

NEW ISSUE-BOOK ENTRY ONLY

Rating: Fitch “BBB+” (Stable outlook)
(See “Rating” herein)

In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2021 Bonds, including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Authority and the Borrowers with the requirements of the Internal Revenue Code of 1986, as amended. Interest on the 2021 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, interest on the 2021 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See “TAX MATTERS” herein.

\$60,370,000*

**PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY
REVENUE BONDS
(PRESBYTERIAN SENIOR LIVING PROJECT),
SERIES 2021**



Dated: Date of Delivery
Interest Payable: January 1 and July 1

Due: July 1, as shown on inside cover
First Interest Payment: January 1, 2022

The 2021 Bonds will be issued under and secured by a Bond Trust Indenture dated as of July 1, 2021 (the “Bond Indenture”) between the Pennsylvania Economic Development Financing Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Bond Trustee”). The 2021 Bonds will be issued only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2021 Bonds. Purchases of 2021 Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See “THE 2021 BONDS — Book Entry Only System” herein.

The principal or redemption price of the 2021 Bonds will be payable upon presentation and surrender thereof at the designated office of the Bond Trustee in Pittsburgh, Pennsylvania. Interest on the 2021 Bonds will be payable on January 1 and July 1 of each year, commencing January 1, 2022, by check mailed (or in certain circumstances by wire transfer) to the registered owners thereof by the Bond Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2021 Bonds, payments of the principal or redemption price of, and interest on, the 2021 Bonds will be made to DTC.

The 2021 Bonds will be payable solely from and secured by certain moneys held under the Bond Indenture or received thereunder by an assignment and pledge by the Authority of payments and other revenues to be received by the Authority pursuant to a Loan Agreement dated as of July 1, 2021 (the “Loan Agreement”) between the Authority and Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon and Cathedral Village (collectively, the “Borrowers”) and the 2021 Master Note (as defined herein), issued under the Master Trust Indenture, dated as of June 1, 2008, as previously supplemented and as further supplemented by a Thirty-Fourth Supplemental Indenture dated as of July 1, 2021 (collectively, the “Master Indenture”), which is a joint and several obligation of an obligated group, consisting of Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., The Long Home and Cathedral Village (collectively, the “Obligated Group”). The 2021 Master Note is equally and ratably secured with all other notes and guaranties issued under the Master Indenture by (i) various mortgage liens on and security interests in the Mortgaged Facilities (as defined herein) of the Obligated Group, as described herein, and (ii) by a pledge of the Gross Revenues (as defined herein) of the Obligated Group under the Master Indenture.

An investment in the 2021 Bonds involves a significant degree of risk. Potential Bondholders are advised to read the entire Official Statement, including the Appendices hereto. Special reference is made to the section “CERTAIN BONDHOLDERS’ RISKS” herein for a discussion of certain risk factors which should be considered in connection with an investment in the 2021 Bonds.

The 2021 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described herein.

The 2021 Bonds are special, limited obligations of the Authority payable solely from the sources set forth in the Bond Indenture, and neither the general credit of the Authority, nor the general credit nor the taxing power of the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the 2021 Bonds, nor will the 2021 Bonds be, or be deemed to be, an obligation of the Commonwealth of Pennsylvania, or any political subdivision thereof. The Authority has no taxing power.

The 2021 Bonds are offered when, as and if issued by the Authority and received by the Underwriter subject to receipt of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, and Turner Law, P.C., Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by the Office of Chief Counsel, Department of Community and Economic Development, Harrisburg, Pennsylvania; for the Obligated Group by its counsel, McNees Wallace & Nurick LLC, Harrisburg, Pennsylvania; and for the Underwriter by its counsel, Cozen O’Connor, Philadelphia, Pennsylvania. It is expected that the 2021 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about July __, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information necessary to the making of an informed investment decision.



Dated: June __, 2021

* Preliminary, subject to change.

\$60,370,000*
PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY
REVENUE BONDS
(PRESBYTERIAN SENIOR LIVING PROJECT),
SERIES 2021

MATURITY SCHEDULE*

\$2,945,000* ____ % Term Bond due July 1, 2026*, Priced at ____ to Yield ____ % CUSIP¹: ____

\$8,645,000* ____ % Term Bond due July 1, 2030*, Priced at ____ to Yield ____ % CUSIP¹: ____

\$13,420,000* ____ % Term Bond due July 1, 2033*, Priced at ____ to Yield ____ % CUSIP¹: ____

\$9,175,000* ____ % Term Bond due July 1, 2041*, Priced at ____ to Yield ____ % CUSIP¹: ____

\$26,185,000* ____ % Term Bond due July 1, 2046*, Priced at ____ to Yield ____ % CUSIP¹: ____

* Preliminary, subject to change.

¹ The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the Authority, the Obligated Group or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. None of the Authority, the Obligated Group or the Underwriter has agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

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

No broker, dealer, salesman or other person has been authorized by the Authority, the Obligated Group or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Obligated Group or the Underwriter. The information contained in this Official Statement has been obtained from the Obligated Group and other sources believed by the Underwriter to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or, as to information from sources other than the Authority, by the Authority, or, as to information from sources other than the Obligated Group, by the Obligated Group.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under 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.

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2021 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Official Statement is not to be construed as an agreement or contract between the Authority or the Obligated Group and the purchasers or owners of any of the 2021 Bonds.

Other than with respect to information concerning the Authority contained under the captions “THE AUTHORITY” and “ABSENCE OF LITIGATION” herein, none of the information in this Official Statement has been supplied or verified by the Authority, and the Authority makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

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

ALL QUOTATIONS FROM AND SUMMARIES AND EXPLANATIONS OF PROVISIONS OF LAWS AND DOCUMENTS HEREIN DO NOT PURPORT TO BE COMPLETE, AND REFERENCE IS MADE TO SUCH LAWS AND DOCUMENTS FOR FULL AND COMPLETE STATEMENTS OF THEIR PROVISIONS. ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING ESTIMATES OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO STATED, ARE INTENDED MERELY AS ESTIMATES OR OPINIONS AND NOT AS REPRESENTATIONS OF FACT. 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 2021 BONDS SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE OBLIGATED GROUP.

**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.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in “CERTAIN BONDHOLDERS’ RISKS,” and APPENDIX A hereto.

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

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The Table of Contents is for convenience of reference only and does not list all of the subjects in this Official Statement. In all instances, reference should be made to the complete Official Statement to determine the subjects discussed in it. The order and placement of material in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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\$60,370,000*
Pennsylvania Economic Development Financing Authority
Revenue Bonds
(Presbyterian Senior Living Project),
Series 2021

INTRODUCTION

The purpose of this Official Statement (which includes the cover page and the Appendices) of the Pennsylvania Economic Development Financing Authority (the “Authority”) is to furnish certain information with respect to the Authority, an obligated group, consisting of Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., The Long Home and Cathedral Village (collectively, the “Obligated Group”) and the Authority’s \$60,370,000* aggregate principal amount of Revenue Bonds (Presbyterian Senior Living Project), Series 2021 (the “2021 Bonds”) issued under a Bond Trust Indenture dated as of July 1, 2021 (the “Bond Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Bond Trustee”).

