth	Duluth, MN	96	104	45
Benedictine Living Communities, Inc.				
dba: Benedictine Living Community Dickinson	Dickinson, ND	121	26	
Benedictine Living Community Ellendale	Ellendale, ND	53		
Benedictine Living Community Garrison	Garrison, ND	52	18	
Benedictine Living Community LaMoure	LaMoure, ND	41		
Benedictine Living Community Wahpeton	Wahpeton, ND	50		
Benedictine Living Community of Wahpeton				
dba: Siena Court	Wahpeton, ND		32	
Benedictine Living Community of Wahpeton LLC	Wahpeton, ND	n/a	n/a	n/a
Bridges Care Center				
dba: Benedictine Living Community Ada	Ada, MN	49	18	
City of Lakes Care Center				
dba: Benedictine Living Community Minneapolis	Minneapolis, MN	95		
Ellendale Evergreen Place, Inc.				
dba: Evergreen Place	Ellendale, ND		20	5
Benedictine Living Community Owatonna				
dba: Benedictine Living Community Owatonna	Owatonna, MN	79		
Madonna Meadows of Rochester				
dba: Benedictine Living Community Rochester (Madonna Meadows)	Rochester, MN		66	
Madonna Summit of Byron, LLC				
dba: Benedictine Living Community Byron	Byron, MN		30	20
Madonna Towers of Rochester, Inc.				
dba: Benedictine Living Community Rochester (Madonna Towers)	Rochester, MN	62	54	83
Regina Senior Living				
dba: Benedictine Living Community Regina	Hastings, MN	57	131	
Saint Anne of Winona				
dba: Benedictine Living Community Winona	Winona, MN	109	105	
St. Gertrude’s Health Center				
dba: Benedictine Living Community Shakopee	Shakopee, MN	105	40	
Steeple Pointe Senior Living Community				
dba: Benedictine Living Community Osseo	Osseo, MN		59	
Villa St. Vincent				
dba: Benedictine Living Community Crookston	Crookston, MN	104	53	
	TOTAL	<u>1,242</u>	<u>811</u>	<u>153</u>

Benedictine Health System



Benedictine participating organizations

MEMBER ORGANIZATIONS MINISTRY PARTNERS *OBLIGATED GROUP



ILLINOIS

Community	Services
1 Benedictine Living Community At The Shrine (Belleville)	
	Skilled, AL, IL
2 Villa St. Benedict (Lisle) (Ministry Partner)	
	AL, IL, MC, Home Care

MINNESOTA

3 Benedictine Living Community Ada *	
Care Community	Skilled, Outpatient, TCU, Child Care
Mission Court	AL
4 Benedictine Living Community Byron *	
	AL, IL, MC
5 Benedictine Living Community Crookston *	
The Summit	AL
Villa St. Vincent	Skilled, Outpatient, TCU, MC, Child Care
6 Benedictine Living Community Duluth *	
Adult Day	Adult Day
Care Community	Skilled, Outpatient, TCU, MC
Marywood	AL, MC
Westwood	AL, IL
Westwood Terrace	AL, MC
7 Benedictine Living Community Minneapolis *	
	Skilled, Outpatient, TCU
8 Benedictine Living Community New Brighton *	
	Skilled, Outpatient, TCU, MC
9 Benedictine Living Community Northfield	
	AL, IL, MC
10 Benedictine Living Community Osseo *	
	AL, MC
11 Benedictine Living Community Owatonna *	
	Skilled, Outpatient, TCU
12 Benedictine Living Community Red Wing *	
St. Crispin	Skilled, Outpatient, TCU, MC
The Villa	AL, IL, Outpatient, MC, Home Care
13 Benedictine Living Community Regina (Hastings) *	
Assisted Living	AL, MC
Care Community	Skilled, Outpatient, TCU, MC
14 Benedictine Living Community Rochester *	
Madonna Meadows	AL, MC
Madonna Towers	Skilled, AL, IL, Outpatient, TCU, MC
15 Benedictine Living Community Shakopee *	
St. Gertrude's	Skilled, Outpatient, TCU, Home Care
The Gardens	AL
Windermere Way	AL, IL, MC
16 Benedictine Living Community St. Peter	
Care Community	Skilled, TCU, MC
Court	AL, Outpatient
Heritage Meadows	IL

MINNESOTA (continued)

Community	Services
17 Benedictine Living Community Winona *	
Adult Day	Adult Day
Callista Court	AL, Outpatient, MC
Saint Anne	Skilled, Outpatient, TCU, MC
18 Cerenity Senior Care-Humboldt (St. Paul) (Ministry Partner)	
Care Center	Skilled, Outpatient, TCU, MC
Residence	AL, Outpatient, MC
Cerenity Senior Care-Marian of St. Paul (Ministry Partner)	
Care Center	Skilled, Outpatient, TCU, MC
Residence	AL, IL, MC
Cerenity Care Center-White Bear Lake (Ministry Partner)	
Care Center	Skilled, Outpatient, TCU, MC
Residence	AL

MISSOURI

19 Benedictine Living Community St. Joseph	
	Skilled, AL, IL, Outpatient, TCU
20 Nazareth Living Center (St. Louis) (Ministry Partner)	
Care Center	Skilled, AL, Outpatient, TCU, MC
The Village at Nazareth	IL
Carondelet Manor	AL
St. Joseph Manor	AL, MC

NORTH DAKOTA

21 Benedictine Living Community Bismarck	
	Skilled, AL, Outpatient, TCU
22 Benedictine Living Community Dickinson *	
Benedict Court	AL
Care Community	Skilled, Outpatient, Child Care
23 Benedictine Living Community Ellendale *	
	Skilled, MC, TCU
Evergreen Place	AL
24 Benedictine Living Community Garrison *	
Care Community	Skilled, Outpatient, TCU, MC
The Meadows	AL
25 Benedictine Living Community LaMoure *	
Rosewood Court	AL
St. Rose	Skilled, TCU, MC
26 Benedictine Living Community Wahpeton *	
Home Health Care	Home Care
Siena Court	AL
St. Catherine's	Skilled, Outpatient, TCU

WISCONSIN

27 Benedictine Living Community La Crosse	
Manor	Skilled, Outpatient, TCU
Villa	AL
28 Benedictine Living Community Wausau	
	Skilled, TCU, Outpatient

BENEDICTINE AND RELATED ENTITIES

BACKGROUND

Benedictine is a Catholic healthcare and senior housing system incorporated in 1985 to coordinate the healthcare activities sponsored by the Benedictine Sisters Benevolent Association (“BSBA”), the civil corporation of the Benedictine Sisters of St. Scholastica Monastery. The mission of Benedictine is to witness to God’s love by creating compassionate communities providing support to those it serves to live fully and live well with special concern for the underserved and those in need. The vision of Benedictine is to create Benedictine Living Communities where health, wellness and choice come to life. The core values of Benedictine are hospitality, stewardship, respect, and justice. Benedictine was created and organized exclusively for charitable, religious, educational and scientific purposes, including the provision of health care, housing, education, and care for the aged and social services in accordance with the charitable works tradition of the Roman Catholic Church. All works of Benedictine must be carried out in accordance and consistent with the charisms, philosophy and mission of the BSBA. All activity of Benedictine is required to be consistent with the Ethical and Religious Directives for Catholic Health Care Services promulgated by the United States Conference of Catholic Bishops. No diocese, religious order or other part of the Roman Catholic Church, including BSBA, is liable for repayment of the Series 2021 Bonds or the Series 2021 Master Notes.

BENEDICTINE MANAGEMENT SERVICES

As of the date hereof, Benedictine owns or has a controlling interest in 23 nursing facilities with 1,815 licensed nursing beds and 26 rental senior housing facilities with 1,890 living units in five states. In addition, Benedictine has a non-controlling interest in and provides management services to three nursing facilities with 345 licensed beds in Minnesota and four senior housing facilities with 578 units in Minnesota and Illinois.

Benedictine provides certain services to the Members of the Obligated Group and other subsidiaries pursuant to management agreements (the “*Management Agreements*”). Benedictine employs the Executive Director at each Community. Other facility staff members are employed by individual Members of the Obligated Group and other subsidiaries. Benedictine and its subsidiaries also at times provide certain management services to non-affiliated facilities.

Services provided pursuant to the Management Agreements include those that are essential to discharging the fiduciary and mission responsibilities of the organization served, as well as those support services needed for day-to-day operations. These services include long range strategic planning, establishing and monitoring select key performance parameters, providing internal auditing services, and coordinating the external audit. Benedictine also provides a project review process to review and approve major capital expenditure plans of Members of the Obligated Group and other managed facilities. Other responsibilities and duties of Benedictine pursuant to the Management Agreements include:

Marketing Assistance: Benedictine provides assistance with the development of internal and external communications, public relations, and support in the development of marketing plans and materials.

Operations: Field staff oversee programs and provide support in business plan development, general administration, a facility operations assessment process and key success factors reports.

Financial: Benedictine provides centralized payroll services and billing services, together with the preparation of financial statements and fiscal management reports. Benedictine also provides accounts payable, cash management and accounts receivable consulting and billing services. In addition, Benedictine provides management and oversight of financing projects, audit preparation and budget development.

Clinical Services: Benedictine employs a corporate medical director who provides coordination, consultation and dissemination of information to the long-term care facilities' medical directors. Benedictine also provides infection control policies and procedures, nursing policies and procedures, training and support as to case-mix management, survey preparedness and management processes, a clinical indicator system and nurse consulting services.

Mission Integration: Benedictine provides assistance with the development of the facilities' core values and mission statements, provides support for spiritual care, and conducts a biennial mission and values survey to test the integration of the mission and values into the facilities' operations.

Education: Benedictine develops and provides training on current issues, regulatory compliance, leadership development and supervisory training.

Human Resources: Benedictine assists with the development of personnel policies, administers an employee survey, assists with employee benefits administration, and provides labor relations assistance and human resources consulting.

Quality Improvement: Benedictine provides programs, policies, and consultation regarding quality assurance and improvement and establishes and monitors quality indicators. Benedictine also conducts an employee satisfaction survey and a family/resident survey. These provide support in the development of quality plans, regulatory compliance review and plan of correction formulation and implementation.

Information Technology: Benedictine operates a corporate-wide area network, provides clinical software support training, standardized software selection and support, email and file management, telecommunications management, and information technology security infrastructure. Benedictine manages computer hardware selection and maintenance as well as Internet and Intranet access.

Licenses and Permits: Benedictine assists facilities with applying for, obtaining, and maintaining licenses and permits.

Compliance: Benedictine operates a compliance program that meets regulatory requirements and provides advice and assistance to facilities regarding compliance with applicable laws and regulations.

Benedictine subsidiaries include a captive insurance company, a workers' compensation insurance association, and a charitable foundation for the benefit of the Members of the Obligated Group and other subsidiaries, as well as a workers' compensation insurance association for certain of its Minnesota-based operating entities.

GOVERNANCE AND MANAGEMENT

Benedictine is governed by a board of no more than 15 voting directors (the “*Benedictine Board*”). As required by Benedictine’s Bylaws, the BSBA has the right to appoint up to three directors and at least 20% of the directors are appointed by Essentia Health from among those persons nominated by Benedictine. The remaining directors are elected by a majority vote of the directors then serving. The chief executive officer of Benedictine serves as an ex-officio director without the power to vote. Except for the chief executive officer of Benedictine and directors appointed by BSBA (denoted by a *), directors may serve a maximum of three consecutive three-year terms, which terms are staggered so as to minimize the number of directors rotating off the Benedictine Board in any given year. The current directors are set forth below.

DIRECTOR	OCCUPATION	EXPIRATION OF CURRENT TERM	TERM CURRENTLY SERVING
Roxann Daggett, Chair	Retired, former Legislator	8/31/2021	3 rd
Timothy Scanlon, Vice-Chair	Partner, CPA, Whitewater Tax & Consulting, Inc.	8/31/2021	3 rd
Sister Danile Lynch, OSB, Secretary	Treasurer, St. Scholastica Monastery	BSBA Appointee	*
Carrie Shaw	CEO, Embodied Labs	8/31/2021	1 st
Daniel K. Zismer, Ph.D.	Managing Director/Co-Founder, Castling Partners	8/31/2021	2 nd
David Hoel	Retired	8/31/2021	1 st
David Marc, Ph.D.	Associate Professor, The College of St. Scholastica	8/31/2022	1 st
Jay Sterns	Director, Barclays	8/31/2021	1 st
Jeffrey Garland, MD	MD FHM, Mid-Atlantic Quickcare, PLLC	8/31/2023	2 nd
Paul Haskins	Retired, Lockton Companies	8/31/2022	1 st
Paul Grizzell	President, Core Value Partners, Inc.	8/31/2021	1 st
Sister Beverly Raway, OSB	Prioress, St. Scholastica Monastery	BSBA Appointee	*
Sister Claire Marie Trettel, OSB	Program Advisor; Coordinator of Grad Education Programs, St. Scholastica Monastery	BSBA Appointee	*
Jerry Carley, President/CEO	President/CEO, Benedictine	Ex-Officio	*

MANAGEMENT OF BENEDICTINE

The operations of Benedictine and the Obligated Group are guided by its executive leadership team, which includes the following persons (with ages indicated):

Jerry Carley (52) is President/CEO of Benedictine and has been a leader in the senior care field for more than 25 years with extensive experience in governance, financial and operational oversight in multi-site, multi-state organizations. Prior to his appointment effective on January 3, 2018, Mr. Carley was the President and CEO of CSJ Initiatives, Inc., located in Wichita, Kansas (“*CSJI*”). CSJI is a fully integrated senior care company that owns and manages nine corporations located in six states. An experienced leader in Catholic health care, his past positions include president/CEO, Via Christi Villages, Inc.; divisional director of operations, Care Initiatives, Inc., West Des Moines, Iowa; and administrator, Evangelical Lutheran Good Samaritan Society, Sioux Falls, South Dakota. Mr. Carley serves as a member of the

LeadingAge Minnesota board of directors. He has previously served on the LeadingAge Kansas board of directors, the public policy committee for LeadingAge Iowa, committees for the Iowa and Missouri Health Care Associations and other professional and community associations in the Midwest. Mr. Carley was recognized as one of Minnesota's most powerful executives as noted in *The Minnesota 500, The Most Powerful Business Executives* 2018, published by Greenspring Media, November 2018. He holds a master of business administration degree in financial management from City University, Bellevue, Washington, and a bachelor of science degree in health services administration from the University of South Dakota-Vermillion. Mr. Carley is also a licensed nursing home administrator in Minnesota and Kansas.

Kevin J. Rymanowski, CPA (55) is CFO/Senior Vice President of Finance for Benedictine. Mr. Rymanowski has over 30 years of experience in the finance area including auditing, regulatory filings, taxation, acquisitions and mergers, reimbursement and financial consulting. Mr. Rymanowski is a certified public accountant and a member of the Minnesota Society of Certified Public Accountants, the American Institute of Certified Public Accountants and LeadingAge Minnesota. Mr. Rymanowski received his Bachelor's degree in Business from the University of St. Thomas. Prior to joining Benedictine in 2000, Mr. Rymanowski was a principal in Larson Allen & Weishair & Co., LLP (now CliftonLarsonAllen), an accounting and consulting firm in Minneapolis, Minnesota.

Steven Przybilla (49) is Chief Operating Officer of Benedictine. Mr. Przybilla has been with Benedictine since July of 2009 and has more than 20 years of industry experience. He has extensive knowledge in construction management, program development and operationalizing new projects. He previously served as Operations Vice-President for Benedictine from July of 2015 to March of 2018. Mr. Przybilla also managed construction, opened and operated St. Gabriel's Community in Bismarck, North Dakota. Prior to joining Benedictine, Mr. Przybilla served as a Director of Operations for Ecumen from 1997 to 2009 (also known as Board of Social Ministries, Ebenezer Social Ministries). Mr. Przybilla is a licensed administrator in multiple states and is Health Services Certified.

Andy Opsahl (46) is Benedictine's Vice-President of Business Development. He has been with Benedictine since 2001, initially as the Administrator of St. Mary's Care Center, then as Operations Vice-President from 2009 to 2017. He has a masters of business administration degree from the Carlson School of Management at the University of Minnesota, is a Licensed Nursing Home Administrator in Minnesota, and is a Certified Turnaround Advisor. He obtained his undergraduate degree at North Dakota State University. He is currently on the board of CARE PAC and Leading Age PAC.

Trent Pepper (38) is General Counsel and Senior Vice President – Legal Services for Benedictine. He was appointed in July 2019 after serving as Benedictine's assistant general counsel since 2012. Prior to joining Benedictine, Mr. Pepper worked as an attorney in private practice, clerked for the Honorable G. Barry Anderson of the Minnesota Supreme Court, and clerked for the Honorable Lavenski Smith of the United States Court of Appeals for the Eighth Circuit. Mr. Pepper received a bachelor's degree from John Brown University, a juris doctor from Ave Maria School of Law, and a health care master of business administration degree from The College of St. Scholastica.

Neal Buddensiek, MD (44) is Chief Medical Officer for Benedictine. Dr. Buddensiek consults on medical care delivery and coordinates activities with Community medical directors. Past positions include hospitalist, Abbott Northwestern Hospital; transitional care unit (TCU) medical director, Allina SeniorCare Transitions; and TCU attending, Abbott Northwestern internal medicine residency program. Active in the

medical community, Dr. Buddensiek is a diplomate, American Board of Internal Medicine; diplomate, National Board of Physicians and Surgeons; and certified medical director, The Society of Post-Acute and Long-Term Care Medicine. He also holds memberships in the American College of Physicians, Society of Hospitalist Medicine, American College of Physician Executives and Christian Medical Society. Dr. Buddensiek is board certified in internal medicine. He holds a bachelor's degree from Gustavus Adolphus College, St. Peter, Minnesota, and received his medical training at Creighton University School of Medicine, Omaha, Nebraska, and Abbott Northwestern Hospital's internal medicine residency program, Minneapolis, Minnesota.

Laura Campbell (40) is Senior Vice President of People Development for Benedictine. Ms. Campbell joined Benedictine in July 2016 as Director of Organizational Learning and was then promoted to Director of People Development before assuming her current role in June 2021. Prior to joining Benedictine, Ms. Campbell served with Allina Health in a variety of positions focused on systems learning and training. Additionally, she has human resources and training experience with a variety of national and international companies such as Anderson Windows, Toro Company and St. Paul Pioneer Press. Ms. Campbell has a Master of Science degree from the University of Wisconsin-Stout and a Bachelor of Arts degree from the University of Wisconsin-La Crosse.

Gift Matemba-Mutasa (49) is Senior Vice President of Marketing for Benedictine. Prior to joining Benedictine in June 2021, Mr. Matemba-Mutasa served as senior marketing and sales director at Be the Match-National Marrow Donor Program in Minneapolis. He also has extensive industrial product line strategy and marketing experience with several Minnesota-based companies, including Pentair, Honeywell, and 3M. In these roles, he developed and implemented strategic planning frameworks, marketing and recruitment plans, led cross-functional teams, developed marketing and business performance metrics and systems and other similar activities. Mr. Matemba-Mutasa has a Master of Business Administration from Wake Forest University in Winston-Salem, North Carolina and a Bachelor of Science in Aeronautical Engineering from the United States Air Force Academy in Colorado Springs, Colorado.

Sister Joan Marie Stelman, OSB is Senior Vice President for Mission Integration for Benedictine. Prior to joining Benedictine in June 2021, Sister Joan Marie served as mission integration director for the east region of Essentia Health for seven years and assistant director for alumni relations at The College of St. Scholastica for three years. She has served on many governing boards for local and regional non-profit organizations including the Benedictine Board of Directors from 2013-2019. She has also served as a director for the Benedictine Sisters Benevolent Association Board and as a member of the Monastery Council. Sister Joan Marie is a graduate of the University of Minnesota and the University of Toronto (Canada) for her Master of Arts degree and Doctor of Philosophy (ABD)

Laurie Hennen (58) serves as Senior Vice President of Foundation/Chief Philanthropy Officer for Benedictine. Prior to joining Benedictine in November 2020, she served in the Allina Health System where she had philanthropic responsibility for the Penny George Institute, the Phillips Eye Institute and the Allina Health Hospice Foundation. Before her Allina position, Ms. Hennen was director of advancement at the University of Minnesota College of Biological Sciences. She has additional experience in association management consulting and at a Minnesota economic development non-profit organization. Ms. Hennen is a graduate of Mankato State University, Mankato, Minn. and holds a mini-MBA from the University of St. Thomas in Minneapolis.

BOARD OFFICERS AND POLICIES

The Benedictine Board has the following standing committees: Executive, Mission, Quality, Compensation and Finance and Audit. In addition, the Benedictine Board has two special committees: Strategy and Board Development. The committees are required to consist of at least three members, with at least two members from the Benedictine Board.

CONFLICT OF INTEREST POLICY AND CERTAIN CONFLICTS OF INTEREST

The Benedictine Board operates under a conflict of interest policy that requires any “Interested Person” (any person in a position to exercise substantial influence over the organization) to disclose relationships that might lead to a conflict of interest and prohibits certain transactions altogether. Each year, Interested Persons are required to complete a conflict of interest statement disclosing all potential conflicts of interest, and these statements are reviewed by senior management. Transactions by Benedictine with parties with whom a conflict of interest exists may only be undertaken if the conflict of interest is fully disclosed, the Interested Person with the conflict of interest does not participate in the approval of such transaction, and it is determined that the transaction is in the best interest of the organization and is fair and reasonable. Mary Frances Skala, an attorney with the Fryberger, Buchanan, Smith & Frederick, P.A., is a member of the Finance and Audit Committee (not a member of the Benedictine Board) and serves as outside counsel to Benedictine and counsel to the Authority with respect to the issuance of the Series 2021 Bonds.

RESERVED POWERS

BSBA has reserved certain powers and authority over Benedictine and its BSBA-sponsored subsidiaries (referred to as “*BSBA Sponsored Subsidiaries*” in the BSBA Reserved Powers section below), and Benedictine has reserved certain powers and authority over its wholly owned, directly controlled (meaning greater than 50% ownership), or indirectly controlled (meaning control of the sole member of an indirectly controlled entity) subsidiaries (referred to as “*Subsidiaries*” under the caption “Benedictine Reserved Powers” below). All Members of the Obligated Group are BSBA Sponsored Subsidiaries except for Regina Senior Living. Regina Senior Living is sponsored by another Catholic entity, Regina Healthcare, which retains certain reserved powers related to preservation of Regina Senior Living’s Catholic identity. Benedictine and its Subsidiaries are part of the “*System*” referenced in the BSBA and Benedictine Reserved Powers described below.

Benedictine Reserved Powers

1. Authority to approve strategic and operating plans for all Subsidiaries.
2. Authority to create and to approve the mission, purpose and vision statements and any changes thereto of all Subsidiaries.
3. Authority to appoint from among those persons nominated by the Subsidiary, the directors of any Subsidiary and to remove an appointed director with or without cause at any time.

4. Authority to appoint and remove, in accordance with the governing documents of the Subsidiary, (a) the President/CEO of each Subsidiary, (b) the Executive Director(s) of each Subsidiary, and (c) the manager(s) of each Subsidiary who are Benedictine employees.
5. Authority to cause and to approve amendments to the governing documents of any Subsidiary.
6. Authority to approve the annual operating and capital budgets of all Subsidiaries and all material departures therefrom.
7. Authority to approve the incurrence, forgiveness or guaranty of indebtedness by a Subsidiary if such indebtedness is equal to or in excess of amounts established from time to time by Benedictine.
8. Authority to approve the sale, lease, transfer, assignment, mortgage, encumbrance, pledge or other disposal of any real or personal property of a Subsidiary if the amount involved is equal to or in excess of amounts established from time to time by Benedictine.
9. Authority to approve the discontinuation of any service of a Subsidiary which has accounted for more than 5% of the revenues or expenses of the Subsidiary in each of the last three fiscal years.
10. Authority to approve the acquisition by gift or purchase of any real property by a Subsidiary.
11. Authority to transfer assets, including cash, between and among Benedictine and its Subsidiaries subject to any applicable covenants and obligations.
12. Authority to select/appoint the general legal counsel and external auditors for all Subsidiaries.
13. Authority to establish and approve changes to the accounting and operational policies and procedures of all Subsidiaries.
14. Authority to cause and to approve all mergers, consolidations, and dissolutions involving any Subsidiary.
15. Authority to cause and to approve all affiliations, joint ventures and other alliances involving any Subsidiary.
16. Authority to cause and approve the creation or acquisition of any entity that will be a Subsidiary.
17. Authority to create and to approve corporate compliance and risk management plans for all Subsidiaries.
18. Authority to establish group purchasing and shared service arrangements involving Subsidiaries.

19. Authority to select the manager of any Subsidiary's facilities or operations and to establish the management terms.

20. Authority over litigation to which a Subsidiary is a party and other legal disputes involving a Subsidiary.

21. Authority to establish the employee benefit programs of Subsidiaries.

BSBA Reserved Powers

Reserved Powers of the BSBA Board of Directors

1. Authority to approve the mission and purpose statements for Benedictine and its BSBA Sponsored Subsidiaries.

2. Authority to approve the methods, policies and procedures pertaining to the adherence of Benedictine and its BSBA Sponsored Subsidiaries to the Ethical and Religious Directives for Catholic Health Care Services ("ERDs").

3. Authority to oversee the listing of Benedictine and its BSBA Sponsored Subsidiaries in *The Official Catholic Directory*, subject to approval of applicable Catholic authorities.

4. Authority to require Benedictine and its BSBA Sponsored Subsidiaries to join the Catholic Health Association of the United States.

5. Authority to approve plans and evaluations relating to mission effectiveness, chaplaincy and community benefit for Benedictine and its BSBA Sponsored Subsidiaries, including the use of religious symbols, the distinguishing elements and prayers.

6. Authority to approve the governing documents of Benedictine and its BSBA Sponsored Subsidiaries before they become effective and to require such amendments to the governing documents of Benedictine and its BSBA Sponsored Subsidiaries as it determines are necessary to preserve such entity's Catholic identity.

7. Authority to appoint and remove, with or without cause, up to three persons representing the BSBA to serve as directors of the Benedictine Board.

8. Authority to appoint and remove, with or without cause, at least one person representing the BSBA to the board of directors of each BSBA Sponsored Subsidiary.

9. Authority to approve any alienation of stable patrimony if the value thereof is equal to or greater than the amount which is 70% of the amount established from time to time that requires approval of the Holy See.

10. Authority to approve any joint ventures or co-sponsoring relationships involving Benedictine or any of its BSBA Sponsored Subsidiaries.

11. Authority to approve the closure or the sale or transfer outside the System of any BSBA Sponsored Catholic facility other than Benedictine Health Center (“BHC”).

12. Authority to establish, accept, transfer or terminate BSBA sponsorship or co-sponsorship of a health care facility other than BHC.

Reserved Powers of the Benedictine Sisters of St. Scholastica Monastery (the “Chapter”)

The Chapter has the authority to approve (i) a proposed merger, consolidation, liquidation, or dissolution of Benedictine or BHC, (ii) the disposition of all or substantially all of the assets of Benedictine or BHC or any facility located on property owned by the BSBA, and (iii) the transfer or termination of BSBA sponsorship or co-sponsorship of Benedictine or BHC.

NON-OBLIGATED BENEDICTINE ENTITIES

THE BENEDICTINE SUBSIDIARIES DESCRIBED UNDER THIS HEADING ARE NOT MEMBERS OF THE OBLIGATED GROUP AND HAVE NO OBLIGATION TO MAKE ANY PAYMENTS WITH RESPECT TO THE SERIES 2021 BONDS, THE SERIES 2021 MASTER NOTES OR ANY OTHER MASTER NOTE ISSUED UNDER THE MASTER INDENTURE.

Benedictine controls 13 entities that are not Members of the Obligated Group (the “*Non-Obligated Benedictine Entities*”) that are consolidated with Benedictine and the Obligated Group in the audited financial statements included in APPENDIX B to this Official Statement. A description of each of the Benedictine entities that are not Members of the Obligated Group is set forth below.

Benedictine Foundation. Benedictine Foundation (formerly known as Benedictine Health System Foundation) (the “*Foundation*”) is a Minnesota nonprofit corporation and a Tax-Exempt Organization. Benedictine is the sole corporate member of the Foundation. The purposes of the Foundation are (1) to coordinate, encourage, motivate and support the fund development activities and efforts within Benedictine and (2) to oversee the optimal investment and management of funds entrusted to the Foundation directly or through associated foundations. Because fundraising is inherently and innately a local function, the Foundation encourages and assists Benedictine’s facilities to establish their own associated foundations to engage in local fundraising. These associated foundations are operating divisions of the Foundation and are subject to the Foundation’s oversight, leadership, and strategic direction. Each associated foundation has its own advisory board.

Captive Insurance Companies. Benedictine Health System Insurance Services SPC, Ltd. (“*BHSIS*”) is a captive insurance company of which Benedictine is the sole member. BHSIS provides certain liability insurance and other coverage to Benedictine, the Members of the Obligated Group, and certain of the Non-Obligated Group Entities. Benedictine Group Self-Insurance Association (“*BGSIA*”) is controlled by Benedictine and provides workers’ compensation insurance coverage to Benedictine and the Minnesota-based Benedictine subsidiaries. See “MISCELLANEOUS-Insurance” in this APPENDIX A.

Non-Obligated Senior Living Communities. The chart below briefly identifies the Benedictine owned or controlled entities with senior living communities that are not Members of the Obligated Group.

None of the entities listed below are obligated to makes payments on the Series 2021 Bonds or any Master Notes, including the Series 2021 Master Notes.

NON-OBLIGATED SENIOR LIVING COMMUNITIES

ENTITY AND COMMUNITY NAME	LOCATION	SKILLED BEDS	ASSISTED LIVING UNITS	INDEPENDENT LIVING UNITS
Benedictine Living Communities – Bismarck, Inc.	Bismarck, ND	72		
Benedictine Living Communities – Bismarck Housing, LLC	Bismarck, ND		97	
Catholic Residential Services, Inc. dba: Benedictine Living Community LaCrosse	LaCrosse, WI	66	43	
Benedictine Living Community Wausau	Wausau, WI	82		
Northland House Group Home	Wausau, WI			12
Living Community of St. Joseph dba: Benedictine Living Community St. Joseph	St. Joseph, MO	96	32	49
Benedictine Living Community of St. Peter dba: Benedictine Living Community St. Peter	St. Peter, MN	79		
Benedictine Senior Living Community of St. Peter	St. Peter, MN		46	28
Benedictine Living Community of Northfield LLC dba: Benedictine Living Community Northfield	Northfield, MN		49	48
Benedictine Living Community of Shakopee LLC dba: Benedictine Living Community Shakopee	Shakopee, MN		67	116
Apartment Community of Our Lady of the Snows dba: The Esquiline	Belleville, IL	57	30	89
	TOTAL	573	472	442

Source: Benedictine.

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BENEDICTINE MINISTRY PARTNERSHIPS

Benedictine manages and has an ownership interest in several ministry partnerships and a share of the accumulated earnings.

Benedictine’s more significant ministry partnerships are as follows:

MINISTRY PARTNERSHIP	BEDS/UNITS	LOCATION
Cerenity Senior Care – Humboldt ¹		St. Paul, Minnesota
• Cerenity Care Center	117-Nursing Facility	
• Cerenity Residence	117-Assisted Living	
Cerenity Senior Care – Marian of Saint Paul ¹		St. Paul, Minnesota
• Cerenity Care Center	90-Nursing Facility	
• Memories on Mound	30-Memory Care Suites	
• Cerenity Residence	127-Assisted / Independent Living	
Cerenity Senior Care – White Bear Lake ¹		White Bear Lake, Minnesota
• Cerenity Care Center and Transitional Care	138-Nursing Facility	
• Cerenity Residence	43-Assisted Living]	
Nazareth Living Center ²		St. Louis, Missouri
• McGovern Commons	121-Nursing Facility	
• St. Joseph Manor	48-Memory Care AL	
• Carondelet Manor	60-Assisted Living	
• The Village at Nazareth	100-Independent Living	
Rosewood Court, Inc. ³	12-Assisted Living	LaMoure, North Dakota
Villa St. Benedict ⁴	14-Memory Care	Lisle, Illinois
	51-Assisted Living	
	196-Independent Living	

¹ Ministry Partner: HealthEast Care System

² Ministry Partner: Sisters of St. Joseph of Carondelet, St. Louis Province.

³ Ministry Partner: LaMoure Community Development Corporation.

⁴ Ministry Partner: Benedictine Sisters of the Sacred Heart.

All ministry partnerships except for Nazareth Living Center are not included in the consolidated financial statements of Benedictine. Nazareth Living Center is included in the consolidated financial statements of Benedictine.

ESSENTIA HEALTH; LIMITATION ON USE OF PROCEEDS OF SALE OF CERTAIN OBLIGATED GROUP ASSETS

When Benedictine Health System was established in 1985, it consisted of two acute care hospitals and one senior care campus. Following years of growth, in 2008 Benedictine transferred the acute care facilities to a subsidiary of Essentia Health, retaining only its senior care operations. Following the 2008 reorganization, Benedictine and the Catholic facilities of Essentia Health continued to be sponsored by the BSBA. Pursuant to the Reorganization Agreement entered into on December 21, 2007, by and among Essentia Health, the BSBA, and Benedictine, in the event of the condemnation, dissolution, or sale of Benedictine or any of the wholly-owned Benedictine subsidiaries listed in the Reorganization Agreement, Essentia Health is entitled to receive the net proceeds thereof. Under the Reorganization Agreement “net proceeds” means the proceeds remaining after payment of all outstanding obligations of the entity up to but not in excess of the net asset value of such entity as of January 1, 2008, less the book value of any undepreciated capital improvements made after January 1, 2008. This provision of the Reorganization

Agreement could limit the cash proceeds available to Benedictine and the Members of the Obligated Group upon a sale of certain Obligated Group properties or the proceeds from a foreclosure sale of any of the Mortgaged Property. Benedictine has sold five properties since the execution of the Reorganization Agreement but has not been required to make any payments to Essentia Health under the terms of this provision. The net asset value of the Members of the Obligated Group subject to this provision was \$30,888,143 as of December 31, 2007. The provision applies to the following Obligated Group Members:

- Benedictine Health Center
- Madonna Towers of Rochester, Inc.
- Madonna Meadows of Rochester
- Saint Anne of Winona
- Benedictine Care Centers (both facilities)
- City of Lakes Care Center
- St. Gertrude's Health Center
- Steeple Pointe Senior Living Community
- Benedictine Living Communities, Inc. (all five facilities)

No Essentia Health entity is a Member of the Obligated Group and no Essentia Health entity has any obligation to make payments of principal of or interest on the Series 2021 Bonds or any Master Notes, including the Series 2021 Master Notes, issued under the Master Indenture or any other indebtedness of Benedictine or the Obligated Group.

DESCRIPTIONS OF THE OBLIGATED GROUP COMMUNITIES

LEVELS OF CARE

Independent Living. Independent living residents are able to live in a residential setting and self-manage their health needs. Obligated Group independent living options include one-bedroom, two bedroom and studio apartments. Amenities vary by location but in general include restaurant-style dining venues, libraries, gardens, game rooms, social opportunities, spiritual support, shopping trips and cultural outings.

Assisted Living. Assisted living residents receive assistance with daily living activities. Residents are provided personalized services ranging from light daily tasks to assistance with mobility, dressing, bathing, grooming, and medication management. Transportation services, spiritual care, recreational and social activities are also available. Assisted living apartments include full baths and kitchenettes or kitchens. Assisted living facilities also have professional nursing services available.

Skilled Nursing. Residents in skilled nursing receive 24-hour care from a professional nurse and other staff members. Obligated Group Communities offer long-term and short-term care options as well as access to palliative and hospice care.

DESCRIPTIONS OF COMMUNITIES AND OPERATIONS

Set forth below are brief descriptions of each of the Obligated Group Communities.

Communities owned by Benedictine Care Centers

Benedictine Living Community | New Brighton

Benedictine Living Community | New Brighton is located in New Brighton, Minnesota. The Community provides a total of 105 skilled nursing beds. The facility is located on 6.33 acres of land with space for potential expansion. It is the only nonprofit nursing facility in New Brighton.

Benedictine Living Community | Red Wing

Benedictine Living Community | Red Wing, formerly known as St. Crispin Living Community, is located in Red Wing, Minnesota on 5.38 acres of land, which provides ample space for potential expansion. The Community has a total of 114 units composed of 64 skilled nursing beds and 55 assisted living units. The Community recently replaced its older nursing home with a new facility providing private rooms for all residents. For a description of necessary repairs and potential partial business interruption due to a construction defect, see “MISCELLANEOUS-Governmental Regulation and Litigation” in this APPENDIX A.

Community owned by Benedictine Health Center

Benedictine Living Community | Duluth

Benedictine Living Community | Duluth is located in Duluth, Minnesota. This Community is the only senior care facility offering a full continuum of living and care options in the Duluth region. The Community shares a campus with the Benedictine Sisters of St. Scholastica Monastery and the College of St. Scholastica. It provides independent living, assisted living, memory care, skilled nursing and senior rehabilitation. The Community currently consists of a total of 245 units composed of 96 skilled nursing beds, 104 assisted living units and 45 independent living units. The Community charges a \$10,000 community fee for its independent living units. The community fees are refundable in declining amounts over four years and then become fully non-refundable in year five.

Communities owned by Benedictine Living Communities, Inc.

Benedictine Living Community | Dickinson

Benedictine Living Community | Dickinson is located in Dickinson, North Dakota. The Community has been serving seniors since 1946, and the Community joined Benedictine in 1989. The Community is located on 7.5 acres of land with ample room for potential expansion (including four adjacent residential properties, a parking lot and a vacant lot across the street). The Community has a total of 147 units composed of 121 skilled nursing beds and 26 assisted living units. It was the first long-term care facility ever to receive the American Health Care Association Step III (gold level) quality award and it is recognized by U.S. News and World Report as a Best Long-Term Care provider. Robust support of the Community’s associated foundation has made many upgrades and enhancements to the facility possible, the most notable being the addition of a chapel and a 26 skilled care bed addition.

In addition, Benedictine Living Community | Dickinson provides home and community-based services through its PACE (Program of All-Inclusive Care of the Elderly) program and childcare for facility employees through its childcare center.

Benedictine Living Community | Ellendale

Benedictine Living Community | Ellendale is a Community comprised of 53 skilled nursing facility beds located in Ellendale, North Dakota, on a site that has room for potential expansion. The Community includes two locked units—a 16-bed geropsychiatric unit and a 16-bed memory care unit—and a general long-term care unit. Referral sources for the facility include four area hospitals. In collaboration with Ellendale Evergreen Place, Inc. described below, it provides a full continuum of care to residents of Ellendale and the surrounding area.

Benedictine Living Community | Garrison

Benedictine Living Community | Garrison is located in Garrison, North Dakota and was established in 1969. The Community is located in a popular recreation area on property that provides space for potential expansion. The facility is arranged with three separate neighborhoods (including three separate dining areas) that contribute to a family like atmosphere. The Community has a total of 70 units composed of 52 skilled nursing beds and 18 assisted living units.

Benedictine Living Community | LaMoure

Benedictine Living Community | LaMoure is located in LaMoure, North Dakota. The Community has a total of 41 skilled nursing beds, including a 12-bed memory care unit. It is the only senior care facility in LaMoure County and provides a continuum of care with an assisted living facility on the campus (which is not part of the Obligated Group). The Community is situated on two acres of land with space for potential expansion.

Benedictine Living Community | Wahpeton

Benedictine Living Community | Wahpeton is located in Wahpeton, North Dakota, and consists of 50 skilled nursing beds (five of which are short-term rehabilitation suites). The Community shares a campus with Siena Court, an assisted living facility owned by a Member of the Obligated Group further described below. In addition, Benedictine Living Community | Wahpeton also operates Benedictine Home Care, which serves approximately 45 clients a day in the Wahpeton region. Together, the campus entities provide a full continuum of care.

Community owned by Benedictine Living Community of Wahpeton/Benedictine Living Community of Wahpeton, LLC.

Siena Court

Siena Court is located in Wahpeton, North Dakota, and consists of 16 assisted living units and 16 basic care units. The facility shares a campus with Benedictine Living Community | Wahpeton, a skilled nursing facility that is also a Member of the Obligated Group, as described above. Together, Siena Court,

Benedictine Living Community | Wahpeton (the sole member of which is Benedictine Living Communities, Inc.) and Benedictine Home Care provide a full continuum of care. Siena Court has maintained a 98% occupancy since 2013. Benedictine Living Community of Wahpeton LLC, a subsidiary of Benedictine Living Community of Wahpeton, owns the assisted living real estate and leases the property to Benedictine Living Community of Wahpeton.

Community owned by Bridges Care Center

Benedictine Living Community | Ada

Benedictine Living Community | Ada is located in Ada, Minnesota. The Community campus includes a skilled nursing facility, which is leased from Essentia Health, and the Mission Court apartments that provide assisted living services for residents. In addition, the Community provides supportive services to residents at two local apartment complexes. The Community currently consists of a total of 67 units (49 skilled nursing beds and 18 assisted living units). The Community shares a campus with the Essentia Health-Ada critical access hospital, emergency room and clinic.

Community owned by City of Lakes Care Center

Benedictine Living Community | Minneapolis

Benedictine Living Community | Minneapolis is located near downtown Minneapolis, Minnesota. The Community provides rehabilitation services and long-term care with a total of 95 skilled nursing beds. The Community includes a specialized respiratory unit. The facility is recognized for the diversity of its residents and staff and for its strong employee engagement.

Community owned by Ellendale Evergreen Place, Inc.

Ellendale Evergreen Place, Inc. is located less than one mile from and operated in conjunction with Benedictine Living Community | Ellendale. The facility consists of 20 assisted living units and five independent living units. The facility is located on Main Street in Ellendale, North Dakota across the street from the local clinic.

Community owned by Benedictine Living Community Owatonna

Benedictine Living Community | Owatonna

Benedictine Living Community | Owatonna (formerly, Koda Living Community) is located in Owatonna, Minnesota, on a campus that includes Mayo Clinic Health System – Owatonna Clinic and Allina Health – Owatonna Hospital. The facility includes 79 skilled nursing beds, including two 16-bed short-term rehabilitation “neighborhoods.” The facility is the only skilled nursing provider in Owatonna, Minnesota and operates a robust inpatient, outpatient, and home health therapy program. The hallway connection to Allina Health – Owatonna Hospital provides a convenient option for residents who need to return to the hospital or clinic for follow-up appointments.

Community owned by Madonna Meadows of Rochester

Benedictine Living Community | Rochester

Benedictine Living Community | Rochester (Madonna Meadows) is an assisted living and memory care Community located in Rochester, Minnesota. The Community has a design similar to a family home with six “neighborhoods.” Each neighborhood is composed of 11 private suites and a dining room. The Community provides a total of 66 assisted living units. The facility plans to upgrade the entryway and existing common areas. The adjacent 7.5 acres of land was acquired for potential future development of the Madonna Meadows campus. The facility is located three miles from Mayo Clinic and, in conjunction with Madonna Towers (see below), is the only Catholic senior care provider offering a full continuum of care in Rochester, Minnesota.

Community owned by Madonna Summit of Byron, LLC

Benedictine Living Community | Byron

Benedictine Living Community | Byron is located in Byron, Minnesota, a tight-knit community just minutes from Rochester, Minnesota. The facility is Byron’s only faith-based senior living community. In addition, the facility is located only nine miles from Mayo Clinic, which provides residents quick access to world-class acute care. The Community was built in 2016 and provides independent living, assisted living and memory care services. The Community provides a total of 50 units composed of 30 assisted living units and 20 independent living beds. The facility is operated as part of the Benedictine Living Community | Rochester facilities, which together offer a full continuum of care.

Community owned by Madonna Towers of Rochester, Inc.

Benedictine Living Community | Rochester

Benedictine Living Community | Rochester (Madonna Towers) is located on 12 acres of land in Rochester, Minnesota. This Community was established in 1967. The Community provides a total of 199 units composed of 62 skilled nursing beds, 54 assisted living units and 83 independent living units. Entrance fee options are offered for the independent living units. The 90% refundable contracts include entrance fees between approximately \$22,000 and \$221,000. The non-refundable contracts include entrance fees between approximately \$19,000 and \$86,200. There is also a zero entrance fee option offered with higher monthly service fees. The facility is located four miles from Mayo Clinic and is the only Catholic senior care provider offering a full continuum of care in Rochester, Minnesota.

Community owned by Regina Senior Living

Benedictine Living Community | Regina

Benedictine Living Community | Regina is located in Hastings, Minnesota. The history of the Community extends back to 1953. The Community provides a total of 188 units composed of 57 skilled nursing beds and 131 assisted living units. The Community shares a campus with Allina Health’s Regina Hospital and the Allina Health Hastings Clinic.

Community owned by Saint Anne of Winona

Benedictine Living Community | Winona

Benedictine Living Community | Winona is located in Winona, Minnesota, in the Mississippi River Valley. It provides a range of living options including assisted living, skilled nursing, rehabilitation and memory care. The Community provides a total of 214 beds composed of 109 skilled nursing beds and 105 assisted living units. The facility is situated on 6.48 acres of land, and potential improvements include renovation of the skilled nursing facility to create a household model, a new therapy area, and a town center.

Community owned by St. Gertrude's Health Center

Benedictine Living Community | Shakopee

Benedictine Living Community | Shakopee is located in Shakopee, Minnesota. The Community provides transitional care and skilled nursing with a total of 145 units composed of 105 skilled nursing beds and 40 assisted living units. The Community is located on the campus of St. Francis Regional Medical Center, a member of the Allina system, which attracts residents seeking proximity to their primary care providers or acute care services. Although there is not room to expand on the campus, opportunities to add additional post-acute floors do exist. With the recent development of Benedictine Living Community of Shakopee LLC (which is not part of the Obligated Group), Benedictine facilities offer the only full continuum of care for seniors in the area.

Community owned by Steeple Pointe Senior Living Community

Benedictine Living Community | Osseo

Benedictine Living Community | Osseo is located within Hennepin County in Osseo, Minnesota. The Community is situated on the main thoroughfare in Osseo, a small town in the Greater Twin Cities Metro area located near Minneapolis and less than 10 minutes away from Elm Creek Park Reserve. The Community has a total of 59 assisted living units, and memory care beds. A renovation of the dining room and surrounding common areas is scheduled to occur later this year.

Community owned by Villa St. Vincent

Benedictine Living Community | Crookston

Benedictine Living Community | Crookston is located in the Red River Valley of Polk County in Crookston, Minnesota. The Community provides intergenerational services including assisted living, skilled nursing, memory care, rehabilitation and childcare. The Community provides a total of 158 beds composed of 104 skilled nursing beds and 53 assisted living beds.

BENEVOLENCE

The mission of Benedictine and the Members of the Obligated Group includes a special concern for the poor and the powerless. With respect to residents who can no longer meet the financial obligations

of residency, Benedictine and the Members of the Obligated Group consider each situation on a case-by-case basis, and may, at the sole discretion of Benedictine and the applicable Obligated Group Member, agree to grant an extension of time to make payments, agree to an adjustment of fees, or provide other forms of benevolence.

STRATEGIC INITIATIVES

STRATEGIC INITIATIVES

In response to consumer preference, Benedictine has established a goal of realigning the unit mix for its entire system to 60% assisted living and independent living units and 40% skilled nursing beds. Currently, Benedictine's mix is 51% assisted living/independent living and 49% skilled nursing. As part of this strategy, Benedictine may divest of some of its existing Communities, including Members of the Obligated Group, from time to time.

In addition to realigning its unit mix of Communities, Benedictine is seeking to advance Home and Community Based Services ("*HCBS*") by leveraging opportunities in existing markets and communities. Benedictine is currently assessing the communities it currently serves for the feasibility of expanding home health and hospice services. Since many of the residents Benedictine serves in its transitional care units return to home and receive home health services; expanding HCBS will allow Benedictine to better serve its current and future residents. Benedictine has not determined whether such growth would be within entities that are included in the Obligated Group or in Non-Obligated Benedictine Entities.

In the coming years, management of Benedictine also intends to add more communities currently owned and operated by Non-Obligated Benedictine Entities to the Obligated Group. Non-Obligated Benedictine Entities would be admitted to the Obligated Group when the communities achieve stabilized operations, current financing arrangements allow for the refinancing of existing debt and the Master Indenture covenants related to the entry of additional Members to the Obligated Group and/or the incurrence of any related indebtedness can be satisfied. See "SUMMARY OF THE MASTER INDENTURE-Entrance Into the Obligated Group" and "Permitted Indebtedness" in APPENDIX C to this Official Statement.

As of the date of this Official Statement, Benedictine has no immediate plans for the divestiture of any Communities or for the admission of any additional Members to the Obligated Group.

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CAPITAL EXPENDITURES

Proceeds of the Series 2021 Bonds will fund \$10,000,000 of capital improvements at some of the communities. The following table summarizes the allocation of the proceeds and the anticipated use of the funds:

COMMUNITY	AMOUNT	PROJECT DESCRIPTION
Benedictine Living Community New Brighton	\$5,100,000	Renovations of 1965 portions of nursing facility
Benedictine Living Community Regina	815,000	Kitchen addition, parking lot replacement, HVAC upgrades
Benedictine Living Community Crookston	782,500	Parking lot/sidewalk repairs, new elevators, HVAC upgrades
Benedictine Living Community Minneapolis	780,000	Plumbing and HVAC upgrades; replacement of doors throughout facility, roof repairs
Benedictine Living Community Shakopee	550,000	HVAC upgrades, new doors throughout facility, sidewalk repairs
Benedictine Living Community Duluth	482,000	New generator for nursing facility, window replacements, shower room updates
Benedictine Living Community Winona	437,500	Parking lot, sidewalks and landscape upgrading, window replacements
Benedictine Living Community Rochester (Madonna Towers)	400,000	Parking lot replacement, roof repairs, windows, generator, call system
Benedictine Living Community Owatonna	175,000	Garage and parking lot repairs
Benedictine Living Community Red Wing	168,000	Retaining walls, parking lot repairs, HVAC upgrades
Benedictine Living Community Osseo	150,000	Building and lighting upgrades
Benedictine Living Community Byron	85,000	Walking paths
Benedictine Living Community Rochester (Madonna Meadows)	75,000	Walking paths
Total	\$10,000,000	

In addition to the above items to be funded by loan proceeds, Benedictine is currently exploring the feasibility of significant updates to the nursing facility at Benedictine Living Community | Winona and the assisted living units at Benedictine Living Community | Regina. The Benedictine Obligated Group spends nearly \$5,000,000, annually, on routine maintenance and improvements funded from operations.

STATISTICAL INFORMATION

HISTORICAL OCCUPANCY OF THE OBLIGATED GROUP COMMUNITIES

The table below shows the average occupancy of each Member of the Obligated Group by level of care for the fiscal years ended June 30, 2018, 2019 and 2020 and for the nine-month period ended March 31, 2021.

COMMUNITY	LOCATION	BEDS/UNITS	AVERAGE OCCUPANCY			
			FISCAL YEAR ENDED JUNE 30,			NINE MONTHS
			2018	2019	2020	ENDED MARCH 31, 2021
Benedictine Care Centers						
dba: Benedictine Living Community New Brighton Skilled Nursing	New Brighton, MN	105	91.9	92.8	87.9	78.4
dba: Benedictine Living Community Red Wing Skilled Nursing	Red Wing, MN	64	98.8	95.2	97.2	91.4
Assisted Living		55	81.6	87.1	85.6	84.0
Benedictine Health Center						
dba: Benedictine Living Community Duluth Skilled Nursing	Duluth, MN	96	95.0	95.7	94.6	90.8
Assisted Living		104	94.4	95.0	95.9	91.3
Independent Living		45	91.8	96.0	91.3	81.9
Benedictine Living Communities, Inc.						
dba: Benedictine Living Community Dickinson Skilled Nursing	Dickinson, ND	121	103.1	96.0	90.2	72.6
Assisted Living		26	98.1	97.3	89.2	78.1
dba: Benedictine Living Community Ellendale Skilled Nursing	Ellendale, ND	53	96.4	94.9	96.0	84.2
dba: Benedictine Living Community Garrison Skilled Nursing	Garrison, ND	52	92.1	96.5	95.4	94.9
Assisted Living		18	95.6	93.9	87.2	84.4
dba: Benedictine Living Community LaMoure Skilled Nursing	LaMoure, ND	41	99.5	84.1	89.8	70.3
dba: Benedictine Living Community Wahpeton Skilled Nursing	Wahpeton, ND	50	103.2	93.8	90.2	78.9
Benedictine Living Community of Wahpeton						
dba: Siena Court Assisted Living	Wahpeton, ND	32	98.1	99.4	97.5	98.5
Bridges Care Center						
dba: Benedictine Living Community Ada Skilled Nursing	Ada, MN	49	90.6	94.3	88.0	83.1
Assisted Living		18	97.25	91.7	94.4	92.6
City of Lakes Care Center						
dba: Benedictine Living Community Minneapolis Skilled Nursing	Minneapolis, MN	95	84.3	83.6	84.1	82.5
Ellendale Evergreen Place, Inc.						
dba: Evergreen Place Assisted Living	Ellendale, ND	20	101.3	100.0	99.5	97.1
Independent Living		5	94.0	62.0	90.0	95.8
Benedictine Living Community Owatonna						
dba: Benedictine Living Community Owatonna Skilled Nursing	Owatonna, MN	79	92.0	97.0	97.3	96.1

COMMUNITY	LOCATION	BEDS/UNITS	AVERAGE OCCUPANCY			
			FISCAL YEAR ENDED JUNE 30,			NINE MONTHS
			2018	2019	2020	ENDED MARCH 31, 2021
Madonna Meadows of Rochester Assisted Living	Rochester, MN	66	94.4	93.2	91.4	80.8
Madonna Summit of Byron, LLC dba: Benedictine Living Community Byron Assisted Living Independent Living	Byron, MN	30 20	81.0 84.0	91.7 89.5	91.0 95.5	88.2 95.8
Madonna Towers of Rochester Skilled Nursing Assisted Living Independent Living	Rochester, MN	62 54 83	95.5 94.8 94.3	92.6 99.3 93.3	88.4 96.9 92.7	88.4 96.6 85.1
Regina Senior Living dba: Benedictine Living Community Regina Skilled Nursing Assisted Living	Hastings, MN	57 131	86.3 94.9	87.7 93.1	87.4 92.2	83.1 80.7
Saint Anne of Winona dba: Benedictine Living Community Winona Skilled Nursing Assisted Living	Winona, MN	109 105	81.0 95.0	84.1 93.8	85.0 92.9	78.6 86.4
St. Gertrude's Health Center dba: Benedictine Living Community Shakopee Skilled Nursing Assisted Living	Shakopee, MN	105 40	93.3 92.8	94.1 92.8	91.8 92.5	77.4 78.3
Steeple Pointe Senior Living Community dba: Benedictine Living Community Osseo Assisted Living	Osseo, MN	59	91.4	85.3	87.3	74.7
Villa St. Vincent dba: Benedictine Living Community Crookston Skilled Nursing Assisted Living	Crookston, MN	104 53	95.3 91.7	89.4 97.0	85.3 91.9	85.8 86.4
Total Occupancy Skilled Nursing Assisted Living Independent Living		1,242 811 153	93.2% 92.8% 92.2%	91.9% 93.6% 92.5%	90.1% 92.4% 92.5%	83.5% 83.0% 94.3%

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SOURCES OF NET PATIENT SERVICE REVENUE

The table below sets forth the patient service revenues for all levels of care, net of contractual adjustments, for the Obligated Group by payor sources for the fiscal years ended June 30, 2018, 2019 and 2020 and the nine-month period ended March 31, 2021.

	<u>NURSING FACILITY</u>	<u>ASSISTED LIVING</u>	<u>INDEPENDENT LIVING</u>
Fiscal Year Ended 6/30/18			
Private Pay	22.1%	93.6%	100.0%
Medicaid	44.6%	6.4%	0.0%
Medicare	21.4%	0.0%	0.0%
Insurance & Other	11.9%	0.0%	0.0%
Fiscal Year Ended 6/30/19			
Private Pay	21.2%	93.5%	100.0%
Medicaid	47.1%	6.5%	0.0%
Medicare	19.3%	0.0%	0.0%
Insurance & Other	12.4%	0.0%	0.0%
Fiscal Year Ended 6/30/20			
Private Pay	21.8%	88.6%	100.0%
Medicaid	46.4%	11.4%	0.0%
Medicare	16.5%	0.0%	0.0%
Insurance & Other	15.3%	0.0%	0.0%
Nine Months Ended 3/31/21			
Private Pay	18.9%	88.1%	100.0%
Medicaid	44.7%	11.9%	0.0%
Medicare	21.1%	0.0%	0.0%
Insurance & Other	15.3%	0.0%	0.0%

The Obligated Group derives a substantial portion of its revenue from Medicaid. Both Minnesota and North Dakota Medicaid programs use cost reimbursement systems to pay nursing communities. Both states have higher than average reimbursement rates which helps balance the effect of the Medicaid equalization laws. Such laws prohibit nursing communities from charging private pay residents a higher rate than Medicaid residents, however, both states also permit \$30-\$40 per day rate differentials for private pay residents in single bedrooms. For additional information on the Minnesota and North Dakota Medicaid programs, see “BONDHOLDERS’ RISKS-FEDERAL AND STATE REGULATION-Medicaid,” “-Minnesota Medicaid” and “-North Dakota Medicaid.”

FINANCIAL INFORMATION

SUMMARY OF FINANCIAL INFORMATION

The Consolidated Financial Statements and Supplementary Information for Benedictine for the years ended June 30, 2018, 2019 and 2020, which have been audited by CliftonLarsonAllen LLP, independent certified public accountants, are included in APPENDIX B to this Official Statement (the “*Consolidated Audited Financial Statements*”).

The Consolidated Audited Financial Statements include information relating to the Non-Obligated Benedictine Entities described under the heading “BENEDICTINE AND RELATED ENTITIES-Non-Obligated Benedictine Entities” in this APPENDIX A. For the Fiscal Year ended June 30, 2020, the Obligated Group accounted for approximately 70.2% of the total revenue, 69.8% of the total expenses and 43.4% of the total assets of Benedictine and its consolidated entities as shown in the Consolidated Audited Financial Statements.

The following summaries of the combined statements of operations and changes in net assets and of the combined balance sheets of the Obligated Group for the three Fiscal Years ended June 30, 2018, 2019 and 2020 are derived from the Consolidated Audited Financial Statements. Also included is unaudited financial information for the nine-month periods ended March 31, 2020 and 2021 prepared by management of Benedictine. Such information excludes the Non-Obligated Benedictine Entities that are included in the Consolidated Audited Financial Statements. The operating results for the nine-month period ended March 31, 2021, may not be indicative of the results that may be expected for the fiscal year ending June 30, 2021. The data set forth in the following tables should be read in conjunction with the Consolidated Audited Financial Statements.

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COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS OF THE OBLIGATED GROUP

The following table shows the Obligated Group combined statements of operations and changes in net assets for the fiscal years ended June 30, 2018, 2019 and 2020 derived from the Consolidated Audited Financial Statements and the Obligated Group unaudited combined statements of operations and changes in net assets for the nine-month periods ended March 31, 2020 and 2021. The following information excludes Non-Obligated Benedictine Entities that are included in the Consolidated Audited Financial Statements.

	Dollar amounts in Thousands (000's)				
	For the Fiscal Year Ended June 30,			9-months Ended March 31,	
	2018	2019	2020	2020	2021
Revenue					
Net Patient Service Revenue	\$181,301	\$192,069	\$194,964	\$148,652	\$142,589
Other Operating Revenue					
Interest Earned on Operating Funds	4	115	67	56	10
Cafeteria & Vending Sales	242	232	194	157	71
Other Operating Revenue	2,632	2,413	5,815	1,708	6,127
Total Revenue	184,179	194,829	201,040	150,573	148,797
Expense					
Salaries	94,741	97,537	98,426	73,426	71,084
Benefits	22,253	22,510	21,061	15,511	16,001
Professional Fees	3,276	2,898	4,341	3,138	5,467
Supplies	15,455	15,819	16,850	12,357	14,175
Purchased Services	17,833	18,682	18,463	13,975	13,638
Provision for Doubtful Accounts	1,109	1,221	1,001	746	840
General Insurance	1,632	1,719	1,779	1,340	1,346
Utilities	4,757	4,978	4,703	3,590	3,655
Repairs & Maintenance	1,494	1,988	1,820	1,408	1,126
Depreciation	8,017	8,423	8,313	6,239	6,188
Amortization	233	270	309	212	201
Interest	5,088	5,352	5,196	3,941	3,736
Building Lease	508	568	351	280	227
Other	6,973	7,152	7,693	5,623	5,413
Total Expense	183,369	189,117	190,306	141,786	143,097
Income from Operations	810	5,712	10,734	8,787	5,700
Nonoperating Revenue (Expense)					
Interest and Dividend Income	391	547	469	366	342
Realized Gains (Losses) on Investments	323	549	677	555	-
Unrealized Gains (Losses) on Investments	817	(120)	(1,098)	(2,418)	3,876
Other	(391)	65	(3)	15	116
Total Nonoperating Revenue (Expense)	1,140	1,041	45	(1,482)	4,334
Excess Revenue over Expense	\$1,950	\$6,753	\$10,779	\$7,305	\$10,034
Other Net Asset Transfers	(1,146)	(1,395)	(236)	(50)	(594)
Change in Net Assets Without Donor Restrictions	\$804	\$5,358	\$10,543	\$7,255	\$9,440

COMBINED BALANCE SHEETS OF THE OBLIGATED GROUP

The following table shows the Obligated Group combined balance sheets as of June 30, 2018, 2019 and 2020, derived from the Consolidated Audited Financial Statements and the Obligated Group unaudited combined balance sheets as of March 31, 2020 and 2021. The following information excludes Non-Obligated Benedictine Entities that are included in the Consolidated Audited Financial Statements.

	Dollar amounts in Thousands (000's)				
	Fiscal Year Ended June 30,			9-months Ended March 31,	
	2018	2019	2020	2020	2021
ASSETS					
CURRENT ASSETS					
Cash & Cash Equivalents	\$13,458	\$18,166	\$27,644	\$17,395	\$30,013
Investments	7,127	8,584	10,212	10,027	11,702
Assets Whose Use is Limited - Current	1,681	1,728	1,803	1,429	1,404
Accounts Receivable - Residents	16,403	17,241	17,045	17,324	16,338
Accounts Receivable Other	639	867	660	1,195	198
Third Party Payor Settlements	75	70	126	98	86
Amounts Due from Affiliates	5,130	2,408	2,692	2,731	2,921
Prepaid Expenses and Other	427	542	457	480	438
Total Current Assets	44,940	49,606	60,639	50,679	63,100
Assets Whose Use is Limited – Noncurrent					
Funds Restricted by Debt Agreements					
Replacement Reserve	428	351	498	463	580
Debt Service	2,673	2,812	2,941	2,907	3,002
Resident Deposits	1,806	731	420	875	(2)
Board Designated Funds for Debt					
Retirement and Plant Expansion	11,172	11,455	11,488	10,496	14,123
Investments	2,222	2,322	2,304	2,111	2,832
Investment in Foundation	4,474	4,372	4,919	4,775	5,292
Total Assets Whose Use is Limited-Noncurrent	22,775	22,043	22,570	21,627	25,827
Other Assets					
Property, Plant and Equipment (Net)	152,361	148,902	144,961	145,709	142,520
Intangible and Other Assets	948	979	965	979	965
Total Other Assets	153,309	149,881	145,926	146,688	143,485
Total Assets	\$221,024	\$221,530	\$229,135	\$218,994	\$232,412
LIABILITIES AND NET ASSETS					
Current Liabilities					
Current Maturities of Long Term Debt	\$9,032	\$7,275	\$6,943	\$6,686	\$6,944
Accounts Payable - Trade	5,592	4,098	4,744	3,232	4,109
Accrued Wages and Benefits	8,626	8,941	10,309	7,288	8,639
Accrued Interest	637	250	569	350	321
Accrued Real Estate Taxes	353	339	369	604	613
Amounts Due to Affiliates	1,882	3,399	2,401	2,252	3,239
Security Deposits & Resident Trust Funds	903	915	873	807	706
Other Current Liabilities	21	23	39	40	36
Unearned Revenue	425	414	4,786	477	5,785

	Fiscal Year Ended June 30,			9-months Ended March 31,	
	2018	2019	2020	2020	2021
Total Current Liabilities	27,471	25,654	31,033	21,736	30,392
Noncurrent Liabilities					
Resident Deposits Payable	3,231	3,023	2,687	3,160	2,220
Other noncurrent liabilities	216	219	228	222	231
Total Noncurrent Liabilities	3,447	3,242	2,915	3,382	2,451
Long Term Debt (Net of Current Maturities Shown Above)	132,449	129,722	121,184	123,305	115,753
Total Liabilities	163,367	158,618	155,132	148,423	148,596
Net Assets					
Net Assets without Donor Restrictions	53,178	58,536	69,079	65,791	78,519
Net Assets with Donor Restrictions	4,479	4,376	4,924	4,780	5,297
Total Net Assets	57,657	62,912	74,003	70,571	83,816
Total Liabilities and Net Assets	<u>\$221,024</u>	<u>\$221,530</u>	<u>\$229,135</u>	<u>\$218,994</u>	<u>\$232,412</u>

OUTSTANDING LONG-TERM INDEBTEDNESS

As of the date of issuance of the Series 2021 Bonds, the Obligated Group will have approximately \$_____ of outstanding long-term indebtedness including the following:

- \$_____ Series 2021A Master Note securing the Series 2021A Bonds.
- \$_____ Series 2021B Master Note securing the Series 2021B Bonds.
- \$_____ Series 2021C Master Note securing the Series 2021C Bonds.
- \$_____ Series 2021D Master Note securing the Taxable Bonds.
- \$3,000,000 Shakopee Guaranty Master Note securing an Amended and Restated Guaranty Agreement from the Members of the Obligated Group to Cedar Rapids Bank and Trust Company, and acknowledged and agreed to by Benedictine Living Community of Shakopee LLC, with respect to the City of Shakopee Subordinate Senior Housing Revenue Note (Benedictine Living Community of Shakopee LLC Project), Series 2018.

As disclosed in Note 13 of the Consolidated Audited Financial Statements certain Non-Obligated Benedictine Entities have approximately \$190,000,000 of additional long-term indebtedness outstanding. Such additional indebtedness is not indebtedness of any of the Members of the Obligated Group and is not secured by any Master Note issued under the Master Indenture. None of the Members of the Obligated Group is obligated to make payments of principal of or interest on such indebtedness. All such indebtedness has been excluded from the debt service coverage calculations shown under the caption "DEBT SERVICE COVERAGE RATIOS" below.

DEBT SERVICE COVERAGE RATIOS

The following unaudited table presents coverage of historical annual and historical maximum annual debt service of the Obligated Group for each of the three fiscal years ended June 30, 2018, 2019 and 2020. It also shows coverage of pro forma maximum annual debt service assuming issuance of the Series 2021 Bonds and the refunding of the Refunded Obligations.

	For the Fiscal Year Ended June 30,			For the 9-months Ended March 31,	
	2018	2019	2020	2020	2021
Revenues					
Resident Revenues	\$181,301,125	\$192,069,027	\$194,964,447	\$148,652,300	\$142,588,580
Add: Other Operating Revenues	2,877,539	2,759,721	6,075,984	1,920,863	6,208,769
Non-Operating Revenues	1,531,071	1,161,012	1,146,746	936,321	4,333,478
Net Entrance Fees	185,063	(207,671)	(335,890)	137,325	(466,614)
Less: Unrealized Gains	(817,348)	-	-	-	(3,876,017)
Gains on Sale of Assets	-	-	-	-	(700)
Total Revenues	<u>\$185,077,450</u>	<u>\$195,782,089</u>	<u>\$201,851,287</u>	<u>\$151,646,809</u>	<u>\$148,787,496</u>
Expenses					
Operating Expenses	\$183,368,784	\$189,116,662	\$190,305,817	\$141,785,853	\$143,097,205
Add: Non-Operating Expenses	391,288	120,081	1,102,085	2,418,266	-
Less: Interest Expense	(5,087,995)	(5,351,934)	(5,195,766)	(3,941,012)	(3,735,980)
Depreciation and Amortization	(8,249,208)	(8,693,015)	(8,621,626)	(6,451,921)	(6,389,067)
Provision for Doubtful Accounts	(1,109,101)	(1,220,856)	(1,001,188)	(746,395)	(840,078)
Unrealized Losses	-	(120,081)	(1,098,395)	(2,418,266)	-
Extraordinary Losses	(320,257)	-	-	-	-
Loss on Sale of Assets	(9,432)	(19,155)	(26,956)	(26,956)	-
Total Expenses	<u>\$168,984,079</u>	<u>\$173,831,702</u>	<u>\$175,463,971</u>	<u>\$130,619,569</u>	<u>\$132,132,080</u>
Net Income Available for Debt Service	\$16,093,371	\$21,950,387	\$26,387,316	\$21,027,240	\$16,655,416
Actual Debt Service Payments	<u>\$10,677,175</u>	<u>\$11,480,122</u>	<u>\$11,615,093</u>	<u>\$8,711,320</u>	<u>\$8,711,320</u>
Debt Service Coverage Ratio	<u>1.51</u>	<u>1.91</u>	<u>2.27</u>	<u>2.41</u>	<u>1.91</u>
Pro forma Maximum Debt Service	<u>\$9,626,964</u>	<u>\$9,626,964</u>	<u>\$9,626,964</u>	<u>\$7,220,223</u>	<u>\$7,220,223</u>
Debt Service Coverage Ratio	<u>1.67</u>	<u>2.28</u>	<u>2.74</u>	<u>2.91</u>	<u>2.31</u>

LIQUIDITY

The following unaudited table is a summary of the Days Cash on Hand of the Obligated Group as of June 30, 2018, 2019 and 2020 and as of March 31, 2020 and 2021.

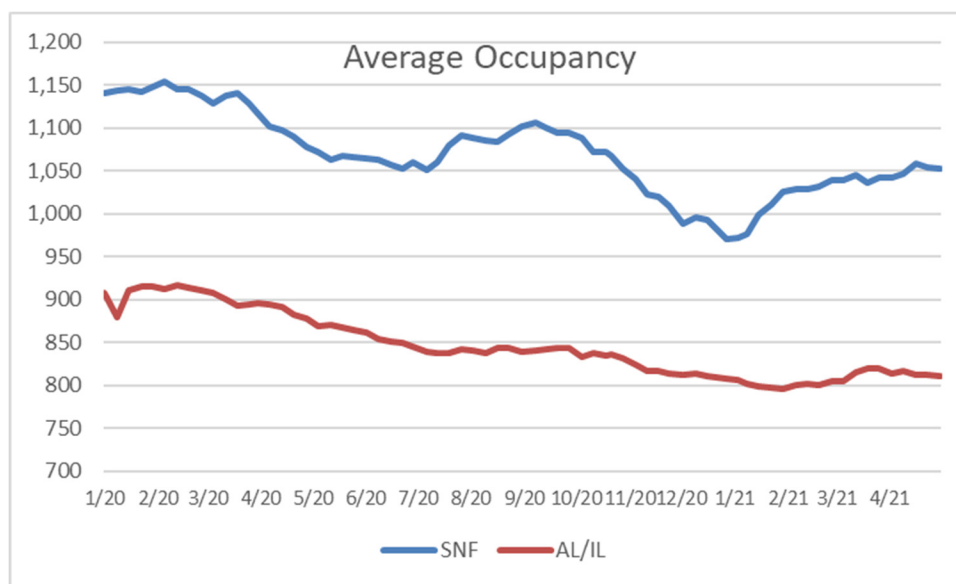
	Fiscal Year Ended June 30,			9-months Ended March 31,	
	2018	2019	2020	2020	2021
Cash & Cash Equivalents	13,457,752	18,165,738	27,644,464	17,394,733	30,012,877
Investments - Short Term	7,126,600	8,583,772	10,211,757	10,026,861	11,701,890
Board Designated Funds	11,172,207	11,455,358	11,487,505	10,495,669	14,123,361
Investments - Long Term	2,222,025	2,322,163	2,304,382	2,111,027	2,832,383
Total Cash & Investments	33,978,584	40,527,031	51,648,108	40,028,290	58,670,511
Total Operating Expense	183,368,784	189,116,662	190,305,817	141,785,853	143,097,205
Depreciation	(8,016,651)	(8,423,185)	(8,312,767)	(6,239,434)	(6,188,420)
Amortization	(232,557)	(269,830)	(308,859)	(212,487)	(200,647)
Provision for Doubtful Accounts	(1,109,101)	(1,220,856)	(1,001,188)	(746,395)	(840,078)
Total Cash Operating Expense	174,010,475	179,202,791	180,683,003	134,587,537	135,868,060
Expenses/Day	476,741	490,967	495,022	491,195	495,869
Days Cash on Hand	71.3	82.5	104.3	81.5	118.3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

IMPACT OF COVID-19 ON FINANCIAL PERFORMANCE OF THE OBLIGATED GROUP

The Corona virus pandemic has had a significant impact on senior living providers. Hospitals restricting elective and non-emergent surgeries in the early stages of the pandemic and COVID-19 outbreaks had a significant impact on skilled nursing facility occupancies. Occupancies rebounded slightly over the summer of 2020 only to see the late fall surge in COVID-19 cases reduce nursing home census to historically low levels at the end of 2020. Since vaccinations began in early 2021, nursing facility occupancy levels have been steadily increasing.