The Authority

The Authority is a public instrumentality and body corporate and politic of the Commonwealth of Pennsylvania (the “Commonwealth”) created pursuant to the Pennsylvania Economic Development Financing Law, as amended and supplemented, 73 P.S. § 301 *et seq.* (the “Act”). The Authority is authorized under the Act, among other things, to provide financing for qualifying projects (including, without limitation, industrial facilities, commercial facilities, pollution control facilities and public facilities) in the Commonwealth. The Authority provides such financing by issuing its limited obligation revenue bonds to make loans to finance qualified projects authorized and approved by local industrial and commercial development authorities, industrial development agencies and certain other governmental entities. The Authority has approved the financing of the 2021 Project (hereinafter defined) and authorized the issuance of the 2021 Bonds. The Authority has full power and authority to issue the 2021 Bonds and to perform its obligations under the Indenture and the Loan Agreement (hereinafter defined). The Act provides that the Commonwealth will not limit or alter the rights vested in the Authority by the Act until the 2021 Bonds, together with the interest thereon, are fully discharged.

The 2021 Bonds are special, limited obligations of the Authority payable solely from the sources set forth in the Bond Indenture, and neither the general credit of the Authority, nor the general credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged for the payment of the 2021 Bonds, nor will the 2021 Bonds be, or be deemed to be, an obligation of the Commonwealth, or any political subdivision thereof. The Authority has no taxing power.

The Obligated Group

The Obligated Group consists of the Pennsylvania not-for-profit corporations listed below, each of which is an organization described in 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and one entity that is a Pennsylvania testamentary trust that has no operating assets.

* Preliminary, subject to change.

PHI (d.b.a. Presbyterian Senior Living) (the “Corporation” or “PSL”), a Pennsylvania not-for-profit corporation, is the parent corporation of, or general partner in, the following entities: Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Presbyterian Homes in the Presbytery of Huntingdon Foundation, Presbyterian Senior Living Services, Inc. d/b/a Glen Meadows Retirement Community, Glen Meadows Retirement Community, Inc., Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., PHI Services, Inc., Cathedral Village, Presbyterian Apartments, Inc., Geneva House, Inc., The Shepherds in Monroe County, Inc., Achieve Signature Rehab, Presbyterian Senior Living Housing Management Corporation, Schartner House Associates L.P., Westminster Place at Parkesburg, L.P., Westminster Place at Windy Hill, L.P., Westminster Place at Carroll Village, L.P., Stewartstown Courtyard L.P., Westminster Place at Bloomsburg, L.P., Westminster Place at Ware Presbyterian Village L.P., Westminster Place at the Long Community L.P., Westminster Place at Quincy Village, L.P., Silver Spring Courtyards L.P., S.S. Gardens LP, Shrewsbury Courtyards Associates LP, Shrewsbury Courtyards II Associates, S Overlook L.P., Stony Brook Gardens LP, PHI Stadium Place Senior Care, Inc., Northampton Place at Easton, LP, Westminster Place at Queen Street LP, Long Crest Senior Housing LP, Ross Presbyterian Senior Housing LP, Wisteria Commons Senior Housing L.P., Oaks Senior Community LP, Barrett School Senior Living L.P., Westminster Place at Ware Senior Housing, Westminster Place at Huntingdon LP, and Westminster Place at Windy Hill L.P., II, all of which are controlled affiliates of PSL. The Corporation also owns 50 percent of Prelude Systems, Inc., an information technology services provider to the long-term care industry.

The Corporation serves as a management company for the above affiliates and is governed by a Board of Trustees. Some of the management employees and members of the Board of Trustees are also members of the Board of Directors of certain affiliated corporations. The Corporation’s affiliates conduct business primarily in Pennsylvania, but also in Maryland, Ohio and Delaware.

The Obligated Group includes the following Pennsylvania affiliates of PSL:

- Presbyterian Homes, Inc. (“Presbyterian Homes”)
- Presbyterian Homes in the Presbytery of Huntingdon (“PHPH”)
- The Long Community, Inc.
- Quincy Retirement Community (“QRC”)
- PHI Investment Management Services, Inc.
- The Long Home, which is a Pennsylvania testamentary trust
- Cathedral Village (“CV”)

The Obligated Group owns and operates the following long-term health care facilities (the “Facilities”):

- Presbyterian Homes, Inc. (Carroll Village, The Easton Home, Grace Manor, Green Ridge Village, Kirkland Village, Mark H. Kennedy Park, St. Andrew’s Village, Ware Presbyterian Village, Westminster Village/Allentown, Westminster Village/Dover and Presbyterian Home at Williamsport)
- Presbyterian Homes in the Presbytery of Huntingdon (Presbyterian Village at Hollidaysburg, Westminster Woods at Huntingdon and Windy Hill Village)
- The Long Community Inc. (The Long Community at Highland)
- Quincy Retirement Community (Quincy Village)
- Cathedral Village (Cathedral Village)

On June 4, 2021 the PHI Board of Trustees voted to sell Westminster Village/Allentown, which is owned and operated by Presbyterian Homes, Inc., and Heritage Run at Stadium Place, a Maryland facility

which is owned and operated by a PSL affiliate that is not a member of the Obligated Group, to an unaffiliated third party. See “SECURITY AND SOURCES OF PAYMENTS FOR THE 2021 BONDS – The Master Indenture and the Obligated Group” herein and Appendix A for a description of the proposed sale of Westminster Village/Allentown.

The Obligated Group is managed by the Corporation pursuant to management agreements or arrangements between the Corporation and the Obligated Group members.

THE CORPORATION IS NOT A MEMBER OF THE OBLIGATED GROUP AND HAS NO OBLIGATION WITH RESPECT TO PAYMENT AND PERFORMANCE BY THE OBLIGATED GROUP UNDER THE VARIOUS 2021 BOND DOCUMENTS, THE MASTER INDENTURE OR THE 2021 MASTER NOTE, AND WILL NOT BE AN OBLIGOR AS TO PRINCIPAL, INTEREST OR OTHER AMOUNTS DUE ON THE 2021 BONDS OR THE 2021 MASTER NOTE. FURTHER, NON-OBLIGATED AFFILIATES OF THE CORPORATION ARE NOT REQUIRED TO MAKE PAYMENTS OF PRINCIPAL OR INTEREST WITH RESPECT TO ANY INDEBTEDNESS OUTSTANDING UNDER THE MASTER INDENTURE OR MASTER NOTES, INCLUDING THE 2021 MASTER NOTE THAT SECURES THE 2021 BONDS.

See APPENDIX A attached hereto for a description of the Obligated Group and the Facilities.

The members of the Obligated Group have entered into a Master Trust Indenture dated as of June 1, 2008 (the “Original Master Indenture”), as supplemented by a series of supplemental indentures in connection with the delivery of master notes and guaranties and as further supplemented by a Thirty-Fourth Supplemental Indenture dated as of July 1, 2021 (together with the Original Master Indenture, the “Master Indenture”) with The Bank of New York Mellon, as Master Trustee (the “Master Trustee”). Pursuant to the Master Indenture, the members of the Obligated Group are permitted, subject to meeting the conditions prescribed in the Master Indenture, to issue promissory notes, guaranties or other debt obligations (“Obligations”), for the payment of which the members of the Obligated Group are jointly and severally liable together with all outstanding Obligations and any other subsequent Obligations that may qualify under the Master Indenture. The members of the Obligated Group are also jointly and severally liable for the performance of, and are bound by, all other covenants, agreements and obligations set forth in the Master Indenture.