Quarantine requirements of new Community entrants and restrictions on visitations deterred new residents from moving into assisted living and independent living units. With the availability of vaccines, the number of individuals shopping for assisted living and independent living arrangements has increased dramatically, and occupancy is gradually improving.



Source: Benedictine

A Benedictine COVID-19 multi-disciplinary taskforce has been working to ensure Benedictine Communities are meeting and exceeding protocols and guidelines established by the CDC, CMS and state departments of health. Community staff is providing compassionate care to make sure residents are staying mentally healthy and stimulated while adhering to social distancing guidelines. Benedictine initiated aggressive proactive infection control measures and screening procedures, and its staff and residents are following the recommended preventative actions, including screening staff and other essential workers when entering and leaving its Communities. To protect its residents and staff, all employees are wearing face masks and eye protection as recommended by state and federal guidelines to reduce the likelihood of transmitting the virus. Residents have also been given face masks to wear when caregivers are present or the residents leave their homes. Benedictine is in very close communication with local and state health officials to ensure they are taking the appropriate steps. When identified, Benedictine works to contain the virus by creating specialty units with designated staff to care for infected residents. Protocols for enhanced environmental cleaning have been implemented and are in use. As of the date of this Official Statement, more than 90% of Benedictine Community residents have been vaccinated, and approximately 60% of all employees of the Benedictine system have been vaccinated.

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With the support of the federal CARES Act Provider Relief Funds and various state support programs, Benedictine has been able to offset the impact of the Coronavirus pandemic as follows:

	Fiscal Year Ended 6/30/20	Year to date 3/31/21	Total
COVID Support Received			
CARES Act Provider Relief Funds	\$6,713,216	\$5,316,925	\$12,030,141
State Programs	440,864	227,493	668,357
Total	<u>7,154,080</u>	<u>5,544,418</u>	<u>12,698,498</u>
Operating Impacts			
Lost Revenues	3,638,475	10,932,970	14,571,445
COVID Expenses	962,287	3,247,601	4,209,888
Total	<u>4,600,762</u>	<u>14,180,571</u>	<u>18,781,333</u>
COVID Supports Recognized as Other Operating Revenue	<u>3,571,136</u>	<u>5,174,657</u>	<u>8,745,793</u>
Unearned Revenue			<u>3,952,705</u>

Management anticipates that the Unearned Revenue will be recognized as revenue during the remainder of the fiscal year ending June 30, 2021.

OVERVIEW OF OPERATIONS OF THE OBLIGATED GROUP FOR THE NINE-MONTHS ENDED MARCH 31, 2021 COMPARED TO THE NINE-MONTHS ENDED MARCH 31, 2020

Due to lower occupancy levels as a result of the Coronavirus pandemic, net patient service revenue decreased by \$6,064,000, or 4.1%, during the nine-months ended March 31, 2021 as compared to the nine-months ended March 31, 2020. Average nursing home occupancy dropped from 91.9% for the nine-month period ended March 31, 2020 to 83.5% for the nine-month period ended March 31, 2021 and assisted and independent living occupancy dropped from 94.8% in 2020 to 85.0% in 2021. Offsetting the decrease in net patient service revenue is \$5,175,000 of COVID relief funds that have been recognized as other operating revenue during the nine-month period ending March 31, 2021 resulting in a total decrease in operating revenues of \$1,776,000, or 1.2%, compared to operating revenues for the same period in 2020.

Total expenses increased by \$1,311,000, or 0.9%, during the nine-month period ending March 31, 2021 over expenses for the same period in 2020. Salaries decreased by \$2,342,000, or 3.2%, in 2021 over 2020 levels. This decrease in salaries, however, was offset by increases in temporary nursing agency utilization and other interim staff spending which increased by \$2,346,000, or 116.6%, compared to the temporary staffing costs incurred in 2020. In addition, payroll taxes and benefits increased by \$490,000, or 3.2%, in 2021 compared to 2020 which was largely due to a 10% increase in health insurance premiums that took effect on July 1, 2020 after a number of years of minimal increases and a 10% reduction in premiums the prior year. Total labor costs (including salaries, payroll taxes and benefits, and temporary/interim staffing) as a percentage of operating revenue increased from 60.4% in 2020 to 61.5%

in 2021 as a result of higher temporary/interim staffing, higher average wage rates due to various incentives implemented as a result of COVID-19 outbreaks, and higher overtime utilization.

Supplies costs increased by \$1,818,000, or 14.7%, for the nine-month period ended 2021 over the same period in 2020. Increased purchases of personal protective equipment (PPE), cleaning supplies and COVID testing costs account for the large increases. All other expenses decreased by \$1,000,000, or 2.6%, largely as a result of lower occupancy levels experienced in 2021.

RESULTS OF OPERATIONS OF THE OBLIGATED GROUP FOR THE FISCAL YEAR ENDED JUNE 30, 2020 COMPARED TO THE FISCAL YEAR ENDED JUNE 30, 2019

Net patient service revenue increased by \$2,895,000, or 1.5%, during the fiscal year ended June 30, 2020 as compared to the 2019 fiscal year. Average nursing home occupancy dropped from 91.9% in fiscal year 2019 to 90.1% in the 2020 fiscal year with the majority of the decline occurring in the fourth quarter of the fiscal year with the onset of the Coronavirus pandemic. Assisted and independent living occupancy dropped from 93.4% in 2019 to 92.4% in 2020. The lower census levels in the nursing homes was offset by increases in daily payment rates with the largest increases occurring from Medicare and Medicare Advantage payers as a result of the Patient Driven Payment Model (PDPM) which went into effect on October 1, 2019. Average Medicare daily rates increased by 11.2%, or \$55.75 per day, as a result of the new payment system. In total, nursing facility net patient service revenue increased by \$3,437,000 or 2.4% in 2020 and assisted/independent living resident revenue increased by \$336,000, or 0.7%, in 2020. Also impacting revenue was the recognition of \$3,571,000 of COVID relief funds as other operating revenue during 2020.

Total expenses increased by \$1,189,000, or 0.6%, during fiscal year ended June 30, 2020 over expenses for fiscal year 2019. Salaries increased by \$889,000, or 0.9%, in 2020 over 2019 levels. As salaries increased only slightly in 2020, the use of temporary nursing agency utilization and other interim staff spending increased by \$1,406,000, or 96.0%, compared to the temporary staffing costs incurred in 2019. With the onset of the coronavirus pandemic, staffing challenges increased as employees were often required to quarantine following an exposure to COVID. Payroll taxes and benefits decreased by \$1,449,000, or 6.4%, in 2020 largely due to the 10% decrease in health insurance premiums that went in to effect on July 1, 2019. Total labor costs (including salaries, payroll taxes and benefits, and temporary/interim staffing) as a percentage of operating revenue decreased to 60.9% in 2020 compared to 62.4% in 2019 as a result of the continued focus on adjusting daily staffing levels to match the daily occupancy.

Supplies costs increased by \$1,031,000, or 6.5%, in 2020 over 2019 levels. Increased purchases of PPE and cleaning supplies in the fourth quarter of the year account for the large increases. All other expenses decreased by \$689,000, or 1.3%, in 2020.

RESULTS OF OPERATIONS OF THE OBLIGATED GROUP FOR THE FISCAL YEAR ENDED JUNE 30, 2019 COMPARED TO THE FISCAL YEAR ENDED JUNE 30, 2018

Net patient service revenue increased by \$10,768,000, or 5.9%, during the fiscal year ended June 30, 2019 as compared to the 2018 fiscal year. On January 1, 2018, Benedictine Living Community | Owatonna became a member organization of Benedictine which accounted for \$5,546,000 of the increase

in patient service revenues. Average nursing home occupancy dropped from 93.2% in fiscal year 2018 to 91.9% in the 2019 fiscal year. Assisted and independent living occupancy remained consistent with average occupancy of 93.4% in 2019 and 92.7% in 2018.

Total expenses increased by \$5,748,000, or 3.1% in 2019 compared to expenses in 2018. If Benedictine Living Community | Owatonna had been a member organization of Benedictine the entire 2018 fiscal year, expenses would have remained flat with a \$41,000 decrease in 2019 compared to expenses in 2018. Excluding the impact of Benedictine Living Community | Owatonna, salaries decreased by \$38,000 in 2019 compared to 2018 levels. With the appointment of Jerry Carley as CEO in January 2018 and Steve Przybilla as COO in March 2018, new processes and disciplines were implemented for Communities to monitor their staffing levels to ensure they are being adjusted to match the resident census levels on a daily basis. As a result, total labor costs (including salaries, payroll taxes and benefits, and temporary/interim staffing) as a percentage of operating revenue decreased to 62.4% in 2019 compared to 64.6% in 2018, even with average wage increases ranging from 2% - 3% being implemented.

INVESTMENT POLICY

The Benedictine Board has adopted an investment policy that is implemented by the Finance and Audit Committee of the Benedictine Board and administered by the CFO/Senior Vice President of Finance. The investment strategy of Benedictine is to emphasize total return. The primary objective is to achieve a competitive total annual rate of return with a secondary objective of minimizing the variability of the return. Benedictine, as sponsored by the BSBA, must ensure that investment decision-making is consistent with Benedictine philosophy and stated goals regarding social responsibility and the furtherance of Catholic purpose. Investments are made only in companies that support their workers, provide opportunities for women and minorities, and deliver safe products and services in ways that sustain the natural environment. To ensure continued relevance of the guidelines, objectives, financial status and capital markets expectations established under the Benedictine investment policy, the Benedictine Board reviews the policy at least annually.

The Finance and Audit Committee utilizes an overall investment consultant to monitor investment managers regarding performance, personnel, strategy, research capabilities, organizational and business matters and other factors impacting their ability to achieve desired investment results.

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The aggregate fund allocation guidelines under the Benedictine investment policy as of the date of this Official Statement are as follows:

	<u>Tactical Minimum</u>	<u>Tactical Maximum</u>	<u>Strategic Target</u>
Equity	15%	65%	60%
US Stocks	15%	65%	45%
Developed Markets International	0%	30%	10%
Emerging Markets International	0%	10%	5%
Non-Equity	20%	70%	40%
Bonds	5%	25%	15%
Convertibles	0%	10%	15%
Hedged Strategies	0%	20%	10%
Cash & Treasury Bills	0%	20%	0 %

MISCELLANEOUS

GOVERNMENTAL REGULATION AND LITIGATION

There is no action, suit proceeding, or investigation at law or in equity, before or by any court, any governmental agency or any public board or body pending or, to the knowledge of Benedictine, threatened affecting the validity of the Series 2021 Bonds or contesting the corporate existence or powers of Benedictine or any of the Members of the Obligated Group. See “LITIGATION—THE OBLIGATED GROUP” in this Official Statement.

Operations of Benedictine’s Communities are subject to continuing compliance with various federal, state and local statutes, ordinances, rules and regulations with respect to licensing, health, medications, building standards and fire and life safety codes. Benedictine’s nursing facilities are licensed by the states in which they are located and regulated by state and federal authorities. Annual renewal of a license is dependent upon compliance with statutes, ordinances, rules, and regulations which, if amended, could require changes in the Community, equipment, personnel, or services of the Community and might adversely affect its operations.

Benedictine’s nursing facilities are subject to the regulatory and licensing requirements of federal, state and local government authorities and presently have all necessary licenses and certifications. These licenses are annually renewable, and periodic inspections are made by the applicable State authority to determine compliance with applicable State and federal rules. In addition, the facilities are subject to continuing compliance with various other government statutes, ordinances, rules, and regulations governing, among other things, building standards, life safety code, food preparation and special services rendered. Services to certain residents of the Communities are paid for in part by government programs such as Medicare and Medicaid.

Neither Minnesota nor North Dakota state law imposes additional licensure or registration requirements on continuing care facilities. However, Minnesota Statutes Chapter 80D (the “Continuing

Care Act”) imposes certain requirements on providers entering into written agreements for board, lodging, and nursing service, medical service or other health-related service which are effective for the life of the individual or for a period in excess of one year, which are conditioned upon the payment of an entrance fee in excess of \$100 and the payment of regular periodic charges for the care provided. These requirements include filing a detailed disclosure statement in the office of the provider’s local county recorder and providing a detailed disclosure statement to prospective residents. The statute imposes civil and criminal penalties for noncompliance, but the civil penalties are reduced by the reasonable value of care and lodging provided to the resident.

Although the Benedictine Living Community | Duluth and Benedictine Living Community | Rochester communities charge entrance fees in connection with entering into independent living residency agreements, management (in consultation with legal counsel) has determined that these arrangements are not subject to the Continuing Care Act because the residency agreements are on a month-to-month basis.

Benedictine is currently addressing a construction issue in a building at the Benedictine Living Community | Red Wing, formerly known as St. Crispin Living Community, in Red Wing, Minnesota. The building, which includes 64 skilled nursing beds, was constructed in 2017 and 2018. After the building was occupied, Benedictine observed damage to the flooring on the second level. According to an engineering report requested by Benedictine and completed in April 2021, the damage was the result of construction defects, which will require Benedictine to remove and replace the majority of the concrete floor sheathing on the second level of the building. Based on preliminary estimates received in May 2021, Benedictine anticipates that the cost of completing the necessary repairs will be approximately \$2 million and that the repairs will take approximately nine months. While the repairs are in progress Benedictine plans to relocate residents in the impacted areas of the building and occupancy will be reduced below normal levels. Benedictine is not able to accurately determine the impact of the reduction in occupancy on the revenue of the Community at this time. The contractor that performed the original work has been cooperating with the investigation of this matter. As of the date of this Official Statement, no litigation is pending relating to this matter. However, if a settlement is not negotiated it is possible that Benedictine will litigate the matter. The ultimate financial impact of the matter and the timing of completion of the necessary repairs cannot be determined as of the date hereof.

LICENSURE

All of the operating facilities of the Obligated Group are licensed, to the extent required, by the individual states with jurisdiction over such facilities to provide the level of care offered. All such licenses are current as of the date of this Official Statement.

CMS STAR RATINGS

CMS’ Five Star Quality Rating System for Nursing Homes is a consumer service that offers useful information to the public about the quality of care in nursing homes that participate in the Medicare or Medicaid programs. The Five Star Quality Rating System utilizes data from: onsite inspections over the most recent three years; quality measures that rate each facility compared to fixed benchmarks, and staffing levels. As of March 31, 2021, the nursing homes of the Obligated Group are arrayed as follows:

<u>Star Rating</u>	<u># of Facilities</u>
5	8
4	3
3	0
2	5
1	0
Average	3.875

INSURANCE

Benedictine maintains professional liability and general liability insurance coverage on a claims-made basis through Benedictine Health System Insurance Services SPC, Ltd. (“*BHSIS*”), a captive insurance company of which Benedictine is the sole member. BHSIS currently maintains only one segregated portfolio designated the “Benedictine Segregated Portfolio.” Benedictine, the Members of the Obligated Group and other Benedictine subsidiaries are insured through BHSIS, which provides professional liability insurance coverage with limits of \$2,000,000 per claim and \$6,000,000 in the shared aggregate, along with certain other insurance coverages. Benedictine purchases excess umbrella liability insurance from the commercial insurance market with a combined limit of \$15,000,000. Revenues of BHSIS are recorded as non-operating income on Benedictine’s financial statements. Periodically, revenues in the Benedictine Segregated Portfolio are sufficient that Benedictine and its subsidiaries are granted a premium holiday from paying for insurance.

Benedictine and other Minnesota-based Benedictine subsidiaries participate in the Benedictine Group Self-Insurance Association (the “*BGSIA*”) to provide insurance coverage for workers’ compensation exposure. Participants pay premiums to the BGSIA, which are used to cover workers’ compensation claims. The Association has limited its liability with respect to such claims to \$500,000 per occurrence through reinsurance.

Benedictine and other Benedictine subsidiaries also participate in the Benedictine self-insurance program for employee health care claims with stop-loss coverage above certain limits.

EMPLOYEES

Benedictine employs approximately 5,000 full and part-time employees, including administrative personnel. Five Members of the Obligated Group have full and part-time employees covered under collective bargaining agreements. The collective bargaining agreements expire between January 30, 2022 and January 31, 2023. Benedictine considers its relations with its bargaining units to be generally positive.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF BENEDICTINE HEALTH SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2018, 2019 AND 2020**

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BENEDICTINE HEALTH SYSTEM
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2020 AND 2019

**BENEDICTINE HEALTH SYSTEM
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Benedictine Health System
Duluth, Minnesota

We have audited the accompanying consolidated financial statements of Benedictine Health System, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

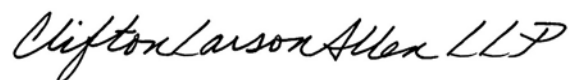
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benedictine Health System as of June 30, 2020 and 2019, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

US GAAP, in accordance with the adoption of Accounting Standards Update (ASU) 2015-09, requires an insurance company to provide tables with certain disaggregated undiscounted basis insurance claims information illustrating the amount of insurance claims that have been incurred and paid out for the number of years for which claims incurred typically remain outstanding but need not exceed 10 years including the most recent year. Benedictine Health System has not included the relevant disclosure requirements related to Benedictine Health System Insurance Services SPG as it was not considered material to the consolidated financial statements, however this constitutes a departure from US GAAP. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 2, 2020

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 71,145	\$ 49,179
Short-Term Investments	15,468	12,734
Residents Accounts Receivable	21,192	22,273
Other Accounts Receivable	3,231	2,845
Pledge Receivables	149	258
Current Portion of Assets Limited As to Use	12,627	16,975
Inventories	126	185
Prepaid Expenses and Other	3,995	3,969
Total Current Assets	127,933	108,418
 ASSETS LIMITED AS TO USE		
	88,019	122,371
Less: Current Portion Shown Above	12,627	16,975
Total Assets Limited as to Use (Net of Current Portion Shown Above)	75,392	105,396
 OTHER ASSETS		
Property and Equipment (Net)	319,886	297,150
Intangible and Other Assets (Net)	4,612	2,896
Total Other Assets	324,498	300,046
Total Assets	\$ 527,823	\$ 513,860

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED BALANCE SHEETS (CONTINUED)
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 7,923	\$ 6,644
Construction	2,926	4,561
Accrued Expenses:		
Salaries, Wages, and Benefits	19,241	17,229
Interest	3,028	3,300
Current Maturities of Long-Term Debt	12,388	13,216
Other	5,013	5,518
Total Current Liabilities	50,519	50,468
LONG-TERM DEBT (Net of Current Maturities Shown Above and Unamortized Financing Costs)	298,027	305,122
OTHER NONCURRENT LIABILITIES	36,325	30,911
Total Liabilities	384,871	386,501
COMMITMENTS AND CONTINGENT LIABILITIES		
NET ASSETS		
Without Donor Restrictions	133,579	119,391
With Donor Restrictions	9,373	7,968
Total Net Assets	142,952	127,359
Total Liabilities and Net Assets	\$ 527,823	\$ 513,860

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

	2020	2019
REVENUE, GAINS, AND SUPPORT		
Resident Service Revenue	\$ 271,024	\$ 275,963
Other Operating Revenue:		
Interest	362	387
Other	15,150	11,769
Total Revenue, Gains, and Support	286,536	288,119
 EXPENSE		
Salaries, Wages, and Related Benefits	177,116	181,340
Professional Fees	6,359	4,935
Supplies	23,771	23,388
Purchased Services	12,905	13,982
Provision for Doubtful Accounts	1,341	1,499
Professional Liability and General Insurance	975	2,079
Utilities	7,019	7,485
Repairs and Maintenance	2,291	2,427
Depreciation	13,507	12,972
Interest	11,998	11,660
Building Lease	2,926	3,338
Other Expense	12,449	12,595
Total Expense	272,657	277,700
 INCOME FROM OPERATIONS	 13,879	 10,419
 NONOPERATING INCOME (LOSS)		
Investment Income	1,212	931
Realized Gain on Investments	861	1,193
Unrealized (Loss) Gain on Trading Securities	(809)	55
Net Philanthropy Activities	(2,129)	(2,306)
Loss on Disposal/Acquisition of Property and Equipment	(432)	(1,210)
Loss on Refinancing	(545)	(535)
Interest Rate Swap Market Adjustment	(1,065)	-
Other Nonoperating Revenue	2,584	955
Total Nonoperating Income (Loss)	(323)	(917)
 EXCESS OF REVENUE OVER EXPENSE	 13,556	 9,502
 Net Assets Released from Restrictions Used for		
Purchase of Property and Equipment	2,027	16,253
Other Net Asset Transfers	(1,395)	(3,571)
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 \$ 14,188	 \$ 22,184

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS – BEGINNING	\$ 119,391	\$ 97,207
Excess of Revenue over Expense	13,556	9,502
Net Assets Released from Restrictions Used for		
Purchase of Property and Equipment	2,027	16,253
Other Net Asset Transfers	(1,395)	(3,571)
Change in Net Assets Without Donor Restrictions	14,188	22,184
NET ASSETS WITHOUT DONOR RESTRICTIONS – ENDING	\$ 133,579	\$ 119,391
NET ASSETS WITH DONOR RESTRICTIONS – BEGINNING	\$ 7,968	\$ 22,054
Contributions	2,961	2,443
Net Assets Released for Fixed Assets	(2,027)	(16,253)
Change in Net Assets of Affiliated Foundation	367	(507)
Net Realized and Unrealized Gain on Investments	96	180
Other Net Asset Transfers	-	-
Other Income	8	51
Change in Net Assets With Donor Restrictions	1,405	(14,086)
NET ASSETS WITH DONOR RESTRICTIONS – ENDING	\$ 9,373	\$ 7,968
TOTAL NET ASSETS – BEGINNING	\$ 127,359	\$ 119,261
Change in Total Net Assets	15,593	8,098
TOTAL NET ASSETS – ENDING	\$ 142,952	\$ 127,359

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 15,593	\$ 8,098
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,507	12,972
Amortization	457	423
Accretion Expense	9	14
Housing Entry Fees Earned	(773)	(724)
Realized Gain on Investments (Net)	(861)	(1,193)
Unrealized Loss (Gain) on Investments (Net)	809	(55)
Restricted Contributions	(2,961)	(2,443)
Loss on Refinancing	545	535
Loss on Disposal/Acquisition of Property and Equipment	432	1,210
Interest Rate Swap Market Adjustment	1,065	-
(Increase) Decrease in:		
Accounts Receivable	695	(659)
Trading Securities (Net)	(187)	(86)
Other Current Assets	33	(1)
Other Noncurrent Assets	(1,716)	368
Increase (Decrease) in:		
Accounts Payable	1,279	1,887
Other Current Liabilities	1,777	4,277
Other Noncurrent Liabilities	3,537	(2,608)
Net Cash Provided by Operating Activities	33,240	22,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(8,042)	(18,613)
Change in Assets Limited as to Use	(24,107)	63,639
Net Cash Provided (Used) by Investing Activities	(32,149)	45,026
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments Made on Long-Term Debt	(8,959)	(11,148)
Restricted Contributions	3,070	6,048
Payment of Financing Costs	(9)	(166)
Net Entrance Fee Deposits Received from Residents	1,576	1,539
Net Cash Used by Financing Activities	(4,322)	(3,727)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,231)	63,314
Cash, Cash Equivalents, and Restricted Cash – Beginning	125,927	62,613
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – ENDING	\$ 122,696	\$ 125,927

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

	2020	2019
SUPPLEMENTAL DISCLOSURE OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 71,145	\$ 49,179
Short-Term Investments Invested in Cash and Cash Equivalents	8,119	5,572
Assets Limited as to Use Invested in Cash and Cash Equivalents	43,432	71,176
Total Cash, Cash Equivalents, and Restricted Cash	\$ 122,696	\$ 125,927
 SUPPLEMENTARY DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of Property and Equipment from Project Funds	\$ 29,448	\$ 16,030
 Proceeds from New Borrowing	\$ 22,452	\$ 118,221
Transfer of Existing Trustee Held Funds	3,961	1,462
Equity Contribution	-	386
Less: Uses of Funds:		
Deposit to Bond Funds	(2,642)	(80,800)
Payoff of Existing Debt	(21,775)	(18,361)
Accrued Interest at Closing	(542)	-
Acquisitions of Property and Equipment	(820)	(18,023)
Payment of Financing Costs	(634)	(2,885)
Net Proceeds	\$ -	\$ -
 SUPPLEMENTARY DISCLOSURE OF NONCASH TRANSACTION		
Property and Equipment Funded through Construction Payable	\$ 2,926	\$ 4,561

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 ORGANIZATION

Benedictine Health System (BHS-CORP), a Minnesota nonprofit corporation, and its affiliates (collectively, Benedictine or Organization), is a Catholic healthcare system that provides long-term care services, congregate housing, assisted living, rehabilitation services, and other health-care and social services. Benedictine also includes a captive insurance company, a workers' compensation insurance association, and a foundation. Benedictine owns or has a controlling interest in 22 nursing facilities with 1,762 licensed beds and 24 senior housing with services facilities with 1,588 units in five states. Abbreviations used throughout these consolidated financial statements refer to the respective organization included in the supplementary consolidating schedules.

In addition, Benedictine has a noncontrolling interest or provides management services to three nursing facilities with 345 licensed beds and four senior housing with services facilities in two states with 548 units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements represent the consolidated financial position, results of operations, and cash flows of Benedictine. All significant inter-affiliate accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Benedictine reports contributions received according to two classes of net assets depending on the existence or nature of any donor restrictions. Accordingly, net assets of Benedictine and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board of directors has set aside for a particular purpose.

Net Assets with Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of Benedictine, passage of time or maintained permanently. Benedictine has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restriction class.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts received with donor stipulations are reported as donor-restricted support.

When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows Benedictine considers all cash and short-term investments with an original maturity of three months or less to be cash and cash equivalents. The carrying amount of cash equivalents is a reasonable estimate of fair value.

Inventories

Inventories, including drugs and supplies, are stated at the lower of cost (principally on the first-in, first-out basis) or market.

Concentration of Credit Risk

Benedictine financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and temporary cash investments. Benedictine believes it places its cash and cash equivalents and temporary cash investments with high quality credit institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Investments

Unrealized gains and losses on investments with donor restrictions are reported as net assets with donor restrictions, as appropriate. The cost of securities sold is based on the specific identification method.

Benedictine participates in the Essentia Health Investment Program pooled funds. Each participant in the program is allocated their pro-rata share of investment earnings (losses) and expenses of the program.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The assets in the pooled funds are invested in cash and cash equivalents, mutual funds, equity and fixed income securities, and alternative investments and measured at fair value in the accompanying consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenue over expense unless the income or loss is restricted by donor.

Benedictine, through its participation in the Essentia Health investment program, invests in certain alternative investments through “funds of funds.” Through these investments, Benedictine may be indirectly involved in investment activities such as securities lending, short sales of securities, options, warrants, trading in futures and forward contracts, swap contracts, and other derivative products. Derivatives are used to maintain asset mix or adjust portfolio risk exposure. While these financial instruments may contain varying degrees of risk and have varying degrees of liquidity, mostly ranging from 30 days to 180 days, Benedictine risk is limited to its capital balance in each investment.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market variability risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

NLC Participates in IIIF-William Fund, LLC and IIIF-Mary Fund, LLC. The assets in the funds consist of cash and cash equivalents, certificates of deposit and agency bonds and collateralized mortgage obligations. NLC records its investment in the funds at an amount equal to the aggregate contributions to the fund plus allocated income, losses (including market value adjustments) and expenses of the fund therefore recording their investment at market value June 30, 2020 and 2019.

Accounts Receivable

The provision for uncollectible accounts is based upon management’s assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible accounts. When Benedictine has exhausted all collection efforts and accounts are deemed uncollectible, they are charged to bad debt expense. Accounts receivable are net of an allowance for doubtful accounts of approximately \$1,414 and \$1,488 at June 30, 2020 and 2019, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges are recorded as receivables in the year made. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledges are received. Amortization of the discount is included as additions to donor-restricted net assets.

Assets Limited as to Use

Assets limited as to use are comprised primarily of investments held for trading, which are stated at fair value, and include assets designated by the board of directors (over which the board retains control and may, at its discretion, subsequently use for other purposes) for future capital improvements and retirement of debt; assets held by trustees under indenture agreements for construction and debt service payments; and other assets, which consist of donor-restricted assets provided on behalf of certain members of Benedictine, assets set aside to fund the deferred compensation plan, insurance reserves, and resident funds held in trust.

Investment income earned on funds held by the bond trustee is reported as other operating revenue since the interest expense on the related bonds is reported as an operating expense. Similarly, investment income earned on funds held for payment of self-insured claims is reported as other operating revenue since the claim expense is reported as an operating expense. All other investment income (including realized gains and losses on investments, interest, dividends, declines in value determined to be other than temporary, and unrealized gains and losses on trading securities) is reported as nonoperating income. Realized gains and losses are determined using the specific identification method.

Property and Equipment

Property and equipment with an original cost greater than or equal to one-thousand dollars are recorded at cost for purchased assets or fair market value at date of receipt for donated assets. Depreciation of property is provided on the straight-line basis. Depreciation rates are based on the estimated useful lives of the assets.

Interest Capitalization

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

Long-Lived Assets

Benedictine periodically evaluates whether events and circumstances have occurred that may affect the estimated useful life or recoverability of the net book value of property and equipment and the unamortized excess cost over net assets acquired. If such events or circumstances indicate that the carrying amounts may not be recoverable, an impairment loss is recorded based on an undiscounted cash flow analysis.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance

The provision for estimated self-insured general and professional liability claims, health insurance claims, and workers compensation claims includes estimates of the undiscounted ultimate costs for both reported claims and claims incurred but not reported (IBNR).

Intangible and Other Assets

Intangible and other assets consist of the following at June 30:

	2020	2019
Goodwill (Net)	\$ 1,503	\$ 1,517
Other Intangibles	965	965
Notes Receivable	32	56
Investments in Ministry Partnerships (See Note 12)	2,062	307
Other	50	51
Total	<u>\$ 4,612</u>	<u>\$ 2,896</u>

Goodwill of approximately \$1,503 represents the excess of the acquisition purchase price over the fair value of net assets acquired for various acquisitions. Benedictine assesses it for impairment on an annual basis in accordance with generally accepted accounting standards.

Other intangibles consist primarily of the value paid to acquire health center bed licenses from other organizations. These intangible assets are not being amortized and are evaluated for potential impairment on an annual basis or more frequently if impairment indicators arise.

Notes receivable consist primarily of an unsecured, noninterest-bearing note due from an unconsolidated ministry partner. The note has no contractual repayment date. There are no amounts past due on the note and the balance is deemed collectible.

Benedictine reports its investments in unconsolidated ministry partnerships on the equity method of accounting which approximates Benedictine equity in the underlying book value of the unconsolidated ministry partnership.

Housing Entry Fees

MTR, BHC, and NLC have housing entry fees for admittance into the independent living units. These contracts for housing entry fees vary, and typically have varying refundable portions up to 100% of these entry fees. The refundable portions of the housing entry fees are refundable based upon re-occupancy of the housing unit. Refundable housing entry fees total \$17,373 and \$17,891 as of June 30, 2020 and 2019, respectively. The nonrefundable portion of the housing entry fees are recorded as deferred revenue and amortized into income either over the life expectancy of the resident and fully recognized when the resident vacates their unit, or over 50 months as determined by the residency agreement. Nonrefundable housing entrance fees totaled \$2,067 and \$2,323 as of June 30, 2020 and 2019, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Housing Entry Fees (Continued)

All housing entry fees are included in assets limited as to use and other noncurrent liabilities in the consolidated balance sheets aside from \$1,709 and \$1,982 at June 30, 2020 and 2019, respectively, which is included in other current liabilities for housing entry fees estimated to be refunded within the next year.

Housing entry fees amortized into income was approximately \$773 and \$724 for the years ended June 30, 2020 and 2019, respectively.

Asset Retirement Obligations

Asset retirement obligations represent obligations to dispose of assets that are legally required to be removed at a future date. They are recorded at the net present value using a risk-free interest rate and inflationary rate, and are included in other noncurrent liabilities in the consolidated balance sheets. Asset retirement obligations totaled approximately \$213 and \$204 at June 30, 2020 and 2019, respectively.

Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration to which Benedictine expects to be entitled in exchange for providing rent, room charges and ancillary services to residents of the skilled nursing facilities, assisted and independent living apartments and related services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Benedictine bills the residents and third-party payors several days after the services are performed and housing rental charges are due at the beginning of each month. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Benedictine. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Benedictine believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving services in Benedictine facilities or in their homes (home care). Benedictine measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and Benedictine does not believe it is required to provide additional goods or services related to that sale.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, Benedictine has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Benedictine determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Benedictine policies, and/or implicit price concessions provided to residents. Benedictine determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Benedictine determines its estimate of implicit price concessions based on its historical collection experience. Resident service revenue is presented net of Medicare, Medicaid, managed care, and other third-party contractual adjustments of approximately \$30,687 and \$34,370 for the years ended June 30, 2020 and 2019, respectively.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The Medicaid programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states.

Medicare

Benedictine participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). Benedictine is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Other

Benedictine has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Benedictine under these agreements includes prospectively determined medical rates and prospectively determined daily rates.

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

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

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Benedictine estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments was not considered material for the years ended June 30, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Benedictine has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

The composition of resident service revenue by primary payor for the years ended June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Medicare	12.8%	14.6%
Medicaid	30.4%	32.6%
Private Pay	43.6%	41.6%
Managed Care, Commercial Insurance, and Other Payors	13.2%	11.2%

Benedictine grants credit without collateral to its residents, most of who are local residents and are insured under third party payor agreements. The mix of receivables from residents and third-party payors at June 30 consists of the following:

	<u>2020</u>	<u>2019</u>
Medicare	\$ 7,368	\$ 6,687
Medicaid	7,683	8,236
Private Pay	3,681	4,310
Managed Care, Commercial Insurance, and and Other Payors	3,874	4,528
Less: Allowance for Uncollectible Accounts	(1,414)	(1,488)
Total	<u>\$ 21,192</u>	<u>\$ 22,273</u>

The composition of resident service revenue by service line for the years ended June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Skilled Nursing	\$ 196,397	\$ 205,467
Housing With Services	71,118	66,409
Home Community Based Services	3,509	4,087
Total Resident Service Revenue	<u>\$ 271,024</u>	<u>\$ 275,963</u>

Benedictine has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to Benedictine expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Benedictine has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that Benedictine otherwise would have recognized is one year or less in duration.

Donated Materials and Services

Donated materials are reflected as contributions in the consolidated financial statements at their estimated values at date of receipt. Substantial amounts of services are donated by individuals to Benedictine each year. The income and expenses attributable to donated services are not reflected in the consolidated statements of operations. These services enhance the quality of care furnished to Benedictine residents but do not represent services that would require additional Benedictine staffing if the services were not provided on a volunteer basis.

Charity and Uncompensated Care

Benedictine provides health care services to residents who meet certain criteria under its charity care policies without charge or at amounts less than established rates. Since Benedictine does not pursue collection of these amounts, they are not reported as revenue.

Excess of Revenue over Expense

The consolidated statements of operations include a line entitled "excess of revenue over expense" which is the performance indicator for Benedictine. Changes in net assets without donor restrictions which are excluded from excess of revenue over expense, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, other changes in net assets, grant proceeds for capital purposes, assets released from restriction for capital purposes, minority interest, and discontinued operations.

Tax Exempt Status

Benedictine has been determined to qualify as a tax-exempt charitable, educational, and scientific organization under Section 501(c)(3) of the Internal Revenue Code and also has been determined to be exempt from state income tax.

Benedictine follows the accounting standard for contingencies in evaluating the accounting for uncertainty in income taxes recognized in an entity's financial statements. The standard prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized.

Benedictine income tax returns are subject to review and examination by federal, state, and local authorities. Benedictine is not aware of any activities that would jeopardize its tax-exempt status. Benedictine files all applicable returns for any activities that are subject to tax on unrelated business income or excise or other taxes.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Benedictine follows the Fair Value Measurements accounting standard. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Benedictine has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

New Accounting Pronouncements – ASU 2016-18

In November 2016, FASB issued Accounting Standards (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

Reclassifications

Amounts in the consolidated balance sheet as of June 30, 2019, and the related consolidated statement of operations, changes in net assets and cash flows for the year then ended have been reclassified to conform to the 2020 classification.

BENEDICTINE HEALTH SYSTEM
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NOTE 3 SERVICE TO THE COMMUNITY (UNAUDITED)

In the furtherance of its charitable purpose, Benedictine provides a wide variety of benefits to the communities they serve, including offering various community-based social service programs, such as free clinics, health screenings, in-home caregiver services, social service and support counseling for residents and families, pastoral care, crisis intervention, transportation to and from the health care campuses, and the donation of space for use by community groups.

In addition, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, unreimbursed costs of medical education, telephone information services, and costs related to programs designed to improve the general health status of the community.

Benedictine also provides medical care without charge or at a reduced cost primarily through (a) services provided at no charge to the uninsured, (b) the difference between public program payments (primarily Medicaid) and the related costs of providing such services, and (c) services provided to residents expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors.

Benedictine maintains records to identify and monitor the level of community service and charity care provided. These records include management's estimate of the cost of services and supplies furnished for community service programs, the cost to provide charity care, and cost in excess of reimbursement from public programs, which were estimated as follows for the years ended June 30:

	2020	2019
Cost of Providing Community Service	\$ 1,279	\$ 1,312
Cost of Providing Charity Care	248	307
Cost in Excess of Public Program Payments – Medicaid	<u>9,754</u>	<u>7,689</u>
Community Benefit, as Defined by Catholic Health Association	<u>\$ 11,281</u>	<u>\$ 9,308</u>

NOTE 4 LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Benedictine liquidity management plan, cash in excess of daily requirements is invested as discussed in Note 7.

Benedictine has certain management-designated assets limited to use which could be made available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information below. Benedictine has other assets limited to use for debt service, project development, resident trust, designated contributions, and other purposes in accordance with financing and other agreements. These assets limited to use, which are more fully described in Note 10 are not available for general expenditure within the next year and are not reflected in the total financial assets available for use within one year below.

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NOTE 4 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Financial assets available for general expenditure within one year of the balance sheet date consist of the following:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 71,145	\$ 49,179
Short-Term Investments	15,468	12,734
Residents Accounts Receivable	21,192	22,273
Other Accounts Receivable	3,231	2,845
Pledge Receivables	149	258
Assets Limited as to Use	88,019	122,371
Total Financial Assets	199,204	209,660
Less Amounts Not Available Within One Year:		
Pledge Receivables	(149)	(258)
Assets Limited as to Use:		
Funds Held by Trustee Under Bond Indenture	(35,608)	(70,568)
Resident Trust Funds and Security Deposits	(957)	(889)
Deferred Compensation Funds	(2,848)	(2,729)
Designated Contributions	(19,893)	(19,759)
Total Financial Assets Available Within One Year	\$ 139,749	\$ 115,457

Under the terms of the various financing agreements, Benedictine has agreed to certain debt covenant restrictions. Benedictine is required to meet certain financial and operating covenants including maintaining a minimum level of days cash on hand. Accordingly, a portion of the financial assets available for use within one year reported above is required to be maintained by Benedictine to comply with the minimum level of days cash on hand required as described in Note 13.

NOTE 5 DISCONTINUED OPERATIONS

Benedictine sold the operations of Arrowhead Senior Living Community on May 31, 2019. Management has determined the sale of Arrowhead Senior Living Community did not meet the criteria to be accounted for as discontinued operations.

NOTE 6 ACQUIRED OPERATIONS

Effective December 11, 2018, Benedictine acquired the building and equipment of Benedictine Living Community of St. Peter. (BLCSP), a 79 bed skilled nursing facility in St. Peter, Minnesota which was previously leased by BLCSP. Benedictine also acquired Heritage Meadows, a 28-unit independent living facility in St. Peter, Minnesota. The acquisition was achieved by the issuance of debt.

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NOTE 7 INVESTMENTS

The fair value of investments is based upon quoted market prices for those or similar investments. At June 30, investments consist of the following:

	2020	2019
Cash and Cash Equivalents	\$ 8,119	\$ 5,572
Pooled Investment Funds	3,040	3,064
Investment in Institutional Investors Income Fund	4,309	4,098
Total	\$ 15,468	\$ 12,734

NOTE 8 PLEDGES RECEIVABLE

At June 30, 2020 and 2019, pledges receivable of \$149 and \$258, respectively, are restricted for use to benefit specific Benedictine facilities as directed by the donors.

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2020	2019
Land and Improvements	\$ 31,121	\$ 29,702
Buildings and Improvements	369,914	352,747
Furniture and Equipment	50,773	48,777
Total (at Cost)	451,808	431,226
Less: Accumulated Depreciation	(171,898)	(161,736)
Total Property and Equipment (at Depreciated Cost)	279,910	269,490
Construction in Progress	39,976	27,660
Property and Equipment, Net	\$ 319,886	\$ 297,150

Construction in progress at June 30, 2019 and 2020 are costs associated with the construction of a 98-unit assisted living and independent living community in Northfield, Minnesota and a 183-unit assisted living and independent living community in Shakopee, Minnesota. The Northfield project opened in December 2019 with a total cost of approximately \$18,969. The Shakopee project is anticipated to cost \$58,118 and is expected to open in the November 2020. Both projects were funded by issuance of long-term debt, equity contributions or deferred development fees and investment earnings on bond funds.

In addition, there are numerous other projects in the preliminary planning stages of development.

Interest costs of \$3,690 and \$2,782 have been capitalized into property costs for the years ended June 30, 2020 and 2019, respectively.

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NOTE 10 ASSETS LIMITED AS TO USE

Benedictine is required to hold funds in various accounts based upon terms in the indenture of trust of the various bond issuances. In addition, management of Benedictine has designated funds for various purposes. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. Assets limited as to use include the following accounts:

	2020	2019
Funds Held by Trustee Under Bond Indenture:		
Replacement Reserve Fund – Established to provide funds for future capital improvements	\$ 2,465	\$ 3,884
Debt Service Reserve Fund – Established to provide a reserve of principal and interest on the bonds in the event the bond funds are insufficient to meet debt service requirements	15,277	15,976
Project Fund – Established for Benedictine to fund various projects financed by bond proceeds	10,416	38,924
Bond Fund – Established for Benedictine to deposit monthly amounts necessary to pay principal and interest on the bonds	7,450	11,784
Subtotal Funds Held Under Bond Indenture	35,608	70,568
Board Designated Funds:		
Funded Depreciation and Debt Retirement – Established for the replacement of equipment and the retirement of debt	2,640	2,661
Plant Expansion – Established to fund the future expansion of Benedictine	8,847	8,794
Refund of Entry Fee Deposits – Established to refund resident’s housing entry fees	420	731
Insurance Reserves – Established to fund future insurance costs of Benedictine	16,806	16,240
Subtotal Board Designated Funds	28,713	28,426
Resident Trust Funds and Security Deposits	957	889
Deferred Compensation Funds (See Note 16)	2,848	2,729
Designated Contributions	19,893	19,759
Assets Limited as to Use	88,019	122,371
Less: Portion to be Used for Current Liabilities	12,627	16,975
Noncurrent Portion	\$ 75,392	\$ 105,396

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NOTE 10 ASSETS LIMITED AS TO USE (CONTINUED)

Assets limited as to use are recorded at fair value and invested in the following at June 30:

	2020	2019
Cash and Cash Equivalents	\$ 43,432	\$ 71,176
Mutual Funds and Equity Securities	16,722	16,644
Fixed Income Securities	12,843	18,818
Pooled Investment Funds	15,022	15,018
Pledges and Other Receivables	-	715
Total	<u>\$ 88,019</u>	<u>\$ 122,371</u>

NOTE 11 FAIR VALUE MEASUREMENTS

Benedictine uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how Benedictine measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets and liabilities of Benedictine measured at fair value on a recurring basis as of June 30:

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

	June 30, 2020	Level 1	Level 2	Level 3
Assets:				
Mutual Funds and Equities	\$ 16,722	\$ 16,722	\$ -	\$ -
Fixed Income Securities	12,843	-	12,843	-
Pooled Investment Funds	18,062	-	-	18,062
Institutional Investors income Fund (IIIF)	4,309	-	-	4,309
Perpetual Trust	684	-	-	684
Total	<u>\$ 52,620</u>	<u>\$ 16,722</u>	<u>\$ 12,843</u>	<u>\$ 23,055</u>
	June 30, 2019	Level 1	Level 2	Level 3
Mutual Funds and Equities	\$ 16,644	\$ 16,644	\$ -	\$ -
Fixed Income Securities	18,818	-	18,818	-
Pooled Investment Funds	18,082	-	-	18,082
Institutional Investors income Fund (IIIF)	4,098	-	-	4,098
Perpetual Trust	702	-	-	702
Total	<u>\$ 58,344</u>	<u>\$ 16,644</u>	<u>\$ 18,818</u>	<u>\$ 22,882</u>

Mutual Funds and equities are valued using quoted prices from active markets. Fixed income securities valued using Level 2 inputs include U.S. Treasury securities, U.S. government and agency mortgage-backed securities, private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

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NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis (Continued)

Pooled Investment Funds are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Benedictine values the pooled investment funds using Level 3 inputs as there is no active market for Benedictine to sell their interest in the pooled investment funds. The significant unobservable input used in the fair value measurement of the Pooled Investment Funds is Benedictine allocated portion of the underlying pooled assets. Significant changes in any of these inputs would result in a significant change to the fair value measurement.

The gains and losses related to Benedictine Pooled Investment Funds are included on the statement of operations as nonoperating gains and losses.

Beneficial interest in perpetual trusts (the Trusts) is recorded at fair value on a recurring basis. Fair value measurements are based upon Benedictine historical share of the estimated fair value of the Trusts. The assets of the Trusts consist of money markets, stock, and corporate bonds stated at fair value which is determined by quoted market prices for those or similar investments. Benedictine values the Trusts using Level 3 inputs as Benedictine interest in the Trusts are nontransferable. The significant unobservable input used in the fair value measurement of the Trusts is Benedictine allocated portion of the underlying trust assets. Significant changes in any of these inputs would result in a significant change to the fair value measurement. The Trusts are recorded as assets limited as to use on the consolidated balance sheets.

The gains and losses related to Benedictine beneficial interest in perpetual trusts are included on the statements of changes in net assets as donor-restricted gains and losses.

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NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis (Continued)

The following tables provide a summary of changes to fair value of Benedictine Level 3 financial assets for the years ended June 30:

	Institutional Investors Income Fund (IIIF)	Pooled Investment Funds	Perpetual Trust	Total
Beginning Balance – July 1, 2019	\$ 4,098	\$ 18,082	\$ 702	\$ 22,882
Interest and Dividend Income	65	357	12	434
Realized/Unrealized Gain (Loss)	146	(417)	31	(240)
Disbursements and Fees	-	(86)	(61)	(147)
Contributions	-	126	-	126
Ending Balance – June 30, 2020	<u>\$ 4,309</u>	<u>\$ 18,062</u>	<u>\$ 684</u>	<u>\$ 23,055</u>

	Institutional Investors Income Fund (IIIF)	Pooled Investment Funds	Perpetual Trust	Total
Beginning Balance – July 1, 2018	\$ 4,012	\$ 17,006	\$ 718	\$ 21,736
Interest and Dividend Income	53	404	12	469
Realized/Unrealized Gain	33	644	21	698
Disbursements and Fees	-	(98)	(49)	(147)
Contributions	-	126	-	126
Ending Balance – June 30, 2019	<u>\$ 4,098</u>	<u>\$ 18,082</u>	<u>\$ 702</u>	<u>\$ 22,882</u>

NOTE 12 INVESTMENTS IN UNCONSOLIDATED MINISTRY PARTNERSHIPS

Benedictine has an economic interest in two unconsolidated ministry partnerships providing services to the elderly as of June 30, 2020 and 2019. Benedictine investment in these ministry partnerships is accounted for under the equity method of accounting. The ministry partnerships' financial statements are not included in the accompanying consolidated financial statements, as Benedictine does not have control over financial decisions. The amount of the investment in these ministry partnerships at June 30, 2020 and 2019 is \$2,062 and \$307, respectively, which is included in intangible and other assets.

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NOTE 12 INVESTMENTS IN UNCONSOLIDATED MINISTRY PARTNERSHIPS (CONTINUED)

The following is a summary of the combined operating results and balance sheet information of the ministry partnerships as of, and for the years ended June 30:

	2020	2019
Total Revenue	\$ 68,782	\$ 64,676
Excess of Revenue over Expense	4,232	370
Total Assets	\$ 133,902	\$ 125,953
Net Assets	(16,928)	(21,794)

Benedictine's share of the excess of revenue over expense from the operations of the ministry partnerships amounted to approximately \$1,754 and \$357 for the years ended June 30, 2020 and 2019, respectively, and is recorded in other nonoperating income in the consolidated statements of operations.

NOTE 13 LONG-TERM DEBT

Long-term debt consists of the following at June 30:

<u>Description</u>	2020	2019
<u>Revenue Bonds</u>		
\$18,000,000 Healthcare Revenue Bonds, Series 2007, issued on behalf of BLC with fixed rates of interest from 6.125% to 6.750%, principal due in varying amounts through 2033	\$ 11,665	\$ 12,215
\$30,145,000 Healthcare Revenue Bonds, Series 2002, issued on behalf of LCSJ with fixed rates of interest from 5.875% to 7.000%, principal due in varying amounts through 2032. Debt was refinanced during the year ended June 30, 2020.	-	22,656
\$21,135,000 Healthcare Revenue Bonds, Series 2019A, issued on behalf of LCSJ with fixed rates of interest from 2.95% to 5.00%, principal due in varying amounts through 2050, net of unamortized premium of \$95,596 at June 30, 2020.	21,230	-
\$1,000,000 Municipal Industrial Development Revenue Bond, Series 2003, issued on behalf of BLC with fixed interest rate of 2.910%, annual principal payments of \$40,000 through 2027.	320	360
\$13,795,000 Healthcare Facilities Revenue Bonds, Series 2019, issued on behalf of BLCB at fixed rates of interest from 3.00% to 4.85%, principal due in varying amounts through 2039, net of unamortized premium of \$101,548 at June 30, 2020.	13,462	13,907

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NOTE 13 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
<u>Revenue Bonds (Continued)</u>		
\$36,695,000 Health Care Revenue Bonds, Series 2015, issued on behalf of NLC with fixed rates of interest from 3.85% to 5.125%, principal due in varying amounts through 2045.	\$ 28,975	\$ 29,330
\$6,000,000 Healthcare Facilities Revenue Bond, Series 2018, issued on behalf of NLC with fixed rate of interest at 4.88%, principal due in varying amounts through 2028.	5,764	4,966
\$4,450,000 Healthcare Facilities Revenue Bonds Series 2013 issued on behalf of RSL with interest rates from 1.500% to 5.500%, principal due in varying amounts through 2034, net of unamortized discount of \$31,537 at June 30, 2020.	3,903	4,011
\$17,955,000 Housing and Healthcare Revenue Bonds Series 2018A issued on behalf of BLCSP with interest rates from 3.875% to 5.5%, principal due in varying amounts through 2048, net of unamortized discount of \$288,890 at June 30, 2020.	17,666	17,656
\$6,620,000 Wisconsin Health and Education Facilities Authority Refunding Revenue Bonds, Series 2007, issued on behalf of BLCWI with interest rates from 5.00% to 5.25%, principal due in varying amounts through 2028.	1,720	1,885
\$4,060,000 Wisconsin Health and Education Facilities Authority Refunding Revenue Bonds, Series 2009 issued on behalf of BLCWI with interest rates between 5.75% and 7.75%, principal due in varying amounts through 2039.	3,625	3,710
\$8,035,000 The Industrial Development Authority of the County of St. Louis, Missouri, Healthcare Facilities Revenue Bonds issued on behalf of NLC with interest rates from 5.125% to 6.125%, principal due in varying amounts through 2042.	7,520	7,675
\$52,440,000 Senior Housing Revenue Bonds, Series 2018 issued on behalf of BLCS with interest rate of 5.85%, principal due in varying amounts through 2058.	52,440	52,440
\$18,385,000 Senior Housing Facility Revenue Bonds, Series 2018A issued on behalf of BLCNorth with interest rates from 3.25%-5.0%, principal due in varying amounts through 2053, net of unamortized discount of \$13,274 at June 30, 2020.	18,372	18,371

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NOTE 13 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
<u>Revenue Bonds (Continued)</u>		
\$3,175,000 Subordinate Senior Housing Facility Revenue Bonds, Series 2018B issued on behalf of BLCNorth with interest rate of 6.5%, principal due in varying amounts through 2053.	\$ 3,175	\$ 3,175
<u>Taxable Notes</u>		
\$545,000 Taxable Housing and Healthcare Revenue Bonds Series 2018B issued on behalf of BLCSP with interest rate of 4.5%, principal due in varying amounts through 2020.	285	545
\$960,000 Taxable Senior Housing Facility Revenue Bonds Series 2018A-T issued on behalf of BLCNorth with interest rate of 4.625%, principal due in varying amounts through 2024.	960	960
\$400,000 Taxable Healthcare Revenue Bonds Series 2019B issued on behalf of LCSJ with interest rate of 3.5%, principal due in varying amounts through 2022.	400	-
<u>Tax-Exempt Notes</u>		
\$6,600,000 Housing Revenue Refunding Note, Series 2004, issued on behalf of SAW with a fixed interest rate of 4.500%, principal due in varying amounts through 2027.	2,767	3,095
\$2,500,000 Housing Revenue Note, Series 2010, issued on behalf of SAW with a fixed interest rate of 4.1%, principal due in varying amounts through 2035.	1,845	1,933
\$1,530,000 Healthcare Facilities Revenue Note, Series 2006, issued on behalf of BHS-CORP with a fixed interest rate of 4.875%, principal due in varying amounts through 2027. Debt was repaid during the year ended June 30, 2020.	-	647
\$500,000 Health Care Revenue Note, Series 2005, issued on behalf of BCC with a fixed interest rate of 5.046%, principal due in varying amounts through 2020.	23	68
\$11,500,000 Health Care Facilities Revenue Notes, Series 2013, issued on behalf of BHC with a fixed interest rate of 4.066% until 2023. Principal will be due in varying amounts through 2038.	8,611	8,920
\$8,000,000 Health Care Facilities Revenue Notes, Series 2014, issued on behalf of BHC with a fixed interest rate of 3.80% until 2024. Principal will be due in varying amounts through 2039.	7,123	7,369

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NOTE 13 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
<u>Tax-Exempt Notes (Continued)</u>		
\$7,276,000 Health Care Facilities Revenue Refunding Note, Series 2017, issued on behalf of BHC with fixed rates of interest of 3.503% until 2027 and adjust annually thereafter, principal due in varying amounts through 2034.	\$ 6,275	\$ 6,616
\$19,465,000 Health Care and Housing Facilities Revenue Refunding Note, Series 2013, issued on behalf of the BHSOG with a fixed interest rate of 3.375%, principal due in varying amounts through 2028.	12,605	13,750
\$7,200,000 Health Care Revenue Refunding Note, Series 2013, issued on behalf of VSV with a fixed interest rate of 3.800%, principal due in varying amounts through 2023, balloon payment due in 2023.	5,418	5,717
\$3,000,000 Subordinate Senior Housing Revenue Note, Series 2018 issued on behalf of BLCS with interest rate of 5.15%, principal due in varying amounts through 2033.	3,000	3,000
\$3,390,000 Multifamily Housing Development Revenue Notes, Series 2012, issued on behalf of BRDGS, interest rate at 4.09%, principal and interest payable in monthly installments through February 1, 2039.	2,347	2,430
\$4,285,000 Senior Loan Participation Revenue Notes, Series 2011A, issued on behalf of BLC Wahpeton with interest rate from 4.50% to 6.50%, principal and interest payable in monthly installments through 2021, balloon payment due in 2021.	3,706	3,806
\$1,320,000 Subordinate Loan Participation Revenue Notes, Series 2011B, issued on behalf of BLC Wahpeton with interest rate from 8.625% to 8.75%, principal and interest payable in monthly installments through 2021, balloon payment due in 2021.	1,233	1,252
\$16,298,750 Healthcare Revenue Note, Series 2015, issued on behalf of MM and MTR with fixed rates of interest from 2.99%, principal due in varying amounts through 2031.	13,499	14,166
\$8,015,000 Senior Housing Facility Revenue Note, Series 2014A, issued on behalf of MSB with variable rates through May 31, 2016, fixed rate interest from 2.86% effective June 1, 2016 with adjustments every 5 years, principal due in varying amounts through 2040.	7,380	7,639

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NOTE 13 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
<u>Tax-Exempt Notes (Continued)</u>		
\$1,985,000 Subordinate Senior Housing Facility Revenue Note, Series 2014B, issued on behalf of MSB with a fixed rate of interest of 6.5%, principal due in varying amounts through 2030.	\$ 1,605	\$ 1,710
\$10,000,000 Health Care Facilities Revenue Refunding Note, Series 2016A, issued on behalf of BHSOG with a fixed rate of interest of 3.125%, principal due in varying amounts through 2031.	9,093	9,840
\$9,800,000 Health Care Facilities Revenue Note, Series 2016B, issued on behalf of BHSOG with a fixed rate of interest 3.25%, principal due in varying amounts through 2021, balloon payment due in 2021.	9,195	9,489
\$4,809,545.39 Nursing Facility Revenue Refunding Note, Series 2017, issued on behalf of Koda with a fixed rate of interest 2.10%, principal due in varying amounts through 2021, balloon payment due in 2021.	4,421	4,574
\$9,581,262.85 Nursing Facility Revenue Refunding Note, Series 2017, issued on behalf of Koda with a fixed rate of interest 2.10%, principal due in varying amounts through 2021, balloon payment due in 2021.	8,807	9,112
<u>Other Long-Term Debt</u>		
Other, primarily subordinated mortgages payable and capital lease obligations with annual principal payments through 2029, with interest from 3.500% to 9.000%.	17,726	17,448
Total	318,161	326,443
Less: Current Maturities	12,388	13,216
Long-Term Portion, Net of Current	305,773	313,227
Less: Unamortized Financing Costs	7,746	8,105
Long-Term Portion, Net of Current and Financing Costs	<u>\$ 298,027</u>	<u>\$ 305,122</u>

During the year ended June 30, 2014, Benedictine created an Obligated Group for financing purposes which consists of St. Gertrude's Health and Rehabilitation Center, Inc., Benedictine Health Center of Minneapolis, and Steeple Pointe Senior Living Community. During the year ended June 30, 2017, Benedictine Care Centers (BCC) debt was refinanced and BCC became a member of the Obligated Group as a result.

Most of the Revenue Bonds and Tax-Exempt Notes are secured by certain assets and net revenues of the entity that has borrowed the proceeds from the debt issue.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 13 LONG-TERM DEBT (CONTINUED)

Under the terms of the various financing agreements, Benedictine has agreed to certain debt covenant restrictions. Benedictine is required to meet certain financial and operating covenants including the achievement of certain minimum income levels to satisfy debt service, and days cash on hand level.

Interest expense is presented net of interest income earned on bond reserve funds of \$361 and \$250 for the years ended June 30, 2020 and 2019, respectively. The average interest rate on Benedictine debt based on an annualized average debt balance was approximately 4.8% and 5.1% for 2020 and 2019, respectively.

The approximate aggregate annual maturities of long-term debt for each of the five years subsequent to June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 12,388
2022	14,850
2023	10,320
2024	14,756
2025	10,505

NOTE 14 OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Insurance Reserves Payable	\$ 1,678	\$ 1,723
Resident Deposits	2,666	3,115
Other	669	680
Total	<u>\$ 5,013</u>	<u>\$ 5,518</u>

NOTE 15 OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Insurance Reserves Payable	\$ 8,139	\$ 8,571
Housing Entrance Fees	15,664	15,909
Unearned Revenue	8,199	3,352
Deferred Compensation	2,848	2,729
Other	1,475	350
Total	<u>\$ 36,325</u>	<u>\$ 30,911</u>

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 15 OTHER NONCURRENT LIABILITIES (CONTINUED)

During the year ended June 30, 2020, the Benedictine received approximately \$9,517,000 from the CARES Act Provider Relief Fund. Benedictine must comply with the terms and conditions which include, amongst other things, that the funds will only be used to prevent, prepare for, and respond to coronavirus and that the funds shall reimburse Benedictine for health care related expenses or lost revenues that are attributable to coronavirus. At June 30, 2020, approximately \$4,175,000 of Provider Relief Fund payments are recorded as unearned revenue and will be recognized into revenue as Benedictine continues to incur health care related expenses and lost revenues attributable to coronavirus.

During the year ended June 30, 2020, the Benedictine received approximately \$401,800 from the Minnesota Department of Health COVID-19 Response Grant Awards for Short Term Emergency Funding. The funds were awarded based upon a budget of anticipated costs necessary to respond to coronavirus submitted by the Benedictine. At June 30, 2020, approximately \$120,000 is reported as unearned revenue and will be recognized into revenue as Benedictine incurs eligible expenses in accordance with the budgets submitted.

NOTE 16 EMPLOYMENT RETIREMENT PLANS AND DEFERRED COMPENSATION

Benedictine provides a 401(k) plan for eligible employees meeting minimum service requirements. Benedictine has elected "Safe Harbor" provisions under which it matches 100% of employee contributions up to 3% of compensation and 50% of the next 2% of employee compensation. In addition, certain member organizations contribute to union sponsored defined contribution pension savings plans that cover all employees within the respective union's bargaining unit who meet certain minimum service requirements. Benedictine contributed approximately \$2,495 and \$2,729 to the various employee retirement plans during the years ended June 30, 2020 and 2019, respectively.

Benedictine has a deferred compensation plan available to eligible executive employees. Under the plan, employees elect to defer a portion of their benefit allocation into either a short-term deferred income account, with distribution dates of a minimum of two years and a maximum of five years, or a long-term deferred income account with distribution dates of a minimum of five years. Benedictine modified its deferred compensation plan effective July 1, 2014 whereby all future contributions fully vest after two years and will be distributed upon vesting. Each employee directs the investment of their deferred amount into various investment options which are credited with the respective earnings or losses of the investment option. During the years ended June 30, 2020 and 2019, Benedictine contributed approximately \$713 and \$685, respectively, to the deferred compensation accounts. At June 30, 2020 and 2019, the total deferred compensation liability was \$2,848 and \$2,729, respectively, and is reported in other noncurrent liabilities.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 17 COMMITMENTS AND CONTINGENCIES

Leases

Benedictine has leases for nursing facilities, office facilities and other equipment that are classified as operating leases. Rental expense under these operating leases totaled \$3,840 and \$4,266 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments on operating leases in effect on June 30, 2020, for each of the five subsequent years and thereafter, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,380
2022	1,297
2023	1,242
2024	1,206
2025	1,196

Health Insurance

Benedictine self-funds employee health benefits at a majority of its facilities. Benedictine contracts separately to insure for excessive or unexpected claims through a stop-loss insurance policy that pays claims in excess of \$225 per person per year. Claims in excess of these amounts will be funded by the insurance carrier.

Property Insurance

Property insurance coverage is purchased from a third-party insurance carrier on a guaranteed cost basis with a deductible of \$100 per claim. BHSIS provides additional coverage to Benedictine (except NLC) to lower the deductible to \$25 per claim.

Workers Compensation Insurance

Certain Benedictine organizations participate in the BGSIA to provide insurance for workers' compensation exposure. Members pay premiums to BGSIA, which are used to cover workers' compensation claims. BGSIA has limited its liability with respect to such claims up to \$500 per occurrence through reinsurance. At June 30, 2020 and 2019, BGSIA had assets exceeding the liabilities established for claims reported and estimated claims incurred but not reported.

Professional Liability Insurance

BHSIS provides professional liability and general liability insurance coverage to Benedictine (except NLC) with insurance limits of \$2,000 per claim and \$6,000 in the aggregate per policy year. Benedictine has purchased excess professional and general liability insurance from the commercial insurance market with consolidated limits of \$15,000 in the aggregate. Benedictine has self-funded the estimated value of professional and general liability claims, which amounted to \$1,855 and \$2,158 at June 30, 2020 and 2019, respectively, and is reported in other noncurrent liabilities.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on Benedictine.

General and Professional Liability

General and professional liability claims have been asserted against Benedictine by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of Benedictine. Incidents occurring through June 30, 2020 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts which would not result in additional losses to Benedictine.

Essentia Health

As a condition of the reorganization agreement, upon dissolution or sale of any Benedictine organization in existence at December 31, 2007, Essentia Health is entitled to receive the net proceeds from such sale, up to the net asset value of such entity as of December 31, 2007.

NOTE 18 RELATED PARTIES

Benedictine provides management services, information technology support, payroll and related benefits, and therapy services to certain unconsolidated ministry partnerships. Revenues generated from these services totaled \$3,567 and \$3,295 for the years ended June 30, 2020 and 2019, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 19 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions that are temporary in nature are restricted by donors for a particular purpose as follows at June 30:

	2020	2019
Property Acquisitions and Capital Improvements	\$ 1,290	\$ 1,460
Time Restricted for Programs at a Specific Facility	6,971	5,383
Total	<u>\$ 8,261</u>	<u>\$ 6,843</u>

Net assets with donor restrictions that are perpetual in nature are restricted for various purposes, the income which is expendable to support the activities of the nursing and housing facilities as follows at June 30:

	2020	2019
Trusts	\$ 684	\$ 702
General Endowment	428	423
Total	<u>\$ 1,112</u>	<u>\$ 1,125</u>

NOTE 20 FUNCTIONAL CLASSIFICATION

Functional classification of expenses for the years ended June 30 consisted of the following:

	2020						
	Program Services				Supporting Services		Total
	Skilled Nursing	Housing With Services	Home Community Based Services	Total Program Services	Management and General		
Eliminations							
Salaries	\$ 94,503	\$ 24,498	\$ 2,345	\$ 121,346	\$ 26,544	\$ (3,261)	\$ 144,629
Benefits	21,928	5,846	554	28,328	23,591	(19,432)	32,487
Professional Fees	5,540	675	14	6,229	923	(793)	6,359
Supplies	16,727	6,184	130	23,041	730	-	23,771
Purchased Services	5,828	2,049	119	7,996	21,436	(16,527)	12,905
Provision for Doubtful							
Accounts	-	-	-	-	1,341	-	1,341
General Insurance	-	-	-	-	2,433	(1,458)	975
Utilities	3,599	2,429	14	6,042	977	-	7,019
Repairs & Maintenance	1,202	1,056	7	2,265	26	-	2,291
Depreciation	6,583	6,764	5	13,352	186	(31)	13,507
Amortization	256	198	-	454	3	-	457
Interest	4,946	6,489	-	11,435	106	-	11,541
Building Lease	255	1,937	95	2,287	639	-	2,926
Other	5,418	1,931	305	7,654	4,795	-	12,449
Total Expenses	<u>\$ 166,785</u>	<u>\$ 60,056</u>	<u>\$ 3,588</u>	<u>\$ 230,429</u>	<u>\$ 83,730</u>	<u>\$ (41,502)</u>	<u>\$ 272,657</u>

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 20 FUNCTIONAL CLASSIFICATION (CONTINUED)

	2019							
	Program Services				Supporting Services			
	Skilled Nursing	Housing With Services	Home Community Based Services	Total Program Services	Management and General		Eliminations	Total
Salaries	\$ 99,635	\$ 22,950	\$ 2,515	\$ 125,100	\$ 25,856	\$ (2,699)	\$ 148,257	
Benefits	25,344	5,856	586	31,786	23,578	(22,281)	33,083	
Professional Fees	4,590	249	13	4,852	1,014	(931)	4,935	
Supplies	16,989	5,583	151	22,723	665	-	23,388	
Purchased Services	6,663	1,995	98	8,756	21,244	(16,018)	13,982	
Provision for Doubtful Accounts	-	-	-	-	1,499	-	1,499	
General Insurance	-	-	-	-	3,461	(1,382)	2,079	
Utilities	3,875	2,621	15	6,511	974	-	7,485	
Repairs & Maintenance	1,308	1,098	4	2,410	17	-	2,427	
Depreciation	6,957	5,832	5	12,794	209	(31)	12,972	
Amortization	245	175	-	420	3	-	423	
Interest	5,277	5,837	-	11,114	123	-	11,237	
Building Lease	574	2,151	93	2,818	520	-	3,338	
Other	6,235	1,938	286	8,459	4,136	-	12,595	
Total Expenses	<u>\$ 177,692</u>	<u>\$ 56,285</u>	<u>\$ 3,766</u>	<u>\$ 237,743</u>	<u>\$ 83,299</u>	<u>\$ (43,342)</u>	<u>\$ 277,700</u>	

NOTE 21 SUBSEQUENT EVENTS

In September 2020, Benedictine entered into a Transition of Membership Agreement under which Benedictine will become the sole member of Apartment Community of Our Lady of the Snows dba: The Esquiline, a senior living community consisting of 124 independent living units, 38 licensed shelter care beds and 57 nursing home beds in Belleville, Illinois. Under the agreement, The Esquiline will make an initial \$500 payment to the former member. In addition, annual payments of \$500 consisting of a combination of cash payments and discounts on monthly rents will be paid for 20 years. The transition is anticipated to occur on November 1, 2020.