Security and Sources of Payment for the 2021 Bonds

Pursuant to a Loan Agreement dated as of July 1, 2021 (the “Loan Agreement”) between the Authority and Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon and Cathedral Village (collectively, the “Borrowers”), the Authority will lend the proceeds of the 2021 Bonds to the Borrowers for the purpose of undertaking the 2021 Project (hereinafter described) and the Borrowers will agree to make payments at such times and in such amounts as necessary to provide for payment of the principal or redemption price of and interest on the 2021 Bonds.

As security for its obligations under the Loan Agreement, the Borrowers will issue to the Authority its Master Indenture Promissory Note, Series 2021-1 in the aggregate principal amount of the 2021 Bonds, dated the date of issuance of the 2021 Bonds (the “2021 Master Note”). The Authority’s right, title and interest in the 2021 Master Note will be assigned to the Bond Trustee. The 2021 Master Note constitutes an Obligation issued under and secured pursuant to the Master Indenture. The Obligated Group’s obligations under the 2021 Master Note will be equally and ratably secured with all other notes and guaranties issued under the Master Indenture by (i) various mortgage liens on and security interests in the Mortgaged Facilities (as defined herein) of the Obligated Group, as described herein, and (ii) by a pledge of the Gross Revenues (as defined herein) of the Obligated Group under the Master Indenture. See

“SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS” herein and “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Original Master Indenture” in APPENDIX C hereto for a further description of the Original Master Indenture.

The 2021 Bonds are further secured by funds and investments from time to time on deposit in certain funds and accounts held by the Bond Trustee under the Bond Indenture. See “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS” in APPENDIX C hereto.

Bondholders’ Risks

An investment in the 2021 Bonds involves the assumption of certain significant risks that relate primarily to the ability of the Obligated Group to generate revenues from operations that will be sufficient to pay debt service on the 2021 Bonds and other indebtedness of the Obligated Group. Certain risk factors which should be considered by prospective investors in their decision to purchase any of the 2021 Bonds are set forth under “CERTAIN BONDHOLDERS’ RISKS” herein. The disclosure of such risks is based upon the assessment of the Obligated Group’s management of the impact that such risks might have on the Obligated Group and its operations. In the event that the identity or composition of the Obligated Group changes, the impact of such risks might differ from the present assessment of the Obligated Group’s management of the impact of such risks.

Book-Entry Only System

The 2021 Bonds, when issued, will be issued solely in book-entry form through The Depository Trust Company. See “THE 2021 BONDS – Book-Entry Only System” herein.

Continuing Disclosure Agreement

The Obligated Group will covenant to periodically provide or cause to be provided certain financial information and operating data relating to the Obligated Group, for the benefit of the holders and beneficial owners of the 2021 Bonds, as provided in a Continuing Disclosure Agreement to be executed and delivered by the Obligated Group in connection with the issuance of the 2021 Bonds. See “CONTINUING DISCLOSURE” herein and APPENDIX E “PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

Miscellaneous

APPENDIX A to this Official Statement contains additional information regarding the Obligated Group. The combined audited financial statements of the Obligated Group as of December 31, 2020 and 2019 are included in APPENDIX B to this Official Statement. See “INDEPENDENT AUDITORS” herein for a description of the financial statements included in APPENDIX B. The form of the Original Master Indenture and proposed forms of the Bond Indenture, the Loan Agreement and the Thirty-Fourth Supplemental Indenture are set forth in APPENDIX C to this Official Statement. The proposed form of approving opinion of Co-Bond Counsel is attached hereto as APPENDIX D and the proposed form of Continuing Disclosure Agreement is attached hereto as APPENDIX E.

The general descriptions of various legal documents set forth in this Official Statement do not purport to be comprehensive or definitive and reference should be made to each document for complete details of all terms and conditions thereof. All statements herein are qualified in their entirety by reference to the terms of each such document. Copies of all documents referred to herein are available for inspection during normal business hours at the corporate trust office of the Bond Trustee located in Pittsburgh,

Pennsylvania. Certain capitalized terms and phrases used herein have the meanings ascribed to them in the legal documents. See APPENDIX C hereto.

THE 2021 PROJECT AND THE PLAN OF FINANCING

The Authority is issuing the 2021 Bonds, at the request of the Borrowers, to provide funds to undertake a project (the “2021 Project”) consisting of the following: (1) financing the Refunding Program (hereinafter defined), (2) financing the Capital Project (hereinafter defined), and (3) the payment of certain costs of issuance related to the 2021 Bonds.

Refunding Program

A portion of the proceeds of the 2021 Bonds, together with other funds available to the Borrowers, will be applied by Presbyterian Homes, PHPH and CV to undertake a refunding program (the “Refunding Program”) consisting of the current refunding of all or a portion of the following obligations:

- Presbyterian Homes is currently refunding all or a portion of (i) \$9,000,000 original principal amount Cumberland County Municipal Authority Variable Rate Revenue Bonds, Series B of 2003 (Presbyterian Homes, Inc. Project), which were converted to bank purchase mode on January 2, 2014 (the “2003B Bonds”), and which are outstanding in the principal amount of approximately \$5,332,000; and (ii) \$10,000,000 original principal amount Uwchlan Township Industrial Development Authority Revenue Note, Series of 2012 (Ware Presbyterian Village Project), which is currently outstanding in the principal amount of approximately \$6,319,494.
- PHPH is currently refunding all or a portion of \$3,800,000 original principal amount College Township Industrial Development Authority Mortgage Revenue Note (Presbyterian Homes in the Presbytery of Huntingdon – Windy Hill), Series of 2005, which is currently outstanding in the principal amount of approximately \$1,322,390.
- Presbyterian Homes and PHPH are currently refunding all or a portion of (i) \$6,563,290.25 original principal amount Cumberland County Municipal Authority Revenue Bond, Series A of 2013 (Presbyterian Homes Obligated Group Project) (the “2013A Bond”), which is currently outstanding in the principal amount of approximately \$5,281,957.23; and (ii) \$5,032,136.34 original principal amount Cumberland County Municipal Authority Revenue Bond, Series B of 2013 (Presbyterian Homes Obligated Group Project) (the “2013B Bond”), which is currently outstanding in the principal amount of approximately \$1,841,969.83.
- Presbyterian Homes, CV and PHPH are currently refunding all or a portion of \$10,000,000 original principal amount Abington Township Industrial and Commercial Development Authority Revenue Bond, Series of 2015 (Presbyterian Homes Obligated Group Project), which is currently outstanding in the principal amount of approximately \$7,631,725.

Capital Project

A portion of the proceeds of the 2021 Bonds will be applied by Presbyterian Homes and CV, as applicable, to undertake the following capital projects (collectively, the “Capital Project”):

- Presbyterian Homes is financing the undertaking of renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for Kirkland Village located at 1 Kirkland Village Circle, Bethlehem, Northampton County, Pennsylvania (the “Kirkland Facility”) and the medical and

health care support facilities related thereto, including, without limitation, renovations to the existing health center to increase the number of private rooms, the expansion of the dining facility to allow for more capacity and the addition of a coffee/bake shop and a grab and go market. Presbyterian Homes is also financing the purchase of adjacent land to Kirkland Village to be developed as part of the senior care facilities at the Kirkland Facility.