In preparing these financial statements, Benedictine has evaluated events and transactions for potential recognition or disclosure through October 2, 2020, the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Benedictine Health System
Duluth, Minnesota

We have audited the consolidated financial statements of Benedictine Health System as of and for the years ended June 30, 2020 and 2019, and our report thereon dated October 2, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2020 and 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the years ended June 30, 2020 and 2019, as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 2, 2020

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET**

JUNE 30, 2020

(DOLLAR AMOUNTS IN THOUSANDS)

(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH (BLCWI)	Northland House Group Home (NHGH)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 4,372	\$ 5,574	\$ 107	\$ 1,458	\$ 1,162	\$ 832
Short-Term Investments	2,543	1,895	-	-	-	-
Resident Accounts Receivable	1,738	2,695	226	849	1,001	36
Other Receivables	65	212	-	50	2	1
Pledge Receivables	-	-	-	-	-	-
Current Portion of Assets Limited as to Use	52	1,065	56	184	144	-
Amounts Due from Affiliates	-	(9)	(31)	40	-	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	67	70	146	24	35	9
Total Current Assets	<u>8,837</u>	<u>11,502</u>	<u>504</u>	<u>2,605</u>	<u>2,344</u>	<u>878</u>
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	-	-	72	-	-
Debt Service Reserve Fund	-	1,405	-	1,074	321	-
Project Fund	-	-	-	-	-	-
Bond Fund	-	682	-	175	112	-
Subtotal Funds Held Under Bond Indenture	<u>-</u>	<u>2,087</u>	<u>-</u>	<u>1,321</u>	<u>433</u>	<u>-</u>
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	8,847	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	<u>8,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident Trust Funds and Security Deposits	17	250	56	9	11	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	2,656	1,446	-	189	21	-
Assets Limited as to Use	<u>11,520</u>	<u>3,783</u>	<u>56</u>	<u>1,519</u>	<u>465</u>	<u>-</u>
Less: Current Portion Shown Above	52	1,065	56	184	144	-
Total Assets Limited as to Use (Net of Current)	<u>11,468</u>	<u>2,718</u>	<u>-</u>	<u>1,335</u>	<u>321</u>	<u>-</u>
OTHER ASSETS						
Property, Plant, and Equipment (Net)	26,292	15,412	900	11,058	4,744	9
Intangible and Other Assets (Net)	-	-	-	-	-	-
Total Other Assets	<u>26,292</u>	<u>15,412</u>	<u>900</u>	<u>11,058</u>	<u>4,744</u>	<u>9</u>
Total Assets	<u>\$ 46,597</u>	<u>\$ 29,632</u>	<u>\$ 1,404</u>	<u>\$ 14,998</u>	<u>\$ 7,409</u>	<u>\$ 887</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 511	\$ 679	\$ 89	\$ 172	\$ 250	\$ -
Construction Payables	-	-	-	-	-	-
Accrued Expenses:						
Salaries, Wages, and Benefits	1,151	2,147	168	526	770	28
Interest	-	392	-	99	61	-
Amounts Due to Affiliates	32	68	(8)	17	23	-
Current Maturities of Long-Term Debt	943	987	-	445	273	-
Other	81	348	57	9	29	-
Total Current Liabilities	<u>2,718</u>	<u>4,621</u>	<u>306</u>	<u>1,268</u>	<u>1,406</u>	<u>28</u>
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	20,469	20,298	1,001	13,265	6,269	-
OTHER NONCURRENT LIABILITIES						
	1,580	1,113	-	260	255	-
Total Liabilities	<u>24,767</u>	<u>26,032</u>	<u>1,307</u>	<u>14,793</u>	<u>7,930</u>	<u>28</u>
NET ASSETS						
Without Donor Restrictions	21,513	2,288	97	16	(584)	859
With Donor Restrictions	317	1,312	-	189	63	-
Total Net Assets	<u>21,830</u>	<u>3,600</u>	<u>97</u>	<u>205</u>	<u>(521)</u>	<u>859</u>
Total Liabilities and Net Assets	<u>\$ 46,597</u>	<u>\$ 29,632</u>	<u>\$ 1,404</u>	<u>\$ 14,998</u>	<u>\$ 7,409</u>	<u>\$ 887</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)
\$ 546	\$ 5,497	\$ 1,794	\$ 2,470	\$ (126)	\$ 3,544	\$ 189	\$ 7,044	\$ 1,741	\$ 889
-	2,396	266	-	-	-	-	4,309	-	-
-	6,196	329	687	180	896	63	758	1,471	1,403
221	249	31	45	-	78	-	3	16	5
-	-	-	-	-	-	-	-	-	-
-	209	6	729	-	5	41	1,970	177	65
-	637	(1)	-	258	1,716	81	-	3	-
-	-	-	23	-	-	-	103	-	-
-	122	18	23	1	27	-	223	29	53
<u>767</u>	<u>15,306</u>	<u>2,443</u>	<u>3,977</u>	<u>313</u>	<u>6,266</u>	<u>374</u>	<u>14,410</u>	<u>3,437</u>	<u>2,415</u>
-	-	-	45	42	131	-	-	-	75
-	643	-	1,526	-	-	-	3,243	320	295
-	-	-	600	-	-	-	-	-	-
-	49	-	691	-	-	18	1,954	158	47
-	<u>692</u>	<u>-</u>	<u>2,862</u>	<u>42</u>	<u>131</u>	<u>18</u>	<u>5,197</u>	<u>478</u>	<u>417</u>
-	1,518	-	-	-	1,122	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	420	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	<u>1,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	160	6	38	-	5	23	15	19	18
-	-	-	-	-	-	-	-	-	-
-	1,001	138	61	-	540	-	1,612	-	44
-	<u>3,371</u>	<u>144</u>	<u>2,961</u>	<u>42</u>	<u>2,218</u>	<u>41</u>	<u>6,824</u>	<u>497</u>	<u>479</u>
-	209	6	729	-	5	41	1,970	177	65
-	<u>3,162</u>	<u>138</u>	<u>2,232</u>	<u>42</u>	<u>2,213</u>	<u>-</u>	<u>4,854</u>	<u>320</u>	<u>414</u>
-	37,931	3,675	18,353	5,509	16,696	8,172	62,569	4,982	12,177
-	-	-	-	-	39	-	312	127	800
-	<u>37,931</u>	<u>3,675</u>	<u>18,353</u>	<u>5,509</u>	<u>16,735</u>	<u>8,172</u>	<u>62,881</u>	<u>5,109</u>	<u>12,977</u>
<u>\$ 767</u>	<u>\$ 56,399</u>	<u>\$ 6,256</u>	<u>\$ 24,562</u>	<u>\$ 5,864</u>	<u>\$ 25,214</u>	<u>\$ 8,546</u>	<u>\$ 82,145</u>	<u>\$ 8,866</u>	<u>\$ 15,806</u>
\$ 48	\$ 1,091	\$ 103	\$ 233	\$ 65	\$ 691	\$ 56	\$ 527	\$ 795	\$ 214
-	-	-	-	-	-	-	172	-	-
1,674	3,066	284	680	161	668	90	1,060	581	500
-	2	-	518	12	22	29	717	103	1
(1)	40	9	15	753	186	1,076	13	11	11
-	2,237	89	355	247	449	379	867	110	574
-	589	25	37	-	4	23	1,793	103	18
<u>1,721</u>	<u>7,025</u>	<u>510</u>	<u>1,838</u>	<u>1,238</u>	<u>2,020</u>	<u>1,653</u>	<u>5,149</u>	<u>1,703</u>	<u>1,318</u>
-	28,826	2,193	37,203	4,478	8,149	8,568	42,974	3,613	12,811
-	619	160	5	-	2,980	-	15,898	115	315
<u>1,721</u>	<u>36,470</u>	<u>2,863</u>	<u>39,046</u>	<u>5,716</u>	<u>13,149</u>	<u>10,221</u>	<u>64,021</u>	<u>5,431</u>	<u>14,444</u>
(954)	18,923	3,255	(14,545)	148	11,525	(1,675)	16,699	3,435	1,318
-	1,006	138	61	-	540	-	1,425	-	44
<u>(954)</u>	<u>19,929</u>	<u>3,393</u>	<u>(14,484)</u>	<u>148</u>	<u>12,065</u>	<u>(1,675)</u>	<u>18,124</u>	<u>3,435</u>	<u>1,362</u>
<u>\$ 767</u>	<u>\$ 56,399</u>	<u>\$ 6,256</u>	<u>\$ 24,562</u>	<u>\$ 5,864</u>	<u>\$ 25,214</u>	<u>\$ 8,546</u>	<u>\$ 82,145</u>	<u>\$ 8,866</u>	<u>\$ 15,806</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCS)	Benedictine Health System Foundation (BHSF)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 2,509	\$ 1,568	\$ 1,462	\$ 641	\$ 2	\$ 2,385
Short-Term Investments	2,143	970	-	-	-	894
Resident Accounts Receivable	1,075	1,001	559	29	-	-
Other Receivables	32	98	3	3	23	-
Pledge Receivables	-	-	-	-	-	149
Current Portion of Assets Limited as to Use	233	89	257	23	3,292	-
Amounts Due from Affiliates	-	3	(3)	-	-	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	22	46	28	45	14	-
Total Current Assets	<u>6,014</u>	<u>3,775</u>	<u>2,306</u>	<u>741</u>	<u>3,331</u>	<u>3,428</u>
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	250	423	356	1,071	-
Debt Service Reserve Fund	278	-	1,238	1,317	3,617	-
Project Fund	-	-	141	848	8,827	-
Bond Fund	-	-	249	23	3,292	-
Subtotal Funds Held Under Bond Indenture	<u>278</u>	<u>250</u>	<u>2,051</u>	<u>2,544</u>	<u>16,807</u>	<u>-</u>
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	-	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident Trust Funds and Security Deposits	233	89	8	-	-	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	1,070	496	41	-	-	9,332
Assets Limited as to Use	<u>1,581</u>	<u>835</u>	<u>2,100</u>	<u>2,544</u>	<u>16,807</u>	<u>9,332</u>
Less: Current Portion Shown Above	233	89	257	23	3,292	-
Total Assets Limited as to Use (Net of Current)	<u>1,348</u>	<u>746</u>	<u>1,843</u>	<u>2,521</u>	<u>13,515</u>	<u>9,332</u>
OTHER ASSETS						
Property, Plant, and Equipment (Net)	7,641	7,132	14,972	18,553	42,838	-
Intangible and Other Assets (Net)	-	-	-	-	-	-
Total Other Assets	<u>7,641</u>	<u>7,132</u>	<u>14,972</u>	<u>18,553</u>	<u>42,838</u>	<u>-</u>
Total Assets	<u>\$ 15,003</u>	<u>\$ 11,653</u>	<u>\$ 19,121</u>	<u>\$ 21,815</u>	<u>\$ 59,684</u>	<u>\$ 12,760</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 328	\$ 214	\$ 277	\$ 55	\$ 4	\$ 44
Construction Payables	-	-	-	-	2,754	-
Accrued Expenses:						
Salaries, Wages, and Benefits	923	744	433	87	1	-
Interest	10	-	79	465	518	-
Amounts Due to Affiliates	11	14	12	15	48	-
Current Maturities of Long-Term Debt	440	527	290	-	-	-
Other	104	89	8	1	-	-
Total Current Liabilities	<u>1,816</u>	<u>1,588</u>	<u>1,099</u>	<u>623</u>	<u>3,325</u>	<u>44</u>
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	4,153	7,906	17,149	22,882	54,776	-
OTHER NONCURRENT LIABILITIES						
	260	558	120	73	38	84
Total Liabilities	<u>6,229</u>	<u>10,052</u>	<u>18,368</u>	<u>23,578</u>	<u>58,139</u>	<u>128</u>
NET ASSETS						
Without Donor Restrictions	7,704	1,105	712	(1,763)	1,545	3,140
With Donor Restrictions	1,070	496	41	-	-	9,492
Total Net Assets	<u>8,774</u>	<u>1,601</u>	<u>753</u>	<u>(1,763)</u>	<u>1,545</u>	<u>12,632</u>
Total Liabilities and Net Assets	<u>\$ 15,003</u>	<u>\$ 11,653</u>	<u>\$ 19,121</u>	<u>\$ 21,815</u>	<u>\$ 59,684</u>	<u>\$ 12,760</u>

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (Benedictine)
\$ 1,109	\$ -	\$ 27,776	\$ (3,400)	\$ 71,145
-	-	52	-	15,468
-	-	-	-	21,192
36	1,163	895	-	3,231
-	-	-	-	149
-	4,030	-	-	12,627
-	-	875	(3,569)	-
-	-	-	-	126
7	2,180	806	-	3,995
<u>1,152</u>	<u>7,373</u>	<u>30,404</u>	<u>(6,969)</u>	<u>127,933</u>
-	-	-	-	2,465
-	-	-	-	15,277
-	-	-	-	10,416
-	-	-	-	7,450
-	-	-	-	<u>35,608</u>
-	-	-	-	2,640
-	-	-	-	8,847
-	-	-	-	420
11,743	1,113	3,950	-	16,806
<u>11,743</u>	<u>1,113</u>	<u>3,950</u>	<u>-</u>	<u>28,713</u>
-	-	-	-	957
-	-	2,848	-	2,848
-	7,777	657	(7,188)	19,893
<u>11,743</u>	<u>8,890</u>	<u>7,455</u>	<u>(7,188)</u>	<u>88,019</u>
-	4,030	-	-	12,627
<u>11,743</u>	<u>4,860</u>	<u>7,455</u>	<u>(7,188)</u>	<u>75,392</u>
-	-	1,525	(1,254)	319,886
-	-	24,044	(20,710)	4,612
-	-	25,569	(21,964)	324,498
<u>\$ 12,895</u>	<u>\$ 12,233</u>	<u>\$ 63,428</u>	<u>\$ (36,121)</u>	<u>\$ 527,823</u>
\$ 46	\$ 962	\$ 469	\$ -	\$ 7,923
-	-	-	-	2,926
-	-	3,499	-	19,241
-	-	-	-	3,028
-	-	4,547	(6,892)	-
-	-	3,176	-	12,388
-	-	1,695	-	5,013
<u>46</u>	<u>962</u>	<u>13,386</u>	<u>(6,892)</u>	<u>50,519</u>
-	-	844	(19,800)	298,027
1,855	6,388	3,649	-	36,325
<u>1,901</u>	<u>7,350</u>	<u>17,879</u>	<u>(26,692)</u>	<u>384,871</u>
10,994	4,883	45,182	(2,241)	133,579
-	-	367	(7,188)	9,373
<u>10,994</u>	<u>4,883</u>	<u>45,549</u>	<u>(9,429)</u>	<u>142,952</u>
<u>\$ 12,895</u>	<u>\$ 12,233</u>	<u>\$ 63,428</u>	<u>\$ (36,121)</u>	<u>\$ 527,823</u>

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET**

JUNE 30, 2019

(DOLLAR AMOUNTS IN THOUSANDS)

(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH (BLCWI)	Northland House Group Home (NHGH)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,272	\$ 3,751	\$ 117	\$ 911	\$ 368	\$ 826
Short-Term Investments	955	1,884	-	-	-	-
Resident Accounts Receivable	1,462	2,819	269	967	957	17
Other Receivables	247	32	(1)	3	4	-
Pledge Receivables	-	-	-	-	-	-
Current Portion of Assets Limited as to Use	42	1,000	47	181	144	-
Amounts Due from Affiliates	(1)	(5)	(69)	74	2	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	70	61	146	22	20	9
Total Current Assets	6,047	9,542	509	2,158	1,495	852
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	-	-	72	-	-
Debt Service Reserve Fund	-	1,374	-	1,045	320	-
Project Fund	-	-	-	-	-	-
Bond Fund	-	682	-	174	113	-
Subtotal Funds Held Under Bond Indenture	-	2,056	-	1,291	433	-
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	8,794	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	8,794	-	-	-	-	-
Resident Trust Funds and Security Deposits	22	212	47	6	10	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	2,617	1,432	-	151	21	-
Assets Limited as to Use	11,433	3,700	47	1,448	464	-
Less: Current Portion Shown Above	42	1,000	47	181	144	-
Total Assets Limited as to Use (Net of Current)	11,391	2,700	-	1,267	320	-
OTHER ASSETS						
Property, Plant, and Equipment (Net)	27,247	15,610	1,012	11,430	4,898	14
Intangible and Other Assets (Net)	-	14	-	-	-	-
Total Other Assets	27,247	15,624	1,012	11,430	4,898	14
Total Assets	\$ 44,685	\$ 27,866	\$ 1,521	\$ 14,855	\$ 6,713	\$ 866
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 402	\$ 704	\$ 65	\$ 86	\$ 259	\$ -
Construction Payables	-	-	-	-	-	-
Accrued Expenses:						
Salaries, Wages, and Benefits	967	1,909	137	443	642	25
Interest	-	(1)	-	102	64	-
Amounts Due to Affiliates	124	728	3	84	93	3
Current Maturities of Long-Term Debt	906	911	-	435	254	-
Other	76	303	48	6	28	-
Total Current Liabilities	2,475	4,554	253	1,156	1,340	28
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	21,383	21,830	1,225	14,197	6,598	-
OTHER NONCURRENT LIABILITIES						
	465	107	-	-	-	-
Total Liabilities	24,323	26,491	1,478	15,353	7,938	28
NET ASSETS						
Without Donor Restrictions	20,087	49	43	(649)	(1,286)	838
With Donor Restrictions	275	1,326	-	151	61	-
Total Net Assets	20,362	1,375	43	(498)	(1,225)	838
Total Liabilities and Net Assets	\$ 44,685	\$ 27,866	\$ 1,521	\$ 14,855	\$ 6,713	\$ 866

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)
\$ 328	\$ 3,113	\$ 1,588	\$ 291	\$ 20	\$ 2,556	\$ 95	\$ 4,865	\$ 1,154	\$ 435
-	2,363	262	-	-	-	-	4,098	-	-
737	6,046	311	950	180	886	40	498	1,691	1,393
367	400	22	42	(6)	28	-	28	37	26
-	-	-	-	-	-	-	-	-	-
-	186	2	1,575	-	4	53	1,589	183	55
-	618	(2)	(1)	265	1,496	79	-	3	(1)
-	-	-	14	-	-	-	73	-	-
-	138	18	17	-	26	-	79	29	86
<u>1,432</u>	<u>12,864</u>	<u>2,201</u>	<u>2,888</u>	<u>459</u>	<u>4,996</u>	<u>267</u>	<u>11,230</u>	<u>3,097</u>	<u>1,994</u>
-	-	-	69	19	64	-	-	-	55
-	545	-	2,775	-	-	-	3,453	322	294
-	-	-	-	-	-	-	-	-	-
-	49	-	1,522	-	-	18	1,580	160	45
<u>-</u>	<u>594</u>	<u>-</u>	<u>4,366</u>	<u>19</u>	<u>64</u>	<u>18</u>	<u>5,033</u>	<u>482</u>	<u>394</u>
-	1,530	-	-	-	1,131	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	731	-	-	-	-
<u>-</u>	<u>1,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	137	2	52	-	4	36	9	23	10
-	-	-	-	-	-	-	-	-	-
-	957	93	83	-	456	-	1,702	-	108
-	3,218	95	4,501	19	2,386	54	6,744	505	512
-	186	2	1,575	-	4	53	1,589	183	55
-	3,032	93	2,926	19	2,382	1	5,155	322	457
-	39,387	3,779	18,894	5,655	17,280	8,492	64,124	4,826	12,451
-	-	-	-	-	39	-	326	127	800
<u>-</u>	<u>39,387</u>	<u>3,779</u>	<u>18,894</u>	<u>5,655</u>	<u>17,319</u>	<u>8,492</u>	<u>64,450</u>	<u>4,953</u>	<u>13,251</u>
<u>\$ 1,432</u>	<u>\$ 55,283</u>	<u>\$ 6,073</u>	<u>\$ 24,708</u>	<u>\$ 6,133</u>	<u>\$ 24,697</u>	<u>\$ 8,760</u>	<u>\$ 80,835</u>	<u>\$ 8,372</u>	<u>\$ 15,702</u>
\$ 199	\$ 1,051	\$ 78	\$ 358	\$ 71	\$ 225	\$ 36	\$ 352	\$ 668	\$ 247
-	-	-	-	-	-	-	668	-	-
1,971	2,661	223	588	136	612	72	909	509	508
-	70	-	1,095	13	23	30	726	105	-
63	287	40	7,593	573	258	1,028	35	70	69
-	2,917	85	895	240	436	366	725	110	407
156	552	28	52	-	4	37	2,060	126	20
<u>2,389</u>	<u>7,538</u>	<u>454</u>	<u>10,581</u>	<u>1,033</u>	<u>1,558</u>	<u>1,569</u>	<u>5,475</u>	<u>1,588</u>	<u>1,251</u>
-	31,222	2,280	28,722	4,719	8,588	8,945	42,859	4,199	13,880
-	28	-	-	-	2,998	-	14,861	7	-
<u>2,389</u>	<u>38,788</u>	<u>2,734</u>	<u>39,303</u>	<u>5,752</u>	<u>13,144</u>	<u>10,514</u>	<u>63,195</u>	<u>5,794</u>	<u>15,131</u>
(957)	15,534	3,246	(14,678)	381	11,097	(1,754)	16,124	2,578	463
-	961	93	83	-	456	-	1,516	-	108
<u>(957)</u>	<u>16,495</u>	<u>3,339</u>	<u>(14,595)</u>	<u>381</u>	<u>11,553</u>	<u>(1,754)</u>	<u>17,640</u>	<u>2,578</u>	<u>571</u>
<u>\$ 1,432</u>	<u>\$ 55,283</u>	<u>\$ 6,073</u>	<u>\$ 24,708</u>	<u>\$ 6,133</u>	<u>\$ 24,697</u>	<u>\$ 8,760</u>	<u>\$ 80,835</u>	<u>\$ 8,372</u>	<u>\$ 15,702</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCS)	Benedictine Health System Foundation (BHSF)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,431	\$ 768	\$ 992	\$ -	\$ -	\$ 3,157
Short-Term Investments	2,161	959	-	-	-	-
Resident Accounts Receivable	1,421	994	635	-	-	-
Other Receivables	90	62	28	-	95	-
Pledge Receivables	-	-	-	-	-	258
Current Portion of Assets Limited as to Use	222	93	246	858	6,341	-
Amounts Due from Affiliates	(2)	5	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	56	57	28	3	-	-
Total Current Assets	<u>5,379</u>	<u>2,938</u>	<u>1,929</u>	<u>861</u>	<u>6,436</u>	<u>3,415</u>
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	214	373	1,650	1,368	-
Debt Service Reserve Fund	277	-	1,242	840	3,489	-
Project Fund	-	-	286	8,264	30,374	-
Bond Fund	-	-	242	858	6,341	-
Subtotal Funds Held Under Bond Indenture	<u>277</u>	<u>214</u>	<u>2,143</u>	<u>11,612</u>	<u>41,572</u>	<u>-</u>
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	-	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident Trust Funds and Security Deposits	222	93	4	-	-	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	810	347	30	-	-	8,474
Assets Limited as to Use	<u>1,309</u>	<u>654</u>	<u>2,177</u>	<u>11,612</u>	<u>41,572</u>	<u>8,474</u>
Less: Current Portion Shown Above	222	93	246	858	6,341	-
Total Assets Limited as to Use (Net of Current)	<u>1,087</u>	<u>561</u>	<u>1,931</u>	<u>10,754</u>	<u>35,231</u>	<u>8,474</u>
OTHER ASSETS						
Property, Plant, and Equipment (Net)	7,650	7,217	15,497	12,997	17,406	-
Intangible and Other Assets (Net)	-	-	-	-	-	-
Total Other Assets	<u>7,650</u>	<u>7,217</u>	<u>15,497</u>	<u>12,997</u>	<u>17,406</u>	<u>-</u>
Total Assets	<u>\$ 14,116</u>	<u>\$ 10,716</u>	<u>\$ 19,357</u>	<u>\$ 24,612</u>	<u>\$ 59,073</u>	<u>\$ 11,889</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 360	\$ 262	\$ 241	\$ 18	\$ 5	\$ 36
Construction Payables	-	-	-	1,876	2,017	-
Accrued Expenses:						
Salaries, Wages, and Benefits	748	600	423	-	-	-
Interest	10	-	80	465	518	-
Amounts Due to Affiliates	116	78	65	-	-	-
Current Maturities of Long-Term Debt	418	518	265	-	-	-
Other	138	93	4	-	-	-
Total Current Liabilities	<u>1,790</u>	<u>1,551</u>	<u>1,078</u>	<u>2,359</u>	<u>2,540</u>	<u>36</u>
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	4,596	8,399	17,482	22,563	54,615	-
OTHER NONCURRENT LIABILITIES						
	-	51	-	49	-	21
Total Liabilities	<u>6,386</u>	<u>10,001</u>	<u>18,560</u>	<u>24,971</u>	<u>57,155</u>	<u>57</u>
NET ASSETS						
Without Donor Restrictions	6,920	368	767	(359)	1,918	3,378
With Donor Restrictions	810	347	30	-	-	8,454
Total Net Assets	<u>7,730</u>	<u>715</u>	<u>797</u>	<u>(359)</u>	<u>1,918</u>	<u>11,832</u>
Total Liabilities and Net Assets	<u>\$ 14,116</u>	<u>\$ 10,716</u>	<u>\$ 19,357</u>	<u>\$ 24,612</u>	<u>\$ 59,073</u>	<u>\$ 11,889</u>

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (Benedictine)
\$ 262	\$ -	\$ 20,681	\$ (1,802)	\$ 49,179
-	-	52	-	12,734
-	-	-	-	22,273
34	1,245	990	(928)	2,845
-	-	-	-	258
-	4,154	-	-	16,975
-	-	2,455	(4,916)	-
-	-	98	-	185
6	2,239	859	-	3,969
<u>302</u>	<u>7,638</u>	<u>25,135</u>	<u>(7,646)</u>	<u>108,418</u>
-	-	-	-	3,884
-	-	-	-	15,976
-	-	-	-	38,924
-	-	-	-	11,784
-	-	-	-	<u>70,568</u>
-	-	-	-	2,661
-	-	-	-	8,794
-	-	-	-	731
11,448	850	3,942	-	16,240
<u>11,448</u>	<u>850</u>	<u>3,942</u>	<u>-</u>	<u>28,426</u>
-	-	-	-	889
-	-	2,729	-	2,729
-	8,527	632	(6,681)	19,759
<u>11,448</u>	<u>9,377</u>	<u>7,303</u>	<u>(6,681)</u>	<u>122,371</u>
<u>-</u>	<u>4,154</u>	<u>-</u>	<u>-</u>	<u>16,975</u>
11,448	5,223	7,303	(6,681)	105,396
-	-	2,569	(1,285)	297,150
-	-	22,878	(21,288)	2,896
<u>-</u>	<u>-</u>	<u>25,447</u>	<u>(22,573)</u>	<u>300,046</u>
<u>\$ 11,750</u>	<u>\$ 12,861</u>	<u>\$ 57,885</u>	<u>\$ (36,900)</u>	<u>\$ 513,860</u>
\$ 46	\$ 696	\$ 179	\$ -	\$ 6,644
-	-	-	-	4,561
-	-	3,146	-	17,229
-	-	-	-	3,300
-	-	3,524	(14,834)	-
-	-	3,328	-	13,216
-	-	1,787	-	5,518
<u>46</u>	<u>696</u>	<u>11,964</u>	<u>(14,834)</u>	<u>50,468</u>
-	-	1,476	(14,656)	305,122
<u>2,158</u>	<u>6,587</u>	<u>3,579</u>	<u>-</u>	<u>30,911</u>
2,204	7,283	17,019	(29,490)	386,501
9,546	5,578	40,524	(365)	119,391
-	-	342	(7,045)	7,968
<u>9,546</u>	<u>5,578</u>	<u>40,866</u>	<u>(7,410)</u>	<u>127,359</u>
<u>\$ 11,750</u>	<u>\$ 12,861</u>	<u>\$ 57,885</u>	<u>\$ (36,900)</u>	<u>\$ 513,860</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH (BLCWI)	Northland House Group Home (NHGH)
REVENUES						
Resident Service Revenue	\$ 22,521	\$ 36,439	\$ 5,577	\$ 9,766	\$ 14,170	\$ 500
Other Operating Revenue:						
Interest	-	21	-	27	5	-
Other	1,191	906	90	188	563	-
Total Revenues	23,712	37,366	5,667	9,981	14,738	500
EXPENSES						
Salaries	11,259	18,769	1,939	5,099	7,169	245
Benefits	2,359	4,666	398	1,054	1,620	59
Professional Fees	150	1,146	6	40	165	1
Supplies	2,067	3,076	500	722	1,469	16
Purchased Services	1,920	3,424	419	642	1,733	40
Provision for Doubtful Accounts	113	84	26	15	24	-
Professional Liability and General Insurance	178	365	57	75	169	4
Utilities	560	828	213	173	311	11
Repairs and Maintenance	139	274	8	5	46	3
Depreciation	1,474	1,095	124	569	281	5
Amortization	36	44	-	22	12	-
Interest	870	1,184	-	603	384	-
Building Lease	145	34	1,747	110	1	67
Other	826	704	129	199	626	11
Total Expenses	22,096	35,693	5,566	9,328	14,010	462
INCOME (LOSS) FROM OPERATIONS	1,616	1,673	101	653	728	38
NONOPERATING INCOME (LOSS)						
Investment Income	184	(12)	-	-	6	-
Realized Gain on Investments	434	-	-	-	-	-
Unrealized Gain (Loss) on Trading Investments	(691)	21	-	16	5	-
Net Philanthropy Activities	-	-	-	-	5	-
Gain (Loss) on Disposal/Acquisition of Property	1	(28)	-	-	-	-
Loss on Refinancing	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	(72)	(19)	-	16	16	-
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	1,544	1,654	101	669	744	38
Net Assets Released from Restrictions Used for						
Purchase of Property and Equipment	-	-	-	-	-	-
Other Net Asset Transfers	(118)	585	(47)	(4)	(42)	(17)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 1,426	\$ 2,239	\$ 54	\$ 665	\$ 702	\$ 21

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)	Park Place Senior Living
\$ 36	\$ 57,192	\$ 4,822	\$ 12,997	\$ 3,267	\$ 14,745	\$ 2,347	\$ 21,930	\$ 13,897	\$ 10,821	\$ 359
1	-	-	114	-	40	-	95	5	-	-
6	1,960	329	655	37	514	9	1,036	407	145	2
43	59,152	5,151	13,766	3,304	15,299	2,356	23,061	14,309	10,966	361
11	29,514	2,449	5,971	1,698	7,022	864	7,786	6,483	4,916	172
(55)	5,745	619	1,103	320	1,426	165	1,965	1,266	1,165	39
19	1,017	87	510	18	708	11	1,488	444	647	-
12	4,913	505	1,297	279	1,159	190	1,806	1,427	699	30
7	5,978	528	1,155	256	1,239	80	2,119	2,103	871	36
73	396	5	64	3	9	-	59	132	126	12
72	464	70	138	36	132	23	212	134	71	5
6	1,066	138	381	148	505	81	626	417	248	25
-	469	50	103	70	281	34	204	86	107	10
-	2,179	191	719	268	1,139	334	2,135	219	510	-
-	137	3	31	6	11	2	46	13	27	-
-	1,206	99	1,285	149	271	329	2,342	212	311	-
-	29	50	-	-	-	-	11	-	6	58
(152)	2,285	273	522	305	744	267	1,012	506	395	11
(7)	55,398	5,067	13,279	3,556	14,646	2,380	21,811	13,442	10,099	398
50	3,754	84	487	(252)	653	(24)	1,250	867	867	(37)
1	74	7	1	-	42	1	55	2	2	-
-	59	-	207	-	100	-	-	-	-	-
-	(94)	-	25	-	(199)	-	226	-	-	-
-	-	-	-	-	-	-	-	106	-	-
(51)	-	-	-	-	-	-	-	-	-	-
-	-	-	(545)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(1,065)	-	-	-
-	-	-	-	-	-	-	(14)	-	-	-
(50)	39	7	(312)	-	(57)	1	(798)	108	2	-
-	3,793	91	175	(252)	596	(23)	452	975	869	(37)
-	-	-	-	-	-	-	-	-	-	-
3	(404)	(82)	(42)	19	(168)	102	123	(118)	23	-
\$ 3	\$ 3,389	\$ 9	\$ 133	\$ (233)	\$ 428	\$ 79	\$ 575	\$ 857	\$ 892	\$ (37)

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCs)	Benedictine Health System Foundation (BHSF)
REVENUES						
Resident Service Revenue	\$ 16,225	\$ 12,634	\$ 9,497	\$ 1,133	\$ -	\$ -
Other Operating Revenue:						
Interest	1	-	31	22	-	-
Other	405	107	452	108	-	-
Total Revenues	<u>16,631</u>	<u>12,741</u>	<u>9,980</u>	<u>1,263</u>	<u>-</u>	<u>-</u>
EXPENSES						
Salaries	8,627	6,746	4,363	732	53	-
Benefits	1,912	1,398	1,023	99	7	-
Professional Fees	58	58	117	1	1	-
Supplies	1,504	1,033	743	197	13	-
Purchased Services	1,172	873	816	294	181	-
Provision for Doubtful Accounts	89	32	74	5	-	-
Professional Liability and General Insurance	181	129	113	33	11	-
Utilities	447	270	351	62	2	-
Repairs and Maintenance	197	111	66	23	-	-
Depreciation	523	417	754	421	1	-
Amortization	5	24	21	15	-	-
Interest	212	359	968	655	2	-
Building Lease	29	-	-	46	31	-
Other	872	507	673	97	150	-
Total Expenses	<u>15,828</u>	<u>11,957</u>	<u>10,082</u>	<u>2,680</u>	<u>452</u>	<u>-</u>
INCOME (LOSS) FROM OPERATIONS	803	784	(102)	(1,417)	(452)	-
NONOPERATING INCOME (LOSS)						
Investment Income	45	15	3	-	-	31
Realized Gain on Investments	84	-	-	-	5	-
Unrealized Gain (Loss) on Trading Investments	(134)	-	24	12	74	6
Net Philanthropy Activities	-	-	-	-	-	(2,240)
Gain (Loss) on Disposal/Acquisition of Property	-	-	-	-	-	-
Loss on Refinancing	-	-	-	-	-	-
Interest Rate Swap Market Adjustment	-	-	-	-	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	<u>(5)</u>	<u>15</u>	<u>27</u>	<u>12</u>	<u>79</u>	<u>(2,203)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	798	799	(75)	(1,405)	(373)	(2,203)
Net Assets Released from Restrictions Used for						
Purchase of Property and Equipment	-	-	-	-	-	2,027
Other Net Asset Transfers	(14)	(62)	20	1	-	(62)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 784</u>	<u>\$ 737</u>	<u>\$ (55)</u>	<u>\$ (1,404)</u>	<u>\$ (373)</u>	<u>\$ (238)</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self-Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (Benedictine)
\$ -	\$ -	\$ 149	\$ -	\$ 271,024
-	-	-	-	362
1,451	1,942	44,119	(41,472)	15,150
<u>1,451</u>	<u>1,942</u>	<u>44,268</u>	<u>(41,472)</u>	<u>286,536</u>
-	-	16,003	(3,261)	144,629
-	1,227	22,339	(19,432)	32,487
27	-	433	(793)	6,359
-	-	114	-	23,771
265	396	2,885	(16,527)	12,905
-	-	-	-	1,341
(195)	-	(44)	(1,458)	975
-	-	150	-	7,019
-	-	5	-	2,291
-	-	180	(31)	13,507
-	-	2	-	457
-	-	100	-	11,541
-	-	562	-	2,926
40	-	1,447	-	12,449
<u>137</u>	<u>1,623</u>	<u>44,176</u>	<u>(41,502)</u>	<u>272,657</u>
1,314	319	92	30	13,879
236	275	265	(21)	1,212
(30)	-	2	-	861
(72)	(30)	2	-	(809)
-	-	-	-	(2,129)
-	-	(354)	-	(432)
-	-	-	-	(545)
-	-	-	-	(1,065)
-	-	2,598	-	2,584
<u>134</u>	<u>245</u>	<u>2,513</u>	<u>(21)</u>	<u>(323)</u>
1,448	564	2,605	9	13,556
-	-	-	-	2,027
-	(1,259)	2,053	(1,885)	(1,395)
<u>\$ 1,448</u>	<u>\$ (695)</u>	<u>\$ 4,658</u>	<u>\$ (1,876)</u>	<u>\$ 14,188</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH (BLCWI)	Northland House Group Home (NHGH)
REVENUES						
Resident Service Revenue	\$ 22,140	\$ 35,816	\$ 5,303	\$ 9,714	\$ 14,190	\$ 571
Other Operating Revenue:						
Interest	-	66	-	(3)	7	-
Other	752	657	116	23	32	-
Total Revenues	<u>22,892</u>	<u>36,539</u>	<u>5,419</u>	<u>9,734</u>	<u>14,229</u>	<u>571</u>
EXPENSES						
Salaries	11,052	18,783	1,725	5,028	7,245	247
Benefits	2,454	5,109	367	1,061	1,621	70
Professional Fees	118	758	5	149	195	-
Supplies	1,977	2,787	455	740	1,484	14
Purchased Services	2,024	3,433	400	615	1,641	51
Provision for Doubtful Accounts	15	504	47	(127)	40	-
Professional Liability and General Insurance	162	364	40	69	162	4
Utilities	579	902	207	179	313	12
Repairs and Maintenance	165	227	1	8	58	3
Depreciation	1,449	1,318	107	532	289	5
Amortization	36	30	-	19	17	-
Interest	892	1,257	1	735	397	-
Building Lease	141	34	1,747	110	-	65
Other	766	725	121	170	624	16
Total Expenses	<u>21,830</u>	<u>36,231</u>	<u>5,223</u>	<u>9,288</u>	<u>14,086</u>	<u>487</u>
INCOME (LOSS) FROM OPERATIONS	1,062	308	196	446	143	84
NONOPERATING INCOME (LOSS)						
Investment Income	212	19	-	4	3	-
Realized Gain on Investments	353	-	-	-	-	-
Unrealized Gain (Loss) on Trading Investments	(72)	-	-	5	7	-
Net Philanthropy Activities	-	-	-	-	-	-
Gain (Loss) on Disposal/Acquisition of Property	-	-	-	-	-	-
Loss on Refinancing	-	-	-	(312)	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	<u>493</u>	<u>19</u>	<u>-</u>	<u>(303)</u>	<u>10</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	1,555	327	196	143	153	84
Net Assets Released from Restrictions Used for Purchase of Property and Equipment						
Other Net Asset Transfers	6	(191)	858	(41)	(39)	(2)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 1,561</u>	<u>\$ 136</u>	<u>\$ 1,054</u>	<u>\$ 102</u>	<u>\$ 114</u>	<u>\$ 82</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)	Park Place Park Place Senior Living
\$ 12,984	\$ 55,946	\$ 5,146	\$ 12,293	\$ 3,209	\$ 15,150	\$ 2,237	\$ 18,802	\$ 13,185	\$ 10,104	\$ 1,686
12	-	-	156	-	41	-	89	7	-	-
31	268	208	68	12	341	2	695	169	10	30
<u>13,027</u>	<u>56,214</u>	<u>5,354</u>	<u>12,517</u>	<u>3,221</u>	<u>15,532</u>	<u>2,239</u>	<u>19,586</u>	<u>13,361</u>	<u>10,114</u>	<u>1,716</u>
6,720	28,757	2,396	5,595	1,634	7,276	1,006	6,776	6,239	5,110	642
2,178	5,859	671	1,033	328	1,728	196	1,908	1,266	1,218	151
98	1,117	38	657	2	232	17	1,224	278	231	2
991	4,647	429	1,330	236	1,236	191	1,597	1,273	664	145
1,134	6,041	551	1,091	272	1,216	81	2,077	2,139	876	127
252	275	3	10	4	19	1	32	133	51	(3)
148	430	66	127	33	123	21	240	116	90	31
292	1,129	164	395	159	492	91	605	438	232	85
59	481	65	110	108	270	49	143	167	59	43
346	2,163	178	700	261	1,103	333	1,807	210	509	1
11	111	3	42	6	11	2	46	13	27	-
235	1,184	106	1,650	156	283	345	2,040	211	322	(1)
-	37	50	-	-	-	-	9	-	-	278
680	2,193	262	449	304	340	271	1,123	520	409	95
<u>13,144</u>	<u>54,424</u>	<u>4,982</u>	<u>13,189</u>	<u>3,503</u>	<u>14,329</u>	<u>2,604</u>	<u>19,627</u>	<u>13,003</u>	<u>9,798</u>	<u>1,596</u>
(117)	1,790	372	(672)	(282)	1,203	(365)	(41)	358	316	120
6	91	8	1	-	45	1	60	1	1	-
-	49	-	-	-	78	-	-	-	-	-
9	(12)	-	155	-	(21)	-	124	-	-	-
-	1	-	-	-	-	-	-	178	-	-
(1,190)	-	-	-	-	2	-	-	-	-	(22)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>(1,175)</u>	<u>129</u>	<u>8</u>	<u>156</u>	<u>-</u>	<u>104</u>	<u>1</u>	<u>184</u>	<u>179</u>	<u>1</u>	<u>(22)</u>
(1,292)	1,919	380	(516)	(282)	1,307	(364)	143	537	317	98
-	-	-	-	-	-	-	13,500	-	-	-
(459)	(992)	(210)	(68)	18	(524)	450	(74)	33	(48)	-
<u>\$ (1,751)</u>	<u>\$ 927</u>	<u>\$ 170</u>	<u>\$ (584)</u>	<u>\$ (264)</u>	<u>\$ 783</u>	<u>\$ 86</u>	<u>\$ 13,569</u>	<u>\$ 570</u>	<u>\$ 269</u>	<u>\$ 98</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCs)	Benedictine Health System Foundation (BHSF)
REVENUES						
Resident Service Revenue	\$ 15,649	\$ 12,074	\$ 9,761	\$ -	\$ -	\$ -
Other Operating Revenue:						
Interest	1	-	11	-	-	-
Other	99	98	241	-	-	-
Total Revenues	<u>15,749</u>	<u>12,172</u>	<u>10,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES						
Salaries	8,172	6,564	4,621	54	-	-
Benefits	1,971	1,579	1,039	3	-	-
Professional Fees	45	62	109	3	-	-
Supplies	1,268	999	813	9	1	-
Purchased Services	1,105	834	753	210	135	-
Provision for Doubtful Accounts	99	119	25	-	-	-
Professional Liability and General Insurance	166	123	98	10	-	-
Utilities	465	274	347	1	-	-
Repairs and Maintenance	252	113	36	-	-	-
Depreciation	533	400	553	-	-	-
Amortization	5	24	17	-	-	-
Interest	229	376	700	-	-	-
Building Lease	28	-	320	51	-	-
Other	758	512	515	23	2	-
Total Expenses	<u>15,096</u>	<u>11,979</u>	<u>9,946</u>	<u>364</u>	<u>138</u>	<u>-</u>
INCOME (LOSS) FROM OPERATIONS	653	193	67	(364)	(138)	-
NONOPERATING INCOME (LOSS)						
Investment Income	45	22	2	-	-	39
Realized Gain on Investments	69	-	-	-	13	-
Unrealized Gain (Loss) on Trading Investments	(15)	-	12	5	17	96
Net Philanthropy Activities	-	-	-	-	-	(2,485)
Gain (Loss) on Disposal/Acquisition of Property	-	-	-	-	-	-
Loss on Refinancing	-	-	(223)	-	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	<u>99</u>	<u>22</u>	<u>(209)</u>	<u>5</u>	<u>30</u>	<u>(2,350)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	752	215	(142)	(359)	(108)	(2,350)
Net Assets Released from Restrictions Used for						
Purchase of Property and Equipment	-	-	-	-	-	2,753
Other Net Asset Transfers	40	45	(48)	-	2,026	(468)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 792</u>	<u>\$ 260</u>	<u>\$ (190)</u>	<u>\$ (359)</u>	<u>\$ 1,918</u>	<u>\$ (65)</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (Benedictine)
\$ -	\$ -	\$ 3	\$ -	\$ 275,963
-	-	-	-	387
1,491	2,290	47,947	(43,811)	11,769
<u>1,491</u>	<u>2,290</u>	<u>47,950</u>	<u>(43,811)</u>	<u>288,119</u>
-	-	15,314	(2,699)	148,257
-	760	22,794	(22,281)	33,083
-	-	526	(931)	4,935
-	-	102	-	23,388
291	275	2,628	(16,018)	13,982
-	-	-	-	1,499
781	-	57	(1,382)	2,079
-	-	124	-	7,485
-	-	10	-	2,427
-	-	206	(31)	12,972
-	-	3	-	423
-	-	119	-	11,237
-	-	468	-	3,338
17	-	1,700	-	12,595
<u>1,089</u>	<u>1,035</u>	<u>44,051</u>	<u>(43,342)</u>	<u>277,700</u>
402	1,255	3,899	(469)	10,419
187	140	80	(36)	931
629	-	2	-	1,193
(409)	150	4	-	55
-	-	-	-	(2,306)
-	-	-	-	(1,210)
-	-	-	-	(535)
-	-	955	-	955
<u>407</u>	<u>290</u>	<u>1,041</u>	<u>(36)</u>	<u>(917)</u>
809	1,545	4,940	(505)	9,502
-	-	-	-	16,253
-	(1,267)	(1,661)	(955)	(3,571)
<u>\$ 809</u>	<u>\$ 278</u>	<u>\$ 3,279</u>	<u>\$ (1,460)</u>	<u>\$ 22,184</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH (BLCWI)	Northland House Group Home (NHGH)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	\$ 20,087	\$ 49	\$ 43	\$ (649)	\$ (1,286)	\$ 838
Excess (Deficit) of Revenue over Expense	1,544	1,654	101	669	744	38
Net Assets Released from Restrictions used for Purchase of Property and Equipment	-	-	-	-	-	-
Other Net Asset Transfers	(118)	585	(47)	(4)	(42)	(17)
Change in Net Assets Without Donor Restrictions	1,426	2,239	54	665	702	21
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	21,513	2,288	97	16	(584)	859
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	275	1,326	-	151	61	-
Contributions	-	-	-	-	-	-
Net Assets Released from Restrictions	-	-	-	-	-	-
Change in Net Assets of Affiliated Foundation	42	(14)	-	38	2	-
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	-
Other Net Asset Transfers	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Change in Net Assets With Donor Restrictions	42	(14)	-	38	2	-
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	317	1,312	-	189	63	-
TOTAL NET ASSETS	\$ 21,830	\$ 3,600	\$ 97	\$ 205	\$ (521)	\$ 859

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)
\$ (957)	\$ 15,534	\$ 3,246	\$ (14,678)	\$ 381	\$ 11,097	\$ (1,754)	\$ 16,124	\$ 2,578	\$ 463
-	3,793	91	175	(252)	596	(23)	452	975	832
-	-	-	-	-	-	-	-	-	-
3	(404)	(82)	(42)	19	(168)	102	123	(118)	23
<u>3</u>	<u>3,389</u>	<u>9</u>	<u>133</u>	<u>(233)</u>	<u>428</u>	<u>79</u>	<u>575</u>	<u>857</u>	<u>855</u>
(954)	18,923	3,255	(14,545)	148	11,525	(1,675)	16,699	3,435	1,318
-	961	93	83	-	456	-	1,516	-	108
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	45	45	(22)	-	84	-	(91)	-	(64)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>-</u>	<u>45</u>	<u>45</u>	<u>(22)</u>	<u>-</u>	<u>84</u>	<u>-</u>	<u>(91)</u>	<u>-</u>	<u>(64)</u>
-	1,006	138	61	-	540	-	1,425	-	44
<u>\$ (954)</u>	<u>\$ 19,929</u>	<u>\$ 3,393</u>	<u>\$ (14,484)</u>	<u>\$ 148</u>	<u>\$ 12,065</u>	<u>\$ (1,675)</u>	<u>\$ 18,124</u>	<u>\$ 3,435</u>	<u>\$ 1,362</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCS)	Benedictine Health System Foundation (BHSF)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	\$ 6,920	\$ 368	\$ 767	\$ (359)	\$ 1,918	\$ 3,378
Excess (Deficit) of Revenue over Expense	798	799	(75)	(1,405)	(373)	(2,203)
Net Assets Released from Restrictions used for Purchase of Property and Equipment	-	-	-	-	-	2,027
Other Net Asset Transfers	(14)	(62)	20	1	-	(62)
Change in Net Assets Without Donor Restrictions	<u>784</u>	<u>737</u>	<u>(55)</u>	<u>(1,404)</u>	<u>(373)</u>	<u>(238)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	7,704	1,105	712	(1,763)	1,545	3,140
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	810	347	30	-	-	8,454
Contributions	-	-	-	-	-	2,961
Net Assets Released from Restrictions	-	-	-	-	-	(2,027)
Change in Net Assets of Affiliated Foundation	260	149	11	-	-	-
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	96
Other Net Asset Transfers	-	-	-	-	-	-
Other Income	-	-	-	-	-	8
Change in Net Assets With Donor Restrictions	<u>260</u>	<u>149</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>1,038</u>
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	1,070	496	41	-	-	9,492
TOTAL NET ASSETS	<u>\$ 8,774</u>	<u>\$ 1,601</u>	<u>\$ 753</u>	<u>\$ (1,763)</u>	<u>\$ 1,545</u>	<u>\$ 12,632</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (Benedictine)
\$ 9,546	\$ 5,578	\$ 40,524	\$ (365)	\$ 119,391
1,448	564	2,605	9	13,556
-	-	-	-	2,027
-	(1,259)	2,053	(1,885)	(1,395)
<u>1,448</u>	<u>(695)</u>	<u>4,658</u>	<u>(1,876)</u>	<u>14,188</u>
10,994	4,883	45,182	(2,241)	133,579
-	-	342	(7,045)	7,968
-	-	-	-	2,961
-	-	-	-	(2,027)
-	-	25	(143)	367
-	-	-	-	96
-	-	-	-	-
-	-	-	-	8
<u>-</u>	<u>-</u>	<u>25</u>	<u>(143)</u>	<u>1,405</u>
-	-	367	(7,188)	9,373
<u>\$ 10,994</u>	<u>\$ 4,883</u>	<u>\$ 45,549</u>	<u>\$ (9,429)</u>	<u>\$ 142,952</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH (BLCWI)	Northland House Group Home (NHGH)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	\$ 18,526	\$ (87)	\$ (1,011)	\$ (751)	\$ (1,400)	\$ 756
Excess (Deficit) of Revenue over Expense	1,555	327	196	143	153	84
Net Assets Released from Restrictions used for Purchase of Property and Equipment	-	-	-	-	-	-
Other Net Asset Transfers	6	(191)	858	(41)	(39)	(2)
Change in Net Assets Without Donor Restrictions	<u>1,561</u>	<u>136</u>	<u>1,054</u>	<u>102</u>	<u>114</u>	<u>82</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	20,087	49	43	(649)	(1,286)	838
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	273	1,585	-	184	56	-
Contributions	-	-	-	-	-	-
Net Assets Released for Fixed Assets	-	-	-	-	-	-
Change in Net Assets of Affiliated Foundation	2	(259)	-	(33)	5	-
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	-
Other Net Asset Transfers	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Change in Net Assets With Donor Restrictions	<u>2</u>	<u>(259)</u>	<u>-</u>	<u>(33)</u>	<u>5</u>	<u>-</u>
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	275	1,326	-	151	61	-
TOTAL NET ASSETS	<u>\$ 20,362</u>	<u>\$ 1,375</u>	<u>\$ 43</u>	<u>\$ (498)</u>	<u>\$ (1,225)</u>	<u>\$ 838</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)
\$ 794	\$ 14,607	\$ 3,076	\$ (14,094)	\$ 645	\$ 10,314	\$ (1,840)	\$ 2,555	\$ 2,008	\$ 96
(1,292)	1,919	380	(516)	(282)	1,307	(364)	143	537	415
-	-	-	-	-	-	-	13,500	-	-
(459)	(992)	(210)	(68)	18	(524)	450	(74)	33	(48)
<u>(1,751)</u>	<u>927</u>	<u>170</u>	<u>(584)</u>	<u>(264)</u>	<u>783</u>	<u>86</u>	<u>13,569</u>	<u>570</u>	<u>367</u>
(957)	15,534	3,246	(14,678)	381	11,097	(1,754)	16,124	2,578	463
82	863	151	68	-	427	-	14,831	-	40
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(13,500)	-	-
(82)	98	(58)	15	-	29	-	185	-	68
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>(82)</u>	<u>98</u>	<u>(58)</u>	<u>15</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>(13,315)</u>	<u>-</u>	<u>68</u>
-	961	93	83	-	456	-	1,516	-	108
<u>\$ (957)</u>	<u>\$ 16,495</u>	<u>\$ 3,339</u>	<u>\$ (14,595)</u>	<u>\$ 381</u>	<u>\$ 11,553</u>	<u>\$ (1,754)</u>	<u>\$ 17,640</u>	<u>\$ 2,578</u>	<u>\$ 571</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCs)	Benedictine Health System Foundation (BHSF)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	\$ 6,128	\$ 108	\$ 957	\$ -	\$ -	\$ 3,443
Excess (Deficit) of Revenue over Expense	752	215	(142)	(359)	(108)	(2,350)
Net Assets Released from Restrictions used for Purchase of Property and Equipment	-	-	-	-	-	2,753
Other Net Asset Transfers	40	45	(48)	-	2,026	(468)
Change in Net Assets Without Donor Restrictions	<u>792</u>	<u>260</u>	<u>(190)</u>	<u>(359)</u>	<u>1,918</u>	<u>(65)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	6,920	368	767	(359)	1,918	3,378
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	776	364	20	-	-	8,533
Contributions	-	-	-	-	-	2,443
Net Assets Released for Fixed Assets	-	-	-	-	-	(2,753)
Change in Net Assets of Affiliated Foundation	34	(17)	10	-	-	-
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	180
Other Net Asset Transfers	-	-	-	-	-	-
Other Income	-	-	-	-	-	51
Change in Net Assets With Donor Restrictions	<u>34</u>	<u>(17)</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>(79)</u>
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	810	347	30	-	-	8,454
TOTAL NET ASSETS	<u>\$ 7,730</u>	<u>\$ 715</u>	<u>\$ 797</u>	<u>\$ (359)</u>	<u>\$ 1,918</u>	<u>\$ 11,832</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self-Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (Benedictine)
\$ 8,737	\$ 5,300	\$ 37,245	\$ 1,095	\$ 97,207
809	1,545	4,940	(505)	9,502
-	-	-	-	16,253
-	(1,267)	(1,661)	(955)	(3,571)
<u>809</u>	<u>278</u>	<u>3,279</u>	<u>(1,460)</u>	<u>22,184</u>
9,546	5,578	40,524	(365)	119,391
-	-	353	(6,552)	22,054
-	-	-	-	2,443
-	-	-	-	(16,253)
-	-	(11)	(493)	(507)
-	-	-	-	180
-	-	-	-	-
-	-	-	-	51
<u>-</u>	<u>-</u>	<u>(11)</u>	<u>(493)</u>	<u>(14,086)</u>
-	-	342	(7,045)	7,968
<u>\$ 9,546</u>	<u>\$ 5,578</u>	<u>\$ 40,866</u>	<u>\$ (7,410)</u>	<u>\$ 127,359</u>

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BENEDICTINE HEALTH SYSTEM
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2019 AND 2018

**BENEDICTINE HEALTH SYSTEM
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Benedictine Health System
Duluth, Minnesota

We have audited the accompanying consolidated financial statements of Benedictine Health System, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benedictine Health System as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Change in Accounting Principle

As discussed in Notes 2 and 3, Benedictine Health System adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This new standard provides guidance for revenue recognition and requires expanded disclosures within the financial statements. Our opinion is not modified with respect to this matter.

Other Matter

US GAAP, in accordance with the adoption of Accounting Standards Update (ASU) 2015-09, requires an insurance company to provide tables with certain disaggregated undiscounted basis insurance claims information illustrating the amount of insurance claims that have been incurred and paid out for the number of years for which claims incurred typically remain outstanding but need not exceed 10 years including the most recent year. Benedictine Health System has not included the relevant disclosure requirements related to Benedictine Health System Insurance Services SPG as it was not considered material to the consolidated financial statements, however this constitutes a departure from US GAAP. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 30, 2019

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

ASSETS	2019	2018 (As Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 39,998	\$ 30,696
Short-Term Investments	12,734	10,914
Residents Accounts Receivable	22,273	21,987
Other Accounts Receivable	2,845	2,472
Pledge Receivables	258	3,863
Current Portion of Assets Limited As to Use	16,975	7,706
Inventories	185	181
Prepaid Expenses and Other	3,969	3,972
Total Current Assets	99,237	81,791
 ASSETS LIMITED AS TO USE	 131,552	 78,743
Less: Current Portion Shown Above	16,975	7,706
Total Assets Limited as to Use (Net of Current Portion Shown Above)	114,577	71,037
 OTHER ASSETS		
Property and Equipment (Net)	297,150	257,902
Intangible and Other Assets (Net)	2,896	3,548
Total Other Assets	300,046	261,450
Total Assets	\$ 513,860	\$ 414,278

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED BALANCE SHEETS (CONTINUED)
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

	2019	2018 (As Restated)
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 6,644	\$ 4,757
Construction	4,561	3,797
Accrued Expenses:		
Salaries, Wages, and Benefits	17,229	14,943
Interest	3,300	2,624
Current Maturities of Long-Term Debt	13,216	22,073
Other	5,518	4,203
Total Current Liabilities	50,468	52,397
LONG-TERM DEBT (Net of Current Maturities Shown Above and Unamortized Financing Costs)	305,122	209,930
OTHER NONCURRENT LIABILITIES	30,911	32,690
Total Liabilities	386,501	295,017
COMMITMENTS AND CONTINGENT LIABILITIES		
NET ASSETS		
Without Donor Restrictions	119,391	97,207
With Donor Restrictions	7,968	22,054
Total Net Assets	127,359	119,261
Total Liabilities and Net Assets	\$ 513,860	\$ 414,278

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

	2019	2018 (As Restated)
REVENUE, GAINS, AND SUPPORT		
Resident Service Revenue	\$ 275,963	\$ 259,130
Other Operating Revenue:		
Interest	387	250
Other	11,769	12,859
Total Revenue, Gains, and Support	288,119	272,239
 EXPENSE		
Salaries, Wages, and Related Benefits	181,340	172,901
Professional Fees	4,935	6,507
Supplies	23,388	22,663
Purchased Services	13,982	13,409
Provision for Doubtful Accounts	1,499	1,446
Professional Liability and General Insurance	2,079	1,346
Utilities	7,485	7,125
Repairs and Maintenance	2,427	2,020
Depreciation	12,972	12,308
Interest	11,660	11,054
Building Lease	3,338	3,467
Other Expense	12,595	12,350
Total Expense	277,700	266,596
 INCOME FROM OPERATIONS	 10,419	 5,643
 NONOPERATING INCOME (LOSS)		
Investment Income	931	553
Realized Gain on Investments	1,193	508
Unrealized (Loss) Gain on Trading Securities	55	540
Net Philanthropy Activities	(2,306)	(2,550)
Loss on Disposal/Acquisition of Property and Equipment	(1,210)	(632)
Loss on Refinancing	(535)	(321)
Other Nonoperating Revenue	955	2,424
Total Nonoperating Income (Loss)	(917)	522
 EXCESS OF REVENUE OVER EXPENSE	 9,502	 6,165
 Net Assets Released from Restrictions Used for		
Purchase of Property and Equipment	16,253	6,602
Contributions for Property Acquisitions	-	45
Loss on Discontinued Operations	-	(2,252)
Other Net Asset Transfers	(3,571)	(4,346)
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 \$ 22,184	 \$ 6,214

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

	<u>2019</u>	<u>2018</u> (As Restated)
NET ASSETS WITHOUT DONOR RESTRICTIONS – BEGINNING AS PREVIOUSLY REPORTED		\$ 91,323
Cumulative Effect - Note 3		<u>(330)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS – BEGINNING AS RESTATED	\$ 97,207	\$ 90,993
Excess of Revenue over Expense	9,502	6,165
Net Assets Released from Restrictions Used for		
Purchase of Property and Equipment	16,253	6,602
Contributions for Acquisition of Property	-	45
Loss on Discontinued Operations	-	(2,252)
Other Net Asset Transfers	<u>(3,571)</u>	<u>(4,346)</u>
Change in Net Assets Without Donor Restrictions	<u>22,184</u>	<u>6,214</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS – ENDING	<u>\$ 119,391</u>	<u>\$ 97,207</u>
NET ASSETS WITH DONOR RESTRICTIONS – BEGINNING	\$ 22,054	\$ 24,546
Contributions	2,443	3,696
Net Assets Released from Restrictions	(16,253)	(6,602)
Change in Net Assets of Affiliated Foundation	(507)	98
Transfers to Nonaffiliated Foundations	-	(22)
Unrealized Gain on Investments	180	256
Other Net Asset Transfers	-	32
Other Income	<u>51</u>	<u>50</u>
Change in Net Assets With Donor Restrictions	<u>(14,086)</u>	<u>(2,492)</u>
NET ASSETS WITH DONOR RESTRICTIONS – ENDING	<u>\$ 7,968</u>	<u>\$ 22,054</u>
TOTAL NET ASSETS – BEGINNING	\$ 119,261	\$ 115,539
Change in Total Net Assets	<u>8,098</u>	<u>3,722</u>
TOTAL NET ASSETS – ENDING	<u>\$ 127,359</u>	<u>\$ 119,261</u>

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

	2019	2018 (As Restated)
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,098	\$ 3,722
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Reconciling Items Included in Discontinued Operations	-	2,180
Depreciation	12,972	12,308
Amortization	423	381
Accretion Expense	14	13
Housing Entry Fees Earned	(724)	(662)
Realized Gain on Investments (Net)	(1,193)	(508)
Unrealized Gain on Investments (Net)	(55)	(540)
Restricted Contributions	(2,443)	(3,696)
Loss on Refinancing	535	321
Loss on Disposal/Acquisition of Property and Equipment	1,210	632
(Increase) Decrease in:		
Accounts Receivable	(659)	1,715
Trading Securities (Net)	(1,820)	1,033
Other Current Assets	(1)	646
Other Noncurrent Assets	368	2,402
Increase (Decrease) in:		
Accounts Payable	1,887	(5,817)
Other Current Liabilities	4,277	1,243
Other Noncurrent Liabilities	(2,608)	(321)
Net Cash Provided by Operating Activities	20,281	15,052
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(18,613)	(20,035)
Change in Assets Limited as to Use	11,361	(689)
Net Cash Used by Investing Activities	(7,252)	(20,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	-	22,205
Payments Made on Long-Term Debt	(11,148)	(24,205)
Restricted Contributions	6,048	8,833
Payment of Financing Costs	(166)	(1,399)
Net Entrance Fee Deposits Received from Residents	1,539	848
Net Cash Provided (Used) by Financing Activities	(3,727)	6,282
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,302	610
Cash and Cash Equivalents – Beginning	30,696	30,086
CASH AND CASH EQUIVALENTS – ENDING	\$ 39,998	\$ 30,696

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

	2019	2018
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of Property and Equipment from Project Funds	\$ 16,030	\$ 1,844
Proceeds from New Borrowing	\$ 118,221	\$ 8,026
Transfer of Existing Trustee Held Funds	1,462	-
Equity Contribution	386	-
Less: Uses of Funds:		
Deposit to Bond Funds	(80,800)	-
Payoff of Existing Debt	(18,361)	(7,131)
Acquisitions of Property and Equipment	(18,023)	-
Payment of Financing Costs	(2,885)	(147)
Net Proceeds	\$ -	\$ 748
NONCASH TRANSACTION		
Property and Equipment Funded through Construction Payable	\$ 4,561	\$ 3,797

See accompanying Notes to Consolidated Financial Statements.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 1 ORGANIZATION

Benedictine Health System (BHS-CORP), a Minnesota nonprofit corporation, and its affiliates (collectively, BHS or Organization), is a Catholic healthcare system that provides long-term care services, congregate housing, assisted living, rehabilitation services, and other health-care and social services. BHS also includes a captive insurance company, a workers' compensation insurance association, and a foundation. BHS owns or has a controlling interest in 22 nursing facilities with 1,762 licensed beds and 24 senior housing with services facilities with 1,541 units in five states. Abbreviations used throughout these consolidated financial statements refer to the respective organization included in the supplementary consolidating schedules.

In addition, BHS has a noncontrolling interest or provides management services to five nursing facilities with 462 licensed beds and six senior housing with services facilities in two states with 611 units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements represent the consolidated financial position, results of operations, and cash flows of BHS. All significant inter-affiliate accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization reports contributions received according to two classes of net assets depending on the existence or nature of any donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board of directors has set aside for a particular purpose.

Net Assets with Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization, passage of time or maintained permanently. The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restriction class.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts received with donor stipulations are reports as donor-restricted support.

When a donor restriction is satisfied, net assets are released and reported as an increase in net assets without donor restrictions. Income earned on net assets with donor restrictions, including capital appreciation, is recognized in the period earned.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows the Organization considers all cash and short-term investments with an original maturity of three months or less to be cash and cash equivalents. The carrying amount of cash equivalents is a reasonable estimate of fair value.

Inventories

Inventories, including drugs and supplies, are stated at the lower of cost (principally on the first-in, first-out basis) or market.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and temporary cash investments. The Organization believes it places its cash and cash equivalents and temporary cash investments with high quality credit institutions. At times such investments may be in excess of the FDIC insurance limit.

Investments

BHS has classified its entire investment portfolio as trading, with unrealized gains and losses included in excess of revenue over expense. Unrealized gains and losses on investments with donor restrictions are reported as net assets with donor restrictions, as appropriate. The cost of securities sold is based on the specific identification method.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

BHS participates in the Essentia Health Investment Program pooled funds. Each participant in the program is allocated their pro-rata share of investment earnings (losses) and expenses of the program.

The assets in the pooled funds are invested in cash and cash equivalents, mutual funds, equity and fixed income securities, and alternative investments and measured at fair value in the accompanying consolidated balance sheet. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenue over expense unless the income or loss is restricted by donor.

BHS, through its participation in the Essentia Health investment program, invests in certain alternative investments through “funds of funds.” Through these investments, BHS may be indirectly involved in investment activities such as securities lending, short sales of securities, options, warrants, trading in futures and forward contracts, swap contracts, and other derivative products. Derivatives are used to maintain asset mix or adjust portfolio risk exposure. While these financial instruments may contain varying degrees of risk and have varying degrees of liquidity, mostly ranging from 30 days to 180 days, BHS’s risk is limited to its capital balance in each investment.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market variability risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

In November 2017, IIIF merged into IIIF-William Fund, LLC and IIIF-Mary Fund, LLC. The assets in the funds consist of cash and cash equivalents, certificates of deposit and agency bonds and collateralized mortgage obligations. NLC records its investment in the funds at an amount equal to the aggregate contributions to the fund plus allocated income, losses (including market value adjustments) and expenses of the fund therefore recording their investment at market value June 30, 2019.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The provision for uncollectible accounts is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible accounts. When the Organization has exhausted all collection efforts and accounts are deemed uncollectible, they are charged to bad debt expense. Accounts receivable are net of an allowance for doubtful accounts of approximately \$1,488 and \$1,842 at June 30, 2019 and 2018, respectively.

Pledges Receivable

Pledges are recorded as receivables in the year made. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledges are received. Amortization of the discount is included as additions to the appropriate donor-restricted net asset classification.

Assets Limited as to Use

Assets limited as to use are comprised primarily of investments held for trading, which are stated at fair value, and include assets designated by the board of directors (over which the board retains control and may, at its discretion, subsequently use for other purposes) for future capital improvements and retirement of debt; assets held by trustees under indenture agreements for construction and debt service payments; and other assets, which consist of donor-restricted assets provided on behalf of certain members of BHS, assets set aside to fund the deferred compensation plan, insurance reserves, and resident funds held in trust.

Investment income earned on funds held by the bond trustee is reported as other operating revenue since the interest expense on the related bonds is reported as an operating expense. Similarly, investment income earned on funds held for payment of self-insured claims is reported as other operating revenue since the claim expense is reported as an operating expense. All other investment income (including realized gains and losses on investments, interest, dividends, declines in value determined to be other than temporary, and unrealized gains and losses on trading securities) is reported as nonoperating income. Realized gains and losses are determined using the specific identification method.

Property and Equipment

Property and equipment with an original cost greater than or equal to one-thousand dollars are recorded at cost for purchased assets or fair market value at date of receipt for donated assets. Depreciation of property is provided on the straight-line basis. Depreciation rates are based on the estimated useful lives of the assets.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Capitalization

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

Long-Lived Assets

BHS periodically evaluates whether events and circumstances have occurred that may affect the estimated useful life or recoverability of the net book value of property and equipment and the unamortized excess cost over net assets acquired. If such events or circumstances indicate that the carrying amounts may not be recoverable, an impairment loss is recorded based on an undiscounted cash flow analysis.

Insurance

The provision for estimated self-insured general and professional liability claims, health insurance claims, and workers compensation claims includes estimates of the undiscounted ultimate costs for both reported claims and claims incurred but not reported (IBNR).

Intangible and Other Assets

Intangible and other assets consist of the following at June 30:

	2019	2018
Goodwill (Net)	\$ 1,517	\$ 1,517
Other Intangibles	965	965
Notes Receivable	56	710
Investments in Ministry Partnerships	307	356
Other	51	-
Total	\$ 2,896	\$ 3,548

Goodwill of approximately \$1,517 represents the excess of the acquisition purchase price over the fair value of net assets acquired for various acquisitions. BHS assesses it for impairment on an annual basis in accordance with generally accepted accounting standards.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible and Other Assets (Continued)

Other intangibles consist primarily of the value paid to acquire health center bed licenses from other organizations. These intangible assets are not being amortized and are evaluated for potential impairment on an annual basis or more frequently if impairment indicators arise.

Notes receivable consist primarily of an unsecured, noninterest-bearing note due from an unconsolidated ministry partner. The note has no contractual repayment date. There are no amounts past due on the note and the balance is deemed collectible.

BHS reports its investments in unconsolidated ministry partnerships on the equity method of accounting which approximates the Organization's equity in the underlying book value of the unconsolidated ministry partnership.

Housing Entry Fees

MTR, BHC, and NLC have housing entry fees for admittance into the independent living units. These contracts for housing entry fees vary, and typically have varying refundable portions up to 100% of these entry fees. The refundable portions of the housing entry fees are refundable based upon re-occupancy of the housing unit. Refundable housing entry fees total \$17,891 and \$17,295 as of June 30, 2019 and 2018, respectively. The nonrefundable portion of the housing entry fees are recorded as deferred revenue and amortized into income either over the life expectancy of the resident and fully recognized when the resident vacates their unit, or over 50 months as determined by the residency agreement. Nonrefundable housing entrance fees totaled \$2,323 and \$2,476 as of June 30, 2019 and 2018, respectively.

All housing entry fees are included in assets limited as to use and other noncurrent liabilities in the consolidated balance sheets aside from \$1,982 which is included in other current liabilities for housing entry fees estimated to be refunded within the next year.

Housing entry fees amortized into income was approximately \$724 and \$662 for the years ended June 30, 2019 and 2018, respectively.

Asset Retirement Obligations

Asset retirement obligations represent obligations to dispose of assets that are legally required to be removed at a future date. They are recorded at the net present value using a risk-free interest rate and inflationary rate, and are included in other noncurrent liabilities in the consolidated balance sheets. Asset retirement obligations totaled approximately \$204 and \$310 at June 30, 2019 and 2018, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue

Resident service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing rent, room charges and ancillary services to residents of the skilled nursing facilities, assisted and independent living apartments and related services. These amounts are due from residents, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the residents and third-party payors several days after the services are performed and housing rental charges are due at the beginning of each month. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents receiving services in the Organization's facilities or in their homes (home care). The Organization measures the performance obligation from admission into the facility, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to residents and customers in a retail setting (for example, gift shop and cafeteria meals) and the Organization does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies, and/or implicit price concessions provided to residents. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience. Resident service revenue is presented net of Medicare, Medicaid, managed care, and other third-party contractual adjustments of approximately \$34,370 and \$34,586 for the years ended June 30, 2019 and 2018, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid

The Medicaid programs are covered through the state departments of health and rates charged are in accordance with the rules established in those states.

Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The Organization is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Nursing facilities licensed for participation in the Medicare and Medicaid programs are subject to annual surveys. If it is determined that a nursing facility is not in substantial compliance with the requirements of participation, CMS may impose sanctions and penalties during the period of noncompliance, which would have a negative impact on the revenues of the nursing facility.

Other

The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined medical rates and prospectively determined daily rates.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing resident care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in an implicit price concession impacting transaction price, were not significant in 2019 or 2018.

Generally residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for residents with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to resident service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments was not considered material for the years ended June 30, 2019 and 2018. Subsequent changes that are determined to be the result of an adverse change in the Resident's ability to pay are recorded as bad debt expense.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Service Revenue (Continued)

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. Tables providing details of these factors are presented below.