- Presbyterian Homes is financing the undertaking of renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for Ware Presbyterian Village located at 7 East Locust Street, Oxford, Chester County, Pennsylvania (the “Ware Facility”) and the medical and health care support facilities related thereto, including, without limitation, the construction, upgrade, expansion and improvement of the Vista Ridge (Phase 3) project, which includes the construction of a new 31-unit independent living apartment building and related and other capital acquisitions and improvements.
- CV is financing the undertaking of renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for Cathedral Village located at 600 East Cathedral Road, Philadelphia, PA 19128 (the “CV Facility”) and the medical and health care support facilities related thereto, including, without limitation, the construction, upgrade and improvement of the covered walk way (Phase 3), renovations to convert the first-floor health center, which is currently unoccupied, into 11 studio, 9 single and 6 suite personal care rooms with kitchenettes and related and other capital acquisitions and improvements.

See “CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP – The Capital Project” in Appendix A for more information on the Capital Project.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the funds in connection with the 2021 Project:

Sources of Funds

Par Amount of 2021 Bonds	\$
[plus/(less)] [Net] Original Issue [Discount/Premium]	
Available Debt Service Reserve Fund Moneys	
Available Debt Service Fund Moneys	
Total	\$

Uses of Funds

Refunding Program	\$
Capital Project	
Financing Costs ⁽¹⁾	
Total	\$

-
- ⁽¹⁾ Includes the Authority's fee, Underwriter's discount, initial and first annual Bond Trustee and Master Trustee fees, legal fees, accounting fees, rating agency fee, printing costs and other miscellaneous expenses.

THE AUTHORITY

The Authority is a public instrumentality and body corporate and politic of the Commonwealth created pursuant to the Pennsylvania Economic Development Financing Law, as amended and supplemented (the "Act"), to provide financing for qualifying projects (including, without limitation, industrial facilities, commercial facilities, pollution control facilities and public facilities) in the Commonwealth. The Authority provides such financing by issuing its limited obligation revenue bonds to make loans to finance qualified projects, and if required, authorized and approved by local industrial and commercial development authorities, industrial development agencies and certain other governmental entities. The Authority has approved the financing of the Project and authorized the issuance of the 2021 Bonds. The Authority has full power and authority to issue the 2021 Bonds and to perform its obligations under the Bond Indenture and the Loan Agreement. The Act provides that the Commonwealth will not limit or alter the rights vested in the Authority by the Act until the 2021 Bonds, together with the interest thereon, are fully discharged.

The Authority is governed by a Board of Directors composed of the Secretary of Community and Economic Development (who serves as Chairman), the Secretaries of Labor and Industry, Agriculture and Banking and Securities and eight members appointed by the Governor, subject to the advice and consent of the Senate of the Commonwealth, and four members appointed by the Majority Leader and the Minority Leader of both the Senate and the House of Representatives of the Commonwealth.

The current Board members and their terms of office, if applicable, are as follows:

Honorable Dennis M. Davin, Chairman
Secretary of Community and Economic
Development

Elizabeth Preate Havey, Esquire
Designated Term of Office expired
April 7, 2018*

Honorable Richard Vague
Secretary of Banking and Securities

Dr. Howard B. Slaughter, Jr
Designated Term of Office expired
October 14, 2018*

Jennifer L. Berrier
Acting Secretary of Labor and Industry

Michael M Brubaker
Designated Term of Office expires
June 18, 2022

Honorable Russell C. Redding Secretary of
Agriculture

Honorable Ryan E. Mackenzie
Pennsylvania House of Representatives

Mary Soderberg

Ronald J. Brown

Honorable Mario Scavello
Senate of Pennsylvania

Steven S. Bradley
Designated Term of Office expired
June 3, 2018*

Nicholas S. Haden
Designated Term of Office expired
June 3, 2018*

Fred Rinaldi
Designated Term of Office expired
September 24, 2017*

Gary Masino
Designated Term of Office expires
June 20, 2022

Laura B. Kurtz, Esquire
Designated Term of Office expires
May 18, 2023

* Board members whose terms have expired continue to serve until reappointed or new members are appointed.

The Authority's staff includes:

Stephen M. Drizos, Executive Director. Stephen M. Drizos is a veteran of the United States military. He was an officer in the Army and the Pennsylvania Army Reserve National Guard. He joined the Commonwealth on February 9, 2004 as Director of the Center for Private Financing and was appointed Executive Director of the Authority on March 10, 2004. Mr. Drizos has also been appointed to the Pennsylvania Sustainable Energy Board, the Global Competitiveness Analysis, Strategy, and Marketing Work Plan Committee for the Commonwealth. He is a member of the Pennsylvania Sustainable Infrastructure Committee for the Commonwealth, as well as the Pennsylvania Energy Development Authority. He is also a past member of the Authority Advisory Group of the Municipal Securities Rulemaking Board, which develops rules regulating securities firms and banks involved in underwriting, trading, and selling municipal securities – bonds and notes issued by states, cities, and counties.

Prior to his current position with the Commonwealth, Mr. Drizos gained more than 30 years of diversified business experience in various financial and operational positions, with a concentration in public finance. Some of his roles in investment banking included senior investment banker and manager of fixed income and public finance. He provided such services as investment management, cash management, trading and sales of fixed income products, public finance, underwriting of tax-exempt securities, and

consulting. Mr. Drizos was successful in the structuring and underwriting of more than \$20 billion in corporate and public finance activities.

Craig Petrasic, Assistant Director, Center for Private Financing. Craig Petrasic has been with the Department of Community and Economic Development (“DCED”) since 1995. He currently serves as Assistant Director of the Center for Private Financing, in which capacity he assists with the day-to-day management, operations, policy analysis and development for the Authority and several other programs. Prior to serving as Assistant Director, Mr. Petrasic was a Program Manager for the Authority, an Economic Development Analyst with the Pennsylvania Industrial Development Authority and a Legal Assistant in the Office of Chief Counsel for DCED. Mr. Petrasic received his Bachelor of Arts degree from Bloomsburg University and his Master of Arts degree in History from Indiana University of Pennsylvania.

Brian Deamer, Program Manager. Brian Deamer has been with DCED since December 1998. He currently serves as a Program Manager for the Center for Private Financing, in which capacity he assists with the day-to-day management, operations and policy analysis and development for office programs. He previously served as a Program Analyst in the Small Business Financing Office of DCED. Mr. Deamer received his Bachelor’s degree from Millersville University.

Gail Boppe, Program Manager. Gail Boppe has been with DCED since 2000. She currently serves as Program Manager for the Center for Private Financing, in which capacity she assists with the day-to-day management, operations, policy analysis and development for the Industrial Development Authority program. Prior to serving as Program Manager, Ms. Boppe was an Economic Development Analyst in the Small Business Financing Office and interned in the Office of International Business Development Office. Ms. Boppe received her Bachelor of Science degree from Lock Haven University.

The Authority has previously issued bonds for projects other than the 2021 Project and expects to issue additional series of bonds after the issuance of the 2021 Bonds described herein. Such prior bonds are, and such additional bonds if issued, will be, secured under pledges of security separate from and unrelated to the pledges described herein with respect to the 2021 Bonds. The 2021 Bonds are special and limited obligations of the Authority as described herein.