The composition of resident service revenue by primary payor for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Medicare	14.6%	14.7%
Medicaid	32.6%	31.0%
Private Pay	41.6%	41.4%
Managed Care, Commercial Insurance, and Other Payors	11.2%	12.9%

BHS grants credit without collateral to its residents, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at June 30 consists of the following:

	<u>2019</u>	<u>2018</u>
Medicare	\$ 6,687	\$ 3,403
Medicaid	8,236	9,228
Private Pay	4,310	4,358
Managed Care, Commercial Insurance, and and Other Payors	4,528	6,840
Less: Allowance for Uncollectible Accounts	(1,488)	(1,842)
Total	<u>\$ 22,273</u>	<u>\$ 21,987</u>

The composition of resident service revenue by service line for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Skilled Nursing	\$ 205,467	\$ 194,362
Housing With Services	66,409	61,727
Home Community Based Services	4,087	3,041
Total Resident Service Revenue	<u>\$ 275,963</u>	<u>\$ 259,130</u>

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from residents and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a resident and the time that the resident or a third-party payor pays for that service will be one year or less.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Resident Services Revenue (Continued)

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

Donated Materials and Services

Donated materials are reflected as contributions in the consolidated financial statements at their estimated values at date of receipt. Substantial amounts of services are donated by individuals to BHS each year. The income and expenses attributable to donated services are not reflected in the consolidated statements of operations. These services enhance the quality of care furnished to BHS residents but do not represent services that would require additional BHS staffing if the services were not provided on a volunteer basis.

Charity and Uncompensated Care

BHS provides health care services to residents who meet certain criteria under its charity care policies without charge or at amounts less than established rates. Since BHS does not pursue collection of these amounts, they are not reported as revenue.

Excess of Revenue over Expense

The consolidated statements of operations include a line entitled "excess of revenue over expense" which is the performance indicator for BHS. Changes in net assets without donor restrictions which are excluded from excess of revenue over expense, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, other changes in net assets, grant proceeds for capital purposes, unrealized gains and losses on other than trading investments, assets released from restriction for capital purposes, minority interest, and discontinued operations.

Tax Exempt Status

BHS has been determined to qualify as a tax-exempt charitable, educational, and scientific organization under Section 501(c)(3) of the Internal Revenue Code and also has been determined to be exempt from state income tax.

The Organization follows the accounting standard for contingencies in evaluating the accounting for uncertainty in income taxes recognized in an entity's financial statements. The standard prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization's income tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization files all applicable returns for any activities that are subject to tax on unrelated business income or excise or other taxes.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization follows the Fair Value Measurements accounting standard. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Reclassifications

Amounts in the consolidated balance sheet as of June 30, 2018, and the related consolidated statement of operations, changes in net assets and cash flows for the year then ended have been reclassified to conform to the 2019 classification.

New Accounting Pronouncements – ASU 2016-14

During the year ended June 30, 2019, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions), expands reporting of expenses by nature and function, and requires qualitative and quantitative disclosures about the Organization's liquidity and availability. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2014-09

During the year ended June 30, 2019, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. See Note 3 for the impact on the Organization's financial position and changes in its net assets as a result of adopting this standard using the full retrospective method of adoption.

New Accounting Pronouncements – ASU 2016-02

FASB issued ASU 2016-02 in February of 2016 pertaining to the recording of leases. The standard will not be effective for the Organization until the year ending June 30, 2020, early adoption has not been exercised. Implementation of the new standard can result in changes to the reporting and disclosure of leases. Management is in the process of evaluating the impact on the Organization.

NOTE 3 CUMULATIVE EFFECT – CHANGE IN ACCOUNTING FOR DEFERRED MARKETING COSTS

Change in Accounting for Deferred Marketing Costs

During the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The amendments in this ASU, among other things, clarified the criteria required for costs incurred to secure a contract with a customer to be capitalized. The Organization had previously capitalized marketing and related costs incurred to secure the contracts with the initial residents of its independent living units at NLC which were being amortized over 8 years, the anticipated residency of those residents. The marketing costs previously capitalized and deferred would not have been eligible for capitalization under the newly clarified guidance. The amendments in this ASU were effective for the Corporation's financial statements for the year ended June 30, 2019, and were retrospectively applied. June 30, 2018 balances have been restated for this change in accounting principle. The retrospective application results in the following changes:

BENEDICTINE HEALTH SYSTEM
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NOTE 3 CUMULATIVE EFFECT – CHANGE IN ACCOUNTING FOR DEFERRED MARKETING COSTS (CONTINUED)

Change in Accounting for Deferred Marketing Costs (Continued)

	Net Assets Without Donor Restrictions	Other Assets	Amortization Expense	Purchased Services
As Previously Reported as of and For the year ended June 30, 2018	\$ 97,492	\$ 3,833	\$ 443	\$ 13,392
Cumulative Effect	(330)	(330)	-	-
Impact of Adoption of Standard on Previously Reported	45	45	(62)	17
As Restated	<u>\$ 97,207</u>	<u>\$ 3,548</u>	<u>\$ 381</u>	<u>\$ 13,409</u>

NOTE 4 SERVICE TO THE COMMUNITY (UNAUDITED)

In the furtherance of its charitable purpose, BHS provides a wide variety of benefits to the communities they serve, including offering various community-based social service programs, such as free clinics, health screenings, in-home caregiver services, social service and support counseling for residents and families, pastoral care, crisis intervention, transportation to and from the health care campuses, and the donation of space for use by community groups.

In addition, a large number of health-related educational programs are provided for the benefit of the community, including health enhancements and wellness, unreimbursed costs of medical education, telephone information services, and costs related to programs designed to improve the general health status of the community.

BHS also provides medical care without charge or at a reduced cost primarily through (a) services provided at no charge to the uninsured, (b) the difference between public program payments (primarily Medicaid) and the related costs of providing such services, and (c) services provided to residents expressing a willingness to pay but who are determined to be unable to pay because of socioeconomic factors.

BHS maintains records to identify and monitor the level of community service and charity care provided. These records include management's estimate of the cost of services and supplies furnished for community service programs, the cost to provide charity care, and cost in excess of reimbursement from public programs, which were estimated as follows for the years ended June 30:

	2019	2018
Cost of Providing Community Service	\$ 1,312	\$ 1,919
Cost of Providing Charity Care	307	582
Cost in Excess of Public Program Payments – Medicaid	<u>7,689</u>	<u>11,148</u>
Community Benefit, as Defined by Catholic Health Association	<u>\$ 9,308</u>	<u>\$ 13,649</u>

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested as discussed in Note 8.

The Organization has certain management-designated assets limited to use which could be made available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information below. The Organization has other assets limited to use for debt service, project development, resident trust, designated contributions, and other purposes in accordance with financing and other agreements. These assets limited to use, which are more fully described in Note 11 are not available for general expenditure within the next year and are not reflected in the total financial assets available for use within one year below.

Financial assets available for general expenditure within one year of the balance sheet date consist of the following:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 39,998	\$ 30,696
Short-Term Investments	12,734	10,914
Residents Accounts Receivable	22,273	21,987
Other Accounts Receivable	2,845	2,472
Pledge Receivables	258	3,863
Assets Limited as to Use	131,552	78,743
Total Financial Assets	209,660	148,675
Less Amounts Not Available Within One Year:		
Pledge Receivables	(258)	(3,863)
Assets Limited as to Use:		
Funds Held by Trustee Under Bond Indenture	(70,568)	(15,194)
Resident Trust Funds and Security Deposits	(889)	(854)
Deferred Compensation Funds	(2,729)	(2,656)
Designated Contributions	(19,759)	(19,697)
Total Financial Assets Available Within One Year	\$ 115,457	\$ 106,411

Under the terms of the various financing agreements, the Organization has agreed to certain debt covenant restrictions. The Organization is required to meet certain financial and operating covenants including maintaining a minimum level of days cash on hand. Accordingly, a portion of the financial assets available for use within one year reported above is required to be maintained by the Organization to comply with the minimum level of days cash on hand required as described in Note 14.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 ACQUIRED OPERATIONS

Effective January 1, 2018, BHS acquired 100% of the membership interests of Steele County Communities for a Lifetime, Inc. (SCCL), a 79 bed skilled nursing facility and 50-unit housing with services facility in Owatonna, Minnesota. The acquisition was achieved by the assumption of the outstanding liabilities of SCCL.

The following is a summary of the assets and liabilities acquired in the transaction described above:

	2018
Cash and Cash Equivalents	\$ 362
Residents Accounts Receivable	964
Prepaid Expenses and Other	119
Assets Limited as to Use	409
Property and Equipment	13,155
Intangible and Other Assets	800
Total Assets Acquired	<u>\$ 15,809</u>
Accounts Payable	\$ 308
Accrued Expenses	561
Long-Term Debt	14,735
Total Liabilities Assumed	<u>\$ 15,604</u>

As a result of the transaction above, BHS recorded a gain on acquisition of approximately \$205, which is included in loss on sale/acquisition of property on the consolidated statements of operations for the year ended June 30, 2018.

Total revenues of \$5,407 attributable to SCCL are included in the consolidated statements of operations for the period from acquisition through June 30, 2018. Total revenues attributable to SCCL included in the consolidated statements of operations would have increased by \$5,563 had the acquisition occurred on July 1, 2017.

Effective December 11, 2018, BHS acquired the building and equipment of Benedictine Living Community of St. Peter. (BLCSP), a 79 bed skilled nursing facility in St. Peter, Minnesota which was previously leased by BLCSP. BHS also acquired Heritage Meadows, a 28-unit independent living facility in St. Peter, Minnesota. The acquisition was achieved by the issuance of debt.

BENEDICTINE HEALTH SYSTEM
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NOTE 6 ACQUIRED OPERATIONS (CONTINUED)

The following is a summary of the assets and liabilities acquired in the transaction described above:

	BLCSP	Heritage Meadows
Property and Equipment	\$ 8,957	\$ 1,100
Funds Restricted by Debt Agreements	1,667	75
Total Assets Acquired	<u>\$ 10,624</u>	<u>\$ 1,175</u>
Long-Term Debt Issued	<u>\$ 10,546</u>	<u>\$ 1,231</u>

BLCSP was formerly leased by BHS, therefore, the acquisition of this entity did not have an impact on total revenues reported in the consolidated statements of operations. Total revenues of \$219 attributable to the acquisition of Heritage Meadows are included in the consolidated statements of operations for the period from acquisition through June 30, 2019. Total revenues attributable to Heritage Meadows included in the consolidated statements of operations would have increased by approximately \$215 had the acquisition occurred on July 1, 2018.

NOTE 7 DISCONTINUED OPERATIONS

Management and the board of directors determined to cease operations of Benedictine Living Center of Fridley in fiscal year 2018. Due to the strategic decision to sell the facility, the operating activity is presented as discontinued operations in the consolidated statement of operations, for the year ended June 30, 2018. BHS sold the operations of Arrowhead Senior Living Community on May 31, 2019. Management has determined the sale of Arrowhead Senior Living Community did not meet the criteria to be accounted for as discontinued operations.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 DISCONTINUED OPERATIONS (CONTINUED)

The amounts included in loss on discontinued operations in the consolidated statements of operations for the year ended June 30, 2018 are:

	2018
Operating Revenues:	
Resident Service Revenue	\$ 6,631
Other Operating Revenue	38
Total Operating Revenue	6,669
Operating Expenses:	
Interest	154
Depreciation and Amortization	290
Other Operating Expenses	6,588
Total Operating Expenses	7,032
Nonoperating Income (Loss):	
Investment Income	1
Gain on Sale of Property	-
Loss on Disposal and Impairment of Property	(1,890)
Total Nonoperating Income (Loss)	(1,889)
Loss on Discontinued Operations	\$ (2,252)

NOTE 8 INVESTMENTS

The fair value of investments is based upon quoted market prices for those or similar investments. At June 30, investments consist of the following:

	2019	2018
Cash and Cash Equivalents	\$ 5,572	\$ 3,838
Pooled Investment Funds	3,064	3,064
Investment in Institutional Investors Income Fund	4,098	4,012
Total	\$ 12,734	\$ 10,914

NOTE 9 PLEDGES RECEIVABLE

At June 30, 2019, pledges receivable of \$258 are restricted for use to benefit specific BHS facilities as directed by the donors. At June 30, 2018, pledges receivable of \$3,863 were primarily restricted for use in the planned replacement of Gleason Hall with a new 60-unit assisted living facility as described in Note 10.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
Land and Improvements	\$ 29,702	\$ 25,056
Buildings and Improvements	352,747	328,851
Furniture and Equipment	48,777	46,673
Total (at Cost)	<u>431,226</u>	<u>400,580</u>
Less: Accumulated Depreciation	<u>(161,736)</u>	<u>(154,075)</u>
Total Property and Equipment (at Depreciated Cost)	269,490	246,505
Construction in Progress	<u>27,660</u>	<u>11,397</u>
Property and Equipment, Net	<u>\$ 297,150</u>	<u>\$ 257,902</u>

Construction in progress at June 30, 2018 are costs associated with replacing an existing assisted living facility with a new 60-unit assisted living facility at NLC. The Project cost of approximately \$22,500 and was funded by fundraising of \$13,500, a \$3,000 line of credit, and a \$6,000 bank note.

Construction in progress at June 30, 2019 are costs associated with the construction of a 98-unit assisted living and independent living community in Northfield, Minnesota and a 183-unit assisted living and independent living community in Shakopee, Minnesota. Total costs of the two projects are anticipated to be \$81,585 and are being funded by the issuance of \$77,960 of long-term debt, \$3,250 of equity contributions or deferred development fees and \$375 of investment earnings on bond funds. The Northfield project is expected to open in December 2019 and the Shakopee project is expected to open in the summer of 2020.

In addition, there are numerous other projects in the preliminary planning stages of development.

Interest costs of \$2,782 and \$182 have been capitalized into property costs for the years ended June 30, 2019 and 2018, respectively.

BENEDICTINE HEALTH SYSTEM
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NOTE 11 ASSETS LIMITED AS TO USE

BHS is required to hold funds in various accounts based upon terms in the indenture of trust of the various bond issuances. In addition, management of BHS has designated funds for various purposes. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. Assets limited as to use include the following accounts:

	2019	2018
Funds Held by Trustee Under Bond Indenture:		
Replacement Reserve Fund – Established to provide funds for future capital improvements	\$ 3,884	\$ 840
Debt Service Reserve Fund – Established to provide a reserve of principal and interest on the bonds in the event the bond funds are insufficient to meet debt service requirements	15,976	9,925
Project Fund – Established for BHS to fund various projects financed by bond proceeds	38,924	-
Bond Fund – Established for BHS to deposit monthly amounts necessary to pay principal and interest on the bonds	11,784	4,429
Subtotal Funds Held Under Bond Indenture	70,568	15,194
Board Designated Funds:		
Funded Depreciation and Debt Retirement – Established for the replacement of equipment and the retirement of debt	2,661	3,966
Plant Expansion – Established to fund the future expansion of BHS	8,794	10,740
Refund of Entry Fee Deposits – Established to refund resident’s housing entry fees	731	1,806
Insurance Reserves – Established to fund future insurance costs of BHS	25,421	23,830
Subtotal Board Designated Funds	37,607	40,342
Resident Trust Funds and Security Deposits	889	854
Deferred Compensation Funds (See Note 17)	2,729	2,656
Designated Contributions	19,759	19,697
Assets Limited as to Use	131,552	78,743
Less: Portion to be Used for Current Liabilities	16,975	7,706
Noncurrent Portion	\$ 114,577	\$ 71,037

BENEDICTINE HEALTH SYSTEM
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NOTE 11 ASSETS LIMITED AS TO USE (CONTINUED)

Assets limited as to use are recorded at fair value and invested in the following at June 30:

	2019	2018
Cash and Cash Equivalents	\$ 80,357	\$ 28,079
Mutual Funds and Equity Securities	16,644	15,203
Fixed Income Securities	18,818	20,838
Pooled Investment Funds	15,018	13,942
Pledges and Other Receivables	715	681
Total	<u>\$ 131,552</u>	<u>\$ 78,743</u>

NOTE 12 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 2 – Summary of Significant Accounting Policies. The following tables present the fair value hierarchy for the balances of the assets and liabilities of the Organization measured at fair value on a recurring basis as of June 30:

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

	June 30, 2019	Level 1	Level 2	Level 3
Assets:				
Mutual Funds and Equities	\$ 16,644	\$ 16,644	\$ -	\$ -
Fixed Income Securities	18,818	-	18,818	-
Pooled Investment Funds	18,082	-	-	18,082
Institutional Investors income Fund (IIIF)	4,098	-	-	4,098
Perpetual Trust	702	-	-	702
Total	<u>\$ 58,344</u>	<u>\$ 16,644</u>	<u>\$ 18,818</u>	<u>\$ 22,882</u>
	June 30, 2018	Level 1	Level 2	Level 3
Mutual Funds and Equities	\$ 15,203	\$ 15,203	\$ -	\$ -
Fixed Income Securities	20,838	-	20,838	-
Pooled Investment Funds	17,006	-	-	17,006
Institutional Investors income Fund (IIIF)	4,012	-	-	4,012
Perpetual Trust	718	-	-	718
Total	<u>\$ 57,777</u>	<u>\$ 15,203</u>	<u>\$ 20,838</u>	<u>\$ 21,736</u>

BENEDICTINE HEALTH SYSTEM
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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis (Continued)

Mutual Funds and equities are valued using quoted prices from active markets. Fixed income securities valued using Level 2 inputs include U.S. Treasury securities, U.S. government and agency mortgage-backed securities, private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Pooled Investment Funds are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. The Organization values the pooled investment funds using Level 3 inputs as there is no active market for the Organization to sell their interest in the pooled investment funds. The significant unobservable input used in the fair value measurement of the Pooled Investment Funds is the Organization's allocated portion of the underlying pooled assets. Significant changes in any of these inputs would result in a significant change to the fair value measurement.

The gains and losses related to the Organization's Pooled Investment Funds are included on the statement of operations as nonoperating gains and losses.

Beneficial interest in perpetual trusts (the Trusts) is recorded at fair value on a recurring basis. Fair value measurements are based upon the Organization's historical share of the estimated fair value of the Trusts. The assets of the Trusts consist of money markets, stock, and corporate bonds stated at fair value which is determined by quoted market prices for those or similar investments. The Organization values the Trusts using Level 3 inputs as the Organization's interest in the Trusts are nontransferable. The significant unobservable input used in the fair value measurement of the Trusts is the Organization's allocated portion of the underlying trust assets. Significant changes in any of these inputs would result in a significant change to the fair value measurement. The Trusts are recorded as assets limited as to use on the consolidated balance sheets.

The gains and losses related to the Organization's beneficial interest in perpetual trusts are included on the statements of changes in net assets as donor restricted gains and losses.

BENEDICTINE HEALTH SYSTEM
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NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets and Liabilities Recorded at Fair Value on a Recurring Basis (Continued)

The following tables provide a summary of changes to fair value of the Organization's Level 3 financial assets for the years ended June 30:

	Institutional Investors Income Fund (IIIF)	Pooled Investment Funds	Perpetual Trust	Total
Beginning Balance – 7/1/18	\$ 4,012	\$ 17,006	\$ 718	\$ 21,736
Interest and Dividend Income	53	404	12	469
Realized/Unrealized Gain	33	644	21	698
Disbursements and Fees	-	(98)	(49)	(147)
Contributions	-	126	-	126
Ending Balance – 6/30/19	<u>\$ 4,098</u>	<u>\$ 18,082</u>	<u>\$ 702</u>	<u>\$ 22,882</u>

	Institutional Investors Income Fund (IIIF)	Pooled Investment Funds	Perpetual Trust	Total
Beginning Balance – 7/1/17	\$ 4,315	\$ 14,544	\$ 634	\$ 19,493
Interest and Dividend Income	42	308	13	363
Realized/Unrealized Gain (Loss)	(310)	2,117	111	1,918
Disbursements and Fees	(201)	(89)	(40)	(330)
Contributions	166	126	-	292
Ending Balance – 6/30/18	<u>\$ 4,012</u>	<u>\$ 17,006</u>	<u>\$ 718</u>	<u>\$ 21,736</u>

NOTE 13 INVESTMENTS IN UNCONSOLIDATED MINISTRY PARTNERSHIPS

The Organization has an economic interest in two unconsolidated ministry partnerships providing services to the elderly as of June 30, 2019 and 2018. The Organization's investment in these ministry partnerships is accounted for under the equity method of accounting. The ministry partnerships' financial statements are not included in the accompanying consolidated financial statements, as the Organization does not have control over financial decisions. The amount of the investment in these ministry partnerships at June 30, 2019 and 2018 is (\$310) and (\$667), respectively, which is included in other receivables and intangible and other assets. As described in Note 6, the Organization acquired 100% of the membership interest of a previously unconsolidated ministry partnership effective January 1, 2018.

BENEDICTINE HEALTH SYSTEM
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NOTE 13 INVESTMENTS IN UNCONSOLIDATED MINISTRY PARTNERSHIPS (CONTINUED)

The following is a summary of the combined operating results and balance sheet information of the ministry partnerships as of, and for the years ended June 30:

	2019	2018
Total Revenue	\$ 64,676	\$ 71,350
Excess (Deficit) of Revenue over Expense	370	1,831
Total Assets	\$ 125,953	\$ 121,366
Net Assets	(21,794)	(22,819)

BHS's share of the excess (deficit) of revenue over expense from the operations of the ministry partnerships amounted to approximately \$357 and \$2,691 for the years ended June 30, 2019 and 2018, respectively, and is recorded in other nonoperating expense in the consolidated statements of operations.

NOTE 14 LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

<u>Description</u>	2019	2018
<u>Revenue Bonds</u>		
\$18,000,000 Healthcare Revenue Bonds, Series 2007, issued on behalf of BLC with fixed rates of interest from 6.125% to 6.750%, principal due in varying amounts through 2033.	\$ 12,215	\$ 12,730
\$30,145,000 Healthcare Revenue Bonds, Series 2002, issued on behalf of LCSJ with fixed rates of interest from 5.875% to 7.000%, principal due in varying amounts through 2032, net of unamortized discount of \$16,121 at June 30, 2017.	22,656	23,490
\$8,265,000 Revenue Bonds, Series 2007, issued on behalf of ASLC with fixed rates of interest from 5.000% to 5.200%, principal due in varying amounts through 2027. Bonds were repaid in 2019.	-	5,137
\$1,000,000 Municipal Industrial Development Revenue Bond, Series 2003, issued on behalf of BLC with fixed interest rate of 2.910%, annual principal payments of \$40,000 through 2027.	360	400

BENEDICTINE HEALTH SYSTEM
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NOTE 14 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</u>
<u>Revenue Bonds (Continued)</u>		
\$2,535,000 Subordinate Revenue Bonds, Series 2009A and B, issued on behalf of SGC at fixed rates of interest from 8.25% to 9.00%, principal due in varying amounts through 2019.	\$ -	\$ 2,195
\$13,795,000 Healthcare Facilities Revenue Bonds, Series 2019, issued on behalf of BLCB at fixed rates of interest from 3.00% to 4.85%, principal due in varying amounts through 2039.	13,907	-
\$36,695,000 Health Care Revenue Bonds, Series 2015, issued on behalf of NLC with fixed rates of interest from 3.85% to 5.125%, principal due in varying amounts through 2045.	29,330	29,670
\$6,000,000 Healthcare Facilities Revenue Bond, Series 2018, issued on behalf of NLC with fixed rates of interest from 4% to 12%, principal due in varying amounts through 2028.	4,966	-
\$4,450,000 Healthcare Facilities Revenue Bonds Series 2013 issued on behalf of RSL with interest rates from 1.500% to 5.500%, principal due in varying amounts through 2034, net of unamortized discount of \$33,877 at June 30, 2019.	4,011	4,114
\$17,955,000 Housing and Healthcare Revenue Bonds Series 2018A issued on behalf of BLCSP with interest rates from 3.875% to 5.5%, principal due in varying amounts through 2048, net of unamortized discount of \$299,057 at June 30, 2019.	17,656	-
\$1,020,000 Subordinate Senior Housing Revenue Bonds, Series 2010B, issued on behalf of BSLCSP with fixed rates of 7.25%, principal due in varying amounts with mandatory tender in 2020. Bonds were refinanced in 2019.	-	950
\$6,620,000 Wisconsin Health and Education Facilities Authority Refunding Revenue Bonds, Series 2007, issued on behalf of BLCWI with interest rates from 5.00% to 5.25%, principal due in varying amounts through 2028.	1,885	2,040

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 14 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</u>
<u>Revenue Bonds (Continued)</u>		
\$4,060,000 Wisconsin Health and Education Facilities Authority Refunding Revenue Bonds, Series 2009 issued on behalf of BLCWI with interest rates between 5.75% and 7.75%, principal due in varying amounts through 2039.	\$ 3,710	\$ 3,790
\$8,035,000 The Industrial Development Authority of the County of St. Louis, Missouri, Healthcare Facilities Revenue Bonds issued on behalf of NLC with interest rates from 5.125% to 6.125%, principal due in varying amounts through 2042.	7,675	7,825
\$52,440,000 Senior Housing Revenue Bonds, Series 2018 issued on behalf of BLCS with interest rate of 5.85%, principal due in varying amounts through 2058.	52,440	-
\$18,385,000 Senior Housing Facility Revenue Bonds, Series 2018A issued on behalf of BLCNorth with interest rates from 3.25%-5.0%, principal due in varying amounts through 2053, net of unamortized discount of \$13,676 at June 30, 2019.	18,371	-
\$3,175,000 Subordinate Senior Housing Facility Revenue Bonds, Series 2018B issued on behalf of BLCNorth with interest rate of 6.5%, principal due in varying amounts through 2053.	3,175	-
<u>Taxable Notes</u>		
\$1,650,000 Taxable Health Care Facilities Revenue Note, Series 2016C, issued on behalf of BHSOG with a fixed interest rate of 3.125%, principal due in varying amounts through 2019.	-	470
\$545,000 Taxable Housing and Healthcare Revenue Bonds Series 2018B issued on behalf of BLCSP with interest rate of 4.5%, principal due in varying amounts through 2020.	545	-
\$960,000 Taxable Senior Housing Facility Revenue Bonds Series 2018A-T issued on behalf of BLCNorth with interest rate of 4.625%, principal due in varying amounts through 2024.	960	-

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 14 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</u>
<u>Tax-Exempt Notes</u>		
\$6,600,000 Housing Revenue Refunding Note, Series 2004, issued on behalf of SAW with a fixed interest rate of 4.500%, principal due in varying amounts through 2027.	\$ 3,095	\$ 3,409
\$2,500,000 Housing Revenue Note, Series 2010, issued on behalf of SAW with a fixed interest rate of 4.1%, principal due in varying amounts through 2035.	1,933	2,016
\$1,530,000 Healthcare Facilities Revenue Note, Series 2006, issued on behalf of BHS-CORP with a fixed interest rate of 4.875%, principal due in varying amounts through 2027.	647	791
\$500,000 Health Care Revenue Note, Series 2005, issued on behalf of BCC with a fixed interest rate of 5.046%, principal due in varying amounts through 2020.	68	111
\$11,500,000 Health Care Facilities Revenue Notes, Series 2013, issued on behalf of BHC with a fixed interest rate of 4.066% until 2023. Principal will be due in varying amounts through 2038.	8,920	9,218
\$8,000,000 Health Care Facilities Revenue Notes, Series 2014, issued on behalf of BHC with a fixed interest rate of 3.80% until 2024. Principal will be due in varying amounts through 2039.	7,369	7,606
\$7,276,000 Health Care Facilities Revenue Refunding Note, Series 2017, issued on behalf of BHC with fixed rates of interest of 3.503% until 2027 and adjust annually thereafter, principal due in varying amounts through 2034.	6,616	6,946
\$19,465,000 Health Care and Housing Facilities Revenue Refunding Note, Series 2013, issued on behalf of the BHSOG with a fixed interest rate of 3.375%, principal due in varying amounts through 2028.	13,750	14,667
\$7,200,000 Health Care Revenue Refunding Note, Series 2013, issued on behalf of VSV with a fixed interest rate of 3.800%, principal due in varying amounts through 2023, balloon payment due in 2023.	5,717	6,005

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 14 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</u>
<u>Tax-Exempt Notes (Continued)</u>		
\$3,000,000 Subordinate Senior Housing Revenue Note, Series 2018 issued on behalf of BLCS with interest rate of 5.15%, principal due in varying amounts through 2033.	\$ 3,000	\$ -
\$5,500,000 Tax Exempt Participation Notes, Series 2010A, issued on behalf of BSLCSP with a fixed interest rate of 5.375%, principal due in varying amounts beginning in 2012 with mandatory tender in 2020. Notes were refinanced in 2019.	-	4,863
\$12,750,000 Tax Exempt Participation Notes, Series 2009, issued on behalf of SGC with a fixed interest rate of 6.25% through 2014, principal due in varying amounts with a balloon payment due in 2019. Notes were refinanced in 2019.	-	8,385
\$3,390,000 Multifamily Housing Development Revenue Notes, Series 2012, issued on behalf of BRDGS, interest rate at 4.09%, principal and interest payable in monthly installments through February 1, 2039.	2,430	2,538
\$4,285,000 Senior Loan Participation Revenue Notes, Series 2011A, issued on behalf of BLC Wahpeton with interest rate from 4.50% to 6.50%, principal and interest payable in monthly installments through 2021, balloon payment due in 2021.	3,806	3,903
\$1,320,000 Subordinate Loan Participation Revenue Notes, Series 2011B, issued on behalf of BLC Wahpeton with interest rate from 8.625% to 8.75%, principal and interest payable in monthly installments through 2021, balloon payment due in 2021.	1,252	1,268
\$16,298,750 Healthcare Revenue Note, Series 2015, issued on behalf of MM and MTR with fixed rates of interest from 2.99%, principal due in varying amounts through 2031.	14,166	14,814
\$8,015,000 Senior Housing Facility Revenue Note, Series 2014A, issued on behalf of MSB with variable rates through May 31, 2016, fixed rate interest from 2.86% effective June 1, 2016 with adjustments every 5 years, principal due in varying amounts through 2040.	7,639	7,891

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 14 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</u>
<u>Tax-Exempt Notes (Continued)</u>		
\$1,985,000 Subordinate Senior Housing Facility Revenue Note, Series 2014B, issued on behalf of MSB with a fixed rate of interest of 6.5%, principal due in varying amounts through 2030.	\$ 1,710	\$ 1,810
\$10,000,000 Health Care Facilities Revenue Refunding Note, Series 2016A, issued on behalf of BHSOG with a fixed rate of interest of 3.125%, principal due in varying amounts through 2031.	9,840	9,951
\$9,800,000 Health Care Facilities Revenue Note, Series 2016B, issued on behalf of BHSOG with a fixed rate of interest 3.25%, principal due in varying amounts through 2021, balloon payment due in 2021.	9,489	8,761
\$4,809,545.39 Nursing Facility Revenue Refunding Note, Series 2017, issued on behalf of Koda with a fixed rate of interest 2.10%, principal due in varying amounts through 2021, balloon payment due in 2021.	4,574	4,724
\$9,581,262.85 Nursing Facility Revenue Refunding Note, Series 2017, issued on behalf of Koda with a fixed rate of interest 2.10%, principal due in varying amounts through 2021, balloon payment due in 2021.	9,112	9,410
<u>Other Long-Term Debt</u>		
Other, primarily subordinated mortgages payable and capital lease obligations with annual principal payments through 2029, with interest from 3.500% to 9.000%.	17,448	15,833
Total	326,443	237,731
Less: Current Maturities	13,216	22,073
Long-Term Portion, Net of Current	313,227	215,658
Less: Unamortized Financing Costs	8,105	5,728
Long-Term Portion, Net of Current and Financing Costs	<u>\$ 305,122</u>	<u>\$ 209,930</u>

During the year ended June 30, 2014, the Organization created an Obligated Group for financing purposes which consists of St. Gertrude's Health and Rehabilitation Center, Inc., Benedictine Health Center of Minneapolis, and Steeple Pointe Senior Living Community. During the year ended June 30, 2017, Benedictine Care Centers (BCC) debt was refinanced and BCC became a member of the Obligated Group as a result.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 14 LONG-TERM DEBT (CONTINUED)

Most of the Revenue Bonds and Tax-Exempt Notes are secured by certain assets and net revenues of the entity that has borrowed the proceeds from the debt issue.

Under the terms of the various financing agreements, the Organization has agreed to certain debt covenant restrictions. The Organization is required to meet certain financial and operating covenants including the achievement of certain minimum income levels to satisfy debt service, and days cash on hand level.

Interest expense is presented net of interest income earned on bond reserve funds of \$250 and \$310 for the years ended June 30, 2019 and 2018, respectively. The average interest rate on the Organization's debt based on an annualized average debt balance was approximately 5.1% and 4.6% for 2019 and 2018, respectively.

The approximate aggregate annual maturities of long-term debt for each of the five years subsequent to June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 13,216
2021	10,152
2022	15,593
2023	11,077
2024	18,299

NOTE 15 OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Insurance Reserves Payable	\$ 1,723	\$ 1,750
Resident Deposits	3,115	1,787
Other	680	666
Total	<u>\$ 5,518</u>	<u>\$ 4,203</u>

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 16 OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consisted of the following at June 30:

	2019	2018
Insurance Reserves Payable	\$ 8,571	\$ 8,742
Housing Entrance Fees	15,909	17,295
Unearned Revenue	3,352	3,620
Deferred Compensation	2,729	2,656
Other	350	377
Total	\$ 30,911	\$ 32,690

NOTE 17 EMPLOYEE RETIREMENT PLANS AND DEFERRED COMPENSATION

BHS provides a 401(k) plan for eligible employees meeting minimum service requirements. BHS has elected “Safe Harbor” provisions under which it matches 100% of employee contributions up to 3% of compensation and 50% of the next 2% of employee compensation. In addition, certain member organizations contribute to union sponsored defined contribution pension savings plans that cover all employees within the respective union’s bargaining unit who meet certain minimum service requirements. BHS contributed approximately \$2,729 and \$2,522 to the various employee retirement plans during the years ended June 30, 2019 and 2018, respectively.

BHS has a deferred compensation plan available to eligible executive employees. Under the plan, employees elect to defer a portion of their benefit allocation into either a short-term deferred income account, with distribution dates of a minimum of two years and a maximum of five years, or a long-term deferred income account with distribution dates of a minimum of five years. BHS modified its deferred compensation plan effective July 1, 2014 whereby all future contributions fully vest after two years and will be distributed upon vesting. Each employee directs the investment of their deferred amount into various investment options which are credited with the respective earnings or losses of the investment option. During the years ended June 30, 2019 and 2018, BHS contributed approximately \$685 and \$629, respectively, to the deferred compensation accounts. At June 30, 2019 and 2018, the total deferred compensation liability was \$2,729 and \$2,656 respectively, and is reported in other noncurrent liabilities.

NOTE 18 COMMITMENTS AND CONTINGENCIES

Leases

BHS has leases for nursing facilities, office facilities and other equipment that are classified as operating leases. Rental expense under these operating leases totaled \$4,266 and \$4,689 for the years ended June 30, 2019 and 2018, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

Future minimum lease payments on operating leases in effect on June 30, 2019, for each of the five subsequent years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,756
2021	1,664
2022	1,631
2023	1,600
2024	1,575

Health Insurance

BHS self-funds employee health benefits at a majority of its facilities. BHS contracts separately to insure for excessive or unexpected claims through a stop-loss insurance policy that pays claims in excess of \$225 per person per year. Claims in excess of these amounts will be funded by the insurance carrier.

Property Insurance

Property insurance coverage is purchased from a third-party insurance carrier on a guaranteed cost basis with a deductible of \$50 per claim.

Workers Compensation Insurance

Certain BHS organizations participate in the BGSIA to provide insurance for workers' compensation exposure. Members pay premiums to BGSIA, which are used to cover workers' compensation claims. BGSIA has limited its liability with respect to such claims up to \$500 per occurrence through reinsurance. At June 30, 2019 and 2018, BGSIA had assets exceeding the liabilities established for claims reported and estimated claims incurred but not reported.

Professional Liability Insurance

BHSIS provides professional liability and general liability insurance coverage to BHS (except NLC) with insurance limits of \$2,000 per claim and \$6,000 in the aggregate per policy year. BHS has purchased excess professional and general liability insurance from the commercial insurance market with consolidated limits of \$15,000 in the aggregate. BHS has self-funded the estimated value of professional and general liability claims, which amounted to \$2,158 and \$2,827 at June 30, 2019 and 2018, respectively, and is reported in other noncurrent liabilities.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Health Care

The health care industry is subject to numerous laws and regulations by federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for resident services, and Medicare and Medical Assistance fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed. Management is not aware of any violations of these laws and regulations that would have a material effect on the Organization.

General and Professional Liability

General and professional liability claims have been asserted against the Organization by certain claimants. The claims are in various stages of processing and some may ultimately be brought to trial. In the opinion of management, the outcome of these actions will not have a material effect on the financial position or the results of operations of the Organization. Incidents occurring through June 30, 2019 may result in the assertion of additional claims. Other claims may be asserted arising from services provided to residents in the past. Management believes that these claims, if asserted, would be settled at amounts which would not result in additional losses to the Organization.

Essentia Health

As a condition of the reorganization agreement, upon dissolution or sale of any BHS organization in existence at December 31, 2007, Essentia Health is entitled to receive the net proceeds from such sale, up to the net asset value of such entity as of December 31, 2007.

NOTE 19 RELATED PARTIES

BHS provides management services, information technology support, payroll and related benefits, and therapy services to certain unconsolidated ministry partnerships. Revenues generated from these services totaled \$3,295 and \$3,822 for the years ended June 30, 2019 and 2018, respectively.

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 20 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions that are temporary in nature are restricted by donors for a particular purpose as follows at June 30:

	<u>2019</u>	<u>2018</u>
Property Acquisitions and Capital Improvements	\$ 1,460	\$ 14,947
Time Restricted for Programs at a Specific Facility	5,388	6,007
Total	<u>\$ 6,848</u>	<u>\$ 20,954</u>

Net assets with donor restrictions that are perpetual in nature are restricted for various purposes, the income which is expendable to support the activities of the nursing and housing facilities as follows at June 30:

	<u>2019</u>	<u>2018</u>
Trusts	\$ 702	\$ 718
General Endowment	418	382
Total	<u>\$ 1,120</u>	<u>\$ 1,100</u>

NOTE 21 FUNCTIONAL CLASSIFICATION

Functional classification of expenses for the years ended June 30 consisted of the following:

	<u>2019</u>						
	<u>Program Services</u>				<u>Supporting Services</u>		
	Skilled Nursing	Housing With Services	Home Community Based Services	Total Program Services	Management and General	Eliminations	Total
Salaries	\$ 99,635	\$ 22,950	\$ 2,515	\$ 125,100	\$ 25,856	\$ (2,699)	\$ 148,257
Benefits	25,344	5,856	586	31,786	23,578	(22,281)	33,083
Professional Fees	4,590	249	13	4,852	1,014	(931)	4,935
Supplies	16,989	5,583	151	22,723	665	-	23,388
Purchased Services	6,663	1,995	98	8,756	21,244	(16,018)	13,982
Provision for Doubtful							
Accounts	-	-	-	-	1,499	-	1,499
General Insurance	-	-	-	-	3,461	(1,382)	2,079
Utilities	3,875	2,621	15	6,511	974	-	7,485
Repairs & Maintenance	1,308	1,098	4	2,410	17	-	2,427
Depreciation	6,957	5,832	5	12,794	209	(31)	12,972
Amortization	245	175	-	420	3	-	423
Interest	5,277	5,837	-	11,114	123	-	11,237
Building Lease	574	2,151	93	2,818	520	-	3,338
Other	6,235	1,938	286	8,459	4,136	-	12,595
Total Expenses	<u>\$ 177,692</u>	<u>\$ 56,285</u>	<u>\$ 3,766</u>	<u>\$ 237,743</u>	<u>\$ 83,299</u>	<u>\$ (43,342)</u>	<u>\$ 277,700</u>

BENEDICTINE HEALTH SYSTEM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018
(DOLLAR AMOUNTS IN THOUSANDS)

NOTE 21 FUNCTIONAL CLASSIFICATION (CONTINUED)

	2018							
	Program Services				Supporting Services			
	Skilled Nursing	Housing With Services	Home		Total Program Services	Management and General	Eliminations	Total
			Community Based Services	Total				
Salaries	\$ 97,634	\$ 23,112	\$ 1,756	\$ 122,502	\$ 25,009	\$ (3,017)	\$ 144,494	
Benefits	25,042	6,074	77	31,193	20,738	(23,524)	28,407	
Professional Fees	6,089	156	17	6,262	1,091	(846)	6,507	
Supplies	16,366	5,485	180	22,031	632	-	22,663	
Purchased Services	6,112	2,055	215	8,382	18,816	(13,789)	13,409	
Provision for Doubtful								
Accounts	-	-	-	-	1,446	-	1,446	
General Insurance	-	-	-	-	2,817	(1,471)	1,346	
Utilities	3,864	2,489	13	6,366	759	-	7,125	
Repairs & Maintenance	1,223	737	29	1,989	31	-	2,020	
Depreciation	6,440	5,678	6	12,124	215	(31)	12,308	
Amortization	203	175	-	378	3	-	381	
Interest	4,714	5,856	-	10,570	103	-	10,673	
Building Lease	1,137	1,869	70	3,076	391	-	3,467	
Other	6,016	1,552	556	8,124	4,323	(97)	12,350	
Total Expenses	<u>\$ 174,840</u>	<u>\$ 55,238</u>	<u>\$ 2,919</u>	<u>\$ 232,997</u>	<u>\$ 76,374</u>	<u>\$ (42,775)</u>	<u>\$ 266,596</u>	

NOTE 22 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 30, 2019, the date the financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Benedictine Health System
Duluth, Minnesota

We have audited the consolidated financial statements of Benedictine Health System as of and for the years ended June 30, 2019 and 2018, and our report thereon dated September 30, 2019, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2019 and 2018 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements for the years ended June 30, 2019 and 2018, as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 30, 2019

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET**

JUNE 30, 2019

(DOLLAR AMOUNTS IN THOUSANDS)

(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH & BLCA (BLCWI)	Northland House Group Home (NHGH)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 3,272	\$ 3,751	\$ 117	\$ 911	\$ 368	\$ 826
Short-Term Investments	955	1,884	-	-	-	-
Resident Accounts Receivable	1,462	2,819	269	967	957	17
Other Receivables	247	32	(1)	3	4	-
Pledge Receivables	-	-	-	-	-	-
Current Portion of Assets Limited as to Use	42	1,000	47	181	144	-
Amounts Due from Affiliates	(1)	(5)	(69)	74	2	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	70	61	146	22	20	9
Total Current Assets	6,047	9,542	509	2,158	1,495	852
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	-	-	72	-	-
Debt Service Reserve Fund	-	1,374	-	1,045	320	-
Project Fund	-	-	-	-	-	-
Bond Fund	-	682	-	174	113	-
Subtotal Funds Held Under Bond Indenture	-	2,056	-	1,291	433	-
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	8,794	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	8,794	-	-	-	-	-
Resident Trust Funds and Security Deposits	22	212	47	6	10	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	2,617	1,432	-	151	21	-
Assets Limited as to Use	11,433	3,700	47	1,448	464	-
Less: Current Portion Shown Above	42	1,000	47	181	144	-
Total Assets Limited as to Use (Net of Current)	11,391	2,700	-	1,267	320	-
OTHER ASSETS						
Property, Plant, and Equipment (Net)	27,247	15,610	1,012	11,430	4,898	14
Intangible and Other Assets (Net)	-	14	-	-	-	-
Total Other Assets	27,247	15,624	1,012	11,430	4,898	14
Total Assets	\$ 44,685	\$ 27,866	\$ 1,521	\$ 14,855	\$ 6,713	\$ 866
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 402	\$ 704	\$ 65	\$ 86	\$ 259	\$ -
Construction Payables	-	-	-	-	-	-
Accrued Expenses:						
Salaries, Wages, and Benefits	967	1,909	137	443	642	25
Interest	-	(1)	-	102	64	-
Amounts Due to Affiliates	124	728	3	84	93	3
Current Maturities of Long-Term Debt	906	911	-	435	254	-
Other	76	303	48	6	28	-
Total Current Liabilities	2,475	4,554	253	1,156	1,340	28
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	21,383	21,830	1,225	14,197	6,598	-
OTHER NONCURRENT LIABILITIES						
	465	107	-	-	-	-
Total Liabilities	24,323	26,491	1,478	15,353	7,938	28
NET ASSETS						
Without Donor Restrictions	20,087	49	43	(649)	(1,286)	838
With Donor Restrictions	275	1,326	-	151	61	-
Total Net Assets	20,362	1,375	43	(498)	(1,225)	838
Total Liabilities and Net Assets	\$ 44,685	\$ 27,866	\$ 1,521	\$ 14,855	\$ 6,713	\$ 866

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)
\$ 328	\$ 3,113	\$ 1,588	\$ 291	\$ 20	\$ 2,556	\$ 95	\$ 4,865	\$ 1,154	\$ 435
-	2,363	262	-	-	-	-	4,098	-	-
737	6,046	311	950	180	886	40	498	1,691	1,393
367	400	22	42	(6)	28	-	28	37	26
-	-	-	-	-	-	-	-	-	-
-	186	2	1,575	-	4	53	1,589	183	55
-	618	(2)	(1)	265	1,496	79	-	3	(1)
-	-	-	14	-	-	-	73	-	-
-	138	18	17	-	26	-	79	29	86
1,432	12,864	2,201	2,888	459	4,996	267	11,230	3,097	1,994
-	-	-	69	19	64	-	-	-	55
-	545	-	2,775	-	-	-	3,453	322	294
-	-	-	-	-	-	-	-	-	-
-	49	-	1,522	-	-	18	1,580	160	45
-	594	-	4,366	19	64	18	5,033	482	394
-	1,530	-	-	-	1,131	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	731	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	1,530	-	-	-	1,862	-	-	-	-
-	137	2	52	-	4	36	9	23	10
-	-	-	-	-	-	-	-	-	-
-	957	93	83	-	456	-	1,702	-	108
-	3,218	95	4,501	19	2,386	54	6,744	505	512
-	186	2	1,575	-	4	53	1,589	183	55
-	3,032	93	2,926	19	2,382	1	5,155	322	457
-	39,387	3,779	18,894	5,655	17,280	8,492	64,124	4,826	12,451
-	-	-	-	-	39	-	326	127	800
-	39,387	3,779	18,894	5,655	17,319	8,492	64,450	4,953	13,251
\$ 1,432	\$ 55,283	\$ 6,073	\$ 24,708	\$ 6,133	\$ 24,697	\$ 8,760	\$ 80,835	\$ 8,372	\$ 15,702
\$ 199	\$ 1,051	\$ 78	\$ 358	\$ 71	\$ 225	\$ 36	\$ 352	\$ 668	\$ 247
-	-	-	-	-	-	-	668	-	-
1,971	2,661	223	588	136	612	72	909	509	508
-	70	-	1,095	13	23	30	726	105	-
63	287	40	7,593	573	258	1,028	35	70	69
-	2,917	85	895	240	436	366	725	110	407
156	552	28	52	-	4	37	2,060	126	20
2,389	7,538	454	10,581	1,033	1,558	1,569	5,475	1,588	1,251
-	31,222	2,280	28,722	4,719	8,588	8,945	42,859	4,199	13,880
-	28	-	-	-	2,998	-	14,861	7	-
2,389	38,788	2,734	39,303	5,752	13,144	10,514	63,195	5,794	15,131
(957)	15,534	3,246	(14,678)	381	11,097	(1,754)	16,124	2,578	463
-	961	93	83	-	456	-	1,516	-	108
(957)	16,495	3,339	(14,595)	381	11,553	(1,754)	17,640	2,578	571
\$ 1,432	\$ 55,283	\$ 6,073	\$ 24,708	\$ 6,133	\$ 24,697	\$ 8,760	\$ 80,835	\$ 8,372	\$ 15,702

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCS)	Benedictine Health System Foundation (BHSF)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 1,431	\$ 768	\$ 992	\$ -	\$ -	\$ 3,157
Short-Term Investments	2,161	959	-	-	-	-
Resident Accounts Receivable	1,421	994	635	-	-	-
Other Receivables	90	62	28	-	95	-
Pledge Receivables	-	-	-	-	-	258
Current Portion of Assets Limited as to Use	222	93	246	858	6,341	-
Amounts Due from Affiliates	(2)	5	-	-	-	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	56	57	28	3	-	-
Total Current Assets	<u>5,379</u>	<u>2,938</u>	<u>1,929</u>	<u>861</u>	<u>6,436</u>	<u>3,415</u>
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	214	373	1,650	1,368	-
Debt Service Reserve Fund	277	-	1,242	840	3,489	-
Project Fund	-	-	286	8,264	30,374	-
Bond Fund	-	-	242	858	6,341	-
Subtotal Funds Held Under Bond Indenture	<u>277</u>	<u>214</u>	<u>2,143</u>	<u>11,612</u>	<u>41,572</u>	<u>-</u>
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	-	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident Trust Funds and Security Deposits	222	93	4	-	-	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	810	347	30	-	-	8,474
Assets Limited as to Use	<u>1,309</u>	<u>654</u>	<u>2,177</u>	<u>11,612</u>	<u>41,572</u>	<u>8,474</u>
Less: Current Portion Shown Above	<u>222</u>	<u>93</u>	<u>246</u>	<u>858</u>	<u>6,341</u>	<u>-</u>
Total Assets Limited as to Use (Net of Current)	<u>1,087</u>	<u>561</u>	<u>1,931</u>	<u>10,754</u>	<u>35,231</u>	<u>8,474</u>
OTHER ASSETS						
Property, Plant, and Equipment (Net)	7,650	7,217	15,497	12,997	17,406	-
Intangible and Other Assets (Net)	-	-	-	-	-	-
Total Other Assets	<u>7,650</u>	<u>7,217</u>	<u>15,497</u>	<u>12,997</u>	<u>17,406</u>	<u>-</u>
Total Assets	<u>\$ 14,116</u>	<u>\$ 10,716</u>	<u>\$ 19,357</u>	<u>\$ 24,612</u>	<u>\$ 59,073</u>	<u>\$ 11,889</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 360	\$ 262	\$ 241	\$ 18	\$ 5	\$ 36
Construction Payables	-	-	-	1,876	2,017	-
Accrued Expenses:						
Salaries, Wages, and Benefits	748	600	423	-	-	-
Interest	10	-	80	465	518	-
Amounts Due to Affiliates	116	78	65	-	-	-
Current Maturities of Long-Term Debt	418	518	265	-	-	-
Other	138	93	4	-	-	-
Total Current Liabilities	<u>1,790</u>	<u>1,551</u>	<u>1,078</u>	<u>2,359</u>	<u>2,540</u>	<u>36</u>
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	4,596	8,399	17,482	22,563	54,615	-
OTHER NONCURRENT LIABILITIES						
	-	51	-	49	-	21
Total Liabilities	<u>6,386</u>	<u>10,001</u>	<u>18,560</u>	<u>24,971</u>	<u>57,155</u>	<u>57</u>
NET ASSETS						
Without Donor Restrictions	6,920	368	767	(359)	1,918	3,378
With Donor Restrictions	810	347	30	-	-	8,454
Total Net Assets	<u>7,730</u>	<u>715</u>	<u>797</u>	<u>(359)</u>	<u>1,918</u>	<u>11,832</u>
Total Liabilities and Net Assets	<u>\$ 14,116</u>	<u>\$ 10,716</u>	<u>\$ 19,357</u>	<u>\$ 24,612</u>	<u>\$ 59,073</u>	<u>\$ 11,889</u>

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (BHS)
\$ 262	\$ -	\$ 11,500	\$ (1,802)	\$ 39,998
-	-	52	-	12,734
-	-	-	-	22,273
34	1,245	990	(928)	2,845
-	-	-	-	258
-	4,154	-	-	16,975
-	-	2,455	(4,916)	-
-	-	98	-	185
6	2,239	859	-	3,969
<u>302</u>	<u>7,638</u>	<u>15,954</u>	<u>(7,646)</u>	<u>99,237</u>
-	-	-	-	3,884
-	-	-	-	15,976
-	-	-	-	38,924
-	-	-	-	11,784
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,568</u>
-	-	-	-	2,661
-	-	-	-	8,794
-	-	-	-	731
11,448	850	13,123	-	25,421
<u>11,448</u>	<u>850</u>	<u>13,123</u>	<u>-</u>	<u>37,607</u>
-	-	-	-	889
-	-	2,729	-	2,729
-	8,527	632	(6,681)	19,759
<u>11,448</u>	<u>9,377</u>	<u>16,484</u>	<u>(6,681)</u>	<u>131,552</u>
-	4,154	-	-	16,975
<u>11,448</u>	<u>5,223</u>	<u>16,484</u>	<u>(6,681)</u>	<u>114,577</u>
-	-	2,569	(1,285)	297,150
-	-	22,878	(21,288)	2,896
-	-	25,447	(22,573)	300,046
<u>\$ 11,750</u>	<u>\$ 12,861</u>	<u>\$ 57,885</u>	<u>\$ (36,900)</u>	<u>\$ 513,860</u>
\$ 46	\$ 696	\$ 179	\$ -	\$ 6,644
-	-	-	-	4,561
-	-	3,146	-	17,229
-	-	-	-	3,300
-	-	3,524	(14,834)	-
-	-	3,328	-	13,216
-	-	1,787	-	5,518
<u>46</u>	<u>696</u>	<u>11,964</u>	<u>(14,834)</u>	<u>50,468</u>
-	-	1,476	(14,656)	305,122
<u>2,158</u>	<u>6,587</u>	<u>3,579</u>	<u>-</u>	<u>30,911</u>
<u>2,204</u>	<u>7,283</u>	<u>17,019</u>	<u>(29,490)</u>	<u>386,501</u>
9,546	5,578	40,524	(365)	119,391
-	-	342	(7,045)	7,968
<u>9,546</u>	<u>5,578</u>	<u>40,866</u>	<u>(7,410)</u>	<u>127,359</u>
<u>\$ 11,750</u>	<u>\$ 12,861</u>	<u>\$ 57,885</u>	<u>\$ (36,900)</u>	<u>\$ 513,860</u>

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET
JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH & BLCA (BLCWI)	Northland House Group Home (NHGH)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 2,190	\$ 1,856	\$ 168	\$ 723	\$ (399)	\$ 692
Short-Term Investments	-	1,267	-	-	-	-
Resident Accounts Receivable	1,335	3,008	323	901	1,272	59
Other Receivables	64	360	-	10	7	-
Pledge Receivables	-	-	-	-	-	-
Current Portion of Assets Limited as to Use	19	898	41	4	223	-
Amounts Due from Affiliates	219	3,741	13	(16)	(3)	-
Inventories	-	(2)	-	-	-	-
Prepaid Expenses and Other	53	94	-	-	29	8
Total Current Assets	3,880	11,222	545	1,622	1,129	759
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	-	-	273	-	-
Debt Service Reserve Fund	-	1,337	-	-	320	-
Project Fund	-	-	-	-	-	-
Bond Fund	-	682	-	-	216	-
Subtotal Funds Held Under Bond Indenture	-	2,019	-	273	536	-
Board Designated Funds:						
Funded Depreciation and Debt Retirement	2,222	278	-	-	-	-
For Plant Expansion	8,299	322	-	-	-	-
For Refund of Entry Fee Deposits	936	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	11,457	600	-	-	-	-
Resident Trust Funds and Security Deposits	19	216	41	4	6	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	290	1,682	-	184	21	-
Assets Limited as to Use	11,766	4,517	41	461	563	-
Less: Current Portion Shown Above	19	898	41	4	223	-
Total Assets Limited as to Use (Net of Current)	11,747	3,619	-	457	340	-
OTHER ASSETS						
Property, Plant, and Equipment (Net)	28,142	15,948	986	11,781	5,124	20
Intangible and Other Assets (Net)	-	(1,559)	(920)	2	-	-
Total Other Assets	28,142	14,389	66	11,783	5,124	20
Total Assets	\$ 43,769	\$ 29,230	\$ 611	\$ 13,862	\$ 6,593	\$ 779
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 374	\$ 1,388	\$ 36	\$ 110	\$ 577	\$ -
Construction Payables	-	-	-	-	-	-
Accrued Expenses:						
Salaries, Wages, and Benefits	914	1,845	112	458	621	23
Interest	-	426	-	33	66	-
Amounts Due to Affiliates	-	-	-	-	-	-
Current Maturities of Long-Term Debt	863	2,425	648	12,038	235	-
Other	61	272	42	4	23	-
Total Current Liabilities	2,212	6,356	838	12,643	1,522	23
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	22,212	21,293	784	1,786	6,415	-
OTHER NONCURRENT LIABILITIES						
	546	83	-	-	-	-
Total Liabilities	24,970	27,732	1,622	14,429	7,937	23
NET ASSETS						
Without Donor Restriction	18,526	(87)	(1,011)	(751)	(1,400)	756
With Donor Restriction	273	1,585	-	184	56	-
Total Net Assets	18,799	1,498	(1,011)	(567)	(1,344)	756
Total Liabilities and Net Assets	\$ 43,769	\$ 29,230	\$ 611	\$ 13,862	\$ 6,593	\$ 779

BENEDICTINE HEALTH SYSTEM
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(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Benedictine Living Community of Fridley (BLCF)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda (SCCL)
\$ (1,544)	\$ 3,470	\$ -	\$ 1,256	\$ 502	\$ 31	\$ 2,131	\$ 67	\$ 2,928	\$ 1,193	\$ 116
-	2,314	-	258	-	-	-	-	4,012	-	-
1,487	5,564	-	371	450	158	851	46	438	965	1,412
33	130	-	22	40	-	24	-	20	9	84
-	-	-	-	-	-	-	-	3,500	-	-
183	186	-	4	1,538	-	5	53	4,020	182	49
522	(6)	-	(6)	10	459	1,423	(17)	(26)	104	136
-	-	-	-	22	-	-	-	73	-	-
64	69	-	-	19	-	34	-	217	18	94
<u>745</u>	<u>11,727</u>	<u>-</u>	<u>1,905</u>	<u>2,581</u>	<u>648</u>	<u>4,468</u>	<u>149</u>	<u>15,182</u>	<u>2,471</u>	<u>1,891</u>
-	-	-	-	71	55	164	-	-	-	35
638	446	-	-	2,622	-	-	-	3,585	321	293
-	-	-	-	-	-	-	-	-	-	-
164	62	-	-	1,476	-	-	18	1,593	159	40
<u>802</u>	<u>508</u>	<u>-</u>	<u>-</u>	<u>4,169</u>	<u>55</u>	<u>164</u>	<u>18</u>	<u>5,178</u>	<u>480</u>	<u>368</u>
-	1,466	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,084	-	-	-	-
-	-	-	-	-	-	870	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	1,466	-	-	-	-	1,954	-	-	-	-
19	124	-	4	62	-	4	35	6	23	9
-	-	-	-	-	-	-	-	-	-	-
82	859	-	150	68	-	427	-	3,883	-	40
<u>903</u>	<u>2,957</u>	<u>-</u>	<u>154</u>	<u>4,299</u>	<u>55</u>	<u>2,549</u>	<u>53</u>	<u>9,067</u>	<u>503</u>	<u>417</u>
183	186	-	4	1,538	-	5	53	4,020	182	49
<u>720</u>	<u>2,771</u>	<u>-</u>	<u>150</u>	<u>2,761</u>	<u>55</u>	<u>2,544</u>	<u>-</u>	<u>5,047</u>	<u>321</u>	<u>368</u>
5,832	39,813	-	3,912	19,509	5,846	17,543	8,813	54,537	4,918	12,918
-	640	-	-	-	-	38	-	324	127	800
<u>5,832</u>	<u>40,453</u>	<u>-</u>	<u>3,912</u>	<u>19,509</u>	<u>5,846</u>	<u>17,581</u>	<u>8,813</u>	<u>54,861</u>	<u>5,045</u>	<u>13,718</u>
<u>\$ 7,297</u>	<u>\$ 54,951</u>	<u>\$ -</u>	<u>\$ 5,967</u>	<u>\$ 24,851</u>	<u>\$ 6,549</u>	<u>\$ 24,593</u>	<u>\$ 8,962</u>	<u>\$ 75,090</u>	<u>\$ 7,837</u>	<u>\$ 15,977</u>
\$ 327	\$ 1,070	\$ -	\$ 26	\$ 96	\$ 53	\$ 226	\$ 31	\$ 248	\$ 685	\$ 428
-	999	-	-	-	-	-	-	2,798	-	-
699	2,455	-	229	520	160	622	75	641	498	479
67	17	-	(1)	1,067	12	24	29	734	111	1
-	6	-	-	7,000	506	393	976	-	-	-
375	3,241	-	78	835	231	419	353	490	250	391
174	545	-	25	56	-	5	34	766	128	39
<u>1,642</u>	<u>8,333</u>	<u>-</u>	<u>357</u>	<u>9,574</u>	<u>962</u>	<u>1,689</u>	<u>1,498</u>	<u>5,677</u>	<u>1,672</u>	<u>1,338</u>
4,655	31,121	-	2,383	29,303	4,942	8,995	9,304	35,883	4,157	14,503
124	27	-	-	-	-	3,168	-	16,144	-	-
<u>6,421</u>	<u>39,481</u>	<u>-</u>	<u>2,740</u>	<u>38,877</u>	<u>5,904</u>	<u>13,852</u>	<u>10,802</u>	<u>57,704</u>	<u>5,829</u>	<u>15,841</u>
794	14,607	-	3,076	(14,094)	645	10,314	(1,840)	2,555	2,008	96
82	863	-	151	68	-	427	-	14,831	-	40
<u>876</u>	<u>15,470</u>	<u>-</u>	<u>3,227</u>	<u>(14,026)</u>	<u>645</u>	<u>10,741</u>	<u>(1,840)</u>	<u>17,386</u>	<u>2,008</u>	<u>136</u>
<u>\$ 7,297</u>	<u>\$ 54,951</u>	<u>\$ -</u>	<u>\$ 5,967</u>	<u>\$ 24,851</u>	<u>\$ 6,549</u>	<u>\$ 24,593</u>	<u>\$ 8,962</u>	<u>\$ 75,090</u>	<u>\$ 7,837</u>	<u>\$ 15,977</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
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(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Senior Living Community of St. Peter (BSLCSP)	Benedictine Living Community of Mora (BLCM)	Benedictine Health System Foundation (BHSF)
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 936	\$ 310	\$ 476	\$ 35	\$ -	\$ 3,308
Short-Term Investments	2,070	940	-	-	-	-
Resident Accounts Receivable	1,247	1,452	627	21	-	-
Other Receivables	4	36	22	-	-	-
Pledge Receivables	-	-	-	-	-	363
Current Portion of Assets Limited as to Use	184	93	5	19	-	-
Amounts Due from Affiliates	4	2	406	(2)	-	-
Inventories	-	-	-	-	-	-
Prepaid Expenses and Other	35	31	9	1	-	-
Total Current Assets	<u>4,480</u>	<u>2,864</u>	<u>1,545</u>	<u>74</u>	<u>-</u>	<u>3,671</u>
ASSETS LIMITED AS TO USE						
Funds Held by Trustee Under Bond Indenture:						
Replacement Reserve Fund	-	175	-	67	-	-
Debt Service Reserve Fund	276	-	-	87	-	-
Project Fund	-	-	-	-	-	-
Bond Fund	-	-	-	19	-	-
Subtotal Funds Held Under Bond Indenture	<u>276</u>	<u>175</u>	<u>-</u>	<u>173</u>	<u>-</u>	<u>-</u>
Board Designated Funds:						
Funded Depreciation and Debt Retirement	-	-	-	-	-	-
For Plant Expansion	-	-	-	-	-	-
For Refund of Entry Fee Deposits	-	-	-	-	-	-
For Insurance Reserves	-	-	-	-	-	-
Subtotal Board Designated Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Resident Trust Funds and Security Deposits	184	93	5	-	-	-
Deferred Compensation Funds	-	-	-	-	-	-
Designated Contributions	776	364	20	-	-	8,328
Assets Limited as to Use	<u>1,236</u>	<u>632</u>	<u>25</u>	<u>173</u>	<u>-</u>	<u>8,328</u>
Less: Current Portion Shown Above	184	93	5	19	-	-
Total Assets Limited as to Use (Net of Current)	<u>1,052</u>	<u>539</u>	<u>20</u>	<u>154</u>	<u>-</u>	<u>8,328</u>
OTHER ASSETS						
Property, Plant, and Equipment (Net)	7,766	7,419	309	5,558	-	-
Intangible and Other Assets (Net)	-	-	-	-	-	-
Total Other Assets	<u>7,766</u>	<u>7,419</u>	<u>309</u>	<u>5,558</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 13,298</u>	<u>\$ 10,822</u>	<u>\$ 1,874</u>	<u>\$ 5,786</u>	<u>\$ -</u>	<u>\$ 11,999</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable:						
Trade	\$ 191	\$ 214	\$ 143	\$ 317	\$ -	\$ 15
Construction Payables	-	-	-	-	-	-
Accrued Expenses:						
Salaries, Wages, and Benefits	677	628	372	45	-	-
Interest	15	-	-	23	-	-
Amounts Due to Affiliates	-	-	-	179	-	-
Current Maturities of Long-Term Debt	393	427	-	133	-	-
Other	133	88	12	-	-	-
Total Current Liabilities	<u>1,409</u>	<u>1,357</u>	<u>527</u>	<u>697</u>	<u>-</u>	<u>15</u>
LONG-TERM DEBT (Net of Current Maturities Shown Above)						
	4,985	8,945	-	5,452	-	-
OTHER NONCURRENT LIABILITIES						
	-	48	-	7	-	8
Total Liabilities	<u>6,394</u>	<u>10,350</u>	<u>527</u>	<u>6,156</u>	<u>-</u>	<u>23</u>
NET ASSETS						
Without Donor Restriction	6,128	108	1,327	(370)	-	3,443
With Donor Restriction	776	364	20	-	-	8,533
Total Net Assets	<u>6,904</u>	<u>472</u>	<u>1,347</u>	<u>(370)</u>	<u>-</u>	<u>11,976</u>
Total Liabilities and Net Assets	<u>\$ 13,298</u>	<u>\$ 10,822</u>	<u>\$ 1,874</u>	<u>\$ 5,786</u>	<u>\$ -</u>	<u>\$ 11,999</u>

**BENEDICTINE HEALTH SYSTEM
CONSOLIDATING BALANCE SHEET (CONTINUED)
JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (BHS)
\$ 478	\$ -	\$ 9,773	\$ -	\$ 30,696
-	-	53	-	10,914
-	-	-	-	21,987
70	1,232	387	(82)	2,472
-	-	-	-	3,863
-	-	-	-	7,706
-	-	2,145	(9,108)	-
-	-	88	-	181
7	2,332	858	-	3,972
<u>555</u>	<u>3,564</u>	<u>13,304</u>	<u>(9,190)</u>	<u>81,791</u>
-	-	-	-	840
-	-	-	-	9,925
-	-	-	-	-
-	-	-	-	4,429
-	-	-	-	15,194
-	-	-	-	3,966
-	-	2,801	(1,766)	10,740
-	-	-	-	1,806
10,258	727	12,845	-	23,830
<u>10,258</u>	<u>727</u>	<u>15,646</u>	<u>(1,766)</u>	<u>40,342</u>
-	-	-	-	854
-	-	2,656	-	2,656
-	8,868	354	(6,699)	19,697
10,258	9,595	18,656	(8,465)	78,743
-	-	-	-	7,706
<u>10,258</u>	<u>9,595</u>	<u>18,656</u>	<u>(8,465)</u>	<u>71,037</u>
-	-	2,024	(816)	257,902
-	-	19,125	(15,029)	3,548
-	-	21,149	(15,845)	261,450
<u>\$ 10,813</u>	<u>\$ 13,159</u>	<u>\$ 53,109</u>	<u>\$ (33,500)</u>	<u>\$ 414,278</u>
\$ 99	\$ 807	\$ 582	\$ (3,286)	\$ 4,757
-	-	-	-	3,797
-	-	2,870	-	14,943
-	-	-	-	2,624
-	-	4,276	(13,336)	-
-	-	1,689	(3,441)	22,073
-	-	1,796	-	4,203
<u>99</u>	<u>807</u>	<u>11,213</u>	<u>(20,063)</u>	<u>52,397</u>
-	-	792	(7,980)	209,930
1,977	7,052	3,506	-	32,690
<u>2,076</u>	<u>7,859</u>	<u>15,511</u>	<u>(28,043)</u>	<u>295,017</u>
8,737	5,300	37,245	1,095	97,207
-	-	353	(6,552)	22,054
<u>8,737</u>	<u>5,300</u>	<u>37,598</u>	<u>(5,457)</u>	<u>119,261</u>
<u>\$ 10,813</u>	<u>\$ 13,159</u>	<u>\$ 53,109</u>	<u>\$ (33,500)</u>	<u>\$ 414,278</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH & BLCA (BLCWI)	Northland House Group Home (NHGH)
REVENUES						
Resident Service Revenue	\$ 22,140	\$ 35,816	\$ 5,303	\$ 9,714	\$ 14,190	\$ 571
Other Operating Revenue:						
Interest	-	66	-	(3)	7	-
Other	752	657	116	23	32	-
Total Revenues	<u>22,892</u>	<u>36,539</u>	<u>5,419</u>	<u>9,734</u>	<u>14,229</u>	<u>571</u>
EXPENSES						
Salaries	11,052	18,783	1,725	5,028	7,245	247
Benefits	2,454	5,109	367	1,061	1,621	70
Professional Fees	118	758	5	149	195	-
Supplies	1,977	2,787	455	740	1,484	14
Purchased Services	2,024	3,433	400	615	1,641	51
Provision for Doubtful Accounts	15	504	47	(127)	40	-
Professional Liability and General Insurance	162	364	40	69	162	4
Utilities	579	902	207	179	313	12
Repairs and Maintenance	165	227	1	8	58	3
Depreciation	1,449	1,318	107	532	289	5
Amortization	36	30	-	19	17	-
Interest	892	1,257	1	735	397	-
Building Lease	141	34	1,747	110	-	65
Other	766	725	121	170	624	16
Total Expenses	<u>21,830</u>	<u>36,231</u>	<u>5,223</u>	<u>9,288</u>	<u>14,086</u>	<u>487</u>
INCOME (LOSS) FROM OPERATIONS	1,062	308	196	446	143	84
NONOPERATING INCOME (LOSS)						
Investment Income	212	19	-	4	3	-
Realized Gain on Investments	353	-	-	-	-	-
Unrealized Gain (Loss) on Trading Investments	(72)	-	-	5	7	-
Net Philanthropy Activities	-	-	-	-	-	-
Gain (Loss) on Disposal/Acquisition of Property	-	-	-	-	-	-
Loss on Refinancing	-	-	-	(312)	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	<u>493</u>	<u>19</u>	<u>-</u>	<u>(303)</u>	<u>10</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	1,555	327	196	143	153	84
Net Assets Released from Restrictions Used for Purchase of Property and Equipment						
Other Net Asset Transfers	6	(191)	858	(41)	(39)	(2)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 1,561</u>	<u>\$ 136</u>	<u>\$ 1,054</u>	<u>\$ 102</u>	<u>\$ 114</u>	<u>\$ 82</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)	Park Place Senior Living
\$ 12,984	\$ 55,946	\$ 5,146	\$ 12,293	\$ 3,209	\$ 15,150	\$ 2,237	\$ 18,802	\$ 13,185	\$ 10,104	\$ 1,686
12	-	-	156	-	41	-	89	7	-	-
31	268	208	68	12	341	2	695	169	10	30
13,027	56,214	5,354	12,517	3,221	15,532	2,239	19,586	13,361	10,114	1,716
6,720	28,757	2,396	5,595	1,634	7,276	1,006	6,776	6,239	5,110	642
2,178	5,859	671	1,033	328	1,728	196	1,908	1,266	1,218	151
98	1,117	38	657	2	232	17	1,224	278	231	2
991	4,647	429	1,330	236	1,236	191	1,597	1,273	664	145
1,134	6,041	551	1,091	272	1,216	81	2,077	2,139	876	127
252	275	3	10	4	19	1	32	133	51	(3)
148	430	66	127	33	123	21	240	116	90	31
292	1,129	164	395	159	492	91	605	438	232	85
59	481	65	110	108	270	49	143	167	59	43
346	2,163	178	700	261	1,103	333	1,807	210	509	1
11	111	3	42	6	11	2	46	13	27	-
235	1,184	106	1,650	156	283	345	2,040	211	322	(1)
-	37	50	-	-	-	-	9	-	-	278
680	2,193	262	449	304	340	271	1,123	520	409	95
13,144	54,424	4,982	13,189	3,503	14,329	2,604	19,627	13,003	9,798	1,596
(117)	1,790	372	(672)	(282)	1,203	(365)	(41)	358	316	120
6	91	8	1	-	45	1	60	1	1	-
-	49	-	-	-	78	-	-	-	-	-
9	(12)	-	155	-	(21)	-	124	-	-	-
-	1	-	-	-	-	-	-	178	-	-
(1,190)	-	-	-	-	2	-	-	-	-	(22)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(1,175)	129	8	156	-	104	1	184	179	1	(22)
(1,292)	1,919	380	(516)	(282)	1,307	(364)	143	537	317	98
-	-	-	-	-	-	-	13,500	-	-	-
(459)	(992)	(210)	(68)	18	(524)	450	(74)	33	(48)	-
\$ (1,751)	\$ 927	\$ 170	\$ (584)	\$ (264)	\$ 783	\$ 86	\$ 13,569	\$ 570	\$ 269	\$ 98

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCS)	Benedictine Health System Foundation (BHSF)
REVENUES						
Resident Service Revenue	\$ 15,649	\$ 12,074	\$ 9,761	\$ -	\$ -	\$ -
Other Operating Revenue:						
Interest	1	-	11	-	-	-
Other	99	98	241	-	-	-
Total Revenues	<u>15,749</u>	<u>12,172</u>	<u>10,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES						
Salaries	8,172	6,564	4,621	54	-	-
Benefits	1,971	1,579	1,039	3	-	-
Professional Fees	45	62	109	3	-	-
Supplies	1,268	999	813	9	1	-
Purchased Services	1,105	834	753	210	135	-
Provision for Doubtful Accounts	99	119	25	-	-	-
Professional Liability and General Insurance	166	123	98	10	-	-
Utilities	465	274	347	1	-	-
Repairs and Maintenance	252	113	36	-	-	-
Depreciation	533	400	553	-	-	-
Amortization	5	24	17	-	-	-
Interest	229	376	700	-	-	-
Building Lease	28	-	320	51	-	-
Other	758	512	515	23	2	-
Total Expenses	<u>15,096</u>	<u>11,979</u>	<u>9,946</u>	<u>364</u>	<u>138</u>	<u>-</u>
INCOME (LOSS) FROM OPERATIONS	653	193	67	(364)	(138)	-
NONOPERATING INCOME (LOSS)						
Investment Income	45	22	2	-	-	39
Realized Gain on Investments	69	-	-	-	13	-
Unrealized Gain (Loss) on Trading Investments	(15)	-	12	5	17	96
Net Philanthropy Activities	-	-	-	-	-	(2,485)
Gain (Loss) on Disposal/Acquisition of Property	-	-	-	-	-	-
Loss on Refinancing	-	-	(223)	-	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	<u>99</u>	<u>22</u>	<u>(209)</u>	<u>5</u>	<u>30</u>	<u>(2,350)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	752	215	(142)	(359)	(108)	(2,350)
Net Assets Released from Restrictions Used for Purchase of Property and Equipment	-	-	-	-	-	2,753
Other Net Asset Transfers	40	45	(48)	-	2,026	(468)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 792</u>	<u>\$ 260</u>	<u>\$ (190)</u>	<u>\$ (359)</u>	<u>\$ 1,918</u>	<u>\$ (65)</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (BHS)
\$ -	\$ -	\$ 3	\$ -	\$ 275,963
-	-	-	-	387
1,491	2,290	47,947	(43,811)	11,769
<u>1,491</u>	<u>2,290</u>	<u>47,950</u>	<u>(43,811)</u>	<u>288,119</u>
-	-	15,314	(2,699)	148,257
-	760	22,794	(22,281)	33,083
-	-	526	(931)	4,935
-	-	102	-	23,388
291	275	2,628	(16,018)	13,982
-	-	-	-	1,499
781	-	57	(1,382)	2,079
-	-	124	-	7,485
-	-	10	-	2,427
-	-	206	(31)	12,972
-	-	3	-	423
-	-	119	-	11,237
-	-	468	-	3,338
17	-	1,700	-	12,595
<u>1,089</u>	<u>1,035</u>	<u>44,051</u>	<u>(43,342)</u>	<u>277,700</u>
402	1,255	3,899	(469)	10,419
187	140	80	(36)	931
629	-	2	-	1,193
(409)	150	4	-	55
-	-	-	-	(2,306)
-	-	-	-	(1,210)
-	-	-	-	(535)
-	-	955	-	955
<u>407</u>	<u>290</u>	<u>1,041</u>	<u>(36)</u>	<u>(917)</u>
809	1,545	4,940	(505)	9,502
-	-	-	-	16,253
-	(1,267)	(1,661)	(955)	(3,571)
<u>\$ 809</u>	<u>\$ 278</u>	<u>\$ 3,279</u>	<u>\$ (1,460)</u>	<u>\$ 22,184</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH & BLCA (BLCWI)	Northland House Group Home (NHGH)
REVENUES						
Resident Service Revenue	\$ 21,080	\$ 36,172	\$ 3,613	\$ 9,499	\$ 13,339	\$ 754
Other Operating Revenue:						
Interest	-	(24)	-	3	4	-
Other	896	768	111	23	38	-
Total Revenues	<u>21,976</u>	<u>36,916</u>	<u>3,724</u>	<u>9,525</u>	<u>13,381</u>	<u>754</u>
EXPENSES						
Salaries	10,963	19,479	1,526	4,932	6,891	271
Benefits	2,450	5,424	321	1,038	1,537	76
Professional Fees	116	1,915	5	31	951	-
Supplies	2,040	2,862	324	705	1,468	14
Purchased Services	1,907	2,661	247	595	1,064	53
Provision for Doubtful Accounts	157	143	35	(5)	159	-
Professional Liability and General Insurance	160	362	45	70	160	4
Utilities	594	872	203	183	316	13
Repairs and Maintenance	134	237	18	21	62	4
Depreciation	1,474	1,292	100	545	396	6
Amortization	36	30	-	19	17	-
Interest	933	1,308	-	748	435	-
Building Lease	144	30	1,640	98	-	64
Other	787	545	120	202	631	17
Total Expenses	<u>21,895</u>	<u>37,160</u>	<u>4,584</u>	<u>9,182</u>	<u>14,087</u>	<u>522</u>
INCOME (LOSS) FROM OPERATIONS	81	(244)	(860)	343	(706)	232
NONOPERATING INCOME (LOSS)						
Investment Income	139	21	-	-	3	-
Realized Gain on Investments	206	-	-	-	-	-
Unrealized Gain (Loss) on Trading Investments	500	-	-	-	3	-
Net Philanthropy Activities	-	-	-	-	1	-
Gain (Loss) on Disposal/Acquisition of Property	15	(8)	-	-	(16)	(2)
Loss on Refinancing	(321)	-	-	-	-	-
Other Nonoperating Revenue (Expense)	-	(23)	-	-	-	-
Total Nonoperating Income (Loss)	<u>539</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(2)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	620	(254)	(860)	343	(715)	230
Net Assets Released from Restrictions Used for						
Purchase of Property and Equipment	-	-	-	-	-	-
Contributions for Property Acquisitions	-	-	-	-	-	-
Loss on Discontinued Operations	-	-	-	-	-	-
Other Net Asset Transfers	71	116	3	16	(30)	(3)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 691</u>	<u>\$ (138)</u>	<u>\$ (857)</u>	<u>\$ 359</u>	<u>\$ (745)</u>	<u>\$ 227</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Benedictine Living Community of Fridley (BLCF)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda (SCCL)
\$ 13,021	\$ 54,184	\$ -	\$ 5,156	\$ 11,495	\$ 3,141	\$ 14,650	\$ 1,894	\$ 17,092	\$ 12,575	\$ 5,386
8	-	-	-	141	-	24	-	90	3	-
45	217	-	231	123	35	410	10	715	334	21
13,074	54,401	-	5,387	11,759	3,176	15,084	1,904	17,897	12,912	5,407
7,011	28,355	-	2,429	5,476	1,683	7,091	993	6,837	6,357	2,832
2,004	5,790	-	705	1,098	342	1,708	202	1,714	1,358	659
130	1,148	-	57	161	2	97	-	2,050	162	150
1,066	4,518	-	461	1,187	251	1,226	184	1,496	1,357	398
750	6,181	-	550	1,049	259	1,230	144	1,501	2,072	310
64	360	-	29	50	18	78	1	11	51	28
146	426	-	66	125	32	117	21	220	113	53
310	1,161	-	152	304	135	445	84	618	437	182
77	327	-	65	105	53	173	24	156	110	42
411	1,895	-	173	681	262	1,160	332	1,608	208	254
12	87	-	3	42	6	11	2	47	13	14
279	911	-	104	1,708	162	296	362	1,991	225	165
-	116	-	50	1	-	-	-	9	-	139
877	2,309	-	281	481	199	470	238	956	569	275
13,137	53,584	-	5,125	12,468	3,404	14,102	2,587	19,214	13,032	5,501
(63)	817	-	262	(709)	(228)	982	(683)	(1,317)	(120)	(94)
5	62	-	4	2	-	34	-	46	3	1
-	29	-	-	-	-	48	-	-	-	-
(24)	70	-	-	(79)	-	148	-	(368)	-	-
-	-	-	-	-	-	-	-	-	23	-
(132)	(93)	-	-	(40)	-	(52)	-	(430)	-	205
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(8)	-	-
(151)	68	-	4	(117)	-	178	-	(760)	26	206
(214)	885	-	266	(826)	(228)	1,160	(683)	(2,077)	(94)	112
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	45	-	-	-	-	-	-
-	114	(2,334)	-	-	-	-	-	-	-	-
(114)	(1,522)	5,150	(265)	(27)	5	(750)	681	1,399	19	(16)
\$ (328)	\$ (523)	\$ 2,816	\$ 1	\$ (808)	\$ (223)	\$ 410	\$ (2)	\$ (678)	\$ (75)	\$ 96

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Senior Living Community of St. Peter (BSLCSP)	Benedictine Living Community of Mora (BLCM)	Benedictine Health System Foundation (BHSF)
REVENUES						
Resident Service Revenue	\$ 14,709	\$ 12,338	\$ 7,779	\$ 1,846	\$ -	\$ -
Other Operating Revenue:						
Interest	1	-	-	-	-	-
Other	174	90	24	223	-	-
Total Revenues	<u>14,884</u>	<u>12,428</u>	<u>7,803</u>	<u>2,069</u>	<u>-</u>	<u>-</u>
EXPENSES						
Salaries	7,932	6,718	3,837	750	-	-
Benefits	2,017	1,621	949	180	-	-
Professional Fees	46	215	54	1	-	-
Supplies	1,233	957	615	214	-	-
Purchased Services	1,075	827	633	136	-	-
Provision for Doubtful Accounts	145	99	22	1	-	-
Professional Liability and General Insurance	164	125	62	24	-	-
Utilities	419	308	211	89	-	-
Repairs and Maintenance	221	117	40	6	-	-
Depreciation	618	385	52	275	-	-
Amortization	5	24	-	10	-	-
Interest	246	379	1	321	-	-
Building Lease	28	-	785	-	-	-
Other	727	573	376	139	-	-
Total Expenses	<u>14,876</u>	<u>12,348</u>	<u>7,637</u>	<u>2,146</u>	<u>-</u>	<u>-</u>
INCOME (LOSS) FROM OPERATIONS	8	80	166	(77)	-	-
NONOPERATING INCOME (LOSS)						
Investment Income	37	6	2	-	-	40
Realized Gain on Investments	40	-	-	-	-	-
Unrealized Gain (Loss) on Trading Investments	99	-	-	-	-	115
Net Philanthropy Activities	-	-	-	-	-	(2,574)
Gain (Loss) on Disposal/Acquisition of Property	(79)	-	-	-	-	-
Loss on Refinancing	-	-	-	-	-	-
Other Nonoperating Revenue (Expense)	-	-	-	-	-	-
Total Nonoperating Income (Loss)	<u>97</u>	<u>6</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>(2,419)</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	105	86	168	(77)	-	(2,419)
Net Assets Released from Restrictions Used for						
Purchase of Property and Equipment	-	-	-	-	-	6,602
Contributions for Property Acquisitions	-	-	-	-	-	-
Loss on Discontinued Operations	-	-	-	-	(40)	-
Other Net Asset Transfers	241	274	27	(23)	(945)	(4,302)
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 346	\$ 360	\$ 195	\$ (100)	\$ (985)	\$ (119)

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF OPERATIONS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (BHS)
\$ -	\$ -	\$ -	\$ (593)	\$ 259,130
-	-	-	-	250
1,611	2,474	46,437	(42,151)	12,859
<u>1,611</u>	<u>2,474</u>	<u>46,437</u>	<u>(42,744)</u>	<u>272,239</u>
-	-	15,148	(3,017)	144,494
-	459	20,279	(23,524)	28,407
-	-	62	(846)	6,507
-	-	87	-	22,663
366	232	3,356	(13,789)	13,409
-	-	-	-	1,446
298	-	24	(1,471)	1,346
-	-	89	-	7,125
-	-	28	-	2,020
-	-	212	(31)	12,308
-	-	3	-	381
-	-	99	-	10,673
-	-	363	-	3,467
21	-	1,654	(97)	12,350
<u>685</u>	<u>691</u>	<u>41,404</u>	<u>(42,775)</u>	<u>266,596</u>
926	1,783	5,033	31	5,643
(39)	125	62	-	553
184	-	1	-	508
160	(90)	6	-	540
-	-	-	-	(2,550)
-	-	-	-	(632)
-	-	-	-	(321)
190	-	2,265	-	2,424
<u>495</u>	<u>35</u>	<u>2,334</u>	<u>-</u>	<u>522</u>
1,421	1,818	7,367	31	6,165
-	-	-	-	6,602
-	-	-	-	45
-	-	8	-	(2,252)
<u>-</u>	<u>(101)</u>	<u>(4,250)</u>	<u>-</u>	<u>(4,346)</u>
<u>\$ 1,421</u>	<u>\$ 1,717</u>	<u>\$ 3,125</u>	<u>\$ 31</u>	<u>\$ 6,214</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH & BLCA (BLCWI)	Northland House Group Home (NHGH)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	\$ 18,526	\$ (87)	\$ (1,011)	\$ (751)	\$ (1,400)	\$ 756
Excess (Deficit) of Revenue over Expense	1,555	327	196	143	153	84
Net Assets Released from Restrictions used for Purchase of Property and Equipment	-	-	-	-	-	-
Contributions for Property Acquisitions	-	-	-	-	-	-
Gain (Loss) on Discontinued Operations	-	-	-	-	-	-
Other Net Asset Transfers	6	(191)	858	(41)	(39)	(2)
Change in Net Assets Without Donor Restrictions	<u>1,561</u>	<u>136</u>	<u>1,054</u>	<u>102</u>	<u>114</u>	<u>82</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	20,087	49	43	(649)	(1,286)	838
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	273	1,585	-	184	56	-
Contributions	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	-
Net Assets Released from Restrictions	-	-	-	-	-	-
Change in Net Assets of Affiliated Foundation	2	(259)	-	(33)	5	-
Net Assets Released for Fixed Assets	-	-	-	-	-	-
Transfers to Non-Affiliated Foundations	-	-	-	-	-	-
Other Net Asset Transfers	-	-	-	-	-	-
Change in Net Assets With Donor Restrictions	<u>2</u>	<u>(259)</u>	<u>-</u>	<u>(33)</u>	<u>5</u>	<u>-</u>
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	275	1,326	-	151	61	-
TOTAL NET ASSETS	<u>\$ 20,362</u>	<u>\$ 1,375</u>	<u>\$ 43</u>	<u>\$ (498)</u>	<u>\$ (1,225)</u>	<u>\$ 838</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda SNF (SCCL)	Saint Anne of Winona, Inc. (SAW)
\$ 794	\$ 14,607	\$ 3,076	\$ (14,094)	\$ 645	\$ 10,314	\$ (1,840)	\$ 2,555	\$ 2,008	\$ 96	\$ 6,128
(1,292)	1,919	380	(516)	(282)	1,307	(364)	143	537	415	752
-	-	-	-	-	-	-	13,500	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(459)	(992)	(210)	(68)	18	(524)	450	(74)	33	(48)	40
<u>(1,751)</u>	<u>927</u>	<u>170</u>	<u>(584)</u>	<u>(264)</u>	<u>783</u>	<u>86</u>	<u>13,569</u>	<u>570</u>	<u>367</u>	<u>792</u>
(957)	15,534	3,246	(14,678)	381	11,097	(1,754)	16,124	2,578	463	6,920
82	863	151	68	-	427	-	14,831	-	40	776
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(82)	98	(58)	15	-	29	-	185	-	68	34
-	-	-	-	-	-	-	(13,500)	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>(82)</u>	<u>98</u>	<u>(58)</u>	<u>15</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>(13,315)</u>	<u>-</u>	<u>68</u>	<u>34</u>
-	961	93	83	-	456	-	1,516	-	108	810
<u>\$ (957)</u>	<u>\$ 16,495</u>	<u>\$ 3,339</u>	<u>\$ (14,595)</u>	<u>\$ 381</u>	<u>\$ 11,553</u>	<u>\$ (1,754)</u>	<u>\$ 17,640</u>	<u>\$ 2,578</u>	<u>\$ 571</u>	<u>\$ 7,730</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Living Community of Northfield (BLCNorth)	Benedictine Living Community of Shakopee (BLCS)	Benedictine Health System Foundation (BHSF)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING	\$ 108	\$ 957	\$ -	\$ -	\$ 3,443
Excess (Deficit) of Revenue over Expense	215	(142)	(359)	(108)	(2,350)
Net Assets Released from Restrictions used for					
Purchase of Property and Equipment	-	-	-	-	2,753
Contributions for Property Acquisitions	-	-	-	-	-
Gain (Loss) on Discontinued Operations	-	-	-	-	-
Other Net Asset Transfers	45	(48)	-	2,026	(468)
Change in Net Assets Without Donor Restrictions	<u>260</u>	<u>(190)</u>	<u>(359)</u>	<u>1,918</u>	<u>(65)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	368	767	(359)	1,918	3,378
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	364	20	-	-	8,533
Contributions	-	-	-	-	2,443
Other Income	-	-	-	-	51
Net Realized and Unrealized Gain on Investments	-	-	-	-	180
Net Assets Released from Restrictions	-	-	-	-	-
Change in Net Assets of Affiliated Foundation	(17)	10	-	-	-
Net Assets Released for Fixed Assets	-	-	-	-	(2,753)
Transfers to Non-Affiliated Foundations	-	-	-	-	-
Other Net Asset Transfers	-	-	-	-	-
Change in Net Assets With Donor Restrictions	<u>(17)</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>(79)</u>
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	<u>347</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>8,454</u>
TOTAL NET ASSETS	<u>\$ 715</u>	<u>\$ 797</u>	<u>\$ (359)</u>	<u>\$ 1,918</u>	<u>\$ 11,832</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (BHS)
\$ 8,737	\$ 5,300	\$ 37,245	\$ 1,095	\$ 97,207
809	1,545	4,940	(505)	9,502
-	-	-	-	16,253
-	-	-	-	-
-	-	-	-	-
-	(1,267)	(1,661)	(955)	(3,571)
<u>809</u>	<u>278</u>	<u>3,279</u>	<u>(1,460)</u>	<u>22,184</u>
9,546	5,578	40,524	(365)	119,391
-	-	353	(6,552)	22,054
-	-	-	-	2,443
-	-	-	-	51
-	-	-	-	180
-	-	-	-	-
-	-	(11)	(493)	(507)
-	-	-	-	(16,253)
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(11)</u>	<u>(493)</u>	<u>(14,086)</u>
-	-	342	(7,045)	7,968
<u>\$ 9,546</u>	<u>\$ 5,578</u>	<u>\$ 40,866</u>	<u>\$ (7,410)</u>	<u>\$ 127,359</u>

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Benedictine Health Center (BHC)	Benedictine Living Communities Excluding St. Gabriel's (BLC)	BLC- Bismarck AL (BHAC)	BLC- St. Gabriel's Community (SGC)	Benedictine Living Communities of Wisconsin Excluding NHGH & BLCA (BLCWI)	Northland House Group Home (NHGH)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING AS PREVIOUSLY REPORTED	\$ 17,835	\$ 51	\$ (154)	\$ (1,110)	\$ (655)	\$ 529
Cumulative Effect - Note 3	-	-	-	-	-	-
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING AS RESTATED	17,835	51	(154)	(1,110)	(655)	529
Excess (Deficit) of Revenue over Expense	620	(254)	(860)	343	(715)	230
Net Assets Released from Restrictions used for						
Purchase of Property and Equipment	-	-	-	-	-	-
Contributions for Property Acquisitions	-	-	-	-	-	-
Gain (Loss) on Discontinued Operations	-	-	-	-	-	-
Other Net Asset Transfers	71	116	3	16	(30)	(3)
Change in Net Assets Without Donor Restrictions	691	(138)	(857)	359	(745)	227
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	18,526	(87)	(1,011)	(751)	(1,400)	756
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	301	1,545	-	228	41	-
Contributions	-	-	-	-	15	-
Other Income	-	-	-	-	-	-
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	-
Net Assets Released from Restrictions	-	-	-	-	-	-
Change in Net Assets of Affiliated Foundation	(28)	40	-	(44)	-	-
Net Assets Released for Fixed Assets	-	-	-	-	-	-
Transfers to Non-Affiliated Foundations	-	-	-	-	-	-
Other Net Asset Transfers	-	-	-	-	-	-
Change in Net Assets With Donor Restrictions	(28)	40	-	(44)	15	-
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	273	1,585	-	184	56	-
TOTAL NET ASSETS	\$ 18,799	\$ 1,498	\$ (1,011)	\$ (567)	\$ (1,344)	\$ 756

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Arrowhead Senior Living Community (ASLC)	Benedictine Health System Obligated Group (BHSOG)	Benedictine Living Community of Fridley (BLCF)	Bridges Care Community (BRDGS)	Living Community of St. Joseph (LCSJ)	Madonna Meadows (MM)	Madonna Towers of Rochester, Inc. (MTR)	Madonna Summit of Byron LLC (MSB)	Nazareth Living Center (NLC)	Regina Senior Living (RSL)	Koda (SCCL)
\$ 1,122	\$ 15,130	\$ (2,816)	\$ 3,075	\$ (13,286)	\$ 868	\$ 9,904	\$ (1,838)	\$ 3,563	\$ 2,083	\$ -
-	-	-	-	-	-	-	-	(330)	-	-
1,122	15,130	(2,816)	3,075	(13,286)	868	9,904	(1,838)	3,233	2,083	-
(214)	885	-	266	(826)	(228)	1,160	(683)	(2,077)	(94)	112
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	45	-	-	-	-	-	-
-	114	(2,334)	-	-	-	-	-	-	-	-
(114)	(1,522)	5,150	(265)	(27)	5	(750)	681	1,399	19	(16)
(328)	(523)	2,816	1	(808)	(223)	410	(2)	(678)	(75)	96
794	14,607	-	3,076	(14,094)	645	10,314	(1,840)	2,555	2,008	96
82	826	-	147	87	-	270	-	14,666	-	-
-	-	-	-	-	-	-	-	1,500	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	37	-	4	(19)	-	157	-	(1,335)	-	8
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	32
-	37	-	4	(19)	-	157	-	165	-	40
82	863	-	151	68	-	427	-	14,831	-	40
\$ 876	\$ 15,470	\$ -	\$ 3,227	\$ (14,026)	\$ 645	\$ 10,741	\$ (1,840)	\$ 17,386	\$ 2,008	\$ 136

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Saint Anne of Winona, Inc. (SAW)	Villa St. Vincent (VSV)	Benedictine Living Community of St. Peter (BLCSP)	Benedictine Senior Living Community of St. Peter (BSLCSP)	Benedictine Living Community of Mora (BLCM)	Benedictine Health System Foundation (BHSF)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING AS PREVIOUSLY REPORTED	\$ 5,782	\$ (252)	\$ 1,132	\$ (270)	\$ 985	\$ 3,562
Cumulative Effect - Note 3	-	-	-	-	-	-
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING AS RESTATED	5,782	(252)	1,132	(270)	985	3,562
Excess (Deficit) of Revenue over Expense	105	86	168	(77)	-	(2,419)
Net Assets Released from Restrictions used for						
Purchase of Property and Equipment	-	-	-	-	-	6,602
Contributions for Property Acquisitions	-	-	-	-	-	-
Gain (Loss) on Discontinued Operations	-	-	-	-	(40)	-
Other Net Asset Transfers	241	274	27	(23)	(945)	(4,302)
Change in Net Assets Without Donor Restrictions	346	360	195	(100)	(985)	(119)
NET ASSETS WITHOUT DONOR RESTRICTIONS - ENDING	6,128	108	1,327	(370)	-	3,443
NET ASSETS WITH DONOR RESTRICTIONS - BEGINNING	692	579	34	-	43	12,670
Contributions	-	-	-	-	-	2,181
Other Income	-	-	-	-	-	50
Net Realized and Unrealized Gain on Investments	-	-	-	-	-	256
Net Assets Released from Restrictions	-	-	-	-	-	(881)
Change in Net Assets of Affiliated Foundation	84	(215)	(14)	-	(43)	-
Net Assets Released for Fixed Assets	-	-	-	-	-	(5,721)
Transfers to Non-Affiliated Foundations	-	-	-	-	-	(22)
Other Net Asset Transfers	-	-	-	-	-	-
Change in Net Assets With Donor Restrictions	84	(215)	(14)	-	(43)	(4,137)
NET ASSETS WITH DONOR RESTRICTIONS - ENDING	776	364	20	-	-	8,533
TOTAL NET ASSETS	\$ 6,904	\$ 472	\$ 1,347	\$ (370)	\$ -	\$ 11,976

BENEDICTINE HEALTH SYSTEM
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED JUNE 30, 2018
(DOLLAR AMOUNTS IN THOUSANDS)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Benedictine Health System Insurance Services SPG (BHSIS)	Benedictine Group Self- Insurance Association (BGSIA)	Benedictine Health System (BHS-CORP)	Eliminations	Total (BHS)
\$ 7,316	\$ 3,583	\$ 34,120	\$ 1,064	\$ 91,323
-	-	-	-	(330)
7,316	3,583	34,120	1,064	90,993
1,421	1,818	7,367	31	6,165
-	-	-	-	6,602
-	-	-	-	45
-	-	8	-	(2,252)
-	(101)	(4,250)	-	(4,346)
1,421	1,717	3,125	31	6,214
8,737	5,300	37,245	1,095	97,207
-	-	375	(8,040)	24,546
-	-	-	-	3,696
-	-	-	-	50
-	-	-	-	256
-	-	-	-	(881)
-	-	(22)	1,488	98
-	-	-	-	(5,721)
-	-	-	-	(22)
-	-	-	-	32
-	-	(22)	1,488	(2,492)
-	-	353	(6,552)	22,054
\$ 8,737	\$ 5,300	\$ 37,598	\$ (5,457)	\$ 119,261

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

DEFINITIONS

In addition to terms defined elsewhere in the Official Statement, the following are definitions of certain terms used in the Master Indenture, the Bond Indenture, the Loan Agreement and the Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Master Indenture, the Bond Indenture and the Loan Agreement for complete definitions of all terms.

The following are definitions of certain terms used in the Master Indenture:

“Affiliate” means any Person that controls, or is controlled by, or is under common control with a Person. For purposes of this definition, a Person controls another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, partnership interests, membership, reserved powers, or the power to appoint members, trustees or directors, by contract, or otherwise.

“Annual Budget” means the annual budget of the Obligated Group required to be provided by the Obligated Group Agent as described under the caption “Financial Statements and Other Information.”

“Balloon Indebtedness” means Long-Term Indebtedness, (a) 25% or more of the original principal of which matures during any Fiscal Year, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such Fiscal Year so that, following such amortization, the principal amount maturing during such Fiscal Year will be less than 25% of such original principal amount; and (b) any portion of the original principal amount which (i) may be tendered for purchase or redemption prior to maturity at the option of the owner thereof (including any such Indebtedness that is payable on demand within 365 days from the date of incurrence), or (ii) is required to be tendered for purchase or redemption (other than for mandatory sinking fund redemption) prior to maturity thereof.

“Book Value” means (a) when used with respect to Property of a Person, the value of such Property, net of accumulated depreciation and amortization, as reflected in or derived from the most recent audited financial statements of such Person or the most recent audited consolidated financial statements of the Obligated Group; and (b) when used with respect to Property of all Members, the aggregate of the values of such Property, net of accumulated depreciation and amortization, as reflected in the most recent audited consolidated financial statements of the Obligated Group, provided that aggregate is calculated in such a manner that no portion of the value of any Property is included more than once.

“Capital Additions” means all property or interests in property, real, personal and mixed, (a) that constitute additions, improvements or extraordinary repairs to or replacements of all or any part of the Facilities and (b) the costs of which are properly capitalized under GAAP.

“Cash and Investments” means the sum of cash, cash equivalents, and marketable securities of the Obligated Group Members, board-designated assets and amounts, if any, on deposit in any entrance fee fund, working capital fund, operating reserve fund or similar fund created pursuant to any Supplemental Master Indenture or Related Bond Documents, but excluding, to the extent not available to pay operating expenses or debt service on Indebtedness secured by Master Notes, (a) any project fund, issuance costs fund, debt service reserve fund, debt service fund, or Entrance Fees held in escrow or otherwise set aside for debt service, (b) funds restricted by the donor to a use that would not permit the use of such funds to pay operating expenses or debt service on Indebtedness of any Member, and, if also so restricted, the income and gains derived therefrom, and (c) any funds pledged or otherwise subject to a security interest for debt other than the Master Notes, as shown on the most recent audited or unaudited financial statements of the Obligated Group. For the purposes of calculations under the Master Indenture, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation

so long as the Unrestricted Contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation.

“Commitment Indebtedness” means the obligation of a Member to repay amounts disbursed pursuant to a binding commitment from a financial institution (including a line of credit, letter of credit, standby bond purchase agreement, reimbursement agreement or similar credit or liquidity facility or arrangement established in connection with the issuance or incurrence of any Indebtedness of a Member or Related Bonds for the benefit of a Member) to refinance, pay, purchase or redeem when due, tendered or required to be paid, purchased or redeemed, other Indebtedness of such Member or Related Bonds, which other Indebtedness or Related Bonds were issued or incurred in accordance with the Master Indenture, and the obligation of such Member to pay interest payable on amounts disbursed for such purposes, plus any fees payable to such financial institution for such commitment.

“Completion Indebtedness” means Long-Term Indebtedness of a Member incurred for the purpose of financing, without materially changing the scope thereof, (a) the completion of facilities for which Long-Term Indebtedness was previously incurred under the Master Indenture, or (b) the improvement, replacement or substitutions for, or additions to, facilities for which Long-Term Indebtedness was previously incurred, necessitated by faulty design, damage to or destruction of such facilities, or required by enactment of legislation or the promulgation of any ruling affecting the operation of such Member by a government agency.

“Consultant” means a professional consulting firm, certified public accounting firm, investment banking firm, or other Person, selected by the Obligated Group Agent in accordance with the procedures set forth under “Approval of Consultants,” if applicable, having the skill and experience necessary to render the particular report required by the Master Indenture and having a favorable reputation for such skill and experience, which Person shall have no interest, direct or indirect, in any Member and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of any Member, it being understood that an arm’s-length contract between any entity or other Person and any Member for the performance of consulting, accounting, investment banking or financial analysis or other services is not regarded as creating any such disqualifying interest or employee relationship with respect to such entity.

“Contributions” means the aggregate amount of all contributions, grants, gifts, bequests and devises actually received in cash or marketable securities by any Person in the applicable Fiscal Year of such Person and any such contributions, grants, gifts, bequests and devises originally received in a form other than cash or marketable securities by any Person that are converted in such Fiscal Year to cash or marketable securities and deposited into the accounts of any Member.

“Credit Facility” means with respect to any Master Notes or Related Bonds, any insurance policy, surety bond, letter of credit, line of credit, standby bond purchase agreement, or other form of credit enhancement issued by a bank, trust company, national banking association, insurance company or other credit provider in favor of the Owners of such Master Notes or the owners of such Related Bonds for the purpose of providing a source of funds for the payment of all or a portion of the Obligated Group’s obligations under the related Indebtedness or Related Bonds.

“Current Value” means (a) with respect to Property, Plant and Equipment: (i) the aggregate fair market value of such Property, Plant and Equipment as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and, in the case of real property, who is a member of the Appraisal Institute or successor organization (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which Current Value is to be calculated), minus the fair market value (as reflected in such most recent appraiser’s report) of any Property, Plant and Equipment included in such report but disposed of since the last such report; plus (ii) the Book Value of any Property, Plant and Equipment acquired since the last such report, minus (iii) the Book Value of any such Property, Plant and Equipment acquired since the last such report but disposed of; and (b) with respect to any other Property, the fair market value of such Property.

“Days Cash on Hand” means, as of the date of calculation, the number determined by dividing (a) the amount of Cash and Investments of the Obligated Group as of such date by (b) the quotient obtained by dividing (i) Expenses plus interest on Indebtedness but excluding provisions for bad debt for the 12 month period ended on the last day of the most recent fiscal quarter as shown on the most recent unaudited quarterly financial statements

delivered pursuant to the Master Indenture by (ii) 365; provided, however, that for the calculation required to be made for each year-end pursuant to the Master Indenture, the audited financial statements for the Fiscal Year ended on such June 30 shall be used for such calculation.

“Debt Service Requirements” means, for any 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 scheduled mandatory redemption, scheduled mandatory prepayment or otherwise) and interest on Long-Term Indebtedness of each Person or a group of Persons with respect to which calculated (other than Subordinated Indebtedness); provided that:

- (a) the amount of such payments for a future period are calculated in accordance with the assumptions contained under the caption “Summary of the Master Indenture – Calculation of Debt Service Requirements;”
- (b) payments under Hedge Agreements are taken into account in accordance with the provisions of the Master Indenture described under the caption “Summary of the Master Indenture – Calculation of Debt Service Requirements;”
- (c) such payments (or portions thereof) are excluded from Debt Service Requirements to the extent that cash or Escrow Obligations are on deposit in an irrevocable escrow or trust account and such amounts (including, where appropriate, the earnings or other increment to accrue thereon) are required to be applied to pay such principal or interest and are sufficient to pay such principal or interest (or portions thereof);
- (d) principal of Long-Term Indebtedness shall be excluded from the last principal maturities of that Long-Term Indebtedness to the extent moneys were initially deposited into a debt service reserve fund and moneys on deposit in the debt service reserve fund on the due date of those last principal maturities are required or expected to be used to pay those principal maturities;
- (e) such payments are excluded from Debt Service Requirements to the extent such principal or interest was paid or is to be paid from the proceeds of Refunding Indebtedness or other Long-Term Indebtedness (*e.g.*, accrued and funded interest);
- (f) such payments are excluded from Debt Service Requirements to the extent such principal or interest was paid or is to be paid from the proceeds of Subordinated Indebtedness or Non-Recourse Indebtedness;
- (g) any fees payable in respect of a Credit Facility (other than annual fees to be paid from proceeds of a bond or Master Note issue set aside for that purpose) shall be included; such fees to be calculated at the rates existing at the date of such calculation;
- (h) the Debt Service Requirements for Long-Term Indebtedness, as computed for the then current or any future Fiscal Year, incurred to finance in whole or in part Capital Additions, together with all Revenues and Expenses attributable to those Capital Additions, shall be excluded to the extent so provided under the caption “Summary of the Master Indenture – Debt Service Coverage Ratio.”
- (i) any principal of any Long-Term Indebtedness paid from proceeds of other Indebtedness incurred in accordance with the Master Indenture shall be excluded; and
- (j) the Debt Service Requirements for Qualifying Intermediate-Term Indebtedness, as computed for the then current or any future Fiscal Year, shall be excluded; provided, however, if the Capital Additions financed with such Qualifying Intermediate-Term Indebtedness have not achieved Stable Occupancy within five years after the issuance of such Qualifying Intermediate-Term Indebtedness, the foregoing exclusion shall no longer apply.

“Encumbrance” means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on Property.

“Entrance Fees” means fees, other than security deposits, monthly rentals or monthly service charges, paid by residents of living units for the purpose of obtaining the right to reside in those living units including any refundable resident deposits described in any lease or similar Residency Agreement with respect to those living units, but shall not include (a) any such amounts held in escrow or otherwise set aside pursuant to the requirements of any such agreement prior to the occupancy of the living unit covered by such agreement (which amounts shall be included if and when occupancy occurs) or (b) any fees received pursuant to any agreement with respect to customized changes to any unit.

“Escrow Obligations” means

- (a) with respect to any Master Note that secures a series of Related Bonds, the obligations permitted to be used to defease such series of Related Bonds under the Related Bond Documents, and
- (b) with respect to any Master Notes for which there are no Related Bonds and any other Indebtedness,
 - (i) Government Obligations that are not subject to redemption in advance of their maturity dates;
 - (ii) obligations issued by any state of the United States of America, or any political subdivision, public instrumentality or public authority thereof, rated at the time of purchase by at least two nationally recognized rating agencies in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), and obligations fully secured by and payable solely from an escrow fund held by a trustee consisting of cash or Escrow Obligations described in (b)(i) above;
 - (iii) any other Permitted Investments if the Obligated Group Agent causes to be delivered to the Master Trustee a written confirmation from a Consultant to the effect that such Permitted Investments are ‘essentially risk-free monetary assets’ or otherwise of a nature permitted to effect the extinguishment of debt under GAAP; or
 - (iv) other obligations, if any, permitted to be used to discharge the obligor’s obligation (except for payments from proceeds of Escrow Obligations) to pay those Master Notes or other Indebtedness by the Supplemental Master Indenture under which those Master Notes were issued or by the document under which the other Indebtedness was issued or secured.

“Event of Default” has the meaning set forth below under the caption “Summary of the Master Indenture - Events of Default.”

“Excluded Property” means (a) any assets of “employee pension benefit plans” as defined in the Employee Retirement Income Security Act of 1974, as amended, (b) any assets of a self-insurance trust that prohibits any application of such assets for purposes that are not related to claims as defined in the governing trust document, (c) all endowment funds and property derived from gifts, grants, research contracts, bequests, donations and contributions made to or with any Member that are specifically restricted by the donor, testator or grantor to a particular purpose inconsistent with their use to pay Debt Service Requirements or operating expenses, and, if also so restricted, the income and gains derived therefrom, (d) the real estate and other property described in the Master Indenture and all improvements, fixtures, equipment and other tangible personal property located thereon, (e) the property of any Person that becomes a Member subsequent to the date of the Master Indenture that is to be considered Excluded Property as evidenced by a Supplemental Master Indenture at the time such Person becomes a Member, provided that such property may be treated as Excluded Property only if such property is real or tangible personal property and the primary operations of such Person are not conducted upon such real property, and (f) any

other property that the Obligated Group Agent has identified in an Officer's Certificate delivered to the Master Trustee as property upon which no material or integral part of the primary operations of any Member is conducted and which is not material in the generation of Net Income Available for Debt Service.

"Expenses" means, for any period of time for which calculated, the total of all operating and non-operating expenses or losses incurred during such period by a Person or group of Persons for which the calculation is made, determined in accordance with GAAP, other than:

- (a) interest expense included in Debt Service Requirements (including the effect of any payments under a Hedge Agreement that are taken into account in determining Debt Service Requirements as described under the caption "Summary of the Master Indenture – Calculation of Debt Service Requirements"),
- (b) depreciation and amortization (including any amortization of Entrance Fees, deferred marketing expenses or original issue discount),
- (c) unrealized losses on investments, investment contracts or Hedge Agreements, or changes in value of split interest gifts or adjustments of actuarial liabilities for annuity obligations,
- (d) losses resulting from the early extinguishment of debt, termination of Hedge Agreements, termination of pension plans, the sale or other disposition of assets not in the ordinary course of business or any reappraisal, revaluation or write-down of assets other than bad debts, and any other extraordinary or Non-Recurring losses or expenses,
- (e) other expenses not requiring the payment of cash in any period,
- (f) if the calculation is made with respect to the Obligated Group, any expenses attributable to transactions between any Member and any other Member, and
- (g) Expenses for Capital Additions excluded for the periods and to the extent set forth under the caption "Summary of the Master Indenture – Debt Service Coverage Ratio."

At the option of the Obligated Group Agent, when computing Expenses, net realized losses from the sale of investments may be included on the basis of the average annual amount of realized gains and losses for the three Fiscal Years preceding the computation date in lieu of the actual amount of net realized losses from the sale of investments for the Fiscal Year for which the computation is being made.

"Facility" or **"Facilities"** means the independent living, assisted living, memory care, skilled nursing, or specialty care facilities owned by a Member, including the Mortgaged Property.

"Federal Subsidy Payments" means the direct payments made by the United States Department of Treasury or other federal governmental agency or entity authorized to make such payments to the issuer or conduit borrower for any Related Bonds that constitute Subsidy Bonds.

"Fiscal Year" means any period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year or such other twelve-month period selected by the Governing Board of the Obligated Group Agent as the Obligated Group's Fiscal Year for financial reporting purposes.

"Foundation" means Benedictine Foundation, a Minnesota nonprofit corporation.

"GAAP" means accounting principles generally accepted in the United States of America.

"Governing Board" means, with respect to the Obligated Group Agent or a Member, the board of directors, board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

“Government Obligations” means direct obligations of the United States of America or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

“Grantor’s Rights” has the meaning given that term under the caption “Summary of the Master Indenture – Grantor’s Rights” with respect to each Member who has granted a Mortgage to the Master Trustee.

“Gross Revenues” means all income, revenues, receipts and other moneys received by or on behalf of any Member from any source and all rights to receive the same whether in the form of accounts, deposit accounts, contract rights, chattel paper, instruments, general intangibles or other rights now owned or hereafter acquired by any Member, and all proceeds therefrom whether cash or noncash, all as defined in Article 9 of the UCC of the applicable state where a Member is located (within the meaning of the UCC); but excluding (i) gifts, grants, bequests, donations and contributions to any Member made that are specifically restricted by the donor, testator or grantor to a particular purpose that is inconsistent with their use for payments required under the Master Indenture or on the Master Notes, and, if also so restricted, the income and gains derived therefrom, (ii) payments or deposits under a Residency Agreement that by its terms or applicable law are required to be held in escrow or trust for the benefit of a resident until the conditions for the release of that payment or deposit have been satisfied, and (iii) all deposits and advance payments made in connection with any Residency Agreements or leases respecting independent living units or other areas to be occupied by or leased to residents or tenants and received before receipt of any required certificates of occupancy for those units or other areas.

“Guarantee” means a guarantee, direct or indirect, in any manner (other than by endorsement of negotiable instruments for collection in the ordinary course of business), of any part or all of any Indebtedness other than Indebtedness of a Member, including obligations incurred through an agreement, contingent or otherwise, by such Person: (i) to purchase such Indebtedness or obligation or any Property constituting security therefor; (ii) to advance or supply funds: (a) for the purchase or payment of such Indebtedness or obligation, or (b) to maintain working capital or other balance sheet condition; (iii) 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; (iv) to repay amounts drawn upon a letter of credit or other credit facility; or (v) providing assurance of the payment or performance (or payment of damages in the event of non-performance) of any part or all of any Indebtedness other than Indebtedness of a Member. A Guarantee shall not include any agreement solely because such agreement creates a lien on assets of any Person or any agreement providing for indemnification. The amount of a Guarantee shall be the maximum amount of the Indebtedness guaranteed for which the guarantor could be held liable under the Guarantee at the time of calculation. A Guarantee may be evidenced or secured by a Master Note if the Guarantee is an obligation of the Obligated Group or a Member.

“Hedge Agreement” 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 Obligated Group Agent or any Member determines is to be used, or is intended to be used, to manage or reduce the cost of any Related Bonds issued under a Related Bond Document, to convert any element of any such Related 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.

“Historical Debt Service Coverage Ratio” means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Debt Service Requirements for Long-Term Indebtedness of the Obligated Group for that period of time.

“Historical Maximum Annual Debt Service Coverage Ratio” means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Maximum Annual Debt Service for the Long-Term Indebtedness of the Obligated

Group Outstanding immediately after the effectiveness of a transaction for which the Master Indenture requires the calculation of the ratio.

“Historical Pro Forma Debt Service Coverage Ratio” means, for any historical period of time, the ratio determined by dividing (a) a numerator equal to the Net Income Available for Debt Service for that period by (b) a denominator equal to the Maximum Annual Debt Service for the Long-Term Indebtedness of the Obligated Group then Outstanding (other than any Long-Term Indebtedness being refunded with the Long-Term Indebtedness then proposed to be issued) and the Long-Term Indebtedness proposed to be issued.

“Indebtedness” means all indebtedness or obligations of any Member for the repayment of borrowed money (including Lease Indebtedness and installment purchase contracts) shown as liabilities on the balance sheet of such Member or that are properly capitalized on the balance sheet of such Member in accordance with GAAP and Guarantees; provided that Indebtedness shall not include:

- (a) obligations of any Member to another Member or guarantees or assumptions by a Member, directly or indirectly, of Indebtedness of a Member to another Member;
- (b) any portion of any Indebtedness or any Related Bonds for which cash or Escrow Obligations are irrevocably on deposit in an escrow or trust account with the Master Trustee, the Related Bond Trustee or a third-party escrow agent, which cash and Escrow Obligations (including, where appropriate, the earnings or other increments to accrue thereon) are required to be used to pay the principal of such Indebtedness or Related Bonds;
- (c) liabilities incurred by the endorsement for collection or deposit of checks or drafts received in the ordinary course of business or overdrafts to banks to the extent there are immediately available funds sufficient to pay such overdrafts and such overdrafts are incurred and corrected in the normal course of business;
- (d) accounts payable and similar liabilities (other than for the repayment of borrowed money) incurred in the ordinary course of business;
- (e) liabilities payable out of current payments for the funding of employee pension plans, retiree benefits other than pensions, health plans and other benefit programs, contributions to self-insurance or pooled-risk insurance programs and estimated long-term self-insurance liabilities, and the funding of reserves for deferred taxes, deferred revenues, deferred compensation, and similar such liabilities;
- (f) obligations under contracts for supplies, services or pensions allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid;
- (g) rentals payable under leases that are not Lease Indebtedness;
- (h) Indebtedness of any entity that is not a Member (even though such entity may be an Affiliate of a Member) except to the extent of any Guarantee by any Member of such Indebtedness or to the extent that Member is otherwise obligated with respect to that Indebtedness;
- (i) any other obligations that do not constitute indebtedness under GAAP;
- (j) liabilities to residents of senior living or similar facilities to refund Entrance Fees or other fees paid by those residents;
- (k) any Hedge Agreement or any Master Note issued to evidence or secure obligations thereunder;
- (l) obligations of any Member under a Credit Facility established in connection with the issuance of Related Bonds or any other Indebtedness of a Member; or

(m) Subordinated Indebtedness to an Affiliate.

The Credit Facilities described in (l) above shall not be excluded from Indebtedness to the extent that after a draw on such facility to purchase Related Bonds the amounts due on such Related Bonds pursuant to the provisions of such facility exceed the amounts stated in the Related Bonds. If such facility is used or drawn upon to retire, but not purchase, Indebtedness of a Member or Related Bonds, then the liability incurred by such use or draw by the Member shall be included in Indebtedness.

“Initial Entrance Fees” means Entrance Fees received upon the initial occupancy of any living unit not previously occupied.

“Insurance Consultant” means an individual or firm selected by the Obligated Group Agent and if the Master Trustee has requested in writing the right to approve such Insurance Consultant, approved by the Master Trustee (which approval shall not be unreasonably withheld), qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations to those of the Obligated Group and having a favorable reputation for skill and experience in such surveys and make such recommendations, but who may be a broker or agent with whom any Member or the Obligated Group Agent transacts business.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

“Lease Indebtedness” means a lease that is recognized as a lease liability on the balance sheet or statement of financial position of the lessee under GAAP.

“Liquidity Requirement” has the meaning set forth under the caption “Security and Sources of Payment for the Series 2021A Bonds – Certain Covenants of the Obligated Group – Liquidity Covenant” in the Official Statement.

“Long-Term Indebtedness” means (a) Indebtedness having an original stated maturity or term greater than one year, or (b) Indebtedness having an original stated maturity or term equal to or less than one year that is renewable or extendable at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof, or with respect to which a Member has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond one year from the date of original issuance or incurrence thereof.

“Management Report” means a report of management of the Obligated Group Agent delivered to the Master Trustee, each Related Bond Trustee and each Original Purchaser.

“Master DSRF Bonds” means any Related Bonds entitled to the benefits of the Master Reserve Fund, as provided in a Supplemental Master Indenture after satisfying the requirements described under the caption “Summary of the Master Indenture - Master Reserve Fund.”

“Master Indenture” means the Master Trust Indenture dated as of July 1, 2021, among the Obligated Group Agent, the Members, and the Master Trustee, as from time to time amended and supplemented by Supplemental Master Indentures.

“Master Noteowner” or **“Owner”** when used in relation to a Master Note means the registered owner of any Master Note as recorded in the note register maintained by the Master Trustee unless alternative provision is made in the Supplemental Master Indenture pursuant to which such Master Note is issued for establishing ownership of such Master Note, in which case such alternative provision shall control.

“Master Notes” means Master Indenture Notes issued, authenticated and delivered under the Master Indenture.

“Master Reserve Fund” means the fund by that name created under the Master Indenture.

“Master Reserve Fund Balance” means as of any date of determination the amount held by the Master Trustee in the Master Reserve Fund.

“Master Reserve Fund Requirement” means, as of any date of determination specified under the caption “Summary of the Master Indenture - Master Reserve Fund,” an amount equal to the Maximum Annual Debt Service on all Master DSRF Bonds; provided that if a Master DSRF Bond bears interest that is excludable from gross income under the Internal Revenue Code and the Master Reserve Fund Requirement is greater than the amount permitted by the federal income tax laws to be invested without regard to yield restrictions, the Master Reserve Fund Requirement shall be reduced to an amount equal to the maximum amount permitted by the federal income tax laws to be invested without regard to yield restrictions.

“Master Trustee” means U.S. Bank National Association, or any successor trustee under the Master Indenture.

“Maximum Annual Debt Service” means the maximum amount of Debt Service Requirements for all Outstanding Long-Term Indebtedness.

“Member” means each Person that is a Member of the Obligated Group on the date of original execution and delivery of the Master Indenture, each Person that subsequent to the date of the Master Indenture becomes a Member of the Obligated Group pursuant to the Master Indenture, and their successors and assigns, other than any Persons that have withdrawn from the Obligated Group pursuant to the Master Indenture.

“Mortgage” or **“Mortgages”** means, individually and collectively, each Mortgage, Security Agreement and Assignment of Leases and Rents, whether a fee mortgage, a leasehold mortgage or an amended and restated mortgage, from a Member to the Master Trustee, as amended or supplemented from time to time in accordance with their respective terms.

“Mortgaged Property” means the Property of the Members subject to the Mortgages, including but not limited to a Member’s (a) Land; (b) the Improvements; (c) the Personal Property; (d) the Rents; (e) the Awards; (f) all cash and noncash proceeds of all the property described in clauses (a), (b), (c), (d) and (e); and (g) all after-acquired interests of the Mortgagor in any of the above, all as defined and described in the Mortgages.

“Net Income Available for Debt Service” means, for any Fiscal Year for which such determination is made, the excess of Revenues over Expenses of the Person or group of Persons involved.

“Net Proceeds” means the proceeds of any insurance (excluding any proceeds of business interruption or similar insurance) relating to damage or destruction of any Facilities of a Member and the proceeds of any condemnation or sales pursuant to condemnation proceedings in exercise of the power of eminent domain or under the threat thereof, in both cases less the costs and expenses incurred in obtaining those proceeds, including attorneys’ fees and any expenses of a Member and the Master Trustee.

“Net Proceeds Threshold” means the greater of (a) \$3,000,000 or (b) 5% of the Book Value, or at the option of the Obligated Group Agent, the Current Value, of Property, Plant and Equipment of the Obligated Group as shown on the most recent audited financial statements of the Obligated Group.

“Non-Recourse Indebtedness” means Long-Term Indebtedness incurred subsequent to the date of execution and delivery of the Master Indenture for the purpose of financing the purchase or acquisition of real or tangible personal property secured by a lien on, or security interest in, the property being purchased or acquired and evidenced by an instrument that expressly provides that upon default in the payment of the principal thereof or interest thereon the obligee thereof may look only to property securing the same and not to the credit of any Member nor to any other Property of any Member.

“Obligated Group” means the initial Members and all other Persons that have fulfilled the requirements for entry into the Obligated Group set forth under the caption “Summary of the Master Indenture – Entrance Into the Obligated Group” but excluding any Persons that have withdrawn from the Obligated Group pursuant to the caption “Summary of the Master Indenture – Withdrawal From the Obligated Group.” The Obligated Group Agent is not a Member of the Obligated Group.

“Obligated Group Agent” means Benedictine Health System, d/b/a Benedictine, a Minnesota nonprofit corporation, its successors and assigns, and any surviving, resulting or transferee corporation, acting through its Governing Board, its chief executive officer, president, chief financial officer, treasurer, or other duly authorized officer, or any other Person from time to time designated as the Obligated Group Agent in written notice signed by all Members and delivered to the Master Trustee and each Related Bond Trustee.

“Officer’s Certificate” means a written certificate, request or other instrument of the Obligated Group Agent (or of a Member, if the context so requires) signed by its chief executive officer, president, chief financial officer, treasurer, or other duly authorized officer whose authority to execute such certificate is evidenced to the satisfaction of the Master Trustee, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee.

“Opinion of Bond Counsel” means a written opinion of any legal counsel who is nationally recognized in matters pertaining to the validity of obligations of governmental issuers and the exclusion from federal income taxation of interest on such obligations.

“Opinion of Counsel” means a written opinion of any legal counsel, which may include legal counsel for the Master Trustee, the Obligated Group Agent, any Member, any Related Bond Issuer or any Related Bond Trustee.

“Original Purchaser” means with respect to any series of Related Bonds or any series of Master Notes, the original purchaser thereof so designated in any Supplemental Master Indenture or Related Bond Documents authorizing that series of Master Notes or Related Bonds.

“Outstanding” means:

- (a) when used with respect to Master Notes, as of the date of determination, all Master Notes theretofore authenticated and delivered under the Master Indenture, except:
 - (1) Master Notes theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation;
 - (2) Master Notes for whose payment or redemption money or Escrow Obligations in the necessary amount are deposited with the Master Trustee or any Paying Agent in trust for the Owners of such Master Notes;
 - (3) Master Notes issued in connection with the issuance of a series of Related Bonds, to the extent that such Related Bonds are discharged and no longer deemed outstanding under the Related Bond Documents;
 - (4) Master Notes in exchange for or in lieu of which other Master Notes are authenticated and delivered under the Master Indenture; and
 - (5) Master Notes alleged to be destroyed, mutilated, lost or stolen that are paid as provided in the Master Indenture; and
- (b) when used in connection with Indebtedness other than Master Notes, all such Indebtedness except Indebtedness with respect to which the obligation to make payments is discharged and no longer deemed outstanding in accordance with the terms of the instrument or instruments creating or evidencing such Indebtedness.

“Owner” has the same meaning as the term “Master Noteowner.”

“Paying Agent” means the Master Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to the Master Indenture as paying agent for any Master Notes at the designated corporate office at which the principal of, and redemption premium, if any, and interest on such Master Notes shall be payable.

“Permitted Encumbrances” means, with respect to Property of any Member as of any particular time, the following:

- (a) the lien and security interest of the Master Indenture on the Trust Estate and any other liens or security interest in Property that equally and ratably secure all of the Master Notes on a parity basis, including the Mortgages;
- (b) liens for taxes, assessments, and other governmental charges not delinquent, or if delinquent that are being contested in good faith by appropriate proceedings and as to which a Member shall have set aside on its books adequate reserves with respect thereto;
- (c) mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s liens not filed of record and similar charges not delinquent, or if filed of record are being contested in good faith and have not proceeded to judgment and as to which a Member shall have set aside on its books adequate reserves with respect thereto;
- (d) liens in respect of judgments or awards with respect to which a Member is in good faith currently prosecuting an appeal or proceedings for review, and with respect to which a Member shall have secured a stay of execution pending such appeal or proceedings for review, provided a Member shall have set aside on its books adequate reserves with respect thereto;
- (e) utility, access and other easements and rights-of-way, restrictions, encumbrances and exceptions that do not materially adversely affect the marketability of title to such Property and do not in the aggregate materially impair the use of such Property for the purposes for which it is held by a Member;
- (f) such minor defects and irregularities of title as normally exist with respect to property similar in character to the Property affected thereby and which do not materially affect the marketability of title to or value of such Property and do not materially impair the use of such Property for the purposes for which it is held by a Member;
- (g) zoning laws, ordinances or regulations and similar restrictions with respect to which the Property affected thereby is in compliance;
- (h) statutory liens and rights of setoff of banks or other financial institutions with respect to funds on deposit in the ordinary course of business; provided amounts allocable to setoff rights granted for the purpose of securing Indebtedness shall be subject to transfer to the Master Trustee for application in accordance with the Master Indenture or shall have qualified as a Permitted Encumbrance described in a clause other than this clause (h);
- (i) all right, title and interest of the state, municipalities and the public in and to tunnels, bridges and passageways over, under or upon Property;
- (j) rights reserved to, or vested in, any municipality or governmental or other public authority by virtue of any franchise, license, contract or statute (i) to control or regulate any Property of a Member, or (ii) to use such Property in any manner, or (iii) to purchase, or designate a purchaser of or order the sale of, any Property of a Member upon payment of cash or reasonable compensation therefor, or (iv) to terminate any franchise, license or other right;

- (k) liens on moneys deposited by residents or others with a Member as security for or as prepayment of the cost of patient or resident care, liens due to rights of third party payors for recoupment of excess reimbursement paid to any Member, and liens of residents of life care, elderly housing or similar facilities on endowment or other funds deposited by or on behalf of such residents;
- (l) liens arising by reason of (1) good faith deposits with a Member in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), (2) deposits by a Member to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, (3) deposits as security for the payment of taxes or assessments or other similar charges, and (4) deposits with, or the giving of any form of security to, any municipality or governmental or other public authority for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with worker's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for business entities participating in such arrangements;
- (m) liens on cash, securities, or deposits securing obligations relating to letters of credit to enable Members or their Affiliates to maintain self-insurance or to participate in funds established in connection with worker's compensation;
- (n) liens on cash, securities, or deposits securing obligations relating to letters of credit to secure payment of utility charges;
- (o) liens on cash, securities, or deposits securing obligations relating to lines of credit incurred for Members or their Affiliates which obligations relating to lines of credit do not exceed in the aggregate 10% of Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available;
- (p) liens or restrictions on Property received by a Member through gifts, grants, bequests, contributions or donations imposed by the donor or grantor of such Property and consisting solely of restrictions of the use of such Property or the income therefrom;
- (q) liens on and security interests in the proceeds of Indebtedness prior to the application of such proceeds or any debt service fund, reserve fund, escrow fund or similar fund established to secure the payment of Indebtedness, including reserve funds established in accordance with the Master Indenture;
- (r) liens existing on Property at the time of its acquisition by a Member through purchase, lease or otherwise, and liens existing on Property of a Person on the date such Person becomes a Member or merges into or consolidates with a Member that were not imposed or incurred in contemplation of such Member joining the Obligated Group or merging into or consolidating with a Member; provided that no such lien may be increased, extended, renewed, or modified after such date to apply to any Property of any Member not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture;
- (s) leases, under which a Member is lessor or sublessor, that relate to Property of any Member that is of a type that is customarily the subject of such leases including leases of office space for physicians, physical or occupational therapists, or other health care providers, food service facilities, parking facilities, day care centers, gift shops, barber shops, beauty shops, bank branches, flower shops, radiology, pathology or other senior living or health care specialty services, and pharmacy and similar departments; and any other leases entered into in accordance with the disposition of Property provisions of the Master Indenture;

- (t) purchase money mortgages, security interests, and liens securing Purchase Money Indebtedness placed upon Property in order to obtain the use of such Property or to secure a portion of the purchase price thereof;
- (u) liens securing any Indebtedness between Members;
- (v) liens on the Obligated Group's accounts receivable arising as a result of a pledge or sale of such accounts receivable with or without recourse, provided that the principal amount of Indebtedness secured by any such lien does not (i) with respect to the pledge of accounts receivable, exceed the Book Value of such accounts receivable (net of delinquent or uncollected accounts, contractual adjustments or discounts, and other allowances), or (ii) with respect to the sale of accounts receivable, exceed the aggregate sales price of such accounts receivable;
- (w) liens on Property securing any Indebtedness if at the time of incurrence of such Indebtedness and after giving effect to all liens classified as Permitted Encumbrances under this subparagraph, the Book Value of Property subject to liens under this subparagraph do not exceed **10%** of the Book Value of all Property of the Obligated Group;
- (x) liens on cash or securities securing the obligations of a Member or the Obligated Group under a Hedge Agreement;
- (y) liens on Property securing Commitment Indebtedness issued in support of any Long-Term Indebtedness that are equal in rank and priority with or subordinate to the liens granted to secure the Long-Term Indebtedness;
- (z) liens on Property securing Subordinated Indebtedness, provided that a superior lien on the same Property is or has previously been granted to secure all Master Notes;
- (aa) liens on Property that are existing at the date of the Master Indenture; provided that no such lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any Member not subject to such lien on such date unless such lien as so increased, extended, renewed or modified otherwise qualifies as a Permitted Encumbrance under the Master Indenture;
- (bb) liens on unimproved real property and any other lien or encumbrance created or incurred in the ordinary course of business that does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or Lease Indebtedness and that, individually or in the aggregate, does not materially impair the value or the utility of the Property subject to such lien or encumbrance;
- (cc) any encumbrance, easement, license, etc. permitted by a Mortgage not otherwise inconsistent with the Master Indenture;
- (dd) liens on Property securing Non-Recourse Indebtedness permitted under the Master Indenture;
- (ee) any statutory liens in favor of the federal government relating to any payments or reimbursements to the Members under the Medicare or Medicaid programs, or other similar government payment or reimbursement programs;
- (ff) any other liens on Property that could be effected if it was a sale or other disposition permitted by the Master Indenture; and
- (gg) any other liens on Property expressly permitted by the Master Indenture or approved in writing by the Owners of not less than a majority in principal amount of Master Notes then Outstanding.

“Permitted Investments” means:

- (a) Government Obligations;
- (b) debt obligations which are (i) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (ii) at the time of purchase, rated in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any rating agency;
- (c) any bond, debenture, note, participation certificate or other similar obligation issued by a government sponsored agency (such as the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank or the Student Loan Marketing Association) which is either (i) rated in the highest rating category by any rating agency, or (ii) backed by the full faith and credit of the United States of America;
- (d) U.S. denominated deposit account, certificates of deposit and banker’s acceptances of any bank, trust company, or savings and loan association, including the Master Trustee or any Related Bond Trustee or their affiliates, which have a rating on their short-term certificates of deposit on the date of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any rating agency, and which mature not more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase in one of the two highest short-term rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any rating agency, and which matures not more than 270 days after the date of purchase;
- (f) bonds, notes, debentures or other evidences of debt issued or guaranteed by a corporation which are, at the time of purchase, rated by any rating agency in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);
- (g) investment agreements with banks that at the time the agreement is executed are rated in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) assigned by any rating agency or investment agreements with non-bank financial institutions, provided that (1) all of the unsecured, direct long-term debt of either the non-bank financial institution or the related guarantor of such non-bank financial institution is rated by any rating agency at the time the agreement is executed in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) for obligations of that nature; or (2) if the non-bank financial institution and any related guarantor have no outstanding long-term debt that is rated, all of the short-term debt of either the non-bank financial institution or the related guarantor of the non-bank financial institution is rated by any rating agency in one of the two highest rating categories (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short-term debt by any rating agency; provided that if such non-bank financial institution and any guarantor do not have any short-term or long-term debt, but do have a rating in one of the two highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), then investment agreements with the non-bank financial institution will be permitted;
- (h) repurchase agreements with respect to and secured by obligations described in clause (a), (b) or (c) above, which agreements may be entered into with a bank (including the Master Trustee, a Related Bond Trustee or their affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Master Trustee or a custodial agent of the Master Trustee has possession of the collateral and that the

collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) the collateral securities are held in the custody of the Master Trustee or the Master Trustee's agent;

- (i) investments in a money market fund, including funds of a Related Bond Trustee, the Master Trustee or their affiliates, rated (at the time of purchase) in the highest rating category for this type of investment by any rating agency;
- (j) shares in any investment company, money market mutual fund, fixed income mutual fund, exchange-traded fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and whose investments consist solely of Permitted Investments as defined in paragraphs (a) through (i) above, including money market mutual funds from which a Related Bond Trustee, the Master Trustee or their affiliates derive a fee for investment advisory or other services to the fund; and
- (k) such other investments as may be designated a Permitted Investment in connection with Related Bonds or in a Supplemental Master Indenture.

The Master Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary. For the purposes of this definition, obligations issued or held in the name of the Master Trustee in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Master Trustee. The Master Trustee shall have no obligation to enter into any investment contract, forward delivery investment agreement, repurchase agreement contract or any similar agreements with respect to the investment of any funds held under the Master Indenture unless (i) such agreement is in form and content reasonably acceptable to the Master Trustee, (ii) any liability of the Master Trustee under such agreement is limited to loss occasioned by the gross negligence or willful misconduct of the Master Trustee, (iii) the Master Trustee is not liable under any circumstances for any termination or similar amount under such agreement, and (iv) the Obligated Group Members pay to the Master Trustee such fees and expenses as established by the Master Trustee from time to time.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

“Projected Debt Service Coverage Ratio” means, for any future period, the ratio determined by dividing (a) a numerator equal to the projected Net Income Available for Debt Service of the Obligated Group for that period by (b) a denominator equal to the Maximum Annual Debt Service for the Long-Term Indebtedness expected to be Outstanding during such period.

“Property” means with respect to any Member its Facilities and any and all rights, titles and interests of such Member in and to all land, leasehold interests, buildings, fixtures and equipment and any and all other property, whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired; provided that Property of any Member does not include Excluded Property.

“Property, Plant and Equipment” means all Property of a Member that is classified as property, plant and equipment as shown on the balance sheet of each Member, determined in accordance with GAAP.

“Purchase Money Indebtedness” means Indebtedness incurred by a Member pursuant to a purchase money contract, conditional sale agreement, installment purchase contract, Capital Lease or other similar debt or title retention agreement in connection with the acquisition of real or personal property and secured by a purchase money mortgage, security interest or lien with respect to the property acquired by such Member, where the lien of the seller or lender under such agreement is limited to such property.

“Qualified Financial Institution” means a bank, trust company, national banking association, insurance company or other financial services company or entity, whose unsecured long-term debt obligations (in the case of a bank, trust company, national banking association or other financial services company or entity) or whose claims paying abilities (in the case of an insurance company) are rated in any of the two highest categories by a Rating Agency.

“Qualifying Intermediate-Term Indebtedness” means all or any part of any Indebtedness that (a) the average life of which is not expected to be greater than seven years, and (b) is, according to a certificate of the Obligated Group Agent delivered to the Master Trustee, issued or incurred to finance Capital Additions, the Initial Entrance Fees from which are required to be deposited into a separate account to be applied to the payment of such Qualifying Intermediate-Term Indebtedness and will equal the aggregate of the principal amount of such Qualifying Intermediate-Term Indebtedness.

“Rating Agency” means S&P Global Ratings, Moody’s Investors Service, Inc., or Fitch, Inc.

“Refunding Indebtedness” means Long-Term Indebtedness issued for the purpose of refunding other Long-Term Indebtedness (including Long-Term Indebtedness commonly referred to as current refunding indebtedness, advance refunding indebtedness or cross-over refunding indebtedness where the proceeds of such Refunding Indebtedness are deposited in an irrevocable escrow or trust account to secure the payment on the applicable payment dates of the interest on and principal of such Refunding Indebtedness and/or the Indebtedness being refunded).

“Related Bond Documents” means any indenture, bond resolution or similar instrument pursuant to which any series of Related Bonds is issued, and the document or documents (including any loan agreement, lease agreement, installment sale agreement or other financing agreement) pursuant to which any proceeds of any Related Bonds are made available to or for the benefit of any Member or any Affiliate of any Member.

“Related Bond Issuer” means any issuer of a series of Related Bonds.

“Related Bond Trustee” means any trustee under any Related Bond Document and any successor trustee thereunder or, if no trustee is appointed under a Related Bond Document, the Related Bond Issuer.

“Related Bonds” means any revenue bonds or similar obligations issued by any state of the United States or any municipal corporation or other political subdivision formed under the laws thereof or any constituted authority, agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, or otherwise by or on behalf of any Member, the proceeds of which are loaned or otherwise made available to any Member in consideration, whether in whole or in part, of the execution, authentication and delivery of a Master Note or Master Notes.

“Required Information Recipients” means the Master Trustee, each Related Bond Trustee, the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system, each Original Purchaser, any registered owners or beneficial owners of Master Notes and any registered Owners or beneficial owners of at least \$500,000 in aggregate principal amount of Related Bonds that have requested to receive information in a writing with the Master Trustee and the Obligated Group Agent, and any other person designated as a Required Information Recipient in a Supplemental Master Indenture.

“Residency Agreement” means any written agreement or contract, as amended from time to time, between a Member and a resident or potential resident of a Facility giving the resident or potential resident certain rights of occupancy in the Facility, including independent living units, assisted living units, memory care units, skilled nursing units, or specialty care beds, and providing for certain services to such resident, including any reservation agreement or other agreement or contract reserving rights of occupancy.

“Revenue Fund” means the fund in the name of the Master Trustee when required to be established by the Master Indenture as described under “Summary of the Master Indenture – Lock-Box Provisions.”

“Revenues” means, for any period,

- (a) in the case of any Person providing health care services or senior living services, the sum of:
 - (i) net patient service revenues and resident service revenues, plus
 - (ii) other operating revenues, plus
 - (iii) 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 on amounts that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, but including investment income), plus
 - (iv) Unrestricted Contributions, plus
 - (v) Entrance Fees (other than Initial Entrance Fees to the extent such Initial Entrance Fees have been designated to be used to repay Indebtedness, including Qualifying Intermediate-Term Indebtedness, incurred to finance in whole or in part Capital Additions related to a Facility in receipt of such Initial Entrance Fees) received, minus (A) Entrance Fees amortized during such period and (B) Entrance Fees refunded to residents, plus
 - (vi) payments received from any Affiliate of an Obligated Group Member, plus
 - (vii) to the extent not included in (vi), development fee payments received by the Obligated Group from Affiliates or unrelated third parties, plus
 - (viii) any Federal Subsidy Payments; plus
 - (ix) net assets released from donor restrictions used to support operations or pay debt service; 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;
- (c) but excluding for all Persons:
 - (i) any unrealized gain 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,
 - (v) insurance (other than business interruption) or condemnation proceeds;
 - (vi) net assets released from donor restrictions used for purchases of property and equipment; and
 - (vii) Revenues from Capital Additions excluded for the periods and to the extent described under the caption “Summary of the Master Indenture – Debt Service Coverage Ratio,”

provided, however, that if such calculation is being made with respect to the Obligated Group, such calculation shall be made in such a manner so as to exclude any revenues attributable to transactions between any Member and any other Member. For purposes of calculations under the Master Indenture, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the Unrestricted Contribution is made prior to the date the applicable certificate is required to be delivered with respect to such calculation.