The Authority has not prepared or assisted in the preparation of this Official Statement except for the statements under the section captioned “THE AUTHORITY” and the statements under the section captioned “ABSENCE OF LITIGATION” solely as it pertains to the Authority and, except as aforesaid, the Authority is not responsible for any statement made herein, and will not participate in or otherwise be responsible for the offer, sale or distribution of the 2021 Bonds. Accordingly, except as aforesaid, the Authority disclaims responsibility for the disclosure set forth herein in connection with the offer, sale and distribution of the 2021 Bonds.

THE 2021 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE SOURCES SET FORTH IN THE BOND INDENTURE, AND NEITHER THE GENERAL CREDIT OF THE AUTHORITY, NOR THE GENERAL CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2021 BONDS, NOR WILL THE 2021 BONDS BE, OR BE DEEMED TO BE, AN OBLIGATION OF THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF. THE AUTHORITY HAS NO TAXING POWER.

THE 2021 BONDS

General

The 2021 Bonds will be dated the date of their delivery, will be issued in denominations of \$5,000 or any integral multiple thereof and will bear interest (based on a 360 day year of twelve 30 day months) at the rates set forth on the inside cover of this Official Statement, payable semiannually commencing on January 1, 2022, and on each January 1 and July 1 thereafter. The 2021 Bonds will mature on July 1 in the years and amounts as set forth on the inside cover of this Official Statement.

The 2021 Bonds will be registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York (“DTC”), and immobilized in DTC’s custody. One 2021 Bond for the original principal amount of each maturity will be registered to Cede & Co. Beneficial owners of the 2021 Bonds will not receive physical delivery of the 2021 Bonds. If the book-entry system is discontinued, bond certificates will be delivered as described in the Bond Indenture, and Beneficial Owners (as hereinafter defined) will become the registered owners.

Individual purchases of the 2021 Bonds may be made in book-entry form only in original principal amounts of \$5,000 and integral multiples of \$5,000. As long as the 2021 Bonds are held by DTC or its nominee, payments of principal of and premium, if any, and interest on the 2021 Bonds will be made to DTC or its nominee as the sole 2021 Bondholder on the applicable payment date. If the book-entry system is discontinued, interest on 2021 Bonds will be payable by wire transfer, check or draft mailed to such person at his address as it appears on the registration books kept by the Bond Trustee at the close of business on fifteenth (15th) day preceding each payment date (the “Regular Record Date”). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner of such 2021 Bond at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on a special record date (the “Special Record Date”) for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Bond Trustee whenever money becomes available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the 2021 Bonds not less than ten (10) days prior thereto by first class postage prepaid mail or sent electronically pursuant to Applicable Procedures (as defined in the Loan Agreement) to each such registered owner as shown on the registration records, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed upon between the owners of any 2021 Bonds and the Bond Trustee. All such payments shall be made in lawful money of the United States of America. Principal will be payable at the designated corporate trust office of the Bond Trustee.

Exchange of Bonds

As long as the 2021 Bonds are held by DTC or its nominee, Beneficial Owners may transfer their interest in the 2021 Bonds through the facilities of DTC as described in “Book-Entry Only System” in this section. If the book-entry system is discontinued, exchanges of 2021 Bonds may be made at the principal corporate trust office of the Bond Trustee for an equal aggregate principal amount of other 2021 Bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

Upon receipt by the Authority and the Bond Trustee of evidence satisfactory to them that any 2021 Bond has been mutilated, lost or destroyed, the Authority may execute and the Bond Trustee may authenticate and deliver a new 2021 Bond upon receipt of payment of the reasonable expenses and charges of the Authority and the Bond Trustee and indemnity satisfactory to them.

Redemption

The 2021 Bonds are subject to redemption prior to maturity as follows:

Optional Redemption. The 2021 Bonds maturing on or after July 1, 20__, will be subject to redemption by the Authority, at the direction of the Borrowers, in whole or in part on the dates set forth below, at redemption prices set forth below, together with accrued interest to the date of redemption:

Redemption Dates	Redemption Price (% of principal amount of the 2021 Bonds to be redeemed)
July 1, 20__ to June 30, 20__	%
July 1, 20__ to June 30, 20__	%
July 1, 20__ to June 30, 20__	%
July 1, 20__ and thereafter	%

Mandatory Redemption. As a sinking fund, the Bond Trustee shall redeem 2021 Bonds maturing on July 1, 20__, on July 1 in years and in principal amounts and at a price of 100% of the principal amount of the 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

Term Bonds Due July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$
20__ (maturity)	

As a sinking fund, the Bond Trustee shall redeem 2021 Bonds maturing on July 1, 20__, on July 1 in years and in principal amounts and at a price of 100% of the principal amount of the 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

Term Bonds Due July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__ (maturity)	

As a sinking fund, the Bond Trustee shall redeem 2021 Bonds maturing on July 1, 20__, on July 1 in years and in principal amounts and at a price of 100% of the principal amount of the 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

Term Bonds Due July 1, 20__

<u>Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__ (maturity)	

As a sinking fund, the Bond Trustee shall redeem 2021 Bonds maturing on July 1, 20__, on July 1 in years and in principal amounts and at a price of 100% of the principal amount of the 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Term Bonds Due July 1, 20__</u>	
<u>Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__ (maturity)	

As a sinking fund, the Bond Trustee shall redeem 2021 Bonds maturing on July 1, 20__, on July 1 in years and in principal amounts and at a price of 100% of the principal amount of the 2021 Bonds to be redeemed plus accrued interest thereon to the redemption date, as follows:

<u>Term Bonds Due July 1, 20__</u>	
<u>Year</u>	<u>Principal Amount</u>
20__	\$
20__	
20__ (maturity)	

The Bond Indenture provides for a credit against payments required to be made on any mandatory sinking fund redemption date specified by the Borrowers for the 2021 Bonds maturing July 1, 20__, July 1, 20__, July 1, 20__, July 1, 20__ or July 1, 20__, in an amount equal to the principal amount of such 2021 Bonds that have been redeemed (otherwise than by mandatory sinking fund redemption) before the mandatory sinking fund redemption date or purchased by the Authority or the Borrowers and delivered to the Bond Trustee for cancellation as described in the Bond Indenture, provided the principal amount of such 2021 Bonds has not previously been applied as a credit against any other mandatory sinking fund redemption payment.

Extraordinary Optional Redemption. The 2021 Bonds are subject to optional redemption by the Borrowers to their scheduled maturities, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest from the most recent interest payment date to the redemption date on any date for which notice of redemption can be given following the occurrence of any of the following events:

(a) in case of damage or destruction to, or condemnation of, any Property (as defined in the Master Indenture) financed or refinanced with proceeds of the 2021 Bonds or any Additional Bonds to the extent that the Borrowers have determined not to use such net proceeds or award to repair, rebuild or replace such Property; or

(b) as a result of any changes in the Constitution or laws of the Commonwealth or the United States of America or of any legislative, executive or administrative action (whether state or federal) or of any final decree, judgment or order of any court or administrative body (whether state or federal), the obligations of the Borrowers under the Loan Agreement have become, as established by an Opinion of Counsel, void or unenforceable in each case in any material respect in accordance with the intent and purpose of the parties as expressed in the Loan Agreement.