At the option of the Obligated Group Agent, when computing Revenue, net realized gains from the sale of investments may be included on the basis of the average annual amount of those gains and losses for the three fiscal years preceding the computation date in lieu of the actual amount of net realized gains from the sale of investments for the fiscal year for which the computation is being made.

“Short-Term Indebtedness” means Indebtedness, other than Non-Recourse Indebtedness, Subordinated Indebtedness and the current portion of Long-Term Indebtedness, having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable at the option of the debtor for a term greater than one year beyond the date of original incurrence.

“Stable Occupancy” means with respect to any Capital Additions for independent living units, assisted living units, memory care units, skilled nursing units, or specialty care beds financed with Long-Term Indebtedness, including Qualifying Intermediate-Term Indebtedness, the first full Fiscal Year in which the aggregate average annual occupancy of the Capital Additions so financed is equal to or greater than **85%**.

“Subordinated Indebtedness” means Indebtedness of a Member that by the terms thereof is specifically junior and subordinate to the Master Notes with respect to payment of principal and interest thereon and that is evidenced by an instrument that conforms to the requirements of the Master Indenture.

“Subsidy Bonds” means any Related Bonds for which the issuer or conduit borrower is entitled to receive Federal Subsidy Payments directly from the United States Department of Treasury or other federal governmental agency or entity authorized to make such payments under the Internal Revenue Code.

“Supplemental Master Indenture” means an indenture amending or supplementing the Master Indenture entered into pursuant to the provisions of the Master Indenture.

“System” means the Obligated Group Agent, the Members and all Affiliates thereof the financial statements of which are required, under GAAP, to be consolidated or combined into the financial statements of the Obligated Group.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof that is an organization described in Section 501(c)(3) of the Internal Revenue Code or is treated as an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Trust Estate” means the property described as the Trust Estate in the Granting Clauses of the Master Indenture that is subject to the lien and security interest of the Master Indenture.

“UCC” means the Uniform Commercial Code then in effect in the state specified.

“Unrestricted Contributions” means Contributions that are not restricted in any way that would prevent their application to the payment of expenses (where such Contributions are actually utilized to pay expenses during the period in which the measurement is being made) or debt service on Indebtedness of the Person receiving such Contributions. Unrestricted Contributions shall include Contributions that are restricted for payment of debt service and related expenses of Indebtedness secured by Master Notes. For purposes of any calculations under the Master Indenture, an Unrestricted Contribution from an Affiliate shall be treated as being made during the period of such calculation so long as the Unrestricted Contribution is made prior to the date the applicable Officer’s Certificate is required to be delivered with respect to such calculation.

“Variable Rate Indebtedness” means all or such portion of Indebtedness the terms of which provide that interest thereon for the future period of time with respect to which debt service is being calculated is expressed to be calculated at a varying rate in accordance with procedures specified in the instrument creating such Indebtedness that not susceptible of precise determination as of the date of calculation.

* * * * *

The following are definitions of certain terms used in the Bond Indenture and the Loan Agreement:

“Act” means the Housing Act, the Joint Powers Act, and the Minnesota Municipal Industrial Development Act.

“Additional Payments” means those payments required to be made by the Obligors pursuant to the Loan Agreement.

“Authorized Officer” means the Chief Executive Officer, President, Chief Financial Officer, Treasurer, or any Vice President of the Obligated Group Agent or other person or persons at the time designated to act on behalf of the Obligated Group Agent in matters relating to the Loan Agreement and the Bond Indenture as evidenced in writing to the Issuer and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Obligated Group Agent by its Chief Executive Officer, President, Chief Financial Officer, Treasurer, or any Vice President of the Obligated Group Agent.

“Bond Documents” means the Bond Indenture, the Bonds, the Loan Agreement, the Tax Agreement, the Master Indenture, the Series 2021A Master Note, the Mortgages, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“Bond Indenture” means the Bond Trust Indenture dated as of July 1, 2021, as originally executed by the Issuer and the Bond Trustee, as from time to time amended and supplemented by Supplemental Bond Indentures.

“Bond Register” means the registration books kept by the Bond Trustee to evidence the registration and transfer of Bonds.

“Bond Registrar” means the Bond Trustee when acting as such, and any other bank or trust company designated and at the time serving as bond registrar under the Bond Indenture.

“Bond Trustee” means U.S. Bank National Association and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Bond Indenture.

“Bondowner,” “Owner” or “Registered Owner” means the Person in whose name a Bond is registered on the Bond Register.

“Bonds” means the Revenue Bonds (Benedictine Health System), Series 2021A, issued by the Issuer and authenticated and delivered under the Bond Indenture.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the designated corporate trust office of the Bond Trustee or any Paying Agent is located are required or authorized by law to remain closed, or (c) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is closed.

“Certificate of the Obligated Group Agent” means a written certificate signed by an Authorized Officer, which Certificate shall be deemed to constitute a representation of, and shall be binding upon, the Obligors with respect to matters set forth therein.

“Consultant” has the meaning assigned in the Master Indenture.

“Debt Service Fund” means the fund by that name created by the Bond Indenture.

“Defaulted Interest” means interest on any Bond which is payable but not paid on the date due.

“Defeasance Obligations” means

(a) Government Obligations that are not subject to redemption in advance of their maturity dates; or

(b) obligations issued by any state of the United States of America, or any political subdivision thereof, rated at the time of purchase by at least two nationally recognized rating agencies in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise), and obligations fully secured by and payable solely from an escrow fund held by a trustee consisting of cash or Defeasance Obligations described in (a) above; or

(c) any other Permitted Investments if the Obligated Group Agent causes to be delivered to the Bond Trustee and the Issuer a written confirmation from a firm of independent certified public accountants to the effect that such Permitted Investments are ‘essentially risk-free monetary assets’ or otherwise of a nature permitted to effect the extinguishment of debt under GAAP.

“**Deficiency**” has the meaning assigned below under the caption “Summary of the Bond Indenture - Master Reserve Fund.”

“**Event of Default**” means (a) with respect to the Bond Indenture any “Event of Default” as defined below under the caption “Summary of the Bond Indenture - Events of Default” and (b) with respect to the Loan Agreement any “Event of Default” as defined under the caption “Summary of the Loan Agreement - Events of Default.”

“**Financed Facilities**” means the facilities financed or refinanced with the proceeds of the Bonds, including the Project, and any replacements or substitutions therefor to which proceeds of the Bonds are allocated, as more specifically set forth in the Tax Agreement. The final allocation of proceeds of the Bonds to facilities and expenditures comprising the Financed Facilities may be subject to future changes to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to the Tax Agreement.

“**Government Obligations**” means direct obligations of the United States of America or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by the United States of America.

“**Governmental Units**” means Minnesota Agricultural and Economic Development Board; the Cities of Ada, Byron, Crookston, Hastings, Lauderdale, Minneapolis, New Brighton, Osseo, Owatonna, Preston, Red Wing, Rochester, St. Paul Park, Shakopee, and Spring Valley; the Counties of Goodhue and Steele; the Housing and Redevelopment Authority of Duluth; and the Port Authority of Winona, all in Minnesota.

“**Hazardous Materials**” means any substance, material or waste which is (a) petroleum; (b) asbestos; (c) polychlorinated biphenyls; (d) designated as a “hazardous substance” pursuant to Section 311 of the Clean Water Act, as amended or listed pursuant to Section 307 of the Clean Water Act, as amended; (e) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, as amended; (f) defined as a “hazardous substance” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, as amended; or (g) subject to regulation as a hazardous chemical substance pursuant to Section 6 of the Toxic Substance Control Act, as amended.

“**Housing Act**” means the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C.

“**Industrial Development Act**” means the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Section 469.152 through 469.165.

“**Interest Payment Date**” means January 1 and July 1 in each year, beginning on January 1, 2022.

“**Internal Revenue Code**” means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

“Issuance Costs” means issuance costs with respect to the Bonds described in Section 147(g) of the Internal Revenue Code, including the following:

- (a) underwriters’ spread (whether realized directly or derived through purchase of Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including bond counsel, underwriter’s counsel, Issuer’s counsel, Obligated Group’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees of any financial advisor to the Issuer or the Obligated Group incurred in connection with the issuance of the Bonds;
- (d) rating agency fees;
- (e) trustee, escrow agent and paying agent fees;
- (f) accountant fees and other expenses related to issuance of the Bonds;
- (g) printing costs (for the Bonds and of the preliminary and final official statement relating to the Bonds); and
- (h) fees and expenses of the Issuer incurred in connection with the issuance of the Bonds.

“Issuance Costs Fund” means the fund by that name created by the Bond Indenture.

“Issuer” means the Duluth Economic Development Authority, St. Louis County, Minnesota, or any other governmental entity duly existing in the State and succeeding to or charged with the powers, duties and functions of the Issuer, its successors and assigns.

“Issuer Representative” means the Executive Director of the Issuer, and such other person or persons at the time designated to act on behalf of the Issuer in matters relating to the Loan Agreement and the Bond Indenture as evidenced by a written certificate furnished to the Obligated Group Agent and the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Issuer by its President or Executive Director. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Issuer Representative.

“Joint Powers Act” means the Minnesota Joint Powers Act, Minnesota Statutes, Section 471.59.

“Loan Agreement” means the Loan Agreement between the Issuer and the Obligated Group Agent, on behalf of the Obligors, as from time to time amended by Supplemental Loan Agreements.

“Loan Payments” means the payments referred to under the caption “Loan Payments” under “Summary of the Loan Agreement.”

“Make Whole Payments” means any payments required to be made to or on behalf of the Issuer in its exercise or enforcement of the Unassigned Issuer Rights.

“Master DSRF Bonds” has the meaning assigned in the Master Indenture. The Series 2021A Bonds have been designated as Master DSRF Bonds pursuant to the Master Indenture.

“Master Reserve Draw Request” has the meaning assigned below under the caption “Summary of the Bond Indenture - Master Reserve Fund.”

“Master Reserve Fund” means the Master Reserve Fund created under the Master Indenture and held by the Master Trustee.

“Master Trustee” has the meaning given that term in the Master Indenture.

“Member” has the meaning given that term in the Master Indenture. The Obligated Group Agent is not a Member of the Obligated Group.

“Mortgages” means each and every Mortgage, Security Agreement, and Assignment of Leases and Rents, whether a fee mortgage, a leasehold mortgage or an amended and restated mortgage, executed by a Member in favor of the Master Trustee to secure such Member’s obligations under the Master Indenture.

“Notice of MTI-DSRF Draw Request” has the meaning assigned below under the caption “Summary of the Bond Indenture - Master Reserve Fund.”

“Obligated Group” has the meaning given that term in the Master Indenture. The Obligated Group Agent is not a Member of the Obligated Group.

“Obligated Group Agent” means Benedictine Health System d/b/a Benedictine, a Minnesota nonprofit corporation, its successors and assigns, and any surviving, resulting or transferee corporation, acting through its Governing Board, or Authorized Officer, or any other Person from time to time designated as the Obligated Group Agent in accordance with the Master Indenture.

“Obligors” means the Members of the Obligated Group named in the Loan Agreement that are obligated to make Loan Payments thereunder and the successors and assigns of each, and any surviving, resulting or transferee entity.

“Opinion of Bond Counsel” means an opinion or opinions in writing addressed to the Issuer and the Bond Trustee and signed by legal counsel and not objected to by the Issuer, who shall be nationally recognized in matters pertaining to the validity of obligations of governmental issuers and/or the exemption from federal income taxation of interest on such obligations.

“Opinion of Counsel” means an opinion in writing signed by legal counsel acceptable to the Obligated Group Agent and not objected to by the Issuer, who may be an employee of or counsel to the Obligated Group Agent or any Member.

“Original Purchaser” means Herbert J. Sims & Co., Inc.

“Outstanding” means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

- (a) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation pursuant to the Bond Indenture;
- (b) Bonds which are deemed to have been paid in accordance with the Bond Indenture; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Bond Indenture.

“Owner” shall have the same meaning as the term “Bondowner.”

“Paying Agent” means the Bond Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated by the Bond Indenture or any Supplemental Bond Indenture as paying agent for the Bonds at which the principal of and redemption premium, if any, and interest on such Bonds shall be payable.

“Payment Date” has the meaning assigned below under the caption “Summary of the Bond Indenture - Master Reserve Fund.”

“Permitted Investments” has the meaning assigned in the Master Indenture if and to the extent such investments are at the time legal for investment of funds held under the Bond Indenture. The Bond Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary. For the purposes of this definition, obligations issued or held in the name of the Bond Trustee in book-entry form on the books of the Department of Treasury of the United States shall be deemed to be deposited with the Bond Trustee.

“Person” means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

“Project” means all buildings, improvements, fixtures, machinery, equipment and other property owned or to be owned by the Obligors that are paid or refinanced or are to be paid in whole or in part, or for which the Obligors are reimbursed in whole or in part, from the proceeds of the Bonds and any repairs thereto or replacements or substitutions therefor.

“Project Costs” means costs permitted under the Industrial Development Act and the Housing Act to be paid out of proceeds of Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, reconstruction, repair, alteration, improvement and extension of the Project, including the expenses of studies and surveys, land title and mortgage title policies, architectural and engineering services and the cost of legal services; financial and underwriting fees and expenses; the cost of acquiring or demolishing existing structures, acquiring and developing the site and constructing and equipping new buildings and improvements constituting a part of the Project; rehabilitating, reconstructing, repairing or remodeling existing buildings and improvements constituting a part of the Project; development, marketing and other capitalized start-up costs for the Project and all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project and any other costs permitted by the Industrial Development Act and the Housing Act.

“Project Fund” means the fund by that name created by the Bond Indenture.

“Purchase Contract” means the Bond Purchase Agreement for the Bonds among the Issuer, the Obligated Group Agent on behalf of the Members and the Original Purchaser.

“Rating Agency” means S&P Global Ratings, Moody’s Investors Service, Inc. or Fitch, Inc. or any other rating agency nationally recognized for providing ratings for municipal or nonprofit securities or municipalities or nonprofit or for-profit entities operating health care or senior living facilities.

“Rebate Fund” means the fund by that name created by the Bond Indenture.

“Record Date” means the fifteenth day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date on any Bond.

“Refunding Fund” means the fund by that name created by the Bond Indenture.

“Refunded Obligations” means the refunded bonds and the refunded notes as described in the Official Statement.

“Series 2021A Master Note” means the Master Indenture Note (Benedictine Health System), Series 2021A issued pursuant to the Master Indenture.

“Special Record Date” means the date fixed by the Bond Trustee pursuant to the Bond Indenture for the payment of Defaulted Interest.

“State” means the State of Minnesota.

“Supplemental Bond Indenture” means any indenture supplemental or amendatory to the Bond Indenture entered into by the Issuer and the Bond Trustee pursuant to the Bond Indenture.

“Supplemental Loan Agreement” means any agreement supplemental or amendatory to the Loan Agreement entered into by the Issuer and the Obligated Group Agent pursuant to the Loan Agreement and the Bond Indenture.

“Tax Agreement” means the Tax Compliance Agreement among the Obligated Group Agent, the Obligors, and the Bond Trustee, relating to the Bonds, as from time to time amended in accordance with the provisions thereof.

“Tax-Exempt Organization” means an organization, organized under the laws of the United States of America or any state thereof, that is an organization described in or treated for federal tax purposes as an organization described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Trust Estate” means the Trust Estate under the Bond Indenture described below under the caption “Summary of the Bond Indenture - Trust Estate.”

“Unassigned Issuer Rights” the rights of the Issuer: (a) to receive payment of its fees and expenses, (b) to indemnification under the Loan Agreement, (c) to execute and deliver supplements and amendments to the Loan Agreement, (d) to consent as specifically provided for in the Loan Agreement, (e) to information and notices, and (f) to enforce the payment of Make Whole Payments; provided, however, that any rights, benefits and interest inuring solely to the benefit of the Bond Trustee (either directly or by assignment of the Bond Indenture) pursuant to any of the foregoing sections shall not constitute Unassigned Issuer Rights, and any rights, benefits and interests inuring both to the benefit of the Issuer and the Bond Trustee (either directly or by assignment of the Loan Agreement), shall constitute Unassigned Issuer Rights with respect to Issuer only, and any rights, benefits and interest inuring to the benefit of the Bond Trustee shall not constitute Unassigned Issuer Rights.

“Written Request” means, with reference to the Issuer, a request in writing signed by an Issuer Representative and, with reference to the Obligors, a request in writing signed by an Authorized Officer of the Obligated Group Agent, or any other officers designated by the Issuer or the Obligated Group Agent, as the case may be, to sign such Written Request.

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SUMMARY OF THE MASTER INDENTURE

The following is a summary of certain provisions contained in the Master Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Master Indenture for a complete recital of its terms.

Trust Estate

The Trust Estate under the Master Indenture consists of the following property (the “Trust Estate”): (i) all Gross Revenues of the Members of the Obligated Group; (ii) all moneys and securities, if any, at any time held by the Master Trustee under the terms of the Master Indenture; (iii) the interests of the Master Trustee under the Mortgages and all moneys and proceeds therefrom received by the Master Trustee; and (iv) any and all other real or personal property of every kind and nature from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security under the Master Indenture by the Members, or by anyone on their behalf and with their written consent, to the Master Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Master Indenture.

Certain Rules of Construction

Unless stated otherwise, where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes of the Master Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to the Master Indenture, such determination or computation shall be done in accordance with GAAP in effect on, at the sole option of the Obligated Group Agent, (i) the date such determination or computation is made for any purpose of the Master Indenture or (ii) the date of execution and delivery of the Master Indenture, if in the case of clause (ii) the Obligated Group Agent delivers an Officer’s Certificate to the Master Trustee describing why then-current GAAP is inconsistent with the intent of the parties on the date of execution and delivery of the Master Indenture; provided that the requirements set forth in the Master Indenture shall prevail if inconsistent with GAAP. In all cases, intercompany balances and liabilities among the Members shall be disregarded.

Security for Master Notes

All Master Notes issued and Outstanding under the Master Indenture are equally and ratably secured by the pledge and assignment of a security interest in the Trust Estate under the Master Indenture, including any Mortgage granted by a Member to the Master Trustee as beneficiary and secured party; provided that the Master Reserve Fund shall secure only those Master Notes so designated in the Supplemental Master Indenture pursuant to which such Master Notes are issued.

Any series of Master Notes may be secured by additional security (including liens on Property, security interests in debt service or depreciation reserves or similar funds, or a Credit Facility), so long as any liens created in connection therewith constitute Permitted Encumbrances. Such security need not extend to any other Master Notes or series of Master Notes unless required under the Master Indenture. The Supplemental Master Indenture pursuant to which any Master Note is issued may provide for such security described in this paragraph and permit realization upon such security solely for the benefit of the Master Notes entitled thereto, to the extent not inconsistent with the intent of the Master Indenture; provided that, except as otherwise expressly provided in the Master Indenture, all Master Notes shall be equally and ratably secured by any lien created pursuant to or constituting a part of the Trust Estate under the Master Indenture.

Grantor’s Rights

Each Member granting a Mortgage (each, a “Grantor”), and the Obligated Group Agent on behalf of such Grantor, shall have the rights set out below with respect to each such Mortgage and the Property subject to such Mortgage (the “Grantor’s Rights”), which Grantor’s Rights may be exercised by Grantor, with the consent of the Obligated Group Agent, or the Obligated Group Agent on behalf of Grantor, upon notice to the Master Trustee, without

the need for the consent of the Master Trustee or the Owner of any Master Note. All such Grantor's Rights shall be deemed to be incorporated in and made a part of each Mortgage regardless of whether so stated in any such Mortgage.

- (a) The right to obtain the release of any interest in any Mortgaged Property subject to a Mortgage as follows:
 - (i) On the date the Grantor withdraws from the Obligated Group in accordance with the Master Indenture;
 - (ii) If the Grantor transfers the Property pursuant to the Master Indenture;
 - (iii) If the Grantor consolidates, merges or sells all or substantially all its Property pursuant to the Master Indenture;
 - (iv) If all or any part of the Mortgaged Property is damaged, destroyed or condemned and such portion of the Mortgaged Property will not be rebuilt, restored or replaced in accordance with the Master Indenture; or
 - (v) On the date the Grantor is permitted to transfer all or any portion of the Mortgaged Property pursuant to any other provision of the Master Indenture.
- (b) The right to make replacements, additions, alterations, changes, modifications and improvements to the Mortgaged Property to the extent not prohibited by the Master Indenture.
- (c) The right to install and remove furniture, fixtures and equipment on or from any Mortgaged Property to the extent not prohibited by the Master Indenture.
- (d) The right to create or permit to be created, incurred or exist any Permitted Encumbrances on any Mortgaged Property, inclusive of (i) leases, rentals or other rights of occupancy for any reasonable business purposes and (ii) easements or encumbrances (whether governmental or private) or dedication for any governmental or other purpose necessary to accomplish the purposes for which the Property is then being or will be used.
- (e) The right to release any portion of the Mortgaged Property upon certification to the Master Trustee by the Obligated Group Agent that such portion of such Property is not then actively used as a part of the Facility located on such Property (i.e., excess or vacant land or land used for agricultural or other purposes unrelated to the operation of such Facility).
- (f) The right to release any portion of the Mortgaged Property that has been included in the Property subjected to a Mortgage as a result of an error or mistake.
- (g) The right to amend, supplement, change, modify, or release any Mortgage (i) in connection with the exercise of any Grantor's Rights; or (ii) for any purpose for which the Master Indenture may, in accordance with its terms, be amended or supplemented without the consent of or notice to any Owners of Master Notes; or (iii) for any purpose for which the Master Indenture may, in accordance with its terms, be amended or supplemented with the consent of the Owners of Master Notes as long as such consent is obtained; or (iv) to increase or decrease the maximum principal amount of Indebtedness secured by any Mortgage as determined necessary or appropriate by the Obligated Group Agent, provided that all such Indebtedness is evidenced by Master Notes; (v) in order to acquire, develop or divest any Property in conjunction with the development or redevelopment of any new or existing project or facility to the extent such acquisition, development or divestiture is permitted pursuant to the Master Indenture; or (vi) for any other purpose relating to any Mortgage if such amendment, supplement, change or modification does not violate any term of the Master Indenture.

- (h) The right, at its own expense to connect or “tie-in” walls (including use of existing walls for the support of future adjacent buildings) and utilities and other facilities located on the Mortgaged Property to other structures erected on the Mortgaged Property or on real property adjacent to or near the Mortgaged Property or partly on such adjacent real property and partly on the Mortgaged Property, or in connection with the expansion or improvement of the Mortgaged Property, to tear down any wall of such Mortgaged Property and build an addition to such Mortgaged Property (either on the Mortgaged Property or on real property adjacent thereto or partly on such adjacent real property and partly on the Mortgaged Property); provided, however, that, prior to any such expansion, addition, improvement, tearing down or connection with the “tie-in” walls, utilities and other facilities, the Master Trustee, as mortgagee has received the following from such Member: (i) a certification and/or opinion of an independent architect that the same does not impair the operating unity or the efficiency of the Mortgaged Property or adversely affect the character thereof, and (ii) an Opinion of Counsel to the effect that all party-wall agreements, easements, cross-easements or other instruments relating to such expansion, addition, improvement, tearing down or connection with the “tie-in” walls, utilities and other facilities, which are necessary or desirable to define the relative rights of the owners and encumbrancers of the same therein, and to fully preserve the security of the Master Indenture, have been or can be duly executed, delivered and recorded.

Upon the written request of the Obligated Group Agent or any Grantor, the Master Trustee shall, upon receipt of a certification of the Obligated Group Agent to the Master Trustee that such release, amendment, modification or termination of any Mortgage does not violate any term of the Master Indenture, and without the need for the consent of the Owner of any Master Note (except for any consent of a holder contemplated by subsection (g)(iii), above) or any other Person or entity, at the cost of the Obligated Group, execute and deliver such release amendment, modification or termination documents as shall be necessary in conjunction with the exercise of the Grantor’s Rights.

Each of the foregoing Grantor’s Rights is a right and not a limitation and shall not be construed to limit any other Grantor’s Rights or any other rights of a Member or the Obligated Group under the Master Indenture, any Mortgage, any Master Note, any Related Bond or any other related transaction document.

Entrance into the Obligated Group

Any Person that is not a Member may become a Member if the following conditions are met:

- (a) Such person is a business entity;
- (b) Such Person shall execute and deliver to the Master Trustee a Supplemental Master Indenture acceptable to the Master Trustee, which shall be executed by the Master Trustee and the Obligated Group Agent, and which shall contain (1) the agreement of such Person to become a Member and thereby to become subject to compliance with all provisions of the Master Indenture, (2) the unconditional and irrevocable agreement of such Person (subject to the right of such Person to cease its status as a Member pursuant to the terms and conditions under the caption “Withdrawal From the Obligated Group”) to jointly and severally make payments upon each Master Note at the times and in the amounts provided in each such Master Note, and (3) representations and warranties by such Person substantially similar to those set forth in the Master Indenture if such Person is not a Tax-Exempt Organization;
- (c) The Obligated Group Agent, by appropriate action of its Governing Board, shall have approved and consented to the admission of such Person to the Obligated Group;
- (d) The Obligated Group Agent shall deliver to the Master Trustee (i) either (A) an Officer’s Certificate certifying that if such addition to the Obligated Group had taken place on the first day of the most recent Fiscal Year for which audited financial statements are available, (I) the Historical Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the

actual Historical Debt Service Coverage Ratio for such Fiscal Year and at least 1.20, and (II) Days Cash on Hand would have been not less than 80% of the actual Days Cash on Hand and at least equal to the Liquidity Requirement at the end of such Fiscal Year; or (B) a Consultant's report showing that for the next two Fiscal Years, after giving effect to the addition of such Person to the Obligated Group as of the beginning of such period, (I) the Historical Debt Service Coverage Ratio is forecasted to be at least 80% of the actual Historical Debt Service Coverage Ratio for the preceding Fiscal Year and at least 1.30, and (II) Days Cash on Hand is forecasted to be at least 80% of the actual Days Cash on Hand for the preceding Fiscal Year and at least equal to the Liquidity Requirement at the end of each Fiscal Year during the forecast period; (ii) an Opinion of Counsel acceptable to the Master Trustee to the effect that (A) the Supplemental Master Indenture described in (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 all action has been taken in order to cause the lien of the Master Trustee in the Trust Estate to be filed or recorded in accordance with the Master Indenture and applicable law, and (B) the addition of such Person to the Obligated Group is permitted by the Master Indenture and will not adversely affect the status as a Tax-Exempt Organization of any Member which otherwise has such status; (iii) if any series of Related Bonds is then rated by a Rating Agency, evidence from each Rating Agency then maintaining a rating on any series of Related Bonds (if such Rating Agency will provide such evidence based on its then current policies) to the effect that the admission of such Person to the Obligated Group will not result in (A) a withdrawal of the rating, (B) if the Related Bonds have an investment grade rating, a lowering of the rating to below investment grade, or (C) if the Related Bonds have a rating below investment grade, a lowering of the rating; and (iv) if all amounts due or to become due on all Related Bonds have not been paid to the holders thereof and provision for such payment has not been made in such manner as to have resulted in the defeasance of all Related Bond Documents, an Opinion of Bond Counsel to the effect that under then existing law the addition of the Member to the Obligated Group would not, in and of itself, adversely affect the validity of any Related Bonds or any exemption from federal income taxation of interest payable on such Related Bonds otherwise entitled to such exemption; provided, that in making the calculation called for by subsection (d)(i) above, (x) there shall be excluded from Revenues any Revenues generated by Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs, and (y) there shall be excluded from Expenses any Expenses related to Property of such Person transferred or otherwise disposed of by such Person since the beginning of the Fiscal Year during which such Person's entry into the Obligated Group occurs.

Notwithstanding the foregoing, each successor, assignee, surviving, resulting or transferee corporation of a Member must agree to become, and satisfy the conditions set forth under the caption "Consolidation, Merger, Conveyance or Transfer" prior to any such succession, assignment or other change in such Member's corporate status.

Withdrawal from the Obligated Group

Any Member may withdraw from the Obligated Group and be discharged of all obligations under the Master Indenture, if the Obligated Group Agent shall deliver to the Master Trustee an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such withdrawal and related release comply with the provisions of the Master Indenture, together with:

- (a) (i) either (A) an Officer's Certificate certifying that if such withdrawal had taken place on the first day of the most recent Fiscal Year for which audited financial statements are available, (I) the Historical Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the actual Historical Debt Service Coverage Ratio for such Fiscal Year and at least 1.20, and (II) Days Cash on Hand would have been at least 80% of the actual Days Cash on Hand at the end of such Fiscal Year and at least equal to the Liquidity Requirement at the end of such Fiscal Year; or (B) a Consultant's report showing that for the next two Fiscal Years, after giving effect to the

withdrawal of such Member as of the beginning of such period, the Historical Debt Service Coverage Ratio is forecasted to be at least 80% of the actual Historical Debt Service Coverage Ratio for the preceding Fiscal Year and at least 1.30, and Days Cash on Hand is forecasted to be at least 80% of the actual Days Cash on Hand for the preceding Fiscal Year and at least equal to the Liquidity Requirement at the end of each Fiscal Year during the forecast period; provided, however, that a Member may withdraw from the Obligated Group without delivering the documents referred to in clause (A) or (B) above, if the Obligated Group Agent shall deliver to the Master Trustee an Officer's Certificate certifying that either (x) the Historical Debt Service Coverage Ratio for such Obligated Group Member (calculated by eliminating all financial transactions with other Members of the Obligated Group) would have been less than 1.00, or (y) if the proposed withdrawal had been made on the first day of the most recent Fiscal Year for which audited financial statements are available, (1) the Historical Pro Forma Debt Service Coverage Ratio for the Obligated Group, after giving effect to any indebtedness which is proposed to be retired, repaid or otherwise discharged following such withdrawal, would have been at least equal to the actual Historical Debt Service Coverage Ratio for such Fiscal Year, and (2) the Obligated Group's Days Cash on Hand, after giving effect to the proposed withdrawal, would have been equal to or greater than the actual Days Cash on Hand at the end of such Fiscal Year; (ii) an Officer's Certificate certifying that no default or Event of Default has occurred and is continuing under the Master Indenture or will occur as a result of the withdrawal of such Member from the Obligated Group; and (iii) if any series of Related Bonds is then rated by a Rating Agency, evidence from each Rating Agency then maintaining a rating on any series of Related Bonds (if such Rating Agency will provide such evidence based on its then current policies) to the effect that the admission of such Person to the Obligated Group will not result in (1) a withdrawal of the rating, (2) if the Related Bonds have an investment grade rating, a lowering of the rating to below investment grade, or (3) if the Related Bonds have a rating below investment grade, a lowering of the rating;

- (b) prior to cessation of such status, an Opinion of Counsel to the effect that (i) the cessation by such Member of its status as a Member is permitted under the Master Indenture and will not, in and of itself, adversely affect the status as a Tax-Exempt Organization of any Member that otherwise has such status, and (ii) (if all amounts due or to become due on all Related Bonds which bear interest that is not includible in gross income for federal income tax purposes have not been paid to the owners thereof) under then existing law, the withdrawal of the Member from the Obligated Group would not cause the interest on such Related Bonds to become includible in gross income for federal income tax purposes;
- (c) any lien in favor of the withdrawing Member on the Property of a remaining Member is released and satisfied unless such lien constitutes a Permitted Encumbrance after the withdrawing Member is no longer a Member; and
- (d) prior to cessation of such status, the Obligated Group Agent consents in writing to the withdrawal by such Member.

Upon satisfaction of the foregoing provisions for a Member to withdraw from the Obligated Group, the Master Trustee shall execute and deliver such appropriate instruments as reasonably requested by the Obligated Group Agent evidencing that such Member has withdrawn from the Obligated Group and has ceased to be a Member and releasing the lien of any Mortgage and the security interest in the Trust Estate granted by such Member to the Master Trustee.

Covenants as to Legal Existence, Maintenance of Property and Similar Matters

- (a) *Maintenance of Legal Existence.* Except as otherwise expressly provided in the Master Indenture, each Member shall (1) preserve its corporate or other separate legal existence, and (2) be and remain in good standing and duly qualified to conduct its business and affairs in the state of its incorporation or organization and in each jurisdiction where its ownership of Property or the conduct of its business or affairs requires such qualification.

- (b) *Maintenance and Use of Property.* Each Member shall cause all its Property used or useful in the conduct of its business and operations to be maintained, preserved and kept in good repair, working order and condition and in as safe condition as its operations will permit and make all proper repairs, renewals, replacements and improvements thereof necessary for the efficient, proper and advantageous conduct of its business and operations; provided that nothing in the Master Indenture contained shall be construed (1) to prevent it from discontinuing the operation of any of its Property or from removing or demolishing any building or buildings, if such discontinuance is, in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business, by a determination by the Governing Board of the Obligated Group Agent), desirable in the conduct of its business and not disadvantageous in any material respects to the Owners of the Master Notes or if any such removal or demolishing is in connection with a construction or remodeling project, or (2) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of the Governing Board of the Obligated Group Agent, useful in the conduct of its business.
- (c) *Compliance with Laws and Regulations.* Each Member shall comply in all material respects with all valid laws, ordinances, orders, decrees, decisions, rules, regulations and requirements of every duly constituted governmental authority, commission and court applicable to any of its affairs, business, operations and Property.
- (d) *Payment of Taxes and Other Charges.* Each Member shall pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon such Member or its Property or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Master Trustee or of the Master Noteowners in the Trust Estate, so that (to the extent aforesaid) the lien of the Master Indenture shall at all times be wholly preserved at the cost of the Members and without expense to the Master Trustee or the Master Noteowners.
- (e) *Payment of Obligations.* Each Member shall promptly pay or otherwise satisfy and discharge all of its obligations and Indebtedness and all demands and claims against it as and when the same become due and payable.
- (f) *Encumbrances.* Each Member shall not create or incur or permit to be created or incurred or to exist any Encumbrance upon its Property except Permitted Encumbrances and shall promptly discharge or terminate all Encumbrances on its Property that are not Permitted Encumbrances. Each Member shall at all times comply in all material respects with all terms, covenants and provisions contained in any Encumbrance at such time existing upon its Property or any part thereof or securing any of its Indebtedness. The deposit of Initial Entrance Fees into an entrance fee fund, working capital fund, operating reserve fund or similar fund held by the Master Trustee or a Related Bond Trustee for application to the payment or prepayment of Indebtedness or other operating expenses of a Member is permitted by this subsection (f) so long as no default or Event of Default has occurred and is continuing under the Master Indenture or the Related Bond Indenture.
- (g) *Licenses and Permits.* Each Member shall procure and maintain all necessary or desirable licenses and permits and, so long as reasonably deemed by the Governing Board of the Obligated Group Agent to be in the best interests of the Obligated Group and the Owners of Master Notes, use its best efforts to maintain the status of its applicable business and affairs (other than those not currently having such status or not having such status on the date the Person owning or operating such facilities becomes a Member under the Master Indenture) as providers of services eligible for payment or reimbursement under those third-party payment programs that are significant sources of revenue for the Obligated Group.

- (h) *Maintenance of Tax-Exempt Status.* Each Member and the sole member of each Member (including solely for such purpose, the Obligated Group Agent) that is a limited liability company (except any Member that has represented that it is not a Tax-Exempt Organization at the time it becomes a Member in the Supplemental Master Indenture executed pursuant to the caption “Entrance Into the Obligated Group” or has ceased to be a Tax-Exempt Organization in accordance with this section), so long as all amounts due or to become due on all Related Bonds have not been fully paid to the Owners thereof, shall take no action or fail to take any action, including any action which would result in the alteration or loss of its status or its sole member’s status as a Tax-Exempt Organization, that could cause the interest on any Related Bond to become includible in gross income for federal income tax purposes. The foregoing notwithstanding, any Member, or the sole member of any Member that is a limited liability company, may cease to be a Tax-Exempt Organization, or take actions that could result in the alteration or loss of its status as a Tax-Exempt Organization if prior thereto there is delivered to the Master Trustee, each Related Bond Trustee and each Related Bond Issuer an Opinion of Bond Counsel to the effect that such action would not adversely affect the exclusion from federal income taxation of interest payable on any Related Bond otherwise entitled to such exemption and an Opinion of Counsel to the effect that such action will not subject any Master Notes to the registration provisions of the Securities Act of 1933, as amended (or that such Master Notes have been so registered if registration is required), will not subject the Master Indenture to the qualification provisions of the Trust Indenture Act of 1939, as amended (or that the Master Indenture has been so qualified if qualification is required), and will not adversely affect the enforceability in accordance with their terms of the Master Indenture and the Master Notes against any Member.
- (i) *Advances.* If any Member fails (i) to pay any tax, charge, assessment or imposition to the extent required under the Master Indenture, (ii) to remove any Encumbrance that is not a Permitted Encumbrance or terminate any lease, each to the extent required under the Master Indenture, (iii) to maintain its Property in repair to the extent required under the Master Indenture, (iv) to procure the insurance required by the Master Indenture, in the manner thereby described, or to provide adequate proof of the existence of such insurance as and when required under the Master Indenture, or (v) to make any other payment or perform any other act required to be performed under the Master Indenture, and is not contesting the same in accordance with subsection (j), then and in each case the Master Trustee may (but shall not be obligated to) remedy such failure for the account of such Member and make advances for that purpose. No such performance or advance shall operate to release such Member from any such failure and any sums so advanced by the Master Trustee shall be repayable to the Master Trustee by such Member on demand to the Obligated Group Agent and shall bear interest at the Master Trustee’s announced prime rate from time to time in effect plus 2% per annum from the date of the advance until repaid. The Master Trustee shall have the right of entry on such Member’s Property or any portion thereof, in order to effectuate the purposes of this section, subject to the permission of a court of competent jurisdiction, if required by law.
- (j) *Contests.* No Member of the Obligated Group shall be required to pay any tax, levy, charge, fee, rate, assessment or imposition referred to in this section to remove any Encumbrance required to be removed under this section, pay or otherwise satisfy and discharge its obligations, Indebtedness (other than any Master Notes), demands and claims against it or to comply with any Encumbrance, law, ordinance, rule, order, decree, decision, regulation or requirement referred to in this section, so long as such Member shall contest, in good faith and at its cost and expense, in its own name and behalf, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Encumbrance so contested, and the sale, forfeiture, or loss of its Property or any material part thereof, provided that no such contest shall subject any Related Bond Issuer, any Related Bond Trustee, any Master Noteowner or the Master Trustee to the risk of any liability. While any such matters are pending, such Member shall not be required to pay, remove or cause to be discharged the tax, levy, charge, fee, rate, assessment, imposition, obligation, Indebtedness, demand, claim or Encumbrance being contested unless such Member agrees to settle such contest.

Each such contest shall be promptly prosecuted to final conclusion (subject to the right of such Member engaging in such a contest to settle such contest), and in any event the Members shall save all Related Bond Issuers, all Related Bond Trustees, all Master Noteowners and the Master Trustee harmless from and against all losses, judgments, decrees and costs (including attorneys' fees and expenses in connection therewith) as a result of such contest and will, promptly after the final determination of such contest or settlement thereof, pay and discharge the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interests, costs and expenses thereon or incurred in connection therewith.

Insurance

Each Member or the Obligated Group Agent on behalf of the Members shall maintain insurance, which may include one or more self-insurance or other alternative risk management programs described below, with respect to its Property and operations covering such risks that are of an insurable nature and of the character customarily insured against by health care and senior housing organizations operating similar properties and engaged in similar operations (including property and casualty, business interruption, worker's compensation, general and professional liability and employee dishonesty insurance and flood insurance in excess of \$500,000 for each Facility located in a flood plain) in such amounts as, in its judgment, are customary for health care and senior housing organizations operating similar properties and engaged in similar operations. All such insurance must be effected with responsible insurance carriers. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to the Member of cancellation.

Annually, within **150** days after the close of each Fiscal Year, the Obligated Group Agent shall file with the Master Trustee an Officer's Certificate stating that the Obligated Group Agent has reviewed the insurance, self-insurance and other alternative risk management programs in force upon the Property and operations of each Member on a date therein specified (which date shall be within 30 days of the filing of such Officer's Certificate) and stating that the Obligated Group is in compliance with this section.

In addition, the Obligated Group Agent shall cause a review to be conducted at least once every two Fiscal Years (or once each Fiscal Year if self-insurance is maintained pursuant to the following paragraph) by an Insurance Consultant, and the Obligated Group Agent shall deliver a report to the Master Trustee that states that such review occurred and indicates whether the insurance then being maintained by the Members is customary and adequate. Each Member shall follow any recommendations of the Insurance Consultant, except to the extent that the Governing Board of the Obligated Group Agent determines that such recommendations are not feasible, the reasons for such determination to be set forth in an Officer's Certificate delivered to the Master Trustee by the Obligated Group Agent. The Obligated Group Agent shall cause copies of such review, or the report of the Insurance Consultant, to be delivered promptly to the Master Trustee.

In lieu of maintaining the insurance coverage stated above (other than property and casualty insurance in excess of customary deductibles for Property, Plant and Equipment), the Members shall have the right to adopt alternative risk management programs that the Governing Board of the Obligated Group Agent determines upon the advice of an Insurance Consultant to be reasonable and in the best interests of such Member, including the right to self-insure in whole or in part, individually or in connection with other institutions or organizations, to participate in programs of captive insurance companies and/or to create and operate such captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal laws now or hereafter in existence limiting medical malpractice liability, or to establish or participate in other alternative risk management programs.

Damage, Destruction and Condemnation

The Obligated Group Agent will notify the Master Trustee immediately in the event of damage or destruction of the Facilities of a Member or any portion thereof as a result of fire or other casualty, or the condemnation or sale of such Facilities or any portion thereof pursuant to any condemnation proceedings in exercise of the power of eminent domain or under the threat thereof if the Net Proceeds are expected to exceed the Net Proceeds Threshold.

If the Net Proceeds are estimated to exceed the Net Proceeds Threshold, each Member irrevocably assigns to the Master Trustee all of its rights, title and interest in and to any of the Net Proceeds.

The Net Proceeds remaining after payment of all expenses of the Master Trustee incurred in collection of such proceeds, including attorneys' fees and expenses, shall be applied as follows:

(i) If the Net Proceeds are not expected to exceed the Net Proceeds Threshold, the Net Proceeds shall be paid directly to the Obligated Group Agent on behalf of the affected Member. Each Member under the direction of the Obligated Group Agent will expend or contract to expend an amount not less than the amount of any such Net Proceeds either (A) to repair, replace or restore the Property with respect to which the Net Proceeds were received, (B) to acquire, develop or construct additional capital assets, or (C) to prepay Master Notes or repay the principal portion of any other Indebtedness incurred by any Member to acquire, develop or construct capital assets or refinance Indebtedness incurred for such purpose.

(ii) If the Net Proceeds are expected to exceed the Net Proceeds Threshold, the Obligated Group Agent shall (A) immediately notify the Master Trustee, (B) within 12 months after the date on which the amount of Net Proceeds are finally ascertained, deposit when received the Net Proceeds with the Master Trustee or another depository satisfactory to the Master Trustee for use in accordance with this section, (C) deliver to the Master Trustee an Officer's Certificate (1) certifying that the Net Proceeds have been applied, or will be diligently applied, to repair, replace or restore the damaged, destroyed or condemned facilities (in which event the Net Proceeds shall be deposited with the Master Trustee to be held in a construction fund and disbursed within 24 months after receipt, or such longer period recommended by the independent architect hereinafter referred to in subclause (4), to pay or reimburse a Member for costs of the repair, replacement or restoration), (2) that includes a list of the expenditures to be made, (3) stating that such Net Proceeds, together with other monies legally available, will be sufficient to repair, replace or restore the damaged, destroyed or condemned facilities, and (4) that includes as an attachment the written statement from an independent architect certifying that the amount of Net Proceeds together with other available monies will be sufficient to repair, replace or restore the damaged, destroyed or condemned facilities, and (D) to the extent a portion or all of the Net Proceeds have not been deposited with the Master Trustee pursuant to clause (B) and subject to the Master Indenture, prepay or redeem the principal portion of any Indebtedness incurred by any one or more Members in such order of maturities and proportions as the Obligated Group Agent shall determine.

Sale or Other Disposition of Property

(a) Each Member agrees that it will not in any Fiscal Year transfer Property, Plant and Equipment, except Excluded Property and transfers:

(i) to any Person, of leases, rights, privileges or licenses no longer used or, in the judgment of the Obligated Group Agent, useful in the conduct of a Member's business;

(ii) to any Person, of Property, Plant and Equipment if the Book Value of such assets (together with all other Property, Plant and Equipment disposed of by Members in a Fiscal Year pursuant to this clause (ii)) does not exceed 5% of the Book Value of Property, Plant and Equipment of the Obligated Group as shown on the financial statements for the most recent Fiscal Year for which audited financial statements are available;

(iii) to any Person, of Property, Plant and Equipment if prior to the transfer the Master Trustee receives an Officer's Certificate of the Obligated Group Agent stating that, in the judgment of the signer, such Property, Plant and Equipment has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness or revenue producing capacity of the remaining Property, Plant and Equipment or Facilities; provided, however, that no Officer's Certificate shall be required to be delivered to the Master Trustee with respect to any Property, Plant and Equipment having a Book Value of less than \$50,000;

(iv) in addition to the transfers permitted above or under the caption “Consolidation, Merger, Conveyance or Transfer,” to any Person of real property and improvements thereon, including real property constituting Mortgaged Property, for the fair market value thereof, provided that (A) the Member applies the proceeds of such transfer to (1) purchase additional real property or personal property which, if the real property sold is subject to the Mortgage the purchased real or personal property shall also be made subject to a Mortgage if integral to the operation of a Facility, (2) prepay Master Notes selected by the Obligated Group Agent or any other Indebtedness secured by Master Notes, (3) make transfers to another Member for use in a manner consistent with this clause (iv), or (4) any other lawful purpose of the Member if the requirements of clause (v) immediately below for an Officer’s Certificate and an Opinion of Bond Counsel are met, and (B) ingress to and egress from the Facilities is not materially impaired;

(v) any Property, Plant and Equipment to any Person, provided prior to taking any such action there is delivered to the Master Trustee (A) an Officer’s Certificate of the Obligated Group Agent certifying that (1) immediately after such action the Obligated Group would not, as part of such action, be in default in the performance or observance of any covenant or condition to be performed or observed under the Master Indenture, and (2) if such action had taken place on the first day of the most recent Fiscal Year for which audited financial statements are available, (I) the Historical Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the actual Historical Debt Service Coverage Ratio for such Fiscal Year and at least 1.20, and (II) Days Cash on Hand would have been not less than 80% of the actual Days Cash on Hand and at least equal to the Liquidity Requirement at the end of such Fiscal Year; and (B) if all amounts due or to become due on any Related Bonds have not been paid, an Opinion of Bond Counsel to the effect that under then existing law the consummation of such transaction, will not adversely affect the status, for purposes of federal income taxation, of interest payable on any such Related Bonds; and

(vi) to another Member.

(b) Each Member may transfer or dispose of cash, securities or other intangible investments in any aggregate amount in any Fiscal Year, provided (i) Days Cash on Hand, calculated at the time of the proposed transfer or disposition and taking into account the proposed transfer or disposition, is at least equal to 120, (ii) the Historical Debt Service Coverage Ratio for the most recent Fiscal Year available would have been at least 1.20 if the transfer had occurred as of the first day of such Fiscal Year, and (iii) after giving effect to such transfer or disposition the Obligated Group is not in default of any covenant under the Master Indenture.

(c) Each Member may transfer or dispose of cash or securities to the Foundation in any Fiscal Year in an amount not in excess of 1% of Revenues of the Obligated Group; provided (i) Days Cash on Hand, calculated at the time of the proposed transfer or disposition and taking into account the proposed transfer or disposition, is at least equal to 60, (ii) the Historical Debt Service Coverage Ratio for the most recent Fiscal Year available would have been at least 1.20 if the transfer had occurred as of the first day of such Fiscal Year, and (iii) after giving effect to such transfer or disposition the Obligated Group is not in default of any covenant under the Master Indenture.

(d) Each Member may make loans to other Persons if the Obligated Group is not in default of any covenant under the Master Indenture; provided a loan shall constitute a transfer or disposition of cash, securities or other intangible investments to the debtor entity (the “Obligor”) under this section unless (i) the loan is a bona fide loan in the judgment of the Obligated Group Agent, and (ii) the Days Cash on Hand, calculated at the time of the proposed loan and taking into account the loan as if it were a transfer or disposition of assets is at least 100. Notwithstanding the foregoing, if the Obligor fails to make any debt service payment related to the loan and the Member forgives payment of such debt service, 100% of the principal amount forgiven shall be deemed a transfer or disposition of cash in the year of the forgiveness of principal for purposes of this section and the Obligated Group Agent shall demonstrate compliance with subsection (b) above for such deemed transfer or disposition.

(e) Notwithstanding the foregoing provisions, nothing shall be construed as (i) limiting the ability of each Member to purchase or to sell Property in the ordinary course of business or to effect transfers of cash, securities and other investment properties in connection with ordinary investment transactions where such

purchases, sales and transfers are for substantially equivalent value, or (ii) prohibiting a merger, consolidation, sale of assets or reorganization permitted in the Master Indenture.

(f) The provisions of this section shall not apply to, and each Member shall have the express right to dispose of any of its intangible assets, including cash, securities and other intangible investments, to provide for: (i) payment by the Member of operating expenses, the principal of, premium, if any, and interest on the Master Notes or other Indebtedness permitted under the Master Indenture, (ii) transfers by the Member in payment for goods, property or services at market value in the ordinary course of business, (iii) the making of loans to residents for their financial assistance but only in such amounts as are necessary or desirable in the judgment of management of the Member to maintain the Member's status as a Tax-Exempt Organization, (iv) payment by the Member of refunds required by the terms of any Residency Agreement, or (v) the expenditure by the Member of the proceeds of Contributions heretofore or hereafter made that are designated by the donor or the Member at the time made or upon request thereafter for certain specific purposes other than those described in clauses (i), (ii), (iii) and (iv) of this sentence.

(g) Each Member may transfer Property as part of a merger, consolidation, sale or conveyance permitted under the caption "Consolidation, Merger, Conveyance or Transfer."

Consolidation, Merger, Conveyance or Transfer

No Member may sell, convey or otherwise transfer substantially all of its assets, or merge or consolidate with another corporation or other business entity (other than with another Member), or no new Member shall be added as a result of such merger or consolidation, unless:

- (i) The transferee or surviving business entity in the case of a merger, consolidation or transfer, or the new Member, is a Tax-Exempt Organization, or the transferee or surviving business entity or the new Member shall have delivered to the Master Trustee an Opinion of Bond Counsel that the addition of such Member that is not a Tax-Exempt Organization will not adversely affect the tax-exempt status of any Related Bonds or the exemption from registration under federal securities laws of any of the Master Notes; and
- (ii) The Obligated Group Agent shall have delivered to the Master Trustee (A) either (1) an Officer's Certificate certifying and concluding that if such merger, consolidation, sale, conveyance or transfer had taken place on the first day of the most recent Fiscal Year for which audited financial statements are available, the Historical Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the actual Historical Debt Service Coverage Ratio for such Fiscal Year and at least 1.30, and Days Cash on Hand would have been not less than 80% of the actual Days Cash on Hand and at least equal to the Liquidity Requirement; or (2) a Consultant's report showing that for the next two Fiscal Years, after giving effect to such merger, consolidation, sale, conveyance or transfer as of the beginning of such period, the Historical Debt Service Coverage Ratio is forecasted to be at least 80% of the actual Historical Debt Service Coverage Ratio for the preceding Fiscal Year and at least 1.30, and Days Cash on Hand is forecasted to be at least 80% of the actual Days Cash on Hand for the preceding Fiscal Year and at least equal to the Liquidity Requirement at the end of each Fiscal Year during the forecast period; (B) an Officer's Certificate that no default or Event of Default has occurred and is continuing under the Master Indenture or will occur as a result of the merger, consolidation, sale, conveyance or transfer; and (C) if any series of Related Bonds is then rated by a Rating Agency, evidence from each Rating Agency then maintaining a rating on any series of Related Bonds (if such Rating Agency will provide such evidence based on its then current policies) to the effect that the admission of such Person to the Obligated Group will not result in (1) a withdrawal of the rating, (2) if the Related Bonds have an investment grade rating, a lowering of the rating to below investment grade, or (3) if the Related Bonds have a rating below investment grade, a lowering of the rating.

In case of any such consolidation, merger, sale, transfer, or conveyance and upon any such assumption by the successor business entity, such successor business entity shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such Member, pursuant to a Supplemental

Master Indenture. Each successor, assignee, surviving, resulting or transferee business entity of a Member must agree to become, and satisfy the conditions described in the Master Indenture to becoming, a Member prior to any such succession, assignment or other change in such Member's organizational status. The predecessor business entity shall be released, without recourse, representation or warranty, from its obligations under the Master Indenture and under any Outstanding Master Notes, if such predecessor business entity shall have conveyed or transferred all or substantially all the Property owned by it (or all such Property shall be deemed conveyed or transferred by operation of law) to such successor business entity. All Master Notes so issued by such successor business entity under the Master Indenture shall in all respects have the same legal rank and benefit under the Master Indenture as Master Notes theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Master Notes had been issued under the Master Indenture by such prior Member without any such consolidation, merger, sale, conveyance or transfer having occurred.

In case of any such consolidation, merger, sale, conveyance or transfer, such changes in wording and form (but not in substance) may be made in Master Notes thereafter to be issued as may be appropriate.

The Obligated Group Agent shall deliver to the Master Trustee, and the Master Trustee may conclusively rely upon, an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale, conveyance or transfer, and any such assumption, complies with the provisions of the Master Indenture summarized under this section and that it is proper for the Master Trustee under the provisions of the Master Indenture to join in the execution of any Supplemental Master Indenture required to be executed and delivered by the Master Trustee.

Corporate Reorganization

Any Member may establish separate divisions and may cause such divisions to be separately incorporated or otherwise organized or reorganized, but all such divisions, whether separately incorporated or not, shall remain bound by the Master Indenture and all Master Notes issued under the Master Indenture, and shall be jointly and severally liable with the other Members with respect thereto; provided, however, prior to effecting any such reorganization, the Obligated Group Agent shall deliver to the Master Trustee (i) an Opinion of Counsel to the effect that after such reorganization all separately incorporated divisions will be jointly and severally liable with the other Members under the Master Indenture and all Master Notes issued under the Master Indenture, and (ii) an Opinion of Bond Counsel that such reorganization will not affect the validity of any Related Bonds or other obligations secured by the Master Indenture or, with respect to any tax-exempt Related Bonds or other tax-exempt obligations secured by the Master Indenture, the exclusion from gross income under Section 103 of the Internal Revenue Code of interest paid on such tax-exempt Related Bonds or obligations.

Debt Service Coverage Ratio

(a) The Obligated Group agrees to operate its Facilities on a revenue producing basis and to charge such rates and charges for its Facilities and services and to exercise such skill and diligence as to provide income from its Property together with other available funds sufficient to pay promptly all payments of principal and interest on its Indebtedness, all expenses of operation, maintenance and repair of its Property, to pay all other payments required to be made by it under the Master Indenture to the extent permitted by law, and to maintain the Historical Debt Service Coverage at the levels required by Subsection (b) below. In addition, the Obligated Group agrees to, from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this section.

(b) The Obligated Group agrees to maintain a Historical Debt Service Coverage Ratio at least equal to 1.20 for each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022.

(c) If the Historical Debt Service Coverage Ratio as of the end of any Fiscal Year, commencing with the Fiscal Year ending June 30, 2022, is less than 1.20, the Obligated Group Agent shall, within 30 days after delivery of the Officer's Certificate delivered in accordance the annual report required by the Master Indenture disclosing such deficiency and approval of a Consultant in as described below under "Summary of the Master Indenture – Approval of Consultants," engage such Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group and the Obligated Group's methods of operation and other factors affecting

its financial condition in order to increase the Historical Debt Service Coverage Ratio to at least 1.20 in the succeeding Fiscal Year. A copy of the Consultant's report and recommendations, if any, shall be filed with each Required Information Recipient within 60 days after the date the Consultant is engaged. The Members shall follow the recommendations of the Consultant to the extent deemed feasible by the Governing Board of the Obligated Group Agent and permitted by law unless the Obligated Group Agent delivers to the Master Trustee either (i) an Opinion of Counsel to the effect that compliance with a particular recommendation would violate a provision of existing law or regulations, or (ii) an Officer's Certificate of the Obligated Group Agent to the effect that compliance with a particular recommendation would require the Obligated Group or any Member thereof to operate any Property in a manner inconsistent with the Ethical and Religious Directives for Catholic Health Care Services, as published by the United States Conference of Catholic Bishops, or similar guidelines, or the stated goals, purposes and policies of the Members as may be determined from time to time, including medical treatment and surgical procedures, in which case the Members need not comply with that particular recommendation. Further, this section shall not be construed to prohibit any Member from serving indigent residents to the extent required for such Member to continue its qualification as a Tax-Exempt Organization or from serving any other class or classes of residents without charge or at reduced rates so long as such service does not prevent the Obligated Group from satisfying the other requirements of this Section. The foregoing provisions notwithstanding, if the Historical Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year does not meet the level required above, the Obligated Group shall not be obligated to engage a Consultant to make such recommendations if a Consultant's report was prepared for the previous Fiscal Year.

(d) If the Historical Debt Service Coverage Ratio for any Fiscal Year is less than otherwise required by Subsection (b), the Obligated Group shall be deemed to have complied with Subsection (b) for that Fiscal Year and the failure of the Obligated Group to achieve the Historical Debt Service Coverage Ratio otherwise required by Subsection (b) for that Fiscal Year will not constitute an Event of Default so long as (i) the Obligated Group Agent retains a Consultant as required by Subsection (c), (ii) each Member follows the recommendation contained in the report of the Consultant applicable to it to the extent required by Subsection (c), (iii) the Historical Debt Service Coverage Ratio for that Fiscal Year was at least 1.00, and (iv) the Days Cash on Hand as of the end of that Fiscal Year was not less than 60.

(e) Notwithstanding any other provisions of the Master Indenture, in the event that any Obligated Group Member incurs any Indebtedness for any Capital Addition, the Debt Service Requirements on such Indebtedness and the Revenues and Expenses relating to the Capital Addition financed with the proceeds of such Indebtedness shall be excluded from the calculation of Historical Debt Service Coverage Ratio, Historical Maximum Annual Debt Service Coverage Ratio, Historical Pro Forma Debt Service Coverage Ratio, and Projected Debt Service Coverage Ratio until the first full Fiscal Year following the earlier of (i) if the Capital Addition being paid for with the proceeds of such Indebtedness does not include independent living units, assisted living units, memory care units or skilled nursing units, the estimated or actual date such Capital Addition is expected to be placed in service, as applicable, or (ii) if the Capital Addition being paid for with the proceeds of such Indebtedness includes independent living units, assisted living units, memory care units or skilled nursing units, the first full Fiscal Year in which Stable Occupancy is achieved, or (iii) the end of the fifth full Fiscal Year following the incurrence of such Indebtedness, if the following conditions are met:

(1) there is delivered to the Master Trustee an Officer's Certificate meeting the requirements described under Subsection (a)(1) under "Summary of the Master Indenture – Permitted Indebtedness" relating to the incurrence of such Indebtedness and setting forth (A) if the Capital Addition being paid for with the proceeds of such Indebtedness does not include independent living units, assisted living units, memory care units or skilled nursing units, the estimated date such Capital Addition is expected to be placed in service, or (B) if the Capital Addition being paid for with the proceeds of such Indebtedness includes independent living units, assisted living units, memory care units or skilled nursing units, the Fiscal Year in which Stable Occupancy is projected to be achieved, which Stable Occupancy shall be projected to occur no later than the end of the fifth full Fiscal Year following the incurrence of such Indebtedness; or

(2) there is delivered to the Master Trustee a report or opinion of a Consultant meeting the requirements described under Subsection (a)(2) under "Summary of the Master Indenture – Permitted Indebtedness" relating to the incurrence of such Indebtedness and setting forth (A) if the Capital Addition

being paid for with the proceeds of such Indebtedness does not include independent living units, assisted living units, memory care units or skilled nursing units, the estimated date such Capital Addition is expected to be placed in service, or (B) if the Capital Addition being paid for with the proceeds of such Indebtedness includes independent living units, assisted living units, memory care units or skilled nursing units, the Fiscal Year in which Stable Occupancy is projected to be achieved, which Stable Occupancy shall be projected to occur no later than the end of the fifth full Fiscal Year following the incurrence of such Indebtedness; or

(3) there is delivered to the Master Trustee a report or opinion of a Consultant meeting the requirements described under Subsection (a)(3) under “Summary of the Master Indenture – Permitted Indebtedness” relating to the incurrence of such Indebtedness and setting forth (A) if the Capital Addition being paid for with the proceeds of such Indebtedness does not include independent living units, assisted living units, memory care units or skilled nursing units, the estimated date such Capital Addition is expected to be placed in service, or (B) if the Capital Addition being paid for with the proceeds of such Indebtedness includes independent living units, assisted living units, memory care units or skilled nursing units, the Fiscal Year in which Stable Occupancy is projected to be achieved, which Stable Occupancy shall be projected to occur no later than the end of the fifth full Fiscal Year following the incurrence of such Indebtedness

(f) The foregoing provisions notwithstanding, if the Debt Service Coverage Ratio of the Obligated Group for any Fiscal Year is not at least 1.20, the Master Trustee shall not be obligated to require the Obligated Group to engage a Consultant to make such recommendations if: (a) there is filed with the Master Trustee (who shall provide a copy to each Required Information Recipient) a written report addressed to the Master Trustee from a Consultant containing an opinion of such Consultant that Industry Restrictions have prevented the Obligated Group from generating Net Income Available for Debt Service during such Fiscal Year sufficient to meet the debt service coverage requirement, and, if requested by the Master Trustee, such report is accompanied by a concurring Opinion of Counsel as to any conclusions of law supporting the opinion of such Consultant; (b) the report of such Consultant indicates that the rates charged by the Obligated Group are such that, in the opinion of the Consultant, the Obligated Group has generated the maximum amount of Revenues reasonably practicable given such laws or regulations; and (c) the Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year was at least 1.00. The Obligated Group shall not be required to cause the Consultant’s report referred to in the preceding sentence to be prepared more frequently than once every two Fiscal Years if at the end of the first of such two Fiscal Years the Obligated Group provides to the Master Trustee (who shall provide a copy to each Related Bond Trustee) an Opinion of Counsel to the effect that the applicable laws and regulations underlying the Consultant’s report delivered in respect of the previous Fiscal Year have not changed in any material way.

Liquidity Covenant

See “Security and Sources of Payments for the Series 2021A Bonds – Certain Covenants of the Obligated Group – Liquidity Covenant” in the Official Statement for a summary of the liquidity covenant of the Obligated Group under the Master Indenture.

Permitted Indebtedness

No Member shall incur any Indebtedness other than the following Indebtedness:

(a) *Long-Term Indebtedness.* A Member or Members may incur Long-Term Indebtedness if before incurrence thereof or, if such Long-Term Indebtedness was incurred in accordance with another subsection of this section and the Obligated Group Agent wishes to have such Indebtedness reclassified as having been issued under this subsection, prior to such reclassification, there is delivered to the Master Trustee:

(1) *Historical Pro Forma Debt Service Coverage Test:* An Officer’s Certificate demonstrating that (i) the Historical Pro Forma Debt Service Coverage Ratio, after giving effect to the incurrence of such Indebtedness, for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available was not less than 1.20,

and (ii) the Obligated Group was in compliance with the Liquidity Requirement as of the most recent Liquidity Testing Date; or

- (2) *Historical and Projected Debt Service Coverage Test:* (A) An Officer's Certificate demonstrating that (i) the Historical Maximum Annual Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available was not less than 1.20, and (ii) the Obligated Group was in compliance with the Liquidity Requirement as of the most recent Liquidity Testing Date; and (B) a written report of a Consultant (prepared in accordance with industry standards) stating that (i) the Projected Debt Service Coverage Ratio (taking into account the Long-Term Indebtedness to be incurred) is expected to be not less than 1.25 for (a) 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 (b) if the Long-Term Indebtedness will finance a Capital Addition that includes new or additional independent living units, assisted living units, memory care units or skilled nursing units, the earlier of (1) the first full Fiscal Year after the Fiscal Year in which the Capital Addition is projected to achieve Stable Occupancy, or (2) the fifth full Fiscal Year after the incurrence of such Long-Term Indebtedness, and (ii) the Obligated Group is forecasted to be compliance with the Liquidity Requirement during the forecast period; or
 - (3) *Pro Forma Test:* A written report of a Consultant (prepared in accordance with industry standards) stating that the Projected Debt Service Coverage Ratio (taking into account the Long-Term Indebtedness to be incurred) is expected to be not less than **1.30** and the Liquidity Requirement is expected to be met 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 Indebtedness will finance a Capital Addition that includes new or additional independent living units, assisted living units, memory care units or skilled nursing units, the earlier of (1) the first full Fiscal Year after the Fiscal Year in which the Capital Addition is projected to achieve Stable Occupancy, or (2) the fifth full Fiscal Year after the incurrence of such Long-Term Indebtedness; or
 - (4) *Revenue Test:* An Officer's Certificate of the Obligated Group Agent demonstrating that all Long-Term Indebtedness incurred pursuant to this subsection that is then outstanding and is not covered by an Officer's Certificate or Consultant's report delivered pursuant to subsections (a)(1) through (3) above does not exceed 10% of Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements are available.
- (b) *Completion Indebtedness.* A Member may incur Completion Indebtedness to complete a project or Capital Addition so long as the scope of the project or Capital Addition is not being changed, upon delivery to the Master Trustee of 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 the project or Capital Addition or (B) a report of a Consultant stating that the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following the completion of the project or Capital Addition is not expected to be less than the expected Projected Debt Service Coverage Ratio would have been without the incurrence of such Long-Term Indebtedness. In addition, the Obligated Group Agent shall provide a certificate of an independent architect or a Consultant with skill and experience in construction or renovation matters to the effect that the Long-Term Indebtedness incurred under this section will be sufficient to complete the project or Capital Additions.
- (c) *Refunding Indebtedness.* A Member may incur Refunding Indebtedness for the purpose of refunding (whether in advance of maturity or otherwise) any Outstanding Long-Term

Indebtedness, if the Maximum Annual Debt Service on the Refunding Indebtedness does not exceed 110% of the Maximum Debt Service Requirement on the Long-Term Indebtedness to be refinanced.

- (d) *Subordinated Indebtedness.* A Member may incur Subordinated Indebtedness without limit. Payment of interest on or principal of Subordinated Indebtedness shall be subject to the provisions described under the caption “Subordinated Indebtedness.”
- (e) *Short-Term Indebtedness.* A Member may, from time to time, incur, assume or allow to remain Outstanding Short-Term Indebtedness in any amount up to 10% of Revenues of the Obligated Group for the preceding Fiscal Year. Any such Short-Term Indebtedness must, for a period of at least 15 consecutive days during each Fiscal Year, be less than 5% of Revenues for the preceding Fiscal Year. Short-Term Indebtedness in excess of such 5% limit shall be permitted to remain Outstanding only if permitted to exist under the Master Indenture as Long-Term Indebtedness.
- (f) *Indebtedness Secured by Accounts Receivable.* A Member may incur Indebtedness secured by accounts receivable up to an aggregate principal amount on the date of incurrence not in excess of 20% of net accounts receivable of the Obligated Group as reported in the audited financial statements of the Obligated Group for the most recent Fiscal Year available. Any accounts receivable pledged or sold to secure Indebtedness incurred pursuant to this subsection shall constitute a Permitted Encumbrance and shall be released from the lien of the Master Indenture.
- (g) *Commitment Indebtedness.* A Member may incur Commitment Indebtedness if (i) the Indebtedness supported by such Commitment Indebtedness was incurred in accordance with one of the provisions of this section, and (ii) the Commitment Indebtedness does not exceed 110% of the Indebtedness supported thereby.
- (h) *Indebtedness Among Members of the Obligated Group.* A Member may incur Indebtedness payable to another Member without limit.
- (i) *Non-Recourse Indebtedness.* A Member may incur Non-Recourse Indebtedness without limit.
- (j) *Guaranties.* A Member may execute a Guarantee, if the conditions for the incurrence of Indebtedness set forth in this section are satisfied where it is assumed that the obligation guaranteed by a Member is Indebtedness of such Member, and any calculation required by the applicable subsection of this section is made in accordance with the requirements and assumptions contained in the Master Indenture.
- (l) *Indebtedness Assumed in Connection with Gifts.* A Member may incur Indebtedness assumed in connection with a gift, bequest or devise of Property, if the principal amount of such Indebtedness does not exceed the Current Value of the Member’s interest in such Property.
- (m) *Qualifying Intermediate-Term Indebtedness.* A Member may incur Qualifying Intermediate-Term Indebtedness without limitation. Each Member covenants and agrees that, so long as no Event of Default has occurred, to deposit the Initial Entrance Fees that are required to be deposited into a separate account to be applied to the payment of such Qualifying Intermediate-Term Indebtedness until such Initial Entrance Fees will equal the aggregate of the principal amount of such Qualifying Intermediate-Term Indebtedness.
- (n) *Series 2021 Master Notes.* The Obligated Group may incur the Indebtedness, including Guarantees, evidenced or secured by Master Notes authorized and issued pursuant to Supplemental Master Indentures executed and delivered simultaneously with the initial execution and delivery of the Master Indenture.

Indebtedness may be classified and incurred under any of the above-referenced subsections with respect to which the tests set forth in such subsections are met. Each Member may elect to have Indebtedness that was

classified and issued pursuant to one subsection, reclassified as having been incurred under another subsection, by demonstrating compliance with such other subsection on the assumption that such Indebtedness is being reissued on the date of delivery of the materials required to be delivered under such other subsection. From and after such demonstration, such Indebtedness shall be deemed to have been incurred under the subsection with respect to which such compliance has been demonstrated until any subsequent reclassification of such Indebtedness.

Calculation of Debt Service Requirements

For purposes of the various calculations under the Master Indenture, the amount of Long-Term Indebtedness, the amortization schedule of such Indebtedness and the Debt Service Requirements with respect to such Indebtedness shall be calculated in accordance with the stated amortization schedule for such Indebtedness, except as follows:

- (a) *Balloon Indebtedness.* The Debt Service Requirements on Balloon Indebtedness may be deemed to be payable in each Fiscal Year as follows: the amount of principal that would be payable in such Fiscal Year if the principal Outstanding as of the date of calculation (less any principal payments required to be made before the balloon payment date in accordance with the terms of the applicable Indebtedness) were amortized from the date of the balloon payment on a level debt service basis for 20 years from the date of the balloon payment, at a fixed market interest rate set forth in a certificate of a banking institution or an investment banking institution knowledgeable in healthcare or senior living finance delivered to the Master Trustee as the interest rate at which the Member could reasonably expect to borrow the same by issuing an obligation with the same term and a fixed rate of interest as assumed.
- (b) *Capital Appreciation Indebtedness.* The principal amount of Indebtedness that constitutes “Capital Appreciation Indebtedness” (defined below) shall be deemed to be the “accreted value” (defined below) thereof as of the relevant date. “Capital Appreciation Indebtedness” means any Long-Term Indebtedness for which interest is payable only at the maturity of such Indebtedness, upon the prepayment or redemption of such Indebtedness before maturity, or upon the conversion of such Indebtedness to Indebtedness with interest payable periodically in installments prior to maturity. “Accreted value” means with respect to any Capital Appreciation Indebtedness (a) as of any “Valuation Date” (defined below), the amount set forth in the Supplemental Master Indenture authorizing such Indebtedness or in the Related Bond Documents as the value of such Indebtedness on such Valuation Date and (b) as of any date other than a Valuation Date the sum of (i) the accreted value on the next preceding Valuation Date and (ii) the product of (A) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (B) the difference between the accreted values for such Valuation Dates. “Valuation Date” means with respect to any Capital Appreciation Indebtedness the date or dates set forth in the Supplemental Master Indenture relating to such Indebtedness or the Related Bond Documents on which specific accreted values are assigned to the Capital Appreciation Indebtedness.
- (c) *Lease Indebtedness.* The principal amount of Lease Indebtedness shall be deemed to be the aggregate present value amount, as of the date of determination, due and to become due under such Lease Indebtedness that would be recognized as a lease liability on the balance sheet or statement of financial position of the lessee under GAAP, and the Debt Service Requirements on Lease Indebtedness for the period of time for which calculated shall be deemed to be the aggregate present value amount of such lease liability to be payable under such Lease Indebtedness during such period. Notwithstanding the foregoing, at the option of the Obligated Group Agent, for purposes of the Master Indenture and the calculations thereunder: (i) the principal amount of Indebtedness of any Lease Indebtedness and the principal portion of the Debt Service Requirements for such Lease Indebtedness may be limited to the principal portion of the related lease liability, (ii) the interest portion of the Debt Service Requirements for such Lease Indebtedness may be limited to the interest portion of the related lease liability, (iii) any lease constituting an operating lease under GAAP, or any lease that otherwise would not constitute a

finance lease under GAAP, may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements, (iv) Lease Indebtedness in an aggregate Outstanding principal amount not greater than 10% of the Revenues of the Obligated Group, for the most recent Fiscal Year for which audited financial statements are available, may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements, (v) all or any portion of a lease to the extent such lessee's liability for which has been prepaid or subleased, assigned or otherwise assumed by a Person other than such lessee may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements, and (vi) any portion of a lease liability representing lessee renewal options that have not yet been exercised may be excluded from Lease Indebtedness, Indebtedness and Debt Service Requirements.