In the event that the net proceeds of insurance or condemnation award are insufficient to repay in full all Outstanding Bonds, partial redemptions shall be made on a pro rata basis based upon the outstanding principal amounts thereof.

Mandatory Redemption upon Determination of Taxability. The 2021 Bonds are subject to mandatory redemption in whole at a redemption price equal to (i) 103% of the principal amount of the 2021 Bonds to be redeemed, if the Determination of Taxability was the result of any action or inaction on the part of the Borrowers, or (ii) 100% of the principal amount of the 2021 Bonds to be redeemed, if the Determination of Taxability was not the result of any action or inaction on the part of the Borrowers, in either case, plus accrued interest thereon to, but not including, the redemption date on any Business Day within forty-five (45) days after the occurrence of a Determination of Taxability; provided, however, if, in the Opinion of Bond Counsel, a mandatory redemption on account of a Determination of Taxability of less than all of the 2021 Bonds would result in the interest on the 2021 Bonds Outstanding following such mandatory redemption not being includable in the gross income of the holders of such Outstanding 2021 Bonds, then, unless otherwise specified in such Opinion, the 2021 Bonds are subject to mandatory redemption upon the occurrence of a Determination of Taxability in Authorized Denominations on a pro rata basis among all of the 2021 Bonds then Outstanding.

“Determination of Taxability” means: (a) the issuance of a statutory notice of deficiency by the Internal Revenue Service (the “IRS”) which in effect holds that an Event of Taxability has occurred; (b) the issuance of a proposed written adverse determination by the IRS to any of the Borrowers or the Authority, which in effect holds that an Event of Taxability has occurred; provided that no Determination of Taxability will be deemed to occur if the Borrowers or the Authority has initiated an administrative appeal of such determination or has begun negotiating a closing agreement with the IRS, until the earliest of (i) abandonment of the appeals process by the Borrowers, (ii) the date on which such appeals process has been concluded adversely to the Borrowers or the Authority and no further appeal is permitted or (iii) twelve (12) months after the receipt by the Borrowers or the Authority of the proposed adverse determination, unless otherwise approved by the Owners of at least a majority in aggregate principal amount of the 2021 Bonds then Outstanding; (c) the deposit by the Borrowers with the Bond Trustee of a certificate to the effect that an Event of Taxability has occurred or will occur and setting forth the date of taxability (*i.e.* the date on which the interest on the 2021 Bonds is declared taxable for federal income tax purposes); the Borrowers will be obligated to deliver promptly to the Bond Trustee such a certificate upon the occurrence of an Event of Taxability; (d) the rendering of a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction to the effect that an Event of Taxability has occurred; or (e) the delivery to the Bond Trustee of an unqualified opinion of Bond Counsel to the effect that an Event of Taxability has occurred or a written statement by Bond Counsel delivered to the Bond Trustee that Bond Counsel is unable to render an opinion to the effect that interest on the 2021 Bonds is excluded from gross income for purposes of federal income taxation.

“Event of Taxability” means any conditions or circumstances that cause the interest on any of the 2021 Bonds to become includable in the gross income of the Owners thereof for purposes of federal income tax.

Extraordinary Optional Redemption upon Completion of the 2021 Capital Project. The 2021 Bonds are subject to optional redemption by the Borrowers, in part on any date following delivery of an Officer’s Certificate of the Borrowers establishing the Completion Date at a redemption price equal to the aggregate principal amount of such 2021 Bonds to be redeemed plus accrued interest to the redemption date, without premium, to the extent Surplus Construction Fund Moneys are transferred to the Principal Account of the Bond Fund.

Partial Redemption

In the event that less than all of the 2021 Bonds are to be redeemed, the Borrowers may select particular maturities of such series to be redeemed. If less than all 2021 Bonds or portions thereof of a single maturity are to be redeemed, they shall be selected by the Securities Depository in accordance with the Applicable Procedures (as defined in the Loan Agreement) or if the 2021 Bonds or portions thereof to be redeemed are not held by the Securities Depository in a book-entry system by lot or in such other manner as the Bond Trustee may determine. If a 2021 Bond is of a denomination larger than the minimum Authorized Denomination, a portion of such 2021 Bond may be redeemed, but 2021 Bonds will be redeemed only in the principal amount of an Authorized Denomination and no 2021 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination.

Notice of Redemption

In case of every redemption, the Bond Trustee will cause notice of such redemption to be given by mailing by first-class mail, postage prepaid, or sending electronically pursuant to the Applicable Procedures, a copy of the redemption notice to the owners of the 2021 Bonds designated for redemption, in whole or in part, at their addresses as the same last appear upon the registration books in each case not more than 60 nor less than 30 days prior to the redemption date. In addition, notice of redemption will be sent by first class or registered mail, return receipt requested, or by overnight delivery service (1) contemporaneously with such mailing: (a) to any owner of \$1,000,000 or more in principal amount of the 2021 Bonds, and (b) to the Municipal Securities Rulemaking Board's Electronic Municipal Marketplace Access website; and (2) to any securities depository registered as such pursuant to the Securities Exchange Act of 1934, as amended, that is an owner of the 2021 Bonds to be redeemed so that such notice is received at least two days prior to such mailing date. An additional notice of redemption will be given by certified mail, postage prepaid, mailed not less than 60 nor more than 90 days after the redemption date to any owner of the 2021 Bonds selected for redemption that has not surrendered the 2021 Bonds called for redemption, at the address as the same will last appear upon the registration books. Any notice of redemption is required to contain the information specified in the Bond Indenture. The failure to give any such notice, or any defect therein, will not affect the validity of any proceedings for the redemption of such 2021 Bonds. Upon the written direction of the Borrowers, a notice of optional redemption shall contain a statement to the effect that the optional redemption of the 2021 Bonds is conditioned upon the receipt by the Bond Trustee, prior to the date fixed for such redemption, of amounts equal to the redemption price of the 2021 Bonds to be optionally redeemed. If such condition will not be satisfied the Borrowers are to provide notice to the Bond Trustee not less than two Business Days prior to the redemption date that such condition will not be satisfied, and the notice of redemption shall be rescinded and the redemption subject to the satisfaction of such condition shall not occur.

Purchase in Lieu of Redemption

In lieu of redeeming the 2021 Bonds, the Bond Trustee may, at the request of the Borrowers, use such funds otherwise available under the Bond Indenture for redemption of 2021 Bonds to purchase 2021 Bonds in the open market at a price not exceeding the redemption price then applicable.

Acceleration Upon Default; Other Remedies

Each of the following events will constitute an Event of Default under the Bond Indenture: (a) default in the due and punctual payment of any interest on any 2021 Bonds; (b) default in the due and punctual payment of the principal of or premium, if any, on any 2021 Bonds (whether at maturity, upon acceleration or call for redemption or otherwise); (c) an "Event of Default" shall occur and be continuing

under the Loan Agreement; (d) declaration by the Master Trustee pursuant to Section 8.1(b) of the Master Indenture that the principal of, and accrued interest on, Master Obligations issued thereunder is immediately due and payable; or (e) subject to the rights to cure, default in the observance or performance of any other covenant, condition or agreement on the part of the Authority under the Bond Indenture or in the 2021 Bonds. All principal and accrued interest on the 2021 Bonds may become immediately due and payable, without premium, upon an Event of Default under the Bond Indenture if the Bond Trustee (1) exercises its option to so declare or (2) is directed to so declare by the holders of at least 25% in aggregate principal amount of 2021 Bonds then outstanding. Upon the occurrence of an Event of Default and a declaration of acceleration under the Bond Indenture, the Bond Trustee as assignee of the Authority will exercise its option under the Loan Agreement to declare all payments on the 2021 Bonds to be immediately due and payable. Upon the occurrence of an Event of Default, the Bond Trustee may proceed to protect and enforce its rights as the holder of 2021 Bonds and the 2021 Master Note and the rights of the bondholders by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement herein contained. See also Appendix C hereto “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Bond Indenture.”

Defeasance

When the interest on, and the principal and redemption premium (as the case may be) of all 2021 Bonds have been paid, or there have been deposited with the Bond Trustee (or other Paying Agent) an amount of money or other qualifying governmental obligations the maturing principal of which, when due and payable, shall provide sufficient amounts to pay the principal of, premium, if any, and interest due and to become due on the 2021 Bonds on or prior to the redemption date or maturity date thereof, such 2021 Bonds shall be no longer deemed outstanding under the Bond Indenture and the Bond Trustee shall cancel the obligations of the Authority to the holders of the 2021 Bonds. Notwithstanding the foregoing, no deposit made to pay the redemption price of the 2021 Bonds will be deemed a payment of such Bonds until (x) notice of redemption of such Bonds is given in accordance with the Bond Indenture or, if such Bonds are not to be redeemed within the next 60 days, until the Borrowers have given the Bond Trustee irrevocable instructions to notify, as soon as practicable, the holder of such Bonds, in accordance with the Bond Indenture that the required deposit has been made with the Bond Trustee and that such Bonds are deemed to be paid under the Bond Indenture and stating the redemption date upon which moneys are to be available for the payment of the principal of such Bonds or (y) the maturity of such Bonds.

Book-Entry Only System

The information in this Section concerning DTC and DTC’s book entry system has been obtained from DTC. The Obligated Group, the Authority and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners (as defined herein) should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2021 Bonds. The 2021 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 certificate will be issued for each maturity of the 2021 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 and www.dtc.org.

Purchases of 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 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.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, redemption premium, if any, and interest on the 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Bond Trustee on the payment 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 principal of, redemption premium, if any, and interest on the 2021 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2021 Bonds at any time by giving reasonable notice to the Authority and the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond 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, Bond certificates will be printed and delivered to DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2021 Bonds, the Beneficial Owners of the 2021 Bonds will not receive or have the right to receive physical delivery of the 2021 Bonds, and references herein to the Bondowners or registered owners of the 2021 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2021 Bonds.

None of the Authority, the Underwriter, the Bond Trustee, the Borrowers or the Obligated Group will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the 2021 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participants of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Indenture to be given to Bondholders; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the 2021 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS

Limited Obligations

The 2021 Bonds will be issued under and secured by the Bond Indenture and by the 2021 Master Note. The Bond Indenture provides that the 2021 Bonds will be special, limited obligations of the Authority, payable solely from the sources identified therein, which include: (i) payments required to be made by the Borrowers under the Loan Agreement (other than certain fees and indemnification payments required to be paid to the Authority and amounts required to be rebated to the federal government); (ii)

payments made by the Obligated Group under the 2021 Master Note; and (iii) certain moneys, securities and funds held by the Bond Trustee under the Bond Indenture.

The Authority may issue Additional Bonds under the Bond Indenture secured on either a parity or subordinate basis with the 2021 Bonds. See “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS” in APPENDIX C hereto.

The 2021 Bonds are special, limited obligations of the Authority payable solely from the sources set forth in the Bond Indenture, and neither the general credit of the Authority, nor the general credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged for the payment of the 2021 Bonds, nor will the 2021 Bonds be, or be deemed to be, an obligation of the Commonwealth, or any political subdivision thereof. The Authority has no taxing power.

The Loan Agreement

The Loan Agreement provides, among other things, that: (i) the Authority will make a loan to the Borrowers in an amount equal to the principal amount of the 2021 Bonds; (ii) the proceeds of the 2021 Bonds will be applied to finance the 2021 Project; (iii) the loan will be evidenced by the 2021 Master Note to be executed by the Obligated Group, made payable to the Bond Trustee, as assignee of the Authority; and (iv) the Borrowers will pay the principal of and interest on the 2021 Master Note directly to the Bond Trustee, for the account of the Authority, at the times and in amounts sufficient to make full and prompt payment of the principal of and interest on the 2021 Bonds as the same shall become due and payable.

The Loan Agreement is the joint and several general obligation of the Borrowers and the full faith and credit of each of the Borrowers is pledged to secure the payments required thereunder. The Authority will assign the Loan Agreement, including its right to receive loan payments thereunder (other than certain fees, expenses and indemnification payments required to be paid to the Authority or to the Bond Trustee and sums, if any, required to be rebated to the federal government) to the Bond Trustee as security for the 2021 Bonds.

The Master Indenture and the Obligated Group

As security for its obligations under the Loan Agreement, the Borrowers will deliver to the Bond Trustee the 2021 Master Note. Pursuant to the Master Indenture, the Obligated Group is jointly and severally liable for repayment of the 2021 Master Note and the performance of the covenants, agreements and obligations of the Obligated Group under the Master Indenture.

Pursuant to the Master Indenture, the 2021 Master Note will be equally and ratably secured with all other Obligations issued under the Master Indenture by (i) a security interest in the amounts, if any, in the Revenue Fund created under the Master Indenture and held by the Master Trustee; (ii) security interests in the Gross Revenues of each member of the Obligated Group including entrance fees, monthly service fees and other charges for the Obligated Group’s facilities, accounts receivable, contract rights, chattel paper, instruments, general intangibles or other rights and all proceeds thereof, including insurance proceeds and condemnation awards; and (iii) mortgages (the “Mortgages”) granted by the members of the Obligated Group on the following “Mortgaged Facilities:” The Easton Home; Kirkland Village, Green Ridge Village, Ware Presbyterian Village, Westminster Village/Allentown (the “Allentown Facility”), Westminster Village/Dover, St. Andrew’s Village, Presbyterian Home at Williamsport, Mark H. Kennedy Park, Presbyterian Home of Hollidaysburg, Westminster Woods at Huntingdon, Windy Hill Village, Quincy Retirement Village, Carroll Village, The Long Home at Highland and Cathedral Village. The Mortgages grant to the Master Trustee (a) mortgage liens on all land or ground-leasehold interests,

buildings, and fixtures of the Mortgaged Facilities now owned or hereafter acquired by each Obligated Group member; and (b) security interests in all existing and hereafter-acquired equipment and furnishings of the Mortgaged Facilities (collectively, the “Mortgaged Facilities”).

No title insurance is being purchased in connection with the issuance of the 2021 Bonds, and no new or updated title searches have been done in connection with the issuance of the 2021 Bonds. The Obligated Group has not obtained any appraisals with respect to the Mortgaged Facilities.

Further, two previously mortgaged properties have been sold and released from their original Mortgages and various partial mortgage releases of out-parcels, condominium units or easements with respect to Mortgaged Facilities have been recorded over the years as these interests have been conveyed, all as was permitted by and done in accordance with the terms of the Master Indenture and the Mortgages.