- (d) *Commitment Indebtedness.* No debt service shall be deemed payable with respect to Commitment Indebtedness until such time as the obligation to make payments under the commitment actually rises (and only to the extent of advances actually made under such Commitment Indebtedness) except as provided in the Master Indenture. From and after such funding, the amount of such debt service shall be calculated in accordance with the actual amount required to be repaid on such Commitment Indebtedness and the actual interest rate and amortization schedule applicable thereto. No new Indebtedness shall be deemed to arise when any funding occurs under any such commitment.
- (f) *Guarantees.* When calculating the principal and the Debt Service Requirements attributable to a Guarantee that is Indebtedness of a Member, including, without duplication, the Debt Service Requirements of any Master Note issued to evidence or secure a Guarantee:
- (1) The principal amount of such Indebtedness shall be deemed to equal the principal amount of the obligation guaranteed by the Member.
 - (2) The Debt Service Requirements on such Indebtedness shall be deemed to be:
 - (A) For purposes of calculating the Historical Debt Service Coverage Ratio, the actual amount paid under the Guarantee.
 - (B) For purposes of calculating the Historical Maximum Annual Debt Service Coverage Ratio, Historical Pro Forma Debt Service Coverage Ratio or the Projected Debt Service Coverage Ratio,
 - (i) 20% of the debt service requirements (calculated in the same manner as Debt Service Requirements) on the guaranteed obligation, if a Member has not been called upon to make a payment under the Guarantee within the 24 months immediately preceding the date of the calculation; or
 - (ii) 100% of the debt service requirements (calculated in the same manner as Debt Service Requirements) on the guaranteed obligation, if a Member has made any payment in respect of the debt service requirements on the guaranteed obligation within the 24 months immediately preceding the date of the calculation.
- (g) *Long-Term Indebtedness Supported by Commitment Indebtedness.* The Debt Service Requirements on Long-Term Indebtedness with respect to which a Member has incurred Commitment Indebtedness that would refinance such Indebtedness for a period extending beyond its original maturity date, may be deemed to be payable in accordance with the terms of such Commitment Indebtedness.
- (h) *Variable Rate Indebtedness.* In determining the Debt Service Requirements on any Long-Term Indebtedness that constitutes Variable Rate Indebtedness, the interest rate on such Variable Rate

Indebtedness for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest payable during such period, and for each year in which such Variable Rate Indebtedness is Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Variable Rate Indebtedness for the period of determination shall be deemed to be the average interest rate in effect with respect to such Indebtedness for the 12 month period immediately preceding the date of calculation, provided that if the Variable Rate Indebtedness has not been outstanding for at least 12 months or is then being incurred, then the interest on such Variable Rate Indebtedness shall be assumed to be equal to the most recent SIFMA Municipal Swap Index or if such index is not published, a published index reasonably determined by the Obligated Group Agent.

- (i) *Variable Rate Conversion.* No new Indebtedness is incurred by the conversion of interest on Indebtedness from a variable rate to another variable rate or from a variable rate to a fixed rate.
- (j) *Hedge Agreements.* Anything in the Master Indenture to the contrary notwithstanding, any portion of any Indebtedness of any Member for which a Hedge Agreement has been obtained by such Member shall be deemed to bear interest for the period of time that such Hedge Agreement is in effect at a net rate which takes into account the interest payments made or to be made by such Member on such Indebtedness and the payments received or to be received by such Member on such Hedge Agreement; provided that the long term credit rating of the provider of such Hedge Agreement (or any guarantor thereof) is in one of the three highest rating categories of any Rating Agency (without regard to any refinements of gradation of rating category by numerical modifier or otherwise) or is at least as high as that of the Obligated Group. In addition, so long as any Indebtedness is deemed to bear interest at a rate taking into account a Hedge Agreement, any payments made by a Member on such Hedge Agreement shall be excluded from Expenses, and any payments received by a Member on such Hedge Agreement shall be excluded from Revenues, in each case, for all purposes of the Master Indenture.
- (k) *Subsidy Bonds.* In the case of Indebtedness related to any Subsidy Bonds, Debt Service Requirements shall be computed net of Federal Subsidy Payments received or scheduled to be received by the issuer of such Subsidy Bonds or the Member in connection with such Subsidy Bonds during the applicable time period.

Financial Statements and Other Information

The Members shall keep proper books of record and account, in which full and correct entries shall be made of all dealings or transactions of or in relation to the properties, business and affairs of the Obligated Group in accordance with GAAP. The Obligated Group Agent shall furnish, or cause to be furnished, to each Required Information Recipient the following:

- (a) *Quarterly Reports.* A quarterly report as soon as practicable, but in no event more than 60 days after the completion of each fiscal quarter, that includes (i) unaudited financial statements of the Obligated Group including a balance sheet, statement of operations, statement of cash flows, and changes in net assets as of the end of and for such fiscal quarter, (ii) the payor mix for skilled nursing beds, (iii) occupancy levels for each level of care at each Facility as of the end of such quarter, (iv) a calculation of the Historical Debt Service Coverage Ratio for such fiscal quarter (on a trailing four quarter basis), and (v) Days Cash on Hand as of the end of such fiscal quarter, all prepared in reasonable detail and certified with respect to the unaudited financial statements, subject to year-end adjustment, by an officer of the Obligated Group Agent. Such financial statements and calculations shall be accompanied by a comparison to the Annual Budget. Each quarterly report for a December 31 Liquidity Testing Date shall include an Officer's Certificate of the Obligated Group Agent certifying the Days Cash on Hand for such Liquidity Testing Date.
- (b) *Annual Reports.* Within 150 days after the end of each Fiscal Year, an annual audited financial report of the Obligated Group prepared by its independent certified public accountants, including a combined balance sheet as of the end of such Fiscal Year, combined statement of operations and

combined statement of changes in net assets for such Fiscal Year, showing in each case in comparative form the financial figures for the preceding Fiscal Year, together with an Officer's Certificate of the Obligated Group Agent (A) stating that the Obligated Group is in material compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof and (B) attaching (1) Historical Debt Service Coverage Ratio for such Fiscal Year and Days Cash on Hand as of the end of such Fiscal Year, in each case based on the audited financial statements of the Obligated Group, (2) the payor mix for skilled nursing beds for such Fiscal Year, (3) material changes in services offered at the Facilities, and (4) if Master Notes have been issued in connection with any construction project with projected or actual project costs in excess of 10% of Revenues of the Obligated Group for the most recent Fiscal Year for which audited financial statements of the Obligated Group are available, a report with respect to the progress of construction of such project.

- (c) *Annual Management's Discussion and Analysis.* On or before the date of delivery of the annual financial reports referred to in subsection (b) above, a management's discussion and analysis of results of operation of the Obligated Group for the Fiscal Year.
- (d) *Annual Budgets.* No later than 30 days prior to the first day of each Fiscal Year, the Obligated Group Agent will prepare the Annual Budget (consisting of a statement of income and expenses) for the Fiscal Year. If the Obligated Group Agent fails to prepare the Annual Budget for any Fiscal Year, the Annual Budget for the preceding Fiscal Year will continue until the Annual Budget is prepared for the remainder of the applicable Fiscal Year. The Annual Budget shall be provided to each Required Information Recipient no later than 30 days prior to the start of each Fiscal Year, and any revisions to the Annual Budget approved by the Governing Board of the Obligated Group Agent shall be provided to each Required Information Recipient within 30 days after approval thereof.

Audited financial statements of the Obligated Group required by this section and all references to audited financial statements of the Obligated Group in the Master Indenture may be satisfied by delivery of or reference to the consolidated financial statements of the System, so long as (i) such System financial statements are prepared in accordance with GAAP, (ii) include financial data of all Members and may include financial data pertaining to Affiliates that are not Members but are permitted or required to be included in such consolidated financial statements under GAAP, and (iii) such consolidated financial statements include such supplemental consolidating schedules in sufficient detail to separately identify such financial data for the Obligated Group as is necessary or appropriate to determine compliance with the requirements of the Master Indenture.

Appointment of Obligated Group Agent

Each Member by becoming a Member under the Master Indenture irrevocably appoints the Obligated Group Agent as its agent and true and lawful attorney in fact and grants to the Obligated Group Agent full and exclusive power to, on behalf of such Member (i) authorize, negotiate and determine and bind such Member to the terms of, and execute and deliver, Supplemental Master Indentures authorizing the issuance of Master Notes or series of Master Notes; (ii) as applicable, negotiate and determine the terms of, approve, execute, deliver, perform, amend, waive provisions of, grant consents related to, extend or terminate loan agreements, bond indentures, bond purchase agreements, agreements related to credit, liquidity or insurance, disclosures, and all such other agreements and instruments as are reasonably related to entering into and managing the specific transactions represented by such Supplemental Master Indentures or Master Notes; (iii) negotiate and determine the terms of, approve, execute, deliver, perform, amend, waive provisions of, grant consents related to, extend or terminate certificates and other undertakings as are reasonably necessary or appropriate to enter into and manage the specific transactions represented by such Supplemental Master Indentures or Master Notes; (iv) manage, oversee, direct, authorize, control, and implement all Outstanding Indebtedness and financial relationships related in any manner to such Indebtedness, including Hedge Agreements and Credit Facilities; related insurance products and policies; debt management policy setting and determinations such as the mix of fixed and variable debt and similar determinations; allocation of, calculations of, accounting for, and collections from Members, and payment of debt service, discounts, premiums, costs of issuance and other costs and fees related to Indebtedness, including termination, amendment and similar fees; (v) plan, authorize and implement conversions, refundings, defeasances

and other debt management or modification activities; (vi) approve, execute and amend all waivers, consents or amendments to any document or agreement, directly or indirectly related to one or more of the Master Notes, the Master Indenture and any Supplemental Master Indenture, including any of the types of documents or agreements mentioned in subparagraphs (ii) and (iii) above and this clause (vi); and (vii) direct agents and control, direct and manage third party relationships (such as trustees, issuing authorities, underwriters, advisors and counsel) related to Indebtedness or Master Notes. Unless waived by the Obligated Group Agent the authority granted in the provisions of the Master Indenture summarized under this caption shall be and remain irrevocable until and unless any Member is permitted to withdraw from the Obligated Group in accordance with the terms of the Master Indenture.

The Obligated Group Agent is entering into the Master Indenture and each Supplemental Master Indenture authorized by the Master Indenture as agent for and on behalf of each of the Members, without any liability or obligation on the part of the Obligated Group Agent for the repayment of the Master Notes or any Indebtedness evidenced or secured thereby. No recourse shall be had against the Obligated Group Agent for the repayment of the Master Notes or any Indebtedness evidenced or secured thereby, recourse for which is limited solely to the Obligated Group under the Master Indenture. The responsibilities of the Obligated Group Agent under the Master Indenture are limited solely to the performance of its covenants and agreements as expressly set forth in the Master Indenture. The Obligated Group Agent shall not have any liability to the Master Trustee or any Owner of a Master Note issued under the Master Indenture, except the Master Trustee may bring an action for specific performance of the duties of the Obligated Group Agent. The Obligated Group shall be responsible and liable for any and all damages, losses and expenses resulting for the actions or inactions of the Obligated Group Agent under the Master Indenture, and the Master Trustee and the Owners of the Master Notes shall look solely to the Members of the Obligated Group for the payment or performance of obligations of the Obligated Group Agent under the Master Indenture and the Master Notes.

Approval of Consultants

(a) If at any time the Obligated Group Agent is required to engage a Consultant under the captions “Summary of the Master Indenture – Debt Service Coverage Ratio,” “Summary of the Master Indenture – Liquidity Covenant” or “Summary of the Master Indenture – Lock Box Provisions,” the Consultant shall be engaged in the manner set forth below in this section.

(b) Upon selecting a Consultant as required under the Master Indenture, the Obligated Group Agent will provide written notice to the Master Trustee of the selection. The Master Trustee shall, as soon as practicable but in no case longer than five business days after receipt of notice, notify the Owners of all Master Notes Outstanding of such selection. Such notice shall (i) include the name of the Consultant and a brief description of the Consultant, (ii) state the reason that the Consultant is being engaged including a description of the covenant(s) of the Master Indenture that require the Consultant to be engaged, and (iii) state that each Owner of a Master Note will be deemed to have consented to the selection of the Consultant named in such notice unless such Owner submits an objection to the selected Consultant in writing to the Master Trustee within 15 days of the date that the notice is sent to the Owners. No later than two business days after the end of 15-day objection period, the Master Trustee shall notify the Obligated Group Agent of the number of objections. If two-thirds or more in aggregate principal amount of the Owners of the Outstanding Master Notes have been deemed to have consented to the selection of the Consultant, the Obligated Group Agent shall engage the Consultant within five days after receiving notice of that consent. If more than one-third in aggregate principal amount of the Owners of the Master Notes Outstanding have objected to the Consultant selected, the Obligated Group Agent shall select another Consultant within 30 days after receiving notice of such objection, which Consultant may be engaged upon compliance with the procedures of this section.

(c) When the Master Trustee notifies the Owners of Master Notes of such selection, the Master Trustee will also request any Related Bond Trustee to send a notice containing the information required by subsection (b) to the owners of all the Related Bonds Outstanding and the issuer of any Credit Facility securing any Related Bonds. Such Related Bond Trustee shall, as the Owner of a Master Note securing such Related Bonds, consent or object to the selection of the Consultant in accordance with the responses received.

(d) The 15-day notice period described in subsection (b) may be extended by the Master Trustee in order to permit each Related Bond Trustee to give registered owners of the Related Bonds and the issuer of any

Credit Facility securing any Related Bonds 15 days to respond to the notice given by the Related Bond Trustee. By acceptance of a Master Note securing any Related Bonds, the Related Bond Trustee agrees to comply with this section.

(e) All Consultant reports required under the Master Indenture shall be prepared in accordance with then-effective industry-appropriate standards. Unless otherwise provided in the Master Indenture, a copy of any recommendations of any Consultant must be filed with the Master Trustee within 90 days after the date the Consultant is selected, unless the Master Trustee extends the time within which such recommendations must be so filed. The Obligated Group shall cause each set of recommendations from a Consultant to be posted on EMMA.

(f) If a Consultant is required to be engaged under two or more sections of the Master Indenture, the requirements of those sections may (but need not be) satisfied through the engagement of a single Consultant under a single engagement in lieu of multiple engagements. Any requirement for a Consultant's report under the Master Indenture may be satisfied by an update of a previous Consultant's Report so long as the update when taken together with the previous report satisfies the requirements of the Master Indenture.

(g) A Consultant's report under one section of the Master Indenture may satisfy a requirement for a Consultant's report under another section of the Master Indenture but only if the nature of the Consultant and the substance of the report are sufficient to satisfy that requirement.

Subordinated Indebtedness

An Obligated Group Member will not make payments on Subordinated Indebtedness unless the following conditions are satisfied:

(i) if the proposed payment had occurred as of the last day of the most recent fiscal quarter for which financial statements have been delivered under the Master Indenture or otherwise posted to EMMA, the Obligated Group would have had 100 Days Cash on Hand, after giving effect to such payment, as of such date;

(ii) if the proposed payment had occurred during the most recent fiscal quarter for which financial statements have been delivered under the Master Indenture or otherwise posted to EMMA, the Historical Debt Service Coverage Ratio calculated as of the end of such fiscal quarter would have been not less than 1.30; and

(iii) there is no deficiency in any debt service fund, the Master Reserve Fund or any other debt service reserve fund with respect to any Outstanding Master Notes or Related Bonds, and there is no event existing that constitutes, or with the giving of notice or the passing of time or both would constitute, an Event of Default under the Master Indenture.

All payments on Subordinated Indebtedness in a fiscal period shall be subordinated to all payments due on any Master Notes Outstanding in such period.

Payments of principal and interest on Subordinated Indebtedness that are not permitted to be paid pursuant to the foregoing requirements shall be deferred but, unless otherwise provided in a loan document governing such Subordinated Indebtedness, shall be subject to accrual of interest during the period of deferral. Subordinated Indebtedness may not be accelerated without the prior written consent of the Owners of not less than a majority in principal amount of Master Notes Outstanding.

Master Reserve Fund

See "Security and Sources of Payment for the Series 2021A Bonds – Master Reserve Fund" in the Official Statement for a summary of certain terms of the Master Reserve Fund to be held by the Master Trustee pursuant to the Master Indenture.

The Master Reserve Fund Requirement may be satisfied by (1) deposits in cash or Permitted Investments, or (2) an insurance policy, a letter of credit or surety bond issued by a Qualified Financial Institution providing for payments into the Master Reserve Fund in the amount of the Master Reserve Fund Requirement or (3) by a combination of the foregoing. The Master Reserve Fund Balance at any time shall be deemed to be the amount of cash therein plus the value of any Permitted Investments (other than investment agreements constituting Permitted Investments) held therein, plus the face amount of any letter of credit or surety bond issued by a Qualified Financial Institution, plus the face amount of any investment agreement constituting a Permitted Investment.

Nothing in the Master Reserve Fund section of the Master Indenture shall prohibit the Obligated Group from establishing one or more separate debt service reserves for a series of Related Bonds, other Indebtedness, or other Master Notes, securing only such Related Bonds, other Indebtedness, or other Master Notes, which debt service reserves shall constitute Permitted Encumbrances on the amounts required to be deposited therein.

Events of Default

The term “Event of Default,” wherever used in the Master Indenture, means any one of the following events (whatever the reason for such event and whether it is voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in the payment of any interest on any Master Note when such interest becomes due and payable; or
- (b) default in the payment of the principal of (or premium, if any, on) any Master Note when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or
- (c) default in the performance, or breach, of any covenant or agreement of any Member in the Master Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this section), and continuance of such default or breach for a period of 45 days after there has been given to the Obligated Group Agent by the Master Trustee or to the Obligated Group Agent and the Master Trustee by the Owners of at least 25% in principal amount of the Master Notes Outstanding, a written notice specifying such default or breach and requiring it to be remedied or such longer period as shall be required to remedy such default if such default cannot be fully remedied within such 45-day period, but can reasonably be expected to be fully remedied, and the Member shall immediately upon receipt of such notice by the Obligated Group Agent commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or
- (d) any representation or warranty made by any Member in the Master Indenture or in any written statement or certificate furnished to the Master Trustee or the purchaser of any Master Note in connection with the sale of any Master Note or Related Bonds or furnished by any Member pursuant to the Master Indenture proves untrue in any material respect as of the date of the making thereof and, if the same may be corrected or brought into compliance so that the interests of the Master Trustee, all Related Bond Trustees, all Related Bond Issuers and all Master Noteowners are not materially adversely affected by such untruth, shall be corrected or brought into compliance within 45 days after there has been given to the Obligated Group Agent by the Master Trustee or to the Obligated Group Agent and the Master Trustee by the Owners of at least 25% in principal amount of the Master Notes Outstanding, a written notice specifying such untruth and requiring it to be remedied or such longer period as shall be required to remedy such untruth if such untruth cannot be fully remedied within such 45-day period, but can reasonably be expected to be fully remedied, and the Member shall immediately upon receipt of such notice commence the curing of such untruth and shall thereafter prosecute and complete the same with due diligence and dispatch; or

- (e) default in the payment of the principal of or premium, if any, or interest on any Indebtedness other than a Master Note when the same becomes due and payable, and any applicable grace period shall have expired, or an event of default as defined in any mortgage, indenture or other instrument under or pursuant to which there was issued or incurred, or by which there is secured, any such Indebtedness; provided that such default shall not constitute an Event of Default if payment of such Indebtedness has not been accelerated under the terms of payment of such Indebtedness or if within 45 days, or within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness, any Member in good faith commences proceedings to contest the obligation to pay or the existence or payment of such Indebtedness; and provided further that a default in payment thereunder shall not constitute an Event of Default unless the unpaid principal amount of such Indebtedness, together with the unpaid principal amount of all other Indebtedness so in default, exceeds \$2,000,000; or
- (f) any judgment which is final, any writ or warrant of attachment or any similar process shall be entered or filed against any Member or against any Property of any Member and remains unvacated, unpaid, unbonded, unstayed or uncontested in good faith for a period of 45 days; provided that none of the foregoing shall constitute an Event of Default unless the amount of such judgment, writ, warrant of attachment or similar process, together with the amount of all other such judgments, writs, warrants or similar processes so unvacated, unpaid, unbonded, unstayed or uncontested, exceeds \$2,000,000; or
- (g) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of any Member, or adjudging any Member as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, adjustment or composition of or in respect of any Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of or for any Member or any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or
- (h) the commencement by any Member of a voluntary case, or the institution by it of proceedings to be adjudicated as bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement or relief under the United States Bankruptcy Code or any other applicable federal or state law, or the consent or acquiescence by it to the filing of any such petition or the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any Member or any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability or its failure to pay its debts generally as they become due, or the taking of corporate action by any Member in furtherance of any such action; or
- (i) the Master Trustee has received written notice that an event of default, as therein defined, under any instrument evidenced or secured by a Master Note, including Related Bond Documents, Credit Facilities, any Mortgage or other document delivered in connection with the issuance of Master Notes or Related Bonds, has occurred and is continuing beyond the applicable period of grace, if any.

Promptly after any officer of the Obligated Group Agent may reasonably be deemed to have knowledge of a default under the Master Indenture, the Obligated Group Agent will deliver to the Master Trustee a written notice specifying the nature and period of existence thereof and the action the Member or Obligated Group Agent on behalf of the Member is taking and proposes to take with respect thereto.

Acceleration of Maturity; Rescission and Annulment

If an Event of Default occurs and is continuing, then and in every such case the Master Trustee may, and if requested by the Owners of not less than 25% in principal amount of the Master Notes Outstanding shall, by written

notice to the Obligated Group Agent, declare the principal of all the Master Notes and the interest accrued thereon to be due and payable immediately, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Master Notes has been obtained by the Master Trustee, the Owners of a majority in principal amount of the Master Notes Outstanding may, by written notice to the Obligated Group Agent and the Master Trustee, rescind and annul such declaration and its consequences if

- (a) the Members have deposited with the Master Trustee a sum sufficient to pay
 - (1) all overdue installments of interest on all Master Notes,
 - (2) the principal of and premium, if any, on any Master Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Master Notes,
 - (3) interest upon overdue installments of interest at the rate or rates prescribed therefor in the Master Notes and late fees, and
 - (4) all sums paid or advanced by the Master Trustee under the Master Indenture and the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel; and
- (b) all Events of Default, other than the non-payment of the principal of Master Notes which has become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Master Indenture.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Exercise of Remedies by the Master Trustee

Upon the occurrence and continuance of any Event of Default, unless the same is waived as provided in the Master Indenture, the Master Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Master Indenture or by law:

- (a) *Uniform Commercial Code Remedies; Mortgages.* With respect to the Gross Revenues, and any other Property that is subject to a security interest securing the Master Notes and that is subject to the UCC in the state where the Property is located within the meaning of the UCC, the Master Trustee may exercise any and all remedies available under the applicable UCC or other applicable law. With respect to the Mortgages, the Master Trustee may exercise any and all rights and remedies available under each Mortgage (including foreclosure).
- (b) *Right to Bring Suit, Etc.* The Master Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and premium, if any, and interest on the Master Notes Outstanding, including interest on overdue principal and premium, if any, and on overdue installments of interest, and any other sums due under the Master Indenture, to realize on, or to foreclose, any of its interests or liens under the Master Indenture, to enforce and compel the performance of the duties and obligations of the Members as set forth in the Master Indenture and to enforce or preserve any other rights or interests of the Master Trustee under the Master Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.
- (c) *Exercise of Remedies at Direction of Master Noteowners.* If requested in writing to do so by the Owners of not less than 25% in principal amount of Master Notes Outstanding and if indemnified

as provided in the Master Indenture, the Master Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Master Indenture as the Master Trustee shall deem most expedient in the interests of the Owners of the Master Notes.

- (d) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Master Trustee and of the Master Noteowners, the Master Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.
- (e) *Suits to Protect the Trust Estate.* The Master Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Master Indenture and to protect its interests and the interests of the Master Noteowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Master Indenture or be prejudicial to the interests of the Master Noteowners or the Master Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Master Noteowners in any judicial proceeding to which any Member is a party and which in the judgment of the Master Trustee has a substantial bearing on the interests of the Master Noteowners.
- (f) *Enforcement Without Possession of Master Notes.* All rights of action under the Master Indenture or any of the Master Notes may be enforced and prosecuted by the Master Trustee without the possession of any of the Master Notes or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Master Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Master Trustee, its agents and counsel, be applied for the equal and ratable benefit of the Owners of the Master Notes in respect of which such judgment has been recovered.
- (g) *Restoration of Positions.* If the Master Trustee or any Master Noteowner has instituted any proceeding to enforce any right or remedy under the Master Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Master Trustee or to such Master Noteowner, then and in every case the Members, the Master Trustee and the Master Noteowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Master Indenture, and thereafter all rights and remedies of the Master Trustee and the Master Noteowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Master Noteowners

No Owner of any Master Note shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Master Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Master Indenture, unless

- (a) such Owner has previously given written notice to the Master Trustee of a continuing Event of Default;
- (b) the Owners of not less than 25% in principal amount of the Master Notes Outstanding shall have made written request to the Master Trustee to institute proceedings in respect of such Event of Default in its own name as Master Trustee under the Master Indenture;
- (c) such Owner or Owners have offered to the Master Trustee indemnity as provided in the Master Indenture against the fees, costs, expenses and liabilities including agents' and counsels' fees and expenses to be incurred in compliance with such request;

- (d) the Master Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Master Trustee during such 30-day period by the Owners of a majority in principal amount of the Outstanding Master Notes;

it being understood and intended that no one or more Owners of Master Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Master Indenture to affect, disturb or prejudice the lien of the Master Indenture or the rights of any other Owners of Master Notes, or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Master Indenture, except in the manner as described in the Master Indenture provided and for the equal and ratable benefit of all Outstanding Master Notes.

Control of Proceedings by Master Noteowners

The Owners of a majority in principal amount of the Master Notes Outstanding shall have the right, during the continuance of an Event of Default, provided indemnity pursuant to the Master Indenture has been provided to the Master Trustee:

- (a) to require the Master Trustee to proceed to enforce the Master Indenture or the Mortgages, either by judicial proceedings for the enforcement of the payment of the Master Notes and the foreclosure of the Master Indenture or the Mortgages or both, or otherwise; and
- (b) to direct the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee under the Master Indenture, provided that
 - (1) such direction shall not be in conflict with any rule of law, the most recent edition of the Ethical and Religious Directives for Health Care Services promulgated by the United States Conference of Catholic Bishops, or the Master Indenture, and
 - (2) the Master Trustee may take any other action deemed proper by the Master Trustee which is not inconsistent with such direction, and
 - (3) the Master Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction, and
 - (4) the Master Trustee has not received an Opinion of Counsel to the effect that exercising such trust or power may be in conflict with the terms of the Master Indenture, the Master Notes, the most recent edition of the Ethical and Religious Directives for Health Care Services promulgated by the United States Conference of Catholic Bishops, or any applicable law.

Application of Moneys Collected

Any moneys collected by the Master Trustee pursuant to the Master Indenture (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Master Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Master Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, upon presentation of the Master Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (a) First: To the payment of all amounts due the Master Trustee under the Master Indenture and the creation of a reasonable reserve for the payment of anticipated fees, costs and expenses;

- (b) Second: To the payment of the whole amount then due and unpaid upon the Outstanding Master Notes for principal and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Master Notes, then to the payment of such principal and premium, without any preference or priority, ratably according to the aggregate amount so due;
- (c) Third: To the payment of the whole amount then due and unpaid upon the Outstanding Master Notes for interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Master Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Master Notes) on overdue principal and premium, if any, and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Master Notes, then to the payment of such interest, without any preference or priority, ratably according to the aggregate amount so due;
- (d) Fourth: To the payment of any other amounts due and owing under any Outstanding Master Note to the party entitled thereto and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Master Notes, then to the payment of such amounts, without any preference or priority, ratably according to the aggregate amount so due; and
- (d) Fifth: To the payment of the remainder, if any, to the Obligated Group Agent for payment or distribution to the Members as the Obligated Group Agent may direct, or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

The Master Trustee shall cooperate with any Related Bond Trustee in such manner as the Master Trustee in its sole discretion considers appropriate in connection with the payment of any moneys held by that Related Bond Trustee for distribution to pay amounts due and unpaid upon Outstanding Master Notes.

Whenever moneys are to be applied by the Master Trustee pursuant to this section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Master Note until such Master Note shall be presented to the Master Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Master Notes and interest thereon have been paid under this section and all compensation, expenses, disbursements and advances of the Master Trustee have been paid, any balance remaining shall be paid to the person entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the Obligated Group Agent on behalf of the Members.

Waiver of Past Defaults

Before any final judgment or decree for payment of money due has been obtained by the Master Trustee, as provided in the Master Indenture, the Owners of a majority in principal amount of the Master Notes Outstanding may, by written notice delivered to the Master Trustee and the Obligated Group Agent, on behalf of the Owners of all the Master Notes waive any past default under the Master Indenture and its consequences, except a default

- (a) in the payment of the principal of or premium, if any or interest on any Master Note, or
- (b) in respect of a covenant or provision that cannot be modified or amended without the consent of the Owner of each Outstanding Master Note affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Master Indenture; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

Lock-Box Provisions

Upon the occurrence of an Event of Default, the Master Trustee shall establish and maintain a separate account to be known as the “Benedictine Health System – Revenue Fund” (the “Revenue Fund”). All moneys received by the Master Trustee and held in the Revenue Fund pursuant to this section shall be trust funds held under the Master Indenture for the benefit of all of the Outstanding Master Notes and shall not be subject to lien or attachment of any creditor of any Member of the Obligated Group. Moneys in the Revenue Fund shall be held in trust and applied in accordance with the Master Indenture.

Upon the occurrence and during the continuance of an Event of Default, the Master Trustee shall give to the Obligated Group Agent a notice (the “Lock-Box Notice”) referring to this section. Upon receipt of a Lock-Box Notice, (a) each Obligated Group Member will immediately commence depositing all Gross Revenues with the Master Trustee for deposit in the Revenue Fund and will continue to do so on a daily basis as and when it receives or collects any moneys constituting Gross Revenues and (b) within 30 days the Obligated Group Agent will (i) select a Consultant (which Consultant shall be approved as provided under “Approval of Consultants”) to review the Annual Budget of the Obligated Group as required under the Master Indenture and (ii) submit to such Consultant and the Master Trustee a proposed revised Annual Budget for the Consultant’s approval or modification. The proposed Annual Budget shall include on a month-by-month basis all operating expenses to be paid by each Obligated Group Member. Upon review of the proposed Annual Budget, the Consultant will notify the Obligated Group Agent and the Master Trustee whether such Annual Budget is approved as submitted or of any modifications the Consultant will impose. A copy of the Annual Budget, as approved or modified (the “Lock-Box Budget”), will be sent to the Obligated Group Agent, the Master Trustee, and the Required Information Recipients. In the event that the Obligated Group Agent fails to submit a proposed revised Annual Budget to the Consultant and the Master Trustee, the Consultant will modify the Annual Budget as it deems appropriate under the then existing circumstances and such modified Annual Budget will constitute the Lock-Box Budget. The Lock-Box Budget may be amended and modified by the Consultant at any time and from time to time as the Consultant in its discretion determines is necessary or appropriate under the then existing circumstances. A copy of any amendment or modification to the Lock-Box Budget will be sent by the Consultant to the Obligated Group Agent, the Master Trustee, and the Required Information Recipients. The Master Trustee agrees that, upon receipt of a Lock-Box Notice, it will make disbursements from the Revenue Fund (from amounts deposited with it by the Members as provided above) in each month to the Obligated Group Agent to pay operating expenses of the Obligated Group only in accordance with the Lock-Box Budget.

If at any time following a Lock-Box Notice all amounts due to the Master Trustee have been paid in full and all Events of Default under the Master Indenture have been cured, the Master Trustee will notify the Obligated Group Agent in writing that the lock-box provisions of this section are suspended. Additionally, the Master Trustee may in its discretion at any time agree to suspend such lock-box provisions by so notifying the Obligated Group Agent in writing. Thereafter, unless and until any subsequent Lock-Box Notice is received by the Obligated Group Agent, Gross Revenues need not be deposited in the Revenue Fund.

Upon the acceleration of the Master Notes then Outstanding in accordance with the provisions of the Master Indenture, the Master Trustee may, and at the direction of the Owners of a majority in principal amount of the Master Notes Outstanding shall, apply all monies in the Revenue Fund in accordance the caption “Application of Moneys Collected.”

The Master Trustee

The Master Indenture contains various provisions relating to the rights, duties and responsibilities of the Master Trustee and limitations on the Master Trustee’s liabilities under the Master Indenture.

Under the Master Indenture there shall at all times be a Master Trustee which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority. The Master Trustee must have a combined capital and surplus of at least \$50,000,000 or must provide a guaranty of the full and prompt performance by the Master Trustee of its obligations under the Master Indenture and any other agreements made in connection with Master Notes by a guarantor with such assets. If at any time the Master Trustee ceases to be eligible in accordance with the Master Indenture, it shall resign immediately in the manner and with the effect specified in the Master Indenture.

No resignation or removal of the Master Trustee and no appointment of a successor Trustee shall become effective until the successor Master Trustee has accepted its appointment under the Master Indenture. The Master Trustee may at any time resign by giving written notice to the Obligated Group Agent and to all Owners of Outstanding Master Notes. If an instrument of acceptance by a successor Master Trustee is not delivered to the Master Trustee within 30 days after the giving of such notice of resignation, the resigning Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee.

The Master Trustee may be removed at any time (so long as no Event of Default or condition that with the giving of notice or passage of time, or both, would constitute an Event of Default, has occurred and is continuing under the Master Indenture) by an instrument in writing signed by the Obligated Group Agent and delivered to the Master Trustee.

If the Master Trustee resigns, is removed or becomes incapable of acting, or if a vacancy occurs in the office of Master Trustee for any cause, the Obligated Group Agent (so long as the Obligated Group is not in default under the Master Indenture), or the Owners of a majority in principal amount of Master Notes Outstanding (if the Obligated Group is in default thereunder), by an instrument or concurrent instruments in writing delivered to the Obligated Group Agent and the retiring Master Trustee, shall promptly appoint a successor Master Trustee. If all or substantially all of the Trust Estate is in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Master Trustee is so appointed by the Master Noteowners. If a successor Master Trustee is appointed in the manner provided in the Master Indenture, the successor Master Trustee so appointed will, forthwith upon its acceptance of such appointment, become the successor Master Trustee and supersede the retiring Master Trustee and any temporary or successor Master Trustee appointed by the Obligated Group Agent or by such receiver or trustee. If no successor Master Trustee is so appointed or has been appointed and has not accepted the appointment in the manner provided in the Master Indenture within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, the Obligated Group Agent (if no Event of Default exists), any Master Noteowner or the Master Trustee may petition any court of competent jurisdiction for the appointment of a successor Master Trustee, until a successor shall have been appointed as above provided.

Notwithstanding any provision of the Master Indenture to the contrary, the Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Master Indenture whether at the request or direction of any of the Master Noteowners pursuant to the Master Indenture or otherwise and unless the Master Noteowners shall have offered to the Master Trustee reasonable security or indemnity against the rights or powers, costs, expenses and liabilities (including liability related to environmental contamination and the clean-up thereof and fees and expenses of attorneys) which might be incurred by it in connection with such rights or powers.

The permissive right of the Master Trustee to do things enumerated in the Master Indenture shall not be construed as a duty, and the Master Trustee shall not be answerable for other than its negligence or willful misconduct.

Any notice, request, demand, authorization, direction, consent, waiver or other action by the Owner of any Master Note shall bind every future Owner of the same Master Note and the Owner of every Master Note issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or allowed to be done by the Master Trustee, the Obligated Group Agent, or any Member in reliance thereon, whether or not notation of such action is made upon such Master Note.

Supplemental Master Indentures

Without Consent of Master Noteowners. Without the consent of or notice to the Owners of any Master Notes, the Obligated Group Agent, on behalf of the Members, and the Master Trustee may from time to time enter into one or more Supplemental Master Indentures for any of the following purposes:

- (a) to correct or amplify the description of any property at any time subject to the lien of the Master Indenture, or better to assure, convey and confirm unto the Master Trustee any property subject or required to be subjected to the lien of the Master Indenture, or to subject to the lien of the Master Indenture additional property or to exercise any Grantor's Rights; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issuance, authentication and delivery of Master Notes, as set forth in the Master Indenture, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) to authorize the issuance of Master Notes and make such other provisions as provided in the Master Indenture; or
- (d) to modify or eliminate any of the terms of the Master Indenture; provided that:
 - (1) such Supplemental Master Indenture shall expressly provide that any such modifications or eliminations shall become effective only when there is no Master Note Outstanding created prior to the execution of such Supplemental Master Indenture; and
 - (2) the Master Trustee may, in its discretion, decline to enter into any such Supplemental Master Indenture which, in its opinion, may not afford adequate protection to the Master Trustee when the same becomes operative; or
- (e) to evidence the succession of another Person to a Member and the assumption by any such successor of the obligations and covenants of the Member contained in the Master Indenture and in the Master Notes; or
- (f) to add to the covenants of the Members or to the rights, powers and remedies of the Master Trustee for the benefit of the Owners of all or any series of Master Notes or to surrender any right or power in the Master Indenture conferred upon the Members; or
- (g) to cure any ambiguity, to correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture or to make any other provisions, with respect to matters or questions arising under the Master Indenture, which shall not be inconsistent with the Master Indenture, provided such Supplemental Master Indenture shall not materially adversely affect the interests of the Owners of the Master Notes; or
- (h) to modify, eliminate or add to the Master Indenture to such extent as shall be necessary to effect the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted, or to permit the qualification of any Master Notes for sale under the securities laws of the United States or any state of the United States; or
- (i) to effect the addition of a Member to or withdrawal of a Member from the Obligated Group (including the addition or deletion of any Excluded Property of such new or withdrawing Member); or
- (j) to make any modification, amendment or supplement to the Master Indenture in such a manner as to establish or maintain the exclusion of interest on any Related Bonds from gross income for federal income tax purposes; or

- (k) to make any other change that does not materially adversely affect the interests of Owners of the Master Notes and does not materially adversely affect the owners of the Related Bonds.

With Consent of Master Noteowners. With the consent of the Owners of not less than a majority in principal amount of all Master Notes then Outstanding affected by such Supplemental Master Indenture, the Obligated Group Agent on behalf of the Members, and the Master Trustee may enter into one or more Supplemental Master Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any provision of the Master Indenture or of modifying in any manner the rights of the Owners of the Master Notes under the Master Indenture; provided that no such Supplemental Master Indenture shall, without the consent of the Owner of each Outstanding Master Note affected thereby:

- (a) change the stated maturity of the principal of, or any installment of interest on, any Master Note, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Master Note, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
- (b) reduce the percentage in principal amount of the Outstanding Master Notes, the consent of the Owners of which is required for any such Supplemental Master Indenture, or the consent of the Owners of which is required for any waiver provided for in the Master Indenture of compliance with certain provisions of the Master Indenture or certain defaults under the Master Indenture and their consequences; or
- (c) modify the obligation of the Members to make payment on or provide funds for the payment of any Master Note; or
- (d) modify this section, except to increase any percentage set forth in this section or to provide that certain other provisions of the Master Indenture cannot be modified or waived without the consent of the Owner of each Master Note affected thereby; or
- (e) permit the creation of any lien ranking prior to or on a parity with the lien of the Master Indenture with respect to any of the Trust Estate that is not a Permitted Encumbrance or terminate the lien of the Master Indenture on any Property at any time subject thereto or deprive the Owner of any Master Note of the security afforded by the lien of the Master Indenture.

Notwithstanding the foregoing, during any period of time in which an Event of Default has occurred and is continuing, an amendment of the type described in paragraphs (a) through (e) above may be made with respect to any Outstanding Master Notes with the consent of the holders of at least 80% in aggregate principal amount of all Outstanding Master Notes; provided, however, any such amendment shall not result in a preference or priority of any Master Note over any other Master Note and no such amendment described in paragraphs (a) through (e) above shall result in a disproportionate change, reduction or modification with respect to any Master Notes.

The Master Trustee may in its discretion determine whether or not and the extent to which any Master Notes would be affected by any Supplemental Master Indenture and any such determination shall be conclusive upon the Owners of all Master Notes, whether theretofore or thereafter authenticated and delivered under the Master Indenture. The Master Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of Master Noteowners under this section to approve the particular form of any proposed Supplemental Master Indenture, but it shall be sufficient if such Master Noteowners shall approve the substance thereof.

Payment, Discharge and Defeasance of Master Notes

The Master Notes of a particular series or a portion of such series (subject to the provisions described below under “Satisfaction of Related Bonds”) will be deemed to be paid and discharged and no longer Outstanding under

the Master Indenture and will cease to be entitled to any lien, benefit or security under the Master Indenture if the Obligated Group has paid or provided for the payment of the entire indebtedness on such Master Notes in any one or more of the following ways: (a) by paying or causing to be paid the principal of and premium, if any, and interest on such Master Notes, as and when the same become due and payable; (b) by delivering such Master Notes to the Master Trustee for cancellation; or (c) by depositing with the Master Trustee or other Paying Agent, in trust, moneys and Escrow Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Master Notes at or before their respective maturity dates (including the payment of the principal of and premium, if any, and interest payable on such Master Notes to the maturity or redemption date thereof), provided that, if any such Master Notes are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Master Indenture or provisions satisfactory to the Master Trustee are made for the giving of such notice.

The foregoing notwithstanding, the liability of the Obligated Group in respect of such Master Notes will continue, but the Owners thereof will thereafter be entitled to payment only out of the moneys or Escrow Obligations deposited with the Master Trustee as aforesaid. Moneys and Escrow Obligations so deposited with the Master Trustee pursuant to this section will not be a part of the Trust Estate but will constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Escrow Obligations shall be applied by the Master Trustee to the payment (either directly or through any Paying Agent, as the Master Trustee may determine) to the Persons entitled thereto, of the principal and premium, if any, and interest for whose payment such moneys and Escrow Obligations have been deposited with the Master Trustee.

Satisfaction and Discharge of Master Indenture

The Master Indenture and the lien, rights and interests created thereby will cease, terminate and become null and void (subject to the provisions described below under “Satisfaction of Related Bonds” and except as to any surviving rights of transfer or exchange of Master Notes in the Master Indenture provided for) if the following conditions are met: (a) the principal of and premium, if any, and interest on all Master Notes is paid or is deemed to be paid and discharged by meeting the conditions for payment, discharge and defeasance of Master Notes; and (b) the Obligated Group has paid or caused to be paid all other sums payable under the Master Indenture by the Obligated Group with respect to such Master Notes.

Thereupon the Master Trustee, upon written request of the Obligated Group Agent, and upon receipt by the Master Trustee of an Officer’s Certificate and an Opinion of Counsel, each to the effect that all conditions precedent to the satisfaction and discharge of the Master Indenture have been complied with, shall forthwith execute proper instruments acknowledging satisfaction and discharge of the Master Indenture and the lien of the Master Indenture. The satisfaction and discharge of the Master Indenture shall be without prejudice to the rights of the Master Trustee to indemnification and to charge and be reimbursed by the Obligated Group for any expenditures which it may thereafter incur in connection herewith.

Any moneys, funds, securities, or other property remaining on deposit under the Master Indenture (other than said Escrow Obligations or other moneys deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture, forthwith be transferred, paid over and distributed to the Obligated Group Agent on behalf of the Members.

Satisfaction of Related Bonds

The provisions of the Master Indenture notwithstanding, any Master Note which secures a Related Bond will not be deemed paid and will continue to be entitled to the lien, benefit and security under the Master Indenture unless and until such Related Bond shall cease to be entitled to any lien, benefit or security under the Related Bond Document pursuant to the provisions thereof.

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SUMMARY OF THE BOND INDENTURE

The following is a summary of certain provisions contained in the Bond Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Bond Indenture for a complete recital of its terms.

Trust Estate

The Trust Estate under the Bond Indenture consists of the following property:

(a) All right, title and interest of the Issuer (other than the Unassigned Issuer Rights and Make Whole Payments in respect thereto) in, to and under (1) the Loan Agreement, and all payments derived by the Issuer from the Obligors including Loan Payments and other amounts to be received by the Issuer and paid by the Obligors under and pursuant to and subject to the Loan Agreement (but excluding payments pursuant to the Unassigned Issuer Rights), and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and

(b) All moneys and securities from time to time held by the Bond Trustee under the terms of the Bond Indenture (except moneys and securities held in the Rebate Fund), and any and all other property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Bond Indenture by the Issuer or by anyone in its behalf or with its written consent, to the Bond Trustee, which is authorized under the Bond Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture.

Creation of Funds and Accounts

There are established in the custody of the Bond Trustee the following special trust funds in the name of the Authority:

- (a) Project Fund;
- (b) Issuance Costs Fund;
- (c) Debt Service Fund;
- (d) Refunding Fund; and
- (e) Rebate Fund.

Issuance Costs Fund

Moneys in the Issuance Costs Fund shall be paid out from time to time by the Bond Trustee upon Written Requests of the Obligated Group Agent in amounts equal to the amount of Issuance Costs certified in such Written Requests. At such time as the Bond Trustee is furnished with a Certificate of the Obligated Group Agent stating that all such fees and expenses have been paid, and in any case not later than six months from the date of issuance of the Bonds, the Bond Trustee shall transfer any moneys remaining in the Issuance Costs Fund to the Project Fund.

Project Fund

Moneys in the Project Fund shall be paid out from time to time by the Bond Trustee upon Written Requests of the Obligated Group Agent solely for the purpose of paying the Project Costs other than Issuance Costs, as provided in the Bond Indenture, including the cost of any alterations in or amendments to said plans and specifications as provided in the Loan Agreement.

If an Event of Default specified in the Bond Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Bond Indenture, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Bond Indenture, shall without further

authorization be deposited in the Debt Service Fund by the Bond Trustee with notice to the Obligated Group Agent and to the Issuer of such action.

Debt Service Fund

The Bond Trustee shall make deposits and credits to the Debt Service Fund, as and when received, as follows:

- (1) All Loan Payments paid by the Obligors pursuant to the Loan Agreement;
- (2) All monies transferred to the Bond Trustee by the Master Trustee from the Master Reserve Fund as described below under “Summary of the Master Indenture – Master Reserve Fund;” and
- (3) All other moneys received by the Bond Trustee under the Loan Agreement or any other Bond Document, when accompanied by written directions from the person depositing such moneys that such moneys are to be paid into the Debt Service Fund.

Except as otherwise provided in the Bond Indenture, moneys in the Debt Service Fund shall be expended solely in accordance with the Bond Indenture to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity, upon redemption, by acceleration or otherwise.

The Bond Trustee is authorized and directed under the Bond Indenture to withdraw sufficient funds from the Debt Service Fund to pay principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to the Bond Trustee and any Paying Agent for the purpose of paying said principal, redemption premium, if any, and interest.

Any moneys in the Debt Service Fund may be used to redeem a part of the Bonds Outstanding, in accordance with the Bond Indenture, so long as the Obligors are not in default with respect to any payments under the Loan Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption and past due interest in all cases when such Bonds have not been presented for payment. Whenever there is on deposit in the Debt Service Fund moneys in excess of the amount required by the preceding sentence that are sufficient to redeem all or a portion of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption and redemption premium, if any, the Bond Trustee shall, upon written request of the Obligated Group Agent, take and cause to be taken the necessary steps to redeem all such Bonds on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the Obligated Group Agent.

Refunding Fund

The Refunding Fund shall be held and administered by the Bond Trustee in trust for the holders of the Refunded Obligations. Deposits to the Refunding Fund will be used together with proceeds of the Direct Placement Bonds and the Taxable Bonds described in the Official Statement and other moneys of the Obligated Group to pay, redeem, defease and discharge the Refunded Obligations.

Master Reserve Fund

On the 10th Business Day before any Interest Payment Date or scheduled principal payment date for the Bonds (a “Payment Date”), the Bond Trustee shall determine if there are insufficient funds on hand in the Debt Service Fund to pay the principal of, and interest on the Bonds on such Interest Payment Date (any such insufficiency is referred to as a “Deficiency”).

If a Deficiency exists, the Bond Trustee shall, no later than the second (2nd) Business Day after the determination of a Deficiency, submit to the Master Trustee a written request containing the following information: (i) confirmation that a Deficiency exists, (ii) the amount of such Deficiency, (iii) the aggregate principal amount of the Bonds Outstanding, (iv) the Interest Payment Date, and (v) a request that the Master Trustee transfer from the Master Reserve Fund to the Bond Trustee an amount equal to the Deficiency one (1) Business Day prior to the Interest Payment Date (a “Master Reserve Draw Request”).

If the Bond Trustee submits a Master Reserve Draw Request to the Master Trustee as described in the preceding paragraph, or if the Bond Trustee receives notice from the Master Trustee that another bond trustee has submitted a Master Reserve Draw Request, the Bond Trustee shall, as soon as practicable but not later than the next Business Day, send a copy of such Master Reserve Draw Request to the Owners of all Outstanding Bonds (a “Notice of MTI-DSRF Draw Request”). In addition to distributing the Notice of MTI-DSRF Draw Request to bondholders through its normal processes (including through a securities depository such as The Depository Trust Company), the Bond Trustee is required to post the Notice of MTI-DSRF Draw Request to EMMA.

The Bond Trustee shall use funds transferred to it by the Master Trustee from the Master Reserve Fund, if any, to pay interest and principal on the Bonds in accordance with the Bond Indenture on the next applicable Payment Date.

If, by the Business Day prior to any Payment Date for the Bonds, the Bond Trustee has not received all payments with respect to principal of and interest due on the Bonds on such Payment Date, or other amounts due and payable, including amounts received from the Master Trustee with respect to the Master Reserve Fund, sufficient to pay the principal of, premium, if any, and interest on the Bonds on such Payment Date, the Bond Trustee shall immediately notify the Obligated Group Agent of such insufficiency (stating in such notice that (i) the Bond Trustee has not received payments with respect to principal of and interest due on the Bonds, or other amounts due and payable on the Bonds, or other amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds on such Payment Date; and (ii) the amount by which the obligation to make such transfer exceeds the amount available therefor).

Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Bond Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the Obligors, the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by this section and by the Tax Agreement.

Pursuant to the Tax Agreement, the Bond Trustee shall remit all required rebate installments and a final rebate payment to the United States. Neither the Bond Trustee nor the Issuer shall have any obligation to pay any amounts required to be rebated pursuant to this section and the Tax Agreement, other than from moneys held in the Rebate Fund created under the Bond Indenture as provided in the Bond Indenture or from other moneys provided to it by the Obligors. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid to the Obligated Group Agent.

Payments Due on Saturdays, Sundays and Holidays

In any case where the date of maturity of principal of or redemption premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day that is not a Business Day, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Bonds

In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been made available to the Bond Trustee, all liability to the Owner thereof for the payment of such Bond, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such funds in trust in a separate trust account, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on such Owner’s part under the Bond Indenture or on or with respect to said Bond. If any Bond shall not be presented for payment within one year following the date when such Bond becomes due, whether by maturity or otherwise, the Bond Trustee

shall repay to the Obligated Group Agent the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Obligors, and the Owner thereof shall be entitled to look only to the Obligors for payment, and then only to the extent of the amount so repaid, and the Obligors shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Investment of Moneys

Moneys held in each of the funds and accounts under the Bond Indenture shall, pursuant to written direction of the Obligated Group Agent, be invested and reinvested by the Bond Trustee in accordance with the provisions of the Bond Indenture and the Tax Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. The Bond Trustee may conclusively rely upon the Obligated Group Agent's written instructions as to both the suitability and legality of the directed investments, and such written direction shall be deemed to be a certification to the Bond Trustee that such directed investments constitute Permitted Investments and comply with the provisions of the Bond Indenture and the Tax Agreement. Notwithstanding any other provision of the Bond Indenture, if the Bond Trustee fails to receive written directions of the Obligated Group Agent regarding investment of funds pursuant to this section, moneys held in any fund or account under the Bond Indenture shall be held uninvested with no liability for interest. The Bond Trustee may make any investments permitted by this section through its own bond department or short-term investment department and may pool moneys for investment purposes, except moneys held in the yield restricted portion of any fund or account, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest earned on and any profit realized from Permitted Investments held in any fund, account or subaccount under the Bond Indenture shall be deposited into the Debt Service Fund. Any loss resulting from such Permitted Investments shall be charged to such fund, account or subaccount in which such Permitted Investments generating the loss are held. Any fees for investment of moneys in a fund, account or subaccount may be charged to that fund, account or subaccount. The Bond Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account.

Limited Obligations

No covenant, provision or agreement of the Issuer in the Bond Indenture or in the Bonds or in any other document executed by the Issuer in connection with the issuance, sale and delivery of the Bonds, or any obligation in the Bond Indenture or therein imposed upon the Issuer or breach thereof, shall give rise to a pecuniary liability of the Issuer, its members, officers, employees or agents or a charge against the Issuer's general credit or shall obligate the Issuer, its members, officers, employees or agents financially in any way except with respect to the funds and accounts held under the Bond Indenture and the Master Indenture and the application of revenues therefrom and from the Loan Agreement, the Series 2021A Master Note, enforcement of the Mortgages, and from the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement in the Bond Indenture or in the Bonds shall subject the Issuer, its members, officers, employees or agents to liability for any claim for damages, costs or other financial or pecuniary charges except to the extent that the same can be paid or recovered from the Bond Indenture, the funds and accounts held under the Bond Indenture and under the Master Indenture and the application of revenues therefrom and from the Loan Agreement, the Series 2021A Master Note, enforcement of the Mortgages, and from the proceeds of the Bonds. No execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the Issuer. The Issuer has no taxing power. In making the agreements, provisions and covenants set forth in the Bond Indenture, the Issuer has not obligated itself except with as specifically provided in the Bond Indenture and with respect to the funds and accounts held under the Bond Indenture and under the Master Indenture and the application of revenues under the Bond Indenture and thereunder and under the Loan Agreement and the proceeds of the Bonds, as provided above.

The Bonds constitute special, limited obligations of the Issuer, payable solely from proceeds of the Bonds, the revenues pledged to the payment thereof pursuant to the Loan Agreement, the Series 2021A Master Note, enforcement of the Mortgages, and the funds and accounts held under and pursuant to the Bond Indenture and Master Indenture and pledged therefor. The Bonds, the interest thereon and any other payments or costs incident thereto do not constitute an indebtedness of the Issuer, the State or any political subdivision of the State, and neither the State nor any such political subdivision of the State shall be liable thereon, nor in any event shall the Bonds be payable out of any funds or

properties other than those held under and pursuant to the Bond Indenture and the Master Indenture and pledged therefor. The Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitations of the laws of the State. The Issuer does not pledge its faith or credit nor the faith or credit of the State nor any political subdivision of the State to the payment of the principal of, the interest on or any other payments or costs incident to the Bonds. The issuance of the Bonds and the execution of any documents in relation thereto do not directly, indirectly or contingently obligate the State or any political subdivision of the State to apply money from or levy or pledge any form of taxation whatever to the payment of the principal of or interest on the Bonds or any other payments or costs incident thereto. The Issuer has no taxing power.

The Issuer, its directors, officers, employees or agents shall incur no pecuniary liability under the Bond Indenture and shall not be liable for any expenses related hereto, all of which the Obligors are required to pay under the Loan Agreement. If, notwithstanding the provisions of this section, the Issuer, its members, officers, employees or agents incur any expense, or suffer any losses, claims or damages or incur any liabilities, the Obligors will indemnify and hold harmless the Issuer, its members, officers, employees or agents from the same and will reimburse the Issuer, its members, officers, employees or agents in relation thereto, and this covenant to indemnify, hold harmless and reimburse the Issuer, its members, officers, employees or agents shall survive payment and discharge of the Bonds.

Events of Default

If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an “Event of Default” under the Bond Indenture:

- (a) default in the due and punctual payment of any interest on any Bond when the same becomes due and payable; or
- (b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when the same becomes due and payable, whether at the stated maturity or accelerated maturity thereof, or upon proceedings for redemption thereof; or
- (c) default in the performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Indenture or any Supplemental Bond Indenture on the part of the Issuer or the Obligors to be performed, and such incapacity or default shall continue for 60 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer and the Obligated Group Agent by the Bond Trustee (which notice may be given by the Bond Trustee in its discretion and shall be given at the written request of the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding); provided, however, if any such default shall be correctable but is such that it cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer or the Obligors within such period and diligently pursued until the default is corrected, and the Bond Trustee shall, upon request, be entitled to receive and rely upon a certificate of the Issuer or a Certificate of the Obligated Group Agent to the effect that the foregoing conditions have been satisfied; or
- (d) any Event of Default as specified in the Loan Agreement has occurred and is continuing and has not been waived; or
- (e) any Event of Default as specified in the Master Indenture has occurred and is continuing and has not been waived.

Acceleration of Maturity in Event of Default

If the Series 2021A Master Note has been declared by the Master Trustee to be immediately due and payable, then all Bonds Outstanding shall become and be immediately due and payable, anything in the Bonds or in the Bond Indenture to the contrary notwithstanding. In addition, if an Event of Default shall have occurred and be continuing, the Bond Trustee may, and if requested by the Owners of not less than 25% in principal amount of the Bonds Outstanding shall, by notice in writing delivered to the Issuer and the Obligated Group Agent, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and

interest shall thereupon become and be immediately due and payable; provided that if at any time after the principal of the Bonds then Outstanding shall have so become due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such acceleration or before the completion of the enforcement of any other remedy under the Bond Indenture, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect to which such default shall have occurred, and all arrears of payments of principal when due, as the case may be, and all fees and expenses of the Bond Trustee in connection with such default shall have been paid or provided for, and if any acceleration of the Series 2021A Master Note is annulled in accordance with the Master Indenture, then, upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding, the acceleration of the Bonds then Outstanding and the consequences of such acceleration shall be annulled or rescinded, but no such annulment or rescission shall extend to or affect any subsequent acceleration of the Bonds then Outstanding, or impair any right consequent hereon.

Exercise of Remedies by the Bond Trustee

Upon the occurrence and continuance of any Event of Default under the Bond Indenture, unless the same is waived or cured as provided in the Bond Indenture, the Bond Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Bond Indenture or by law:

(a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Bond Indenture, to realize on or to foreclose any of its interests or liens under the Bond Indenture or any other Bond Document, to enforce and compel the performance of the duties and obligations of the Issuer as set forth in the Bond Indenture and to enforce or preserve any other rights or interests of the Bond Trustee under the Bond Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the Owners of not less than 25% in principal amount of Bonds Outstanding and if indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise such one or more of the rights and remedies as the Bond Trustee shall deem most expedient in the interests of the Owners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the Bondowners, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect the Trust Estate.* The Bond Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Bond Indenture and to protect its interests and the interests of the Owners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Bond Indenture or be prejudicial to the interests of the Bondowners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Bondowners in any judicial proceeding to which the Issuer or the Obligors is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the Owners.

(e) *Enforcement Without Possession of Bonds.* All rights of action under the Bond Indenture or any of the Bonds may be enforced and prosecuted by the Bond Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and subject to the provisions described below under "Application of Moneys in Event of Default," be for the equal and ratable benefit of the Bondowners in respect of which such judgment has been recovered.

(f) *Restoration of Positions.* If the Bond Trustee or any Owner has instituted any proceeding to enforce any right or remedy under the Bond Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee or to such Owner, then and in every case the Issuer, the Bond Trustee, the Obligors and the Owners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Bond Indenture, and thereafter all rights and remedies of the Bond Trustee and the Owners shall continue as though no such proceeding had been instituted.

Limitation on Exercise of Remedies by Bondowners

No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture or for the execution of any trust under the Bond Indenture or for the appointment of a receiver or any other remedy under the Bond Indenture, unless (a) a default has occurred of which the Bond Trustee has been notified as provided in the Bond Indenture or of which by said section the Bond Trustee is deemed to have notice, (b) such default shall have become an Event of Default, (c) the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall have made written request to the Bond Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers granted under the Bond Indenture or to institute such action, suit or proceeding in its own name, and shall have offered to the Bond Trustee indemnity as provided in the Bond Indenture, and (d) the Bond Trustee shall thereafter fail or refuse to exercise the powers in the Bond Indenture granted or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared under the Bond Indenture in every case, at the option of the Bond Trustee, to be conditions precedent to the execution of the powers and trusts of the Bond Indenture, and to any action or cause of action for the enforcement of the Bond Indenture, or for the appointment of a receiver or for any other remedy under the Bond Indenture, it being understood and intended that no one or more Bondowner shall have the right in any manner whatsoever to affect, disturb or prejudice the Bond Indenture by their action or to enforce any right under the Bond Indenture except in the manner in the Bond Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Bond Indenture provided, and for the equal benefit of the Owners of all Bonds then Outstanding. Nothing in the Bond Indenture contained shall, however, affect or impair the right of any Bondowner to payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation to pay the principal of, redemption premium, if any, and interest on each of the Bonds to their respective Owners at the time, place, from the source and in the manner expressed in the Bond Indenture and in the Bonds or affect or interfere with the right of any Owner to institute suit for the enforcement of any such payment. If the Bond Trustee receives conflicting directions from two or more groups of Owners, each with combined holdings of not less than 25% of the principal amount of Outstanding Bonds, the directions given by the group of Owners that holds the largest percentage of Bonds shall be controlling and the Bond Trustee shall follow such directions to the extent required in the Bond Indenture.

Right of Bondowners to Direct Proceedings

Except as provided below under “Limitation on Exercise of Remedies by Bondowners,” the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Bond Indenture, or for the appointment of a receiver, custodian or any other proceedings under the Bond Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Bond Indenture and provided, further, that the Bond Trustee shall have the right to decline to follow any such direction if the Bond Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability for which it has not been indemnified.

Application of Moneys in Event of Default

Any moneys held or received by the Bond Trustee (after the deductions for payment of costs and expenses (including reasonable attorney’s fees and expenses) of proceedings resulting in the collection of such moneys and costs and expenses of the Issuer) together with any other sums then held by the Bond Trustee as part of the Trust Estate (other than the Rebate Fund), shall be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, upon

presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- (a) First: To the payment of all amounts due the Bond Trustee under the Bond Indenture;
- (b) Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal and premium, if any, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal, without any preference or priority, ratably according to the aggregate amount so due;
- (c) Third: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such interest, without any preference or priority, ratably according to the aggregate amount so due; and
- (d) Fourth: To the payment of the remainder, if any, to the Obligated Group Agent or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Remedies Cumulative

No remedy by the terms of the Bond Indenture conferred upon or reserved to the Bond Trustee or to the Bondowners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bond Trustee or to the Bondowners under the Bond Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient. In case the Bond Trustee shall have proceeded to enforce any right under the Bond Indenture by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every case the Issuer, the Obligors, the Bond Trustee and the Bondowners shall be restored to their former positions and all rights under the Bond Indenture, and all rights, remedies and powers of the Bond Trustee shall continue as if no such proceedings had been taken.

Waivers of Events of Default

The Bond Trustee shall waive any Event of Default under the Bond Indenture and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of at least a majority in aggregate principal amount of all Bonds then Outstanding in the case of any default; provided that there shall not be waived without the consent of the Owners of all the Bonds Outstanding (a) an Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein, or (b) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission of the Event of Default referred to in (a) or (b) above, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect to which such default shall have occurred, and all arrears of payments of principal when due, as the case may be, and all expenses of the Bond Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Bond Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every case the Issuer, the Obligors, the Bond Trustee and the Bondowners shall be restored to their former positions, rights and obligations under the Bond Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Acceptance of Trusts; Certain Duties and Responsibilities

The Bond Trustee accepts and agrees to execute the trusts imposed upon it by the Bond Indenture, but only upon the following terms and conditions set forth in the Bond Indenture.

Corporate Trustee Required; Eligibility

There shall at all times be a Bond Trustee under the Bond Indenture which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority and must have a combined capital and surplus of at least \$50,000,000 or must provide a guaranty of the full and prompt performance by the Bond Trustee of its obligations under the Bond Indenture and any other agreements made in connection with the Bonds by a guarantor with such assets.

Resignation and Removal of Bond Trustee

The Bond Trustee may resign at any time by giving written notice thereof to the Issuer, the Obligated Group Agent and each Owner of Bonds Outstanding as their names and addresses appear in the Bond Register maintained by the Bond Trustee. If an instrument of acceptance by a successor Bond Trustee shall not have been delivered to the Bond Trustee within 30 days after the giving of such notice of resignation, the resigning Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.

If the Bond Trustee has or shall acquire any conflicting interest (as defined in the Trust Indenture Act of 1939, as amended), it shall, within 90 days after ascertaining that it has a conflicting interest, or within 30 days after receiving written notice from the Obligated Group Agent (so long as the Obligors are not in default under the Bond Indenture) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in the preceding paragraph.

The Bond Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Issuer and the Bond Trustee and signed by the Owners of a majority in principal amount of Outstanding Bonds, or, so long as the Obligors are not in default under the Loan Agreement, by the Obligated Group Agent. The Issuer, the Obligated Group Agent or any Owner of Bonds may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

If at any time (1) the Bond Trustee shall fail to comply with a request to resign due to a conflicting interest after written request therefor by the Obligated Group Agent or by any Bondowner, or (2) the Bond Trustee shall cease to be eligible under the corporate trustee eligibility requirements of the Bond Indenture and shall fail to resign after written request therefor by the Obligated Group Agent or by any such Bondowner, or (3) the Bond Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Bond Trustee or of its property shall be appointed or any public officer shall take charge or control of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Obligated Group Agent may remove the Bond Trustee, or (ii) the Obligated Group Agent or any Bondowner may petition any court of competent jurisdiction for the removal of the Bond Trustee and the appointment of a successor Bond Trustee.

The successor Bond Trustee shall give written notice of such resignation or such removal of the Bond Trustee and such appointment of a successor Bond Trustee to the Registered Owners of Bonds as their names and addresses appear in the Bond Register maintained by the Bond Trustee. Each notice shall include the name of the successor Bond Trustee and the address of its designated corporate trust office.

No resignation or removal of the Bond Trustee and no appointment of a successor Bond Trustee shall become effective until the acceptance of appointment by the successor Bond Trustee under the Bond Indenture.

Supplemental Bond Indentures Not Requiring Consent of Bondowners

The Issuer, at the written request of the Obligated Group Agent, and the Bond Trustee may from time to time, without the consent of or notice to any of the Bondowners, enter into a Supplemental Bond Indenture or Supplemental Bond Indentures, for any one or more of the following purposes:

- (a) To more precisely identify the Project or the Financed Facilities, or to substitute or add additional property thereto as permitted by the Loan Agreement, or to correct or amplify the description of any property at any time subject to the lien of the Bond Indenture, or better to assure, convey and confer unto the Bond Trustee any property subject or required to be subjected to the lien of the Bond Indenture, or to subject to the lien of the Bond Indenture additional property;
- (b) To add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds, as in the Bond Indenture set forth, additional conditions, limitations and restrictions thereafter to be observed;
- (c) To cure any ambiguity or formal defect or omission in the Bond Indenture or to release property from the Trust Estate which was included by reason of an error or other mistake;
- (d) To grant to or confer upon the Bond Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Bond Trustee or either of them;
- (e) To subject to the Bond Indenture additional revenues, properties or collateral;
- (f) To modify, amend or supplement the Bond Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;
- (g) To provide for the refunding or advance refunding of any Bonds;
- (h) To evidence the appointment of a separate trustee or the succession of a new trustee under the Bond Indenture;
- (i) To preserve the tax-exempt status of the Bonds;
- (j) In connection with any other change made in accordance with or to conform to the Master Indenture; or
- (k) To make any other change which does not materially adversely affect the interests of the Bondowners.

Upon the execution of any such Supplemental Bond Indenture as in this section permitted and provided, the Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

Supplemental Bond Indentures Requiring Consent of Bondowners

With the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, and with the written consent of the Obligated Group Agent, the Issuer, at the written request of the Obligated Group Agent, and the Bond Trustee may from time to time enter into such other Supplemental Bond Indenture or Supplemental Bond Indentures as shall be deemed necessary or desirable by the Bond Trustee for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Indenture or in any Supplemental Bond Indenture; provided that nothing in this section contained shall permit or be construed as permitting without the written consent of every Bondowner affected thereby:

- (a) a change of the maturity date of the principal of any Bond, any mandatory sinking fund redemption schedule for any of the Bonds, the scheduled date of payment of interest on any Bond or the earliest optional redemption date for any Bond, or
- (b) a reduction in the principal amount, redemption premium or any interest payable on any Bond, or
- (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or
- (d) a reduction in the aggregate principal amount of Bonds the Owners of which are required for consent to any such Supplemental Bond Indenture, or
- (e) the modification of the rights, duties or immunities of the Bond Trustee, without the written consent of the Bond Trustee.

Supplemental Loan Agreements Not Requiring Consent of Bondowners

The Issuer, at the written request of the Obligated Group Agent, and the Bond Trustee may, without the consent of or notice to the Bondowners, consent to the execution of any Supplemental Loan Agreements by the Issuer and the Obligated Group Agent as may be required:

- (a) by the Loan Agreement and the Bond Indenture, or in connection with an amendment of the Bond Indenture without the consent of Bondowners;
- (b) to more precisely identify the Project or the Financed Facilities, or to substitute or add additional property thereto;
- (c) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Loan Agreement, additional conditions, limitations and restrictions thereafter to be observed;
- (d) to evidence the succession of another corporation to an Obligor and the assumption by any such successor of the covenants of the Obligor contained in the Loan Agreement;
- (e) to add to the covenants of the Obligors or to the rights, powers and remedies of the Bond Trustee for the benefit of the Owners of all Bonds or to surrender any right or power conferred upon the Obligors in the Loan Agreement;
- (f) for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement;
- (g) to grant to or confer upon the Issuer or the Bond Trustee, for the benefit of the Bondowners, any additional rights, remedies, powers or authorities that lawfully may be granted to or conferred upon the Issuer or the Bond Trustee;
- (h) to amend or modify the Loan Agreement, or any part thereof, in any manner specifically required or permitted by the terms thereof, including, without limitation, as may be necessary to preserve the tax-exempt status of the Bonds or to maintain any rating on the Bonds;
- (i) in connection with any other change made in accordance with the Master Indenture; or
- (j) in connection with any other change therein which does not materially adversely affect the interests of the Bondowners.

Upon the execution of any such Supplemental Loan Agreement as in this section permitted and provided, the Loan Agreement shall be and be deemed to be modified and amended in accordance therewith.

Supplemental Loan Agreements Requiring Consent of Bondowners

With the consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, the Bond Trustee may consent to the execution of any Supplemental Loan Agreements by the Issuer, at the written request of the Obligated Group Agent; provided that no such Supplemental Loan Agreement shall be entered into without the consent of the Owners of all Bonds then Outstanding which permits:

- (a) an extension of the maturity of the principal of or the interest on the Series 2021A Master Note, or
- (b) a reduction in the principal amount of the Series 2021A Master Note or the premium or rate of interest payable thereon.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Loan Agreement shall have consented (including any deemed consent obtained pursuant to the Bond Indenture) to the execution thereof as therein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Bond Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Loan Agreement as permitted by the Bond Indenture and provided, the Loan Agreement shall be and be deemed to be modified and amended in accordance therewith.

Bonds Deemed to be Paid

Any Bond or Bonds shall be deemed to be paid and no longer Outstanding under the Bond Indenture and shall cease to be entitled to any lien, benefit or security under the Bond Indenture if the Bonds are paid in full or provision for the payment of such Bond or Bonds has been made in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bond or Bonds, as and when the same become due and payable;
- (b) by delivering and surrendering to the Bond Trustee, for cancellation by it, such Bond or Bonds; or
- (c) by depositing with the Bond Trustee, in trust, (1) moneys and/or Defeasance Obligations in such amounts and with maturities as the Bond Trustee shall determine will be, together with other moneys and/or Defeasance Obligations deposited therein and together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bond or Bonds at or before their respective maturity dates and to pay the interest thereon as it comes due, and (2) in the case of Bonds which do not mature or will not be redeemed within 90 days of the deposit referred to in (1) above, a verification report of an independent certified public accounting firm as to the adequacy of the trust funds to fully pay the Bonds deemed to be paid.

Notwithstanding the foregoing, in the case of any Bonds which by their terms may be redeemed prior to the stated maturities thereof, no deposit under clause (c) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with the redemption provisions of the Bond Indenture or irrevocable instructions shall have been given to the Bond Trustee to give such notice.

Notwithstanding any provisions of any other section of the Bond Indenture which may be contrary to this section, all moneys and/or Defeasance Obligations set aside and held in trust pursuant to this section for the payment of Bonds (including redemption premium thereon, if any) shall be held irrevocably in trust for the Owners of such

Bonds and applied to and used solely for the payment of the particular Bonds (including redemption premium thereon, if any) with respect to which such moneys and/or Defeasance Obligations have been so set aside in trust.

Satisfaction and Discharge of the Bond Indenture

If the principal of, redemption premium, if any, and interest on all of the Bonds shall have been paid in accordance with their terms, or provision has been made for such payment as provided in the Bond Indenture, and provision shall also be made for paying all other sums payable under the Bond Indenture, including the payment of any rebatable arbitrage to the United States and the fees, charges and expenses of the Issuer, the Bond Trustee and any Paying Agent to the date of retirement of the Bonds, then the right, title and interest of the Bond Trustee in respect of the Bond Indenture shall thereupon cease, terminate and be void, and thereupon the Bond Trustee, upon Written Request of the Obligated Group Agent, and upon receipt by the Bond Trustee and the Issuer of an Opinion of Bond Counsel to the effect that all conditions precedent to the satisfaction and discharge of the Bond Indenture have been complied with, shall cancel, discharge and release the Bond Indenture and shall execute, acknowledge and deliver to the Issuer such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the Bond Indenture, and shall assign and deliver to the Issuer, the Obligated Group Agent or other Person entitled thereto as their respective interests may appear, any property and revenues at the time subject to the Bond Indenture which may then be in its possession, other than moneys or obligations held by the Bond Trustee for the payment of the principal of and interest and redemption premium, if any, due or to become due on the Bonds.

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SUMMARY OF THE LOAN AGREEMENT

The following is a summary of certain provisions contained in the Loan Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Loan Agreement for a complete recital of its terms.

Loan of Funds to the Obligors

The Issuer will make a loan to the Obligors, using the proceeds of the sale of the Bonds, and the Obligors agree to receive the loan from the Issue, for the purpose set forth in the Bond Indenture.

Completion of the Project

The Obligors agree to cause the Project to be diligently and continuously pursued and to be completed with reasonable dispatch, and to provide (from its own funds if required) all moneys necessary to complete the Project substantially in accordance with the Project Documents.

Changes or Amendment to the Financed Facilities

The Obligors may make, authorize or permit such changes or amendments in the Financed Facilities as the Obligated Group Agent may reasonably determine necessary or desirable, and provided, however, that no such change or amendment shall be made to the Financed Facilities that would cause a material change in the cost, scope, nature, or function of the Financed Facilities, unless the Obligors shall file with the Bond Trustee certain documents required under the Loan Agreement.

Loan Payments

The Obligors will duly and punctually pay amounts sufficient to pay the principal of and redemption premium, if any, and interest on the Bonds on the dates and at the places and in the manner specified in the Bond Indenture and in the Loan Agreement, according to the true intent and meaning thereof. The Obligors agree to make payments at the times and in the amounts (including principal, interest and redemption premium, if any) equal to the amounts to be paid as interest, redemption premium, if any, and principal whether at maturity or by mandatory redemption upon the Bonds from time to time Outstanding under the Bond Indenture. To provide for the payment of the principal of and redemption premium, if any, and interest on the Bonds, the Obligors shall make the following payments directly to the Bond Trustee, for the account of the Issuer, for deposit in the Debt Service Fund, on the following dates, and otherwise as set out below:

Debt Service Fund -- Interest: On or before each Interest Payment Date, an amount equal to the interest due on such Interest Payment Date; provided that the Obligors may be entitled to certain credits on such payments as permitted by the Loan Agreement.

Debt Service Fund -- Principal: On or before the date an installment of principal is due on the Bonds by maturity or mandatory sinking fund redemption, an amount which is equal to such installment of principal due on the Bonds; provided that the Obligors may be entitled to certain credits on such payments as permitted by the Loan Agreement.

Debt Service Fund -- Redemption: On or before the date required by the Loan Agreement or the Bond Indenture, the amount required to redeem Bonds then Outstanding if the Obligors exercise the right to redeem Bonds under any provision of the Bond Indenture or if any Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Bond Indenture.

Unpaid Loan Payments shall bear interest at the rate or rates of interest applicable to the corresponding payments on the Bonds. Any interest charged and collected on an unpaid Loan Payment shall be deposited to the credit of the Debt Service Fund and applied to pay interest on overdue amounts in accordance with the Bond Indenture.

Additional Payments

The Obligors will make the following additional payments to the following persons:

Issuer Fees and Expenses. To the Issuer and the Governmental Units, (i) on or before the initial issuance of the Bonds, their application and issuance fees, plus expenses of the Issuer and the Governmental Units in connection with the issuance of the Bonds, including reasonable fees and disbursements of its counsel, and (ii) upon demand, all reasonable expenses, including attorneys' fees and any expenses, incurred by the Issuer and the Governmental Units in relation to the Bonds and the transactions contemplated by the Bond Documents.

Bond Trustee Fees and Professional Fees. To the Bond Trustee, the Master Trustee and any Paying Agent, registrars, counsel, accountants, engineers and other Persons when due, all reasonable fees, charges and expenses of such Persons for services rendered under the Bond Indenture, the Master Indenture and under any of the other Bond Documents and expenses incurred in the performance of such services under the Bond Indenture, the Master Indenture and any of the other Bond Documents for which such Persons are entitled to payment or reimbursement.

Advances. To the Bond Trustee, the amount of all advances of funds made by it under the Loan Agreement, with interest thereon at the rate of interest specified in the Bond Indenture.

Rebate Payments. To the Bond Trustee, all rebate payments required under Section 148(f) of the Internal Revenue Code.

Indemnification of Issuer and Bond Trustee. The Obligors will, at their expense, pay and indemnify the Issuer and the Bond Trustee and their respective current, former and future members, directors, officers and employees and agents from and against, all costs, expenses and charges, including reasonable counsel fees, incurred in enforcing any covenant or agreement of the Obligors or any other Member of the Obligated Group contained in any Bond Document. Such indemnification of the Issuer shall be in addition to and not in lieu of the indemnification provisions contained in the Loan Agreement.

Purchase Price of Bonds. If the Obligors exercise the option to purchase Bonds pursuant to the Bond Indenture, the Obligors shall pay or cause to be paid the purchase price to the Bond Trustee pursuant to the requirements of the Bond Indenture.

Bond Trustee Replacement Fees. To the Bond Trustee, any successor trustee and the Issuer, an amount equal to all fees and expenses, including fees and expenses of Bond Trustee's and Issuer's counsel, in connection with the removal and replacement of the Bond Trustee.

Taxes and Assessments. All taxes and assessments of any type or character charged to the Issuer or to the Bond Trustee affecting the amount available to the Issuer or the Bond Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated by the Bond Indenture (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided that the Obligors shall have the right to protest any such taxes or assessments and to require the Issuer or the Bond Trustee, at the Obligors' expense, including reasonable attorneys' fees, to protest and contest any such taxes or assessments levied upon them and that the Obligors shall have the right to withhold payment of any such taxes or assessments pending disposition of such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Bond Trustee.

Accountants and Expert Fees. The other reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer or the Bond Trustee to prepare

audits, financial statements, reports, or opinions or provide such other services required under the Loan Agreement or the Bond Indenture.

Issuer Administrative Fee. On the Closing Date, and as a condition to issuance thereof, the Obligors must pay the Issuer an administrative fee equal to one-quarter of one percent of the stated principal amount of the Bonds, and said payment shall be in addition to all other amounts that are or may become payable to the Issuer pursuant to the terms of the Loan Agreement.

Other Payments. All other payments of whatever nature which the Obligors have agreed to pay or assume under the Loan Agreement.

Additional Payments shall be billed to the Obligated Group Agent on behalf of the Obligors by the Issuer or the Bond Trustee, or by the accountants, consultants, attorneys and other experts engaged by the Issuer or the Bond Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Issuer or the Bond Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Obligors within 30 days after receipt of the bill by the Obligors unless required by this section to be paid at a different time.

Maintenance and Use of the Project and Financed Facilities

The Obligors and their Affiliates shall have the right to use the Project and the other Financed Facilities for any purpose allowed by law and contemplated by the Act. The Obligors will not use or allow or permit the use of any of the Financed Facilities, in whole or in part, out of the proceeds of the Bonds: (1) in a manner in violation of the Establishment Clause of the First Amendment to the Constitution of the United States; or (2) in an unrelated trade or business as defined in Section 513(a) of the Internal Revenue Code, or by any Person who is not, or whose sole member is not, a Tax-Exempt Organization, in either case in such manner or to any extent which could jeopardize the validity of the Bonds or result in the inclusion of interest on the Bonds in federal gross income under Section 103(a) of the Internal Revenue Code. The Obligors will operate or to cause the Financed Facilities to be operated to the expiration of the term of the Loan Agreement as an eligible project or multifamily housing development for purposes of the Act and will have complete lawful authority to operate or cause the Financed Facilities to be operated for that purpose. Neither the Issuer nor the Bond Trustee shall have any obligation to maintain or monitor the use of the Financed Facilities.

Tax Covenants

The Obligors will not take any action or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds and will take whatever action, or refrain from whatever action, necessary to comply with the requirements of the Internal Revenue Code to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds. The Obligors will comply with the Tax Agreement and will pay or provide for payment to the United States Government or the Bond Trustee, all rebate payments required under Section 148(f) of the Internal Revenue Code and the Tax Agreement with respect to the Bonds and the Refunded Bonds, to the extent such amounts are not available to the Bond Trustee in the Rebate Fund held under the Bond Indenture. This covenant shall survive payment in full or defeasance of the Bonds.

Events of Default

The occurrence and continuance of any of the following events shall constitute an “Event of Default” under the Loan Agreement:

(a) failure of the Obligors to pay the Loan Payments or any installment of interest or principal, or any premium, on the Series 2021A Master Note when the same shall become due and payable, whether at maturity or upon any date fixed for prepayment or redemption or by acceleration or otherwise; or

(b) default in the performance, or breach, of any covenant or agreement of the Obligors in the Loan Agreement or the Tax Agreement (other than a covenant or agreement a default in the

performance or breach of which is specifically dealt with elsewhere in this section), and continuance of such default or breach for a period of 60 days after there has been given to the Obligated Group Agent by the Bond Trustee or to the Obligated Group Agent and the Bond Trustee by the owners of at least 10% in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied or such longer period as shall be required to remedy such default if such default cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, and the Obligors have immediately upon receipt of such notice commenced the curing of such default and is pursuing such cure with due diligence and dispatch; or

(c) any representation or warranty made by the Obligors in the Loan Agreement or any other Bond Document or in any written statement or certificate furnished by the Obligated Group Agent to the Issuer or the Bond Trustee or the Original Purchaser in connection with the sale of any Bonds, or furnished by the Obligors pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and, if the same may be corrected or brought into compliance so that the interests of the Bond Trustee, the Issuer and the Bondowners are not materially adversely affected by such untruth, shall not be corrected or brought into compliance within 60 days after there has been given to the Obligated Group Agent by the Bond Trustee or to the Obligated Group Agent and the Bond Trustee by the Owners of at least 10% in principal amount of the Bonds Outstanding, a written notice specifying such untruth and requiring it to be remedied or such longer period as is required to remedy such untruth if such untruth cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied and the Obligors have immediately upon receipt of such notice commenced the curing of such untruth and is pursuing such cure with due diligence and dispatch; or

(d) any “Event of Default” specified in the Bond Indenture or the Master Indenture that has not been waived or cured in accordance with the terms thereof.

Promptly after any officer of the Obligated Group Agent may reasonably be deemed to have knowledge of a default under the Loan Agreement by any Obligor, the Obligated Group Agent will deliver to the Bond Trustee a written notice specifying the nature and period of existence thereof and the action the Obligor is taking and proposes to take with respect thereto.

Remedies

During the occurrence and continuance of any Event of Default under the Loan Agreement, the Bond Trustee, as assignee of the Issuer, shall have the following rights and remedies, in addition to any other remedies in the Bond Indenture or by law provided:

Acceleration of Maturity; Waiver of Event of Default and Rescission of Acceleration. The Loan Payments shall immediately become due and payable if the Bond Trustee as assignee of the Issuer, has declared the principal of all Bonds then Outstanding to be due and payable pursuant to the Bond Indenture, and in such case the Bond Trustee shall by written notice to the Master Trustee and the Obligated Group Agent request the Master Trustee to declare the principal of the Series 2021A Master Note to be due and payable immediately pursuant to the Master Indenture (but the Series 2021A Master Note shall become and be immediately due and payable as a result of such request only if the Master Trustee shall declare it to be due and payable in accordance with the Master Indenture). This provision, however, is subject to the condition that if, at any time after the principal of the Series 2021A Master Note shall have been so declared and become due and payable, all arrears of interest and principal then due, if any, upon the Series 2021A Master Note and the fees, costs, advances and expenses of the Issuer and the Bond Trustee shall be paid by the Obligated Group, and every other default in the observance or performance of any covenant, condition or agreement contained in the Loan Agreement and the Series 2021A Master Note shall be made good or be secured to the satisfaction of the Bond Trustee, or provision deemed by the Bond Trustee to be adequate shall be made therefor, and the acceleration of the Bonds and its consequences has been annulled or rescinded pursuant to the Bond Indenture, then and in every such case the Bond Trustee, by written notice to the Master Trustee and the Obligated Group Agent, may request the Master Trustee to waive the Event of Default by reason of which the principal of the Series 2021A Master Note shall have been so declared and become due and payable and to rescind and annul such declaration and its consequences; but

no such waiver, rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Right to Bring Suit, Etc. The Bond Trustee may in its discretion without notice or demand (1) proceed to protect and enforce its rights by a suit or suits in equity or at law, whether for damages or for the specific performance of any covenant or agreement contained in the Series 2021A Master Note or the Loan Agreement, or in aid of the execution of any power in the Loan Agreement or therein granted or for the enforcement of any other appropriate legal or equitable remedy, as the Bond Trustee shall deem effectual to protect and enforce any of its rights or duties under the Loan Agreement or thereunder or (2) avail itself of all other rights or remedies available to it.

Immunity of Officers, Employees, Directors, Members and Agents of the Issuer, the Obligated Group Agent and the Obligors

No recourse shall be had for the payment of the principal of or premium or interest on the Series 2021A Master Note or the Bonds or for any claim based thereon or upon any representation, obligation, covenant or agreement in the Loan Agreement contained against any past, present or future officer, member, employee, director or agent of the Issuer, the Obligated Group Agent or any Obligor, or, respectively, of any successor public or private entity thereto, as such, either directly or through the Issuer, the Obligated Group Agent, or any Obligor, or respectively, any successor public or private entity thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such is expressly waived under the Loan Agreement and released as a condition of and consideration for the execution of the Loan Agreement and the issuance of the Series 2021A Master Note and the Bonds.

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SUMMARY OF THE MORTGAGES

The following is a summary of certain provisions contained in the Mortgages. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Mortgages for a complete recital of its terms. Each Mortgage will be granted by the applicable Member(s) of the Obligated Group to the Master Trustee. Each Mortgage will grant a lien on the fee title held by the applicable Member(s), except the Mortgages to be granted by Benedictine Health Center (Duluth, MN) (“BHC”) and Bridges Care Center (Ada, MN) (“BCC”), which will be leasehold mortgages. BHC holds a leasehold interest in the land on which Benedictine Living Center - Duluth is located. The fee interest for that Community is owned by Benedictine Sisters Benevolent Association, as ground lessor, and is leased to BHC under a Third Amended and Restated Ground Lease dated as of July 1, 2021, between the ground lessor and BHC. BCC holds a leasehold interest in land on which Benedictine Living Center – Ada is located. The fee interest for that Community is owned by the City of Ada, Minnesota, as ground lessor, and is leased to BCC, ground lessee, under a Lease and Development Agreement dated as of August 17, 2012.

Definitions of Certain Terms in the Mortgages

The following are definitions of certain terms used in the Mortgages. Reference is hereby made to the Mortgages for complete definitions of all terms:

“Awards” means all awards, judgments, proceeds, compensation and settlements in lieu thereof made as a result of the taking by power of eminent domain or the damage or destruction by casualty of the whole or any part of the Land, Improvements and/or Personal Property.

“Ground Lease” means the respective ground lease referenced above under which a Ground Lessee leases the Land from a Ground Lessor.

“Ground Lessee” means, as applicable, BHC or BCC, as ground lessee under the corresponding Ground Lease.

“Ground Lessor” means, as applicable, (i) Benedictine Sisters Benevolent Association, as ground lessor under the Ground Lease with BHC or (ii) the City of Ada, Minnesota, as ground lessor under the Ground Lease with BCC.

“Improvements” means all buildings, structures and other improvements now located on or hereafter at any time constructed on the Land.

“Land” means the real property described in each Mortgage and with respect to the fee Mortgages all reversions, remainders, tenements, hereditaments, easements, rights-of-way or use, rights (including alley, air, drainage, crop, mineral, mining, coal, water, oil and gas rights, rights of access and any other rights to produce or share in the production of anything from or attributable thereto), licenses, privileges, royalties and appurtenances to said real property, now or hereafter belonging or in any way pertaining thereto.

“Mortgagee” means the Master Trustee, as mortgagee and secured party under each Mortgage.

“Mortgagor” means the Obligated Group Member or Members granting the mortgage lien to the Master Trustee, as Mortgagee, pursuant to the applicable Mortgage.

“Personal Property” means all of the equipment and fixtures (as such terms are defined in the Uniform Commercial Code from time to time in effect in the State of Minnesota or North Dakota, as applicable) owned by the Mortgagor in connection with the operation of the Land and the Improvements, or in which the Mortgagor has rights, including any construction and building materials stored on the Land and to be included in the Improvements, and the Mortgagor’s interest in any lease, use agreement or purchase agreement under which such property is acquired or located on the Land.

“Rents” means all leases, subleases and all other contracts and agreements for the use or occupancy of all or any part of the Land, Improvements or Personal Property, now or hereafter entered into, and all amendments, modifications, supplements, additions, extensions and renewals thereof, including the rights of the Mortgagor thereunder, including cash and securities deposited thereunder (as down payments, security deposits, or otherwise), the right to receive and collect the Rents, security deposits, income, proceeds, earnings, royalties, revenues, and profits payable thereunder and the rights to enforce all provisions and options thereof, whether accruing before or after foreclosure of the Mortgage or during the period of redemption hereof.

Mortgage and Security Interest

The Mortgagor, to secure, and as security for, all Master Notes and the performance and observance by the Mortgagor of all of the other covenants, agreements, representations, warranties and conditions in the Mortgage or in the Master Indenture contained, pursuant to the Mortgage, sells, mortgages, conveys, grants, assigns, transfers, pledges, sets over and confirms unto the Mortgagee, its successors and assigns forever, with power of sale, and grants a lien and security interest in and to the following (collectively referred to as the **“Mortgaged Property”**):

- (a) the Land described in the Mortgage if the Mortgagor is the fee owner of the Land, or, with respect to BHC or BCC, the Ground Lease on which the corresponding Facility is constructed, including the interest of the Mortgagor, if any, in all modifications, extensions and renewals of the Ground Lease and in and to all rights to renew or extend the term thereof;
- (b) the Improvements;
- (c) the Personal Property;
- (d) the Rents;
- (e) the Awards;
- (f) all cash and noncash proceeds of all the property described in clauses (a), (b), (c), (d) and (e) hereof; and
- (g) all after-acquired interests of the Mortgagor in any of the above.

Payments and Performance Secured

The Mortgage covers and secures (i) payment when due of any and all amounts payable by the Obligated Group under the Master Notes; and (ii) performance of each covenant, agreement or condition of the Obligated Group in the Master Indenture or any instrument given to further evidence, secure or guaranty the Obligated Group’s performance of the obligations under the Master Notes.

Remedies Upon Event of Default

If an Event of Default has occurred and is continuing, the Mortgagee is entitled to exercise any or all remedies set forth or provided in the Master Indenture or the Mortgage. In addition, the Mortgagee is authorized and empowered at its option, to proceed to protect and enforce its rights by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained in the Mortgage, in the Master Indenture or in any other instrument which refers to or secures the Master Indenture, or in aid of the execution of any right, power or remedy therein granted, or for the foreclosure of the Mortgage, or for damages, or to collect the indebtedness secured thereby, or for the enforcement of any other appropriate legal, equitable, statutory or contractual remedy.

Upon the occurrence of any Event of Default and prior to foreclosure, the Mortgagee is entitled to the appointment of a receiver to operate and protect the Mortgaged Property and to collect Rents due under any lease during the pendency of the foreclosure; and has the right to sell the Mortgaged Property, or any portion thereof, at public auction in one or more parcels, at the Mortgagee’s option, and convey the same to the purchaser, as the statute in such case provides, the Mortgagor to remain liable for any deficiency, as provided by law.

Upon the occurrence of any Event of Default and prior to foreclosure, the Mortgagee has the right to collect the Rents, profits and other income of every kind from the Mortgaged Property. For such purpose the Mortgagee may enter and take possession of the Mortgaged Property and manage and operate the same in conformity with all

applicable laws and take any action that, in the Mortgagee's judgement, is necessary or proper to conserve the value of the Mortgaged Property.

Further, the Mortgagee, in exercising its rights thereunder, also has all of the rights and remedies provided by the UCC, including the right to proceed under the UCC (as defined in the Master Indenture) provisions governing default as to any Personal Property which may be included in the Mortgaged Property and separately from the real estate included therein, or to proceed as to all of such Mortgaged Property in accordance with its rights and remedies in respect of said real estate.

The Mortgagor and Mortgagee agree that upon or any time after the commencement of the period of redemption, if any, after foreclosure of the Mortgage, the Ground Lessor, if any, shall have the right to exercise any and all rights of redemption pursuant to applicable state law.

Right of Entry

If the Mortgagee exercises one of the remedies provided in the Mortgage, pursuant to foreclosure of the Mortgage, the Mortgagee may then or at any time thereafter take complete and peaceful possession of the Mortgaged Property or any portion thereof, with or without process of law, and may remove all persons therefrom, and the Mortgagor covenants in any such event peacefully and quietly to yield up and surrender the Mortgaged Property or such portion thereof, to the Mortgagee.

Assignment of Rents

As additional security for the debt secured by the Mortgage, the Mortgagor grants, transfers and assigns to the Mortgagee all the right, title and interest of the Mortgagor in and to the Rents, whether the Rents accrue before or after foreclosure of the Mortgage or during the periods of redemption thereof.

Receivership

At any time after (i) the occurrence of an Event of Default, or (ii) the first publication of notice of sale for the foreclosure of the Mortgage, or (iii) the commencement of an action to foreclose the Mortgage, or (iv) the commencement of the period of redemption, if any, after foreclosure of the Mortgage, the Mortgagee is entitled to the appointment of a receiver for the Rents, profits and all other income of every kind which shall accrue and be owing for the use or occupation of the Mortgaged Property or any part thereof, whether before or after foreclosure and during the full statutory period of redemption, if any, upon a showing that an Event of Default has occurred and is continuing.

The receiver, who shall be an experienced property manager, shall collect (until the indebtedness secured by the Mortgage is paid in full and, in the case of a foreclosure sale, during the entire redemption period, if any) the Rents, profits and all other income of any kind from the Mortgaged Property, manage the Mortgaged Property so as to prevent waste, execute leases without or beyond the period of the receivership, if approved by the court, and apply all Rents, profits and other income collected by the receiver in the order specified in the Mortgage and applicable state law.

Attorneys' Fees

If an Event of Default occurs and the Mortgagee employs attorneys or incurs other expenses for the foreclosure of the Mortgage or the enforcement or performance of any obligation of the Mortgagor under the Mortgage, the Mortgagor will, on demand of the Mortgagee and receipt of an accounting therefor, pay to the Mortgagee the attorneys' fees and such other expenses so incurred, to the extent then permitted by Minnesota or North Dakota law, as applicable.

Warranty of Title

The Mortgagor covenants and warrants either that it is and will continue to possess a good leasehold interest in the Land pursuant to the Ground Lease and a good merchantable and outright title to the remainder of the Mortgaged Property or that it is and will continue to possess good, merchantable and outright title to the Mortgaged Property and that it has good right and lawful authority to convey and grant a lien and security interest in the same to the Mortgagee and that the title, lien and security interest hereby conveyed is and will forever be free, clear and unencumbered subject, however, only to the Permitted Encumbrances. The Mortgagor covenants and agrees at its expense to warrant and defend its good and merchantable title to the Mortgaged Property (subject to Permitted Encumbrances) and its good right and lawful authority to grant a lien and security interest in the same to the Mortgagee. The Mortgagor shall not, except as permitted by the Master Indenture, sell, assign, encumber, convey or otherwise transfer, the Mortgaged Property.

Environmental Covenants

In addition to the environmental covenants of the Members set forth in the Master Indenture, each Mortgagor makes additional covenants with respect to certain environmental matters, including the use and storage of hazardous materials on Mortgaged Property.

Compliance with Laws; Indemnity; Maintenance and Repairs; Insurance; Condemnation

In addition to the covenants of the Members set forth in the Master Indenture, each Mortgage includes additional covenants with respect to or specifically incorporates provisions of the Master Indenture relating to compliance with laws (including environmental laws), indemnity of the Mortgagee, maintenance and repairs of the Mortgaged Property, keeping the Mortgaged Property free of liens or encumbrances other than Permitted Encumbrances, and application of insurance proceeds and condemnation awards.

Inspection of Mortgaged Property

Mortgagee and its authorized representatives are granted by the Mortgagor the right to enter upon the Mortgaged Property or any part thereof at all reasonable times and, except when an Event of Default has occurred, upon reasonable notice to the Mortgagor, for the purpose of inspecting the Mortgaged Property or any part thereof. Mortgagee does not have any duty to make any such inspection and shall not incur any liability or obligation as a result of making or not making any such inspection.

Grant of Easements, Licenses, Etc.

The Mortgagor may at any time or times grant to itself or others easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to the Land, free from the lien of the Mortgage, or the Mortgagor may release existing easements, licenses, rights of way and other rights or privileges with or without consideration, and the Mortgagee will execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or privilege; provided, however, that prior to any such grant or release there has been supplied to the Mortgagee an Officer's Certificate from each Mortgagor of the Obligated Group Agent to the effect that: (a) such grant or release is not detrimental to the proper operation of the Mortgaged Property, (b) such grant or release does not impair the operating unity or the efficiency of the Mortgaged Property or materially and adversely affect the character thereof; and (c) such grant or release is permitted by the Master Indenture.

Removal of Improvements

Except as permitted under the Master Indenture, the Mortgagor will not move any major or material portion of the Improvements and Personal Property located on the Land or any major or material portion of its operations in connection therewith to any site that is not a part of the Land unless the Mortgage is appropriately amended to include such site within the lien thereof or unless otherwise approved by Mortgagee in writing.

Addition of Improvements to Lien of Mortgage

All buildings, structures or improvements that may be acquired or constructed by the Mortgagor subsequent to the date hereof and that are located on the Land, and all property of every kind or nature, including Personal Property, added to or installed in any building, structure or improvement located on the Land, immediately upon the acquisition thereof by the Mortgagor and without any further conveyance or assignment, are subject to the lien and security interest of the Mortgage.

Release of Land and Other Mortgaged Property

The Mortgagor, with the consent of the Obligated Group Agent, or the Obligated Group Agent on behalf of Mortgagor, may exercise the Mortgagor's right to obtain a release of any Land or other Mortgaged Property from the lien of the Mortgage at the time and to the extent permitted by the Master Indenture, including in the exercise of any Grantor's Rights therein specified, but only upon receipt by the Mortgagee of the following:

- (a) a request for such release from the Mortgagor or the Obligated Group Agent;
- (b) an Officer's Certificate from Mortgagor or Obligated Group Agent, setting forth in substance as follows: (i) the legal description of the Land and/or other Mortgaged Property to be released; (ii) that the release is permitted by the Master Indenture; (iii) that the release does not inhibit adequate means of ingress to or egress from the remaining Mortgaged Property; and (iv) that all conditions precedent in the Mortgage and in the Master Indenture providing for such release have been complied with; and
- (c) an Opinion of Counsel to the effect that (i) the certificates, opinions and other instruments that have been or are therewith delivered to and deposited with the Mortgagee conform to the requirements of the Mortgage and the Master Indenture, and (ii) the Mortgagor has complied with all conditions precedent in the Mortgage and the Master Indenture relating to the requested release.

Personal Property of Mortgagor

The Mortgagor may from time to time in its sole discretion install or place within the Improvements or elsewhere on the Land items of Personal Property not constituting fixtures. All items so installed by the Mortgagor become part of the Improvements and are subject to the security interest created under the Mortgage. So long as it is not in default under the Master Indenture, the Mortgagor may, without the consent of the Mortgagee, remove, alter or modify any item of Personal Property not constituting fixtures, but any damage resulting to the Improvements therefrom shall be repaired and the Improvements restored to their previous condition at the sole expense of the party effecting such removal or at the sole expense of the Mortgagor.

Amendments, Supplements, Changes and Modifications

The Mortgage may be amended, supplemented, changed or modified in accordance with the terms set forth in the Mortgage and the Master Indenture, including to permit the exercise of any of Grantor's Rights under the Master Indenture.

Use of Mortgaged Property

Until an Event of Default has occurred and the Mortgagee has exercised one of its remedies under the Mortgage, the Mortgagor has the unencumbered right to the use of the Mortgaged Property in the ordinary course of its business, subject only to the covenants, conditions and agreements contained in the Mortgage and in the Master Indenture.

Provisions Relating to Ground Leases

Where applicable, the Mortgage contains certain provisions relating to the corresponding Ground Lease, including the following:

Compliance with Terms of Ground Lease. The Mortgagor shall (a) promptly perform and observe all of the terms, covenants and conditions required to be performed and observed by the lessee under the Ground Lease and do all things necessary to preserve and to keep unimpaired its rights thereunder, (b) promptly notify the Master Trustee of any default by the Mortgagor under the Ground Lease in the performance of any of the terms, covenants or conditions on the part of the Mortgagor to be performed or observed thereunder or of the giving of any notice by the Ground Lessor to the Mortgagor of such Ground Lessor's intention to end the term thereof, and (c) promptly cause a copy of each such notice given by the Ground Lessor to the Mortgagor to be delivered to the Master Trustee.

Master Trustee May Cure. If the Mortgagor shall fail promptly to perform or observe any of the terms, covenants or conditions required to be performed by it under the Ground Lease, including, without limitation, payment of all Rents due thereunder, it shall constitute an Event of Default under the Mortgage and the Master Trustee may take such action as is appropriate to cause such terms, covenants or conditions to be promptly performed or observed on behalf of the Mortgagor but no such action by the Master Trustee shall release the Mortgagor from any default under the Mortgage. Upon receipt by the Master Trustee from the Ground Lessor or the Mortgagor of any notice of default by the Mortgagor under the Ground Lease, the Master Trustee may rely thereon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof be questioned or denied by the Mortgagor or by any part on behalf of the Mortgagor.

No Surrender; No Modification of Ground Lease. Subject to Grantor's Rights, the Mortgagor shall not surrender its leasehold estate and interests under the Ground Lease, nor terminate or cancel the Ground Lease, and the Mortgagor shall not modify, change, supplement, alter or amend the Ground Lease either orally or in writing except as provided in the Master Indenture, and any attempt on the part of the Mortgagor to exercise any such right without complying with the terms of the Master Indenture shall be null and void and constitute a default of the Mortgage. The Mortgagor shall timely exercise all extension options available under the Ground Lease while this Mortgage remains in effect.

Performance by Ground Lessor. The Mortgagor shall enforce the obligations of the Ground Lessor under the Ground Lease to the end that the Mortgagor may enjoy all of the rights granted to it under the Ground Lease, and will promptly notify the Master Trustee of any default by the Ground Lessor, or by the Mortgagor as lessee, in the performance or observance of any of the terms, covenants and conditions on the part of the Ground Lessor or the Mortgagor, as the case may be, to be performed or observed under the Ground Lease and the Mortgagor will promptly advise the Master Trustee of the occurrence of any of the events of default enumerated in the Ground Lease and of the giving of any notice by the Ground Lessor to the Mortgagor of any default by the Mortgagor, as such lessee, in the performance or observance of any of the terms, covenants or conditions of the Ground Lease on the part of the Mortgagor to be performed or observed and will deliver to the Master Trustee a true copy of each such notice.

Changes in Ground Rent; Insurance Proceeds; Condemnation Awards. In the event that any proceeds of insurance on any part of the Mortgaged Property, or any proceeds of any Award for the taking by eminent domain of any part of the Mortgaged Property, shall be deposited with any person pursuant to the requirements of the Ground Lease, the Mortgagor shall promptly notify the Master Trustee of the name and address of the person with whom such proceeds have been deposited and of the amount so deposited.

Lien on Mortgagor's Leasehold Estate in the Land and Improvements. The Mortgagor agrees that the Mortgaged Property includes the Mortgagor's leasehold interest created by the Ground Lease, together with (i) all additions to, and modifications, extensions and renewals of the Ground Lease, and (ii) any after acquired title of the Mortgagor in the Land and Improvements, including the Ground Lessor's interest therein should such estate be hereafter acquired by the Mortgagor.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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FRYBERGER

— LAW FIRM —

July ___, 2021

Duluth Economic Development Authority,
as Issuer
Duluth, Minnesota

U.S. Bank National Association,
as Bond Trustee and Master Trustee
Saint Paul, Minnesota

Herbert J. Sims & Co., Inc.,
as Series 2021A Underwriter
Chicago, Illinois

Bremer Bank, N.A.,
as Series 2021B Bond Purchaser
Minneapolis, Minnesota

National Bank of Commerce,
as Series 2021C Bond Purchaser
Duluth, Minnesota

Gilmore & Bell, P.C.,
as Special Tax Counsel
Kansas City, Missouri

Benedictine Health System, as Obligated
Group Agent
Minneapolis, Minnesota

**Re: *Duluth Economic Development Authority, St. Louis County, Minnesota
Revenue Bonds (Benedictine Health System) Series 2021***

We have acted as Bond Counsel to the Duluth Economic Development Authority, St. Louis County, Minnesota (the "Issuer") in connection with the authorization, issuance and delivery by the Issuer of the following obligations, dated the date hereof:

1. \$_____ Revenue Bonds (Benedictine Health System) Series 2021A (the "Series 2021A Bonds"),
2. \$_____ Revenue Bonds (Benedictine Health System) Series 2021B (the "Series 2021B Bonds"), and
3. \$_____ Revenue Bonds (Benedictine Health System) Series 2021C (the "Series 2021C Bonds," and together with the Series 2021A Bonds and the Series 2021B Bonds, the "Series 2021 Bonds").

The Series 2021 Bonds are issued under the authority of Minnesota Statutes, Sections 469.152 through 469.165, Chapter 462C, and Minnesota Statutes, Section 471.59 (the "Act"). Capitalized terms used but not defined in this opinion letter have the meanings assigned in the Bond Indentures, each referred to below, and as applicable.

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

CLOQUET
813 Cloquet Ave.
Cloquet, MN 55720
p: (218) 879-6830

DULUTH
302 West Superior St.
Ste 700
Duluth, MN 55802
p: (218) 722-0861

SUPERIOR
1409 Hammond Ave., Suite 330
Superior, WI 54880
p: (715)392-7405

ST. PAUL
c/o 302 West Superior St.
Ste 700
Duluth, MN 55802
p: (651)221-1044

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following provided to us as originally executed or facsimile copies, each dated as of July 1, 2021, except where otherwise noted:

1. the Bond Purchase Agreement dated _____, 2021, relating to the Series 2021A Bonds among the Issuer, Benedictine Health System (the "Corporation"), as Obligated Group Agent on behalf of the Members of the Obligated Group, and Herbert J. Sims & Co., Inc.;
2. the Series 2021 Bonds, dated the date hereof as the date of issuance;
3. the Bond Trust Indenture, between the Issuer and U.S. Bank National Association, as bond trustee (the "Bond Trustee"), relating to the Series 2021A Bonds (the "2021A Bond Indenture");
4. the Loan Agreement among the Issuer, the Corporation and Benedictine Care Centers; Benedictine Health Center; Bridges Care Center; City of Lakes Care Center; Benedictine Living Community Owatonna; Madonna Meadows of Rochester; Madonna Summit of Byron, LLC; Madonna Towers of Rochester, Inc.; Regina Senior Living; Saint Anne of Winona; St. Gertrude's Health Center; Steeple Pointe Senior Living Community; and Villa St. Vincent (the "Obligors"), relating to the Series 2021A Bonds (the "2021A Loan Agreement");
5. the Bond Trust Indenture, between the Issuer and the Bond Trustee, relating to the Series 2021B Bonds (the "2021B Bond Indenture");
6. the Loan Agreement among the Issuer, the Corporation and the Obligors, relating to the Series 2021B Bonds (the "2021B Loan Agreement");
7. the Bond Trust Indenture, between the Issuer and the Bond Trustee, relating to the Series 2021C Bonds (the "2021C Bond Indenture" and together with the 2021A Bond Indenture and the 2021B Bond Indenture, the "Bond Indentures");
8. the Loan Agreement among the Issuer, the Corporation and the Obligors, relating to the Series 2021C Bonds (the "2021C Loan Agreement" and together with the 2021A Loan Agreement and the 2021B Loan Agreement, the "Loan Agreements");
9. the Cooperation Agreements, between the Issuer and each of the Cities of Ada, Byron, Crookston, Osseo and Shakopee, Minnesota, the Housing and Redevelopment Authority of Duluth, Minnesota, and the Port Authority of Winona, Minnesota.
10. the Tax Compliance Agreement among the Obligated Group Agent, the Obligors, and the Bond Trustee (the "Tax Certificate");
11. the endorsement to the Tax Certificate, dated the date hereof, by the Issuer (the "Endorsement");

12. a copy of the resolution of the Board of Commissioners of the Issuer adopted May 26, 2021, certified as of the date hereof, approving and authorizing the execution of the Series 2021 Bonds, the Documents (as defined below) and other documents (the "Resolution");

13. such questions of fact as we have deemed pertinent;

14. applicable law, including relevant provisions of the laws of the State of Minnesota (the "State") and the United States of America; and

15. certified copies of proceedings taken, and affidavits and certificates furnished by the Issuer and other State governmental entities, including without limitation the Minnesota Agricultural and Economic Development Board, the Counties of Goodhue and Steele, the Housing and Redevelopment Authority of Duluth, Port Authority of Winona on behalf of the City of Winona, and the Cities of Ada, Byron, Crookston, Hastings, Lauderdale, Minneapolis, New Brighton, Osseo, Owatonna, Preston, Red Wing, Rochester, St. Paul Park, Shakopee and Spring Valley, with respect to the authorization, sale and issuance of the Series 2021 Bonds and such other documents, materials, certificates of public officials, records, other certificates, opinions and instruments as we have considered necessary in order to render this opinion. (The documents listed at paragraphs 1, and 3 through 9 above are herein collectively referred to as the "Documents.")

B. Reliance. As to questions of fact material to our opinion, we have relied, without independent investigation, upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Corporation and the Obligors (including, without limitation, those certificates delivered to others on the date hereof) without undertaking to verify such facts by independent investigation;

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (c) the conformity to original documents of all documents submitted to us as certified copies, facsimile copies or photocopies, (d) the genuineness of the signatures on all documents submitted to us, and (e) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in Section D below, we have assumed with respect to all parties, other than the Issuer: (a) that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, and (b) that such agreements or instruments are the valid, binding and enforceable obligations of each such party.

D. Opinions. Based on our examination described in Section A of this opinion letter, and subject to the reliance described in Section B of this opinion letter, the assumptions described in Section C of this opinion letter, and the qualifications and the limitations described in Section E of this opinion letter, on the basis of federal and State laws, regulations, rulings and decisions in effect and as construed

on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, it is our opinion that:

1. The Issuer is a public body, corporate and politic and a political subdivision of the State and has full power and authority under the Constitution and laws of the State, including the Act, to execute and deliver the Series 2021 Bonds and the Documents and to carry out the terms thereof.

2. The Documents and the Endorsement have been duly and validly authorized, executed and delivered by the Issuer. The Documents are valid and binding instruments of the Issuer enforceable in accordance with their terms.

3. The Series 2021 Bonds have been duly and validly authorized, executed and delivered by the Issuer and are valid and binding special, limited obligations of the Issuer enforceable in accordance with their terms. The principal of, premium, if any, and interest on the Series 2021 Bonds are payable solely from, and secured by, an assignment and pledge by the Issuer to the Bond Trustee under the Bond Indentures of (a) the payments to be received by the Issuer under the Loan Agreements (other than certain rights reserved in the Issuer to indemnification and payment of fees and expenses, referred to therein as the "Unassigned Rights"), and (b) the proceeds of the Series 2021 Bonds and any other amounts at any time contained in the funds and accounts held by the Bond Trustee under the Bond Indentures, until their use or release from said funds and accounts (or in the event of a default of the Loan Agreements, from the sale, release or other disposition of property which further secures payment of the Series 2021 Bonds). The Series 2021 Bonds and the interest thereon do not constitute a debt of the Issuer or the State or any political subdivision, agency or instrumentality thereof within the meaning of any constitutional provision or statutory or charter limitation and do not constitute or give rise to a pecuniary liability of the Issuer or the State or a charge against their general credit, assets or taxing powers. The Series 2021 Bonds do not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Issuer, except payments under the Loan Agreements and the agreement of the Issuer to perform or cause the performance of the covenants and other provisions referred to in the Documents are subject at all times to the availability of payments under the Loan Agreements, or in the event of a default of the Loan Agreements, from the sale, release or other disposition of property which secures payment of the Series 2021 Bonds sufficient to pay all costs of such performance or the enforcement thereof.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. Except as expressly set forth herein, we express no opinion as to any federal or State tax consequences arising from ownership of the Series 2021 Bonds.

2. We express no opinion as to the priority of the pledge and assignment by the Issuer to the Bond Trustee of the payments to be received by the Issuer under the Loan Agreements and other income and revenues pledged under the Bond Indentures or the effect thereof against third parties.

3. We express no opinion as to the adequacy of moneys realized, in the event of a default of the Loan Agreements, from the sale, release or other disposition of property which further secures payment of the Series 2021 Bonds.

4. We express no opinion as to the Master Trust Indenture dated as of July 1, 2021, as supplemented and amended through the date hereof (as supplemented and amended the "Master Indenture"), among the Corporation, as Obligated Group Agent, the Members of the Obligated Group (including the Obligors), and U.S. Bank National Association, as master trustee (the "Master Trustee"), or the Master Notes issued under the Master Indenture, including the adequacy of moneys realized thereunder, in the event of a default of the Loan Agreements.

5. The rights of the owners and enforceability of the Series 2021 Bonds and the enforceability of the Documents are subject to and may be limited by (a) State and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and State securities laws and public policy relating thereto.

6. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

7. We express no opinion as to compliance with any federal securities laws or any State securities or Blue Sky laws.

8. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

9. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

10. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Series 2021 Bonds, and we express no opinion relating thereto.

Respectfully submitted,

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APPENDIX E

PROPOSED FORM OF SPECIAL TAX COUNSEL OPINION

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2405 Grand Boulevard, Suite 1100
Kansas City, Missouri 64108-2521

(816) 221-1000 / (816) 221-1018 FAX / gilmorebell.com

July __, 2021

Duluth Economic Development Authority
Duluth, Minnesota

U.S. Bank National Association
St. Paul, Minnesota
as Bond Trustee and Master Trustee

Benedictine Health System,
as Obligated Group Agent
Minneapolis, Minnesota

Herbert J. Sims & Company, Inc.
Fairfield, Connecticut
as Series 2021A Underwriter

Bremer Bank, N.A.
Minneapolis, Minnesota
as Series 2021B Bond Purchaser

National Bank of Commerce
Duluth, Minnesota
as Series 2021C Bond Purchaser

Re: \$ _____ Duluth Economic Development Authority, St. Louis County, Minnesota Revenue Bonds (Benedictine Health System), Series 2021A; \$ _____ Duluth Economic Development Authority Revenue Bonds (Benedictine Health System), Series 2021B; and \$ _____ Duluth Economic Development Authority Revenue Bonds (Benedictine Health System), Series 2021C

Ladies and Gentlemen:

We have acted as Special Tax Counsel to Benedictine Health System, a Minnesota nonprofit corporation (the “*Corporation*” or the “*Obligated Group Agent*”) with respect to the issuance of the following series of bonds (collectively, the “*Series 2021 Bonds*”) issued by the Duluth Economic Development Authority, St. Louis County, Minnesota (the “*Authority*”) pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C, the Minnesota Municipal Industrial Development Act, Minnesota Statutes, Sections 469.152 through 469.165 and the Minnesota Joint Powers Act, Minnesota Statutes, Section 471.59 (collectively, the “*Act*”):

- \$ _____ principal amount Revenue Bonds (Benedictine Health System) Series 2021A (the “*Series 2021A Bonds*”), issued pursuant to a Bond Trust Indenture, dated as of July 1, 2021 (the “*2021A Bond Indenture*”), between the Authority and U.S. Bank National Association, as bond trustee (the “*Bond Trustee*”).
- \$ _____ principal amount Revenue Bonds (Benedictine Health System) Series 2021B (the “*Series 2021B Bonds*”), issued pursuant to a Bond Trust Indenture, dated as of July 1, 2021 (the “*2021B Bond Indenture*”), between the Authority and the Bond Trustee.
- \$ _____ principal amount Revenue Bonds (Benedictine Health System) Series 2021C (the “*Series 2021C Bonds*”), issued pursuant to a Bond Trust Indenture, dated as of July 1, 2021 (the “*2021C Bond Indenture*”), between the Authority and the Bond Trustee.

The 2021A Bond Indenture, 2021B Bond Indenture, and 2021C Bond Indenture are collectively referred to as the “*Bond Indentures*.” Capitalized terms used herein and not otherwise defined have the meanings given those terms in the Bond Indentures.

The proceeds of the Series 2021A Bonds are being loaned to certain Members of the Obligated Group (such Members being referred to as the “*Obligors*”) pursuant to a Loan Agreement, dated as of July 1, 2021 (the “*2021A Loan Agreement*”), among the Corporation, the Obligors, and the Authority. The proceeds of the Series 2021B Bonds are being loaned to the Obligors pursuant to a Loan Agreement, dated as of July 1, 2021 (the “*2021B Loan Agreement*”), among the Corporation, the Obligors, and the Authority. The proceeds of the Series 2021C Bonds are being loaned to the Obligors pursuant to a Loan Agreement, dated as of July 1, 2021 (the “*2021C Loan Agreement*”), among the Corporation, the Obligors, and the Authority. The Obligors will use the proceeds of the Series 2021 Bonds, together with certain other monies of the Obligors, to (i) refinance a portion of the existing indebtedness of the Obligors; (ii) finance, refinance and reimburse all or a portion of the costs for the constructing, improving, renovating, furnishing and equipping of certain Facilities owned and operated by the Obligors; (iii) fund a deposit to the Master Reserve Fund under the herein described Master Indenture for the Series 2021A Bonds; and (iv) pay certain costs of issuance of the Series 2021 Bonds and the refunding and redemption of the Refunded Obligations. The 2021A Loan Agreement, 2021B Loan Agreement, and 2021C Loan Agreement are collectively referred to as the “*Loan Agreements*.”

To secure the obligations of the Obligors under the Loan Agreements, the Corporation, as Obligated Group Agent, will execute and deliver to the Bond Trustee three separate Master Indenture Notes pursuant to a Master Trust Indenture dated as of July 1, 2021, as supplemented and amended by a Supplemental Master Trust Indenture No. 1 dated as of July 1, 2021, Supplemental Master Trust Indenture No. 2 dated as of July 1, 2021, and Supplemental Master Trust Indenture No. 3 dated as of July 1, 2021 (as supplemented and amended, including by other Supplemental Master Trust Indentures, the “*Master Indenture*”), each among the Corporation, as Obligated Group Agent, the initial Members of the Obligated Group (including the Obligors), and U.S. Bank National Association, as master trustee (the “*Master Trustee*”). The Obligated Group Agent will issue to the Bond Trustee under each of the Bond Indentures the following Master Notes:

- Master Indenture Note (Benedictine Health System), Series 2021A (the “*Series 2021A Master Note*”) in the same principal amount as the Series 2021A Bonds;
- Master Indenture Note (Benedictine Health System), Series 2021B (the “*Series 2021B Master Note*”) in the same principal amount as the Series 2021B Bonds; and
- Master Indenture Note (Benedictine Health System), Series 2021C (the “*Series 2021C Master Note*”) in the same principal amount as the Series 2021C Bonds.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority, the Obligated Group Agent, and the Obligors contained in the Loan Agreements and the other Bond Documents and the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

We have relied on the legal opinions dated the date hereof, of Fryberger, Buchanan, Smith & Frederick, P.A., as bond counsel to the Authority, and as counsel to the Corporation and the Members of the Obligated Group, including the Obligors, with respect to, among other matters, (a) the validity of the Series 2021 Bonds, (b) the due authorization, execution and delivery by the Authority of the Bond Indentures and the Loan Agreements, (c) the enforceability of the Bond Indentures and the Loan Agreements against the Authority, (d) the corporate status and due organization of the Corporation and each

Member of the Obligated Group, (e) the good standing and qualification to do business of the Corporation and each Member of the Obligated Group, (f) the corporate power of the Corporation and each Member of the Obligated Group, as applicable, to enter into and perform its respective obligations under the Loan Agreements, the Series 2021A Master Note, the Series 2021B Master Note and the Series 2021C Master Note, (g) the due authorization, execution and delivery of the Loan Agreements, the Series 2021A Master Note, the Series 2021B Master Note, and the Series 2021C Master Note by the Corporation on behalf of the Obligors or the Members of the Obligated Group, as applicable, and the binding effect and enforceability thereof against the Obligors or the Members of the Obligated Group, as applicable, and (h) the status of the Corporation and each Member of the Obligated Group as Tax-Exempt Organizations. We have rendered no opinion with respect to any such matters on behalf of the Authority, the Corporation or any Member of the Obligated Group.

Based upon and subject to the foregoing, we are of the opinion under existing law the interest on the Series 2021 Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is excludable from taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, and (iii) is not an item of tax preference for purposes of computing the federal or State of Minnesota alternative minimum tax. The interest on the Series 2021 Bonds is includable in taxable income for purposes of the State of Minnesota franchise tax imposed on corporations and financial institutions. The opinions set forth in this paragraph are subject to the condition that the Authority and the Obligors comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Authority, Corporation and the Obligors have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2021 Bonds in gross income for federal income tax purposes or State of Minnesota taxable net income retroactive to the date of issuance of the Series 2021 Bonds. The Series 2021 Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Except as set forth above, we express no opinion regarding other federal, state or local income tax consequences arising with respect to the Series 2021 Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2021A Bonds or other offering material relating to either the Series 2021B Bonds or the Series 2021C Bonds (except to the extent, if any, stated in the Official Statement relating to the Series 2021A Bonds) and we express no opinion relating thereto (excepting only the matters set forth as our opinion relating to the Series 2021A Bonds in the Official Statement).

The rights of the Owners of the Series 2021 Bonds and the enforceability of the Series 2021 Bonds, the Bond Indentures, the Loan Agreements, the Master Indenture, the Series 2021A Master Note, the Series 2021B Master Note and the Series 2021C Master Note may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

This opinion is delivered to you for your use only and may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written approval in each instance.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

This section describes how ownership of the Series 2021A Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2021A Bonds are to be paid to and credited by DTC while the Series 2021A Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement.

DTC will act as securities depository for the Series 2021A Bonds. The Series 2021A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Series 2021A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Series 2021A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021A Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("*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 2021A 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 Bonds, except in the event that use of the book-entry system for the Series 2021A Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 2021A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2021A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2021A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2021A 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 Authority or Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the

responsibility of such Participant and not of DTC, the Bond Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Agent. 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 2021A Bonds at any time by giving reasonable notice to the Authority or Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

NEITHER THE AUTHORITY, THE UNDERWRITER, THE CORPORATION NOR THE BOND TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE PERSONS FOR WHOM PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE SERIES 2021A BONDS FOR REDEMPTION.

NEITHER THE BOND TRUSTEE, THE UNDERWRITER, THE CORPORATION NOR THE AUTHORITY WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OF A DEPOSITORY, ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN ANY SERIES 2021A BONDS UNDER OR THROUGH A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND TRUSTEE AS BEING A REGISTERED OWNER, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY, THE PAYMENT BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY AMOUNT IN RESPECT OF PRINCIPAL OR PREMIUM, IF ANY, OR INTEREST ON ANY SERIES 2021A BOND, ANY NOTICE WHICH IS REQUIRED TO BE GIVEN TO REGISTERED OWNERS UNDER THE BOND INDENTURE, THE SELECTION BY A DEPOSITORY OR ANY PARTICIPANT OF A DEPOSITORY OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2021A BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2021A BONDS.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

In reading this Official Statement it should be understood that while the Series 2021A Bonds are in the Book-Entry Only System, references in other sections of this Official Statement

to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2021A Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Indenture will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority or the Underwriter.

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM

In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the Authority, then the Bond Trustee shall notify the Bondowners of such, and the Bond Trustee shall register in the name of and authenticate and deliver replacement bonds to the beneficial owners or their nominees in principal amounts representing the interest of each such Bondowner, as provided in the Bond Indenture.

LIMITATIONS

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

Under the Bond Indenture, payments made by the Bond Trustee to DTC or its nominee will satisfy the Authority's respective obligations under the Bond Indenture and the Corporation's respective obligations under the Loan Agreement to the extent of the payments so made.

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

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

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “*Disclosure Agreement*”) is executed and delivered by Benedictine Health System, a nonprofit corporation organized and existing under the laws of the State of Minnesota (the “*Corporation*”), as Obligated Group Agent (as defined below) on behalf of the Members of the Obligated Group (as defined below), as of _____, 2021. The Corporation covenants and agrees as follows:

Section 1. Definitions. Any capitalized terms used herein but not defined herein shall have the meanings assigned to them in the hereinafter described Master Indenture, and the following capitalized terms shall have the following meanings:

“*Annual Budget*” shall mean any Annual Budget provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Annual Report*” shall mean any Annual Report provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Authority*” shall mean the Duluth Economic Development Authority, a public body, corporate and politic, and political subdivision organized and existing under the Constitution and the laws of the State of Minnesota.

“*Bond Indenture*” shall mean the Bond Trust Indenture dated as of July 1, 2021, between the Authority and the Bond Trustee, pursuant to which the Series 2021A Bonds are issued.

“*Bond Trustee*” shall mean U.S. Bank National Association, as bond trustee.

“*Bondholders*” shall mean the owners and beneficial owners from time to time of the Series 2021A Bonds.

“*Business Day*” shall have the meaning set forth in the Bond Indenture.

“*Corporation*” shall mean Benedictine Health System, a nonprofit corporation incorporated under the laws of the State of Minnesota.

“*Days Cash on Hand*” shall have the meaning set forth in the Master Indenture.

“*Disclosure Agreement*” shall mean this agreement.

“*Dissemination Agent*” shall mean (i) initially, U.S. Bank National Association or (2) any Dissemination Agent designated in writing by the Corporation and which has filed with the Corporation a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB accessible at <http://emma.msrb.org> or such other information repository as may be determined by the SEC from time to time.

“*Financial Obligation*” means a (a) debt obligation, (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) guarantee of a debt obligation or a derivative instrument. The term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“GAAP” means generally accepted accounting principles in the United States of America.

“*Historical Debt Service Coverage Ratio*” shall have the meaning set forth in the Master Indenture.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*Loan Agreement*” shall mean the Loan Agreement dated as of July 1, 2021, among the Corporation, certain Members of the Obligated Group and the Authority relating to the Series 2021A Bonds.

“*Master Indenture*” shall mean the Master Trust Indenture dated as of July 1, 2021, among the Corporation, as Obligated Group Agent, the Members of the Obligated Group and the Master Trustee, as amended and supplemented from time to time.

“*Master Trustee*” shall mean U.S. Bank National Association as master trustee.

“*Member*” or “*Member of the Obligated Group*” or “*Obligated Group*” means Benedictine Care Centers, Benedictine Health Center, Benedictine Living Communities, Inc., Bridges Care Center, City of Lakes Care Center, Benedictine Living Community of Wahpeton, LLC, Benedictine Living Community of Wahpeton, Ellendale Evergreen Place, Inc., Madonna Meadows of Rochester, Madonna Summit of Byron, LLC, Madonna Towers of Rochester, Inc., Regina Senior Living, Saint Anne of Winona, St. Gertrude’s Health Center, Koda Living Community, Steeple Pointe Senior Living Community and Villa St. Vincent.

“*Monthly Report*” shall mean any Monthly Report provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any successor entity as described in the Rule.

“*Obligated Group Agent*” shall have the same meaning set forth in the Master Indenture.

“*Obligated Person*” shall have the meaning set forth in the Rule.

“*Offering Document*” shall mean the Official Statement dated _____, 2021 describing the Series 2021A Bonds.

“*Quarterly Report*” shall mean any quarterly report provided by the Obligated Group Agent on behalf of the Members of the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934.

“*SEC*” shall mean the United States Securities and Exchange Commission.

“*Series 2021A Bonds*” means the Authority’s Revenue Bonds (Benedictine Health System), Series 2021A.

“*Underwriter*” shall mean Herbert J. Sims & Company, Inc., or any additional purchaser of the Series 2021A Bonds required to comply with the Rule in connection with an offering of the Series 2021A Bonds.

Section 2. Purpose of this Disclosure Agreement. The purpose of this Disclosure Agreement is to assist the Underwriter in complying with the Rule in connection with the Series 2021A Bonds. The Corporation represents that the Members of the Obligated Group are the only Obligated Persons with respect to the Series 2021A Bonds at the time the Series 2021A Bonds are delivered to the Underwriter. In its actions under this Disclosure Agreement, if any, the Dissemination Agent shall be entitled to the same protections afforded to the Master Trustee under the Master Indenture.

Section 3. Provision of Annual Reports, Quarterly Reports, Monthly Reports and Annual Budgets. (a) The Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 150 days after the completion of each fiscal year of the Corporation (beginning with the fiscal year ending June 30, 2021), provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB) an Annual Report that is consistent with the requirements of Section 4(a) of this Disclosure Agreement.

(b) Beginning with the fiscal quarter ending June 30, 2021, the Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 60 days after the completion of each fiscal quarter of the Corporation, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB) a Quarterly Report that is consistent with the requirements of Section 4(b) of this Disclosure Agreement.

(c) The Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 45 days after the end of each month, during the period of time any Monthly Report is

required under Section 4(c) hereof, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB), a Monthly Report that is consistent with the requirements of Section 4(c) of this Disclosure Agreement.

(d) The Obligated Group Agent shall, or shall cause the Dissemination Agent to, not later than 30 days prior to the start of each fiscal year, provide or cause to be provided to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB), an Annual Budget that is consistent with the requirements of Section 4(d) of this Disclosure Agreement.

(e) In each case the Annual Report, the Quarterly Report, the Monthly Report or the Annual Budget may be submitted as a single document or as a package comprising separate documents. Any or all of the items constituting the Annual Report, the Quarterly Report, the Monthly Report or the Annual Budget may be incorporated by reference from other documents that have been submitted to the MSRB or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Obligated Group Agent shall clearly identify each such other document so incorporated by reference.

(f) The Dissemination Agent shall (if the Dissemination Agent is other than the Corporation) file a report with the Corporation certifying that the Annual Report, the Quarterly Report, the Monthly Report or the Annual Budget, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

(g) With respect to each Annual Report, Quarterly Report, Monthly Report or Annual Budget required to be submitted to the MSRB in this Section 3, the Corporation agrees to deliver such information or, alternatively, a notice of the Corporation's intent to act as its own Dissemination Agent with respect to such information, to the Dissemination Agent at least five (5) Business Days prior to the date required for dissemination to the MSRB. If the Dissemination Agent does not receive an Annual Report, Quarterly Report, Monthly Report or Annual Budget or a notice of the Corporation's intent to act as Dissemination Agent with respect to such information on or before a required dissemination date, then the Dissemination Agent shall file with the MSRB a notice of failure to file. If the Corporation is unable to provide to the MSRB an Annual Report, Quarterly Report, Monthly Report or Annual Budget by the dates required in this Section 3 and the Dissemination Agent has not filed with the MSRB a related notice of failure to file, the Corporation shall send or cause to be sent a notice of such fact to the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB).

Section 4. Content of Annual Reports, Quarterly Reports, Monthly Reports and Annual Budgets. (a) The Annual Report to be delivered under Section 3(a) shall provide the following financial and operating data:

(1) Audited financial statements of Benedictine Health System and affiliates for the fiscal year immediately preceding the due date of the Annual Report. Such financial statements shall be prepared in accordance with GAAP, shall be audited by an

independent certified public accountant, and shall include a combined balance sheet as of the end of such fiscal year, a combined statement of operations for such fiscal year and a combined statement of changes in net assets for such fiscal year, showing in each case in comparative form the financial figures for the preceding fiscal year or a written explanation detailing the reasons that comparative financial figures cannot be prepared; *provided, however*, that if such audited financial statements are not available by the deadline for filing the Annual Report, they shall be provided when and if available, and unaudited financial statements shall be included in the Annual Report.

(2) To the extent not otherwise provided, an update for such fiscal year of the financial and operating data included in the tables and charts under the headings “STATISTICAL INFORMATION – Historical Occupancy of the Obligated Group Communities,” “STATISTICAL INFORMATION – Sources of Net Patient Service Revenue,” “FINANCIAL INFORMATION – Combined Statements of Operations and Changes in Net Assets of the Obligated Group,” “FINANCIAL INFORMATION – Combined Balance Sheets of the Obligated Group,” “FINANCIAL INFORMATION – Debt Service Coverage Ratios,” (but excluding any Pro Forma Maximum Annual Debt Service Coverage Ratio) and “FINANCIAL INFORMATION – Liquidity” contained in APPENDIX A to the Offering Document.

(3) An Officer’s Certificate of the Obligated Group Agent stating that the Obligated Group is in material compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof.

(4) An update of the status of any construction project ongoing or completed during the fiscal year the cost of which was financed with proceeds of Master Notes with projected or actual project costs in excess of 10% of Revenues of the Obligated Group.

(5) A management’s discussion and analysis of results of operation of the Obligated Group for the fiscal year.

(b) The Quarterly Report to be delivered under Section 3(b) shall contain the following financial and operating data:

(1) Management-prepared financial statements, including a statement of operations, a statement of changes in net assets, a balance sheet and a statement of cash flows of the Obligated Group during such period, all prepared in reasonable detail and certified, subject to year-end adjustment, by an officer of the Obligated Group Agent.

(2) A comparison of actual revenues and expenses of the Obligated Group year-to-date against the Annual Budget of the Obligated Group.

(3) A calculation of the Days Cash on Hand as of the last day of each quarter and a calculation of the Historical Debt Service Coverage Ratio for each fiscal quarter of each year on a rolling four quarter basis.

(4) Information with respect to the occupancy levels of all of the facilities operated by the Obligated Group by level of care as of the end of each fiscal quarter.

(5) An Officer's Certificate of the Obligated Group Agent stating that the Obligated Group is in compliance with all of the terms, provisions and conditions of the Master Indenture or, if not, specifying all such defaults and the nature thereof.

(c) A Monthly Report to be delivered under this Section 4(c) shall be required in any month in which the Historical Debt Service Coverage Ratio for any fiscal year is less than 1.00:1, and a Monthly Report under this Section 4(c) shall be required for each month thereafter until the Historical Debt Service Coverage Ratio is at least 1.00:1. The Monthly Report to be delivered under this Section 4(c) shall contain the same information as that required by Section 4(b) hereof but the calculation of the Historical Debt Service Coverage Ratio of the Obligated Group shall be calculated on a year-to-date basis each month.

Section 5. Reporting of Listed Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2021A Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021A Bonds, or other material events affecting the tax status of the Series 2021A Bonds;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Series 2021A Bonds, if material;

- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of a Member of the Obligated Group;
- (13) the consummation of a merger, consolidation, or acquisition involving a Member of the Obligated Group or the sale of all or substantially all of the assets of a 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 action, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) the incurrence of a Financial Obligation of a Member of the Obligated Group, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms (including debt service schedules) of a Financial Obligation of a Member of the Obligated Group, any of which affect security holders, if material; and
- (16) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of a Member of the Obligated Group, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the Obligated Group Agent shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the MSRB (in an electronic format by transmission to EMMA and accompanied by identifying information as prescribed by the MSRB). Such notice shall be filed within 10 Business Days after the occurrence of the Listed Event. If the Obligated Group Agent determines that it failed to give notice as required by this Section, it shall promptly file a notice of such occurrence in the same manner.

(c) For purposes of the event identified in subsection (a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for a 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 governmental authority has assumed jurisdiction over substantially all of the assets or business of a Member of the Obligated Group, or if such jurisdiction has been assumed by leaving by 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 a Member of the Obligated Group.

Section 6. Termination of Reporting Obligation. The Obligated Group's obligations under this Disclosure Agreement with respect to the Series 2021A Bonds shall terminate upon the defeasance, prior redemption or payment in full of all the Series 2021A Bonds or if the Rule

shall be revoked or rescinded by the SEC or declared invalid by a final decision of a court of competent jurisdiction.

Section 7. Dissemination Agent. From time to time, the Obligated Group Agent may appoint or engage a Dissemination Agent to assist the Obligated Group Agent in carrying out its obligations under this Disclosure Agreement, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Obligated Group Agent shall be the Dissemination Agent. Initially, U.S. Bank National Association shall be the Dissemination Agent. The sole remedy of any party against the Dissemination Agent shall be nonmonetary and specific performance. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent shall not be responsible for the form or content of the Annual Report, Quarterly Report, Monthly Report, Annual Budget, notice of occurrence of a Listed Event, or other document furnished to the Dissemination Agent by the Obligated Group Agent. The Dissemination Agent shall have no obligation to disclose information about the Corporation or Obligated Group except as expressly provided herein. The Dissemination Agent shall have no duty or obligation to review or verify any information, disclosures or notices provided to it hereunder and receipt of such information, disclosures or notices by the Dissemination Agent shall not constitute constructive or actual notice by the Dissemination Agent (including in its separate capacities as Master Trustee or Bond Trustee) of any information contained therein or determinable from information contained therein. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Obligated Group Agent, any Member of the Obligated Group, the Underwriter, any Bondholder or any other party. Nothing in this Disclosure Agreement shall be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information made public. If the Dissemination Agent receives a request for an interpretation or opinion, the Dissemination Agent may refer such request to the Obligated Group Agent. The Dissemination Agent shall receive reasonable compensation for its services provided hereunder. The Dissemination Agent may resign at any time by providing at least 60 days' written notice to the Obligated Group Agent.

Section 8. Amendment; Waiver; Modification. The Obligated Group may amend or waive any provision of this Disclosure Agreement, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule or adjudication of the Rule by a final decision of a court of competent jurisdiction. Section 4 establishes only the general type of information to be provided in an Annual Report, Quarterly Report or Monthly Report, and the Obligated Group Agent reserves the right (in its sole discretion and without the need for any consents or amendments) to modify from time to time the specific content for such general types of information and the format and presentation thereof. The Obligated Group may modify from time to time the general types of information required under Section 4 to be provided in an Annual Report, Quarterly Report or Monthly Report in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature, or status of any Obligated Person or type of business conducted, *provided* that any such modification will be done in a manner consistent with the Rule and will not, in the

opinion of a party unaffiliated with the Authority or the Members of the Obligated Group, materially impair the interests of the Bondholders. Changes to the entities comprising the Obligated Group, the Members of the Obligated Group, the Obligated Group Agent or the Obligors effected in accordance with the provisions of the Master Indenture, the Bond Indenture or the Loan Agreement shall be given effect hereunder without further action or amendment.

Section 9. Additional Information. The Members of the Obligated Group may from time to time choose to disseminate other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or include other information in any Annual Report, Quarterly Report, Monthly Report, Annual Budget or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If such Member of the Obligated Group chooses to include any information in any Annual Report, Quarterly Report, Monthly Report, Annual Budget or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, such Member shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Quarterly Report, Monthly Report, Annual Budget or notice of occurrence of a Listed Event.

Section 10. Default. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Master Indenture, the Bond Indenture or the Loan Agreement, and the sole remedy of Bondholders under this Disclosure Agreement in the event of any failure of the Obligated Group or the Obligated Group Agent, on behalf of the Obligated Group, to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Corporation, the Underwriter and the Bondholders, and shall create no rights in any other person or entity.

Section 12. Responsible Officer. The Obligated Group Agent's Senior Vice President of Finance and Chief Financial Officer shall be the officer, agency, or agent of the Obligated Group Agent responsible for providing Annual Reports, Quarterly Reports, Monthly Reports and Annual Budgets and giving notice of Listed Events, to the extent required hereunder, and any inquiries regarding this Disclosure Agreement should be directed to the Obligated Group Agent, to the attention of its Senior Vice President of Finance and Chief Financial Officer.

Section 13. Future Changes to the Rule. As set forth in Section 2 of this Disclosure Agreement, the Corporation has executed and delivered this Disclosure Agreement solely and only to assist the Underwriter in complying with the requirements of the Rule. Therefore, notwithstanding anything in this Disclosure Agreement to the contrary, in the event the SEC, the MSRB or other regulatory authority shall approve or require changes to the requirements of the Rule, the Obligated Group shall be permitted, but shall not be required, to unilaterally modify the covenants in this Disclosure Agreement, without complying with the requirements of Section 8 of this Disclosure Agreement, in order to comply with, or conform to, such changes. In the event of any such modification of this Disclosure Agreement, the Obligated Group shall file a copy of this Disclosure Agreement, as revised, on EMMA in a timely manner.

IN WITNESS WHEREOF, the Corporation has caused this Disclosure Agreement to be executed by its duly authorized officer as of the date first set forth above.

BENEDICTINE HEALTH SYSTEM, as Obligated
Group Agent on behalf of the Members of
the Obligated Group

By: _____
Senior Vice President of Finance and Chief
Financial Officer

The undersigned has reviewed this Disclosure Agreement and acknowledges and agrees to perform the duties of Dissemination Agent thereunder as of the date set forth above.

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Signatory

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