Notwithstanding the foregoing, on June 4, 2021 the PHI Board of Trustees voted to approve the sale of the Allentown Facility and Heritage Run at Stadium Place, a Maryland facility, to an unaffiliated third party. Heritage Run at Stadium Place is owned by a PSL affiliate which is not a member of the Obligated Group, and such facility is not subject to a mortgage securing obligations under the Master Indenture. The sales are consistent with PHI’s long range strategic and capital plan and are expected to improve the Obligated Group’s liquidity. The Allentown Facility is presently encumbered with a mortgage securing all master notes and obligations outstanding under the Master Indenture, which would include the 2021 Master Note (the “Allentown Mortgage”). Under the terms of the Master Indenture, any member of the Obligated Group is entitled to transfer a facility or other assets if certain financial measurement tests are satisfied. These tests are anticipated to be satisfied in connection with the sale of the Allentown Facility. In addition, all of the Mortgages, including the Allentown Mortgage, provide for a release of the related mortgage if a facility is permitted to be sold under the Master Indenture. Upon the completion of the sale and transfer of the Allentown Facility, the Allentown Mortgage will be terminated and released. After such sale, closing and release, the Allentown Mortgage will no longer secure the 2021 Master Note. Notwithstanding the foregoing, no assurances can be given that closing on the sale of the Allentown Facility will be completed. In the event the sale is not completed, the Allentown Mortgage will continue to secure all Obligations under the Master Indenture, including the 2021 Master Note.

In addition, no assurances are given that the Obligated Group will not transfer other properties or interests in properties in the future and seek releases of the same from the Mortgages to the extent permitted by the terms of the Master Indenture and the Mortgages.

The lien and security interests created by the Mortgages may be subject to Permitted Encumbrances, as defined in the Master Indenture. See Appendix C – “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Original Master Indenture.” The pledge of and security interest in the Obligated Groups’ Gross Revenues, and the lien of the Mortgages may also be limited by certain risk factors.

The Master Indenture also grants to the Master Trustee a security interest in the amounts, if any, in the Revenue Fund created under the Master Indenture and held by the Master Trustee. Inasmuch as payments on Obligations issued under the Master Indenture may be made directly to the holders of such Obligations unless any issuer of any such Obligations has defaulted, there may not be any amounts deposited in the Revenue Fund at any particular time.

Debt Service Coverage Ratio Covenant

The Master Indenture requires the Obligated Group to maintain a Debt Service Coverage Ratio of 1.25, defined generally as the ratio of (a) the Obligated Group’s excess of revenues over expenses, plus

interest expense on Long-Term Indebtedness, depreciation and amortization, plus net entrance fees received, minus entrance fee amortization, to (b) the Maximum Annual Debt Service Requirements on all Obligations, including the 2021 Master Note, and any other Long-Term Indebtedness. Compliance with the Debt Service Coverage Ratio Covenant will be tested (i) quarterly on the basis of the Obligated Group's unaudited financial reports, for the preceding 12-month period, and (ii) annually on the basis of the Obligated Group's audited financial statements for the preceding fiscal year.

If the required Debt Service Coverage Ratio is not met for any quarterly test date or for any fiscal year, the Obligated Group shall deliver, within 60 days of receipt of the financial statements disclosing such deficiency (30 days in the case of a report prepared by management, as described below), a report setting forth the reasons for such deficiency, and shall adopt a specific plan setting forth the steps designed to achieve the required Debt Service Coverage Ratio by the end of the second fiscal quarter following the date such report and plan are delivered. Such report and plan shall be prepared and implemented as described under the caption “– Management Reports and Plans” below; provided that no such report and plan will be required if a report and plan have been delivered pursuant to this subsection within the last five months.

Reserve Ratio

The Master Indenture requires the Obligated Group to maintain a Reserve Ratio of 0.25. The Reserve Ratio is defined as ratio of (x) the Obligated Group's (i) unrestricted and unencumbered cash and investments and (ii) cash and investments pledged to secure (a) Obligations issued under the Master Indenture, or (b) bonds, notes or other obligations under any indenture, loan agreement, reimbursement agreement or any other agreement that are secured by Obligations, including all moneys held in any debt service reserve fund or other funds or accounts thereunder, notwithstanding that such funds may be pledged to secure specific Obligations or other Indebtedness (excluding amounts in a debt service fund held for payment of interest), but only to the extent that the moneys in such accounts may be used for payment of operating expenses or Debt Service Requirements without third-party consent, to (y) the aggregate principal amount of Long Term Indebtedness of the Obligated Group Outstanding on such date. The Reserve Ratio is required to be tested (1) semiannually as of each June 30 and December 31, based on the Obligated Group's unaudited financial statements and (2) annually based on the Obligated Group's audited financial statements.

If the required Reserve Ratio is not met for any semiannual or annual test date, the Obligated Group shall deliver, within 60 days of receipt of the financial statements disclosing such deficiency (30 days in the case of a report prepared by management, as described below), a report setting forth the reasons for such deficiency, and shall adopt a specific plan setting forth the steps designed to achieve the required Reserve Ratio by the end of the second fiscal quarter following the date such report and plan are delivered. Such report and plan shall be prepared and implemented as described under the caption “– Management Reports and Plans” below; provided that no such report and plan will be required if a report and plan have been delivered pursuant to this subsection within the last five months.

Management Reports and Plans

Whenever the Obligated Group is required to complete a report and plan for correcting a deficiency described above under the captions “– Debt Service Coverage Ratio” and “– Reserve Ratio,” the Obligated Group shall cause such report and plan to be prepared and shall adopt such plan within the applicable time limit prescribed by such Subsections. Each such report and plan shall be prepared by a Consultant, except that (i) for the first Debt Service Coverage Ratio calculation during any 12-month period which is below 1.25 (but not less than 1.0), such report and plan may be prepared by management and (ii) for the first Reserve Ratio calculation during any 12-month period which is below 0.25 (but not less than 0.15), such report and plan may be prepared by management. Each such report and plan must be in writing and contain

sufficient detail to support the conclusions made concerning the reasons for the deficiency and the steps to be taken for its correction. Each such report and plan shall be implemented immediately upon its adoption, except to the extent limited by law or existing contracts. Copies of each such report and plan shall be sent to the Master Trustee.

Failure to Maintain Ratios or Targets Not a Default

Notwithstanding any other provision of the Master Indenture, the failure of the Obligated Group to comply with the Debt Service Coverage Ratio Covenant or the Reserve Ratio will not be deemed to constitute an Event of Default under the Master Indenture, so long as the Obligated Group takes all action within its control to comply with the procedures set forth above for preparing and implementing a report and plan for correcting such deficiency; provided that if the Debt Service Coverage Ratio is less than 1.00, as of the end of any fiscal year, such Ratio may constitute an Event of Default with the giving of notice as provided in the Master Indenture.

Transfer of Property

Members of the Obligated Group may, upon compliance with certain conditions set forth in the Master Indenture, transfer property, including cash, to Persons who are not Members of the Obligated Group. See Appendix C – “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Original Master Indenture.”

Outstanding Parity Indebtedness; Additional Indebtedness

The Obligated Group has previously incurred long-term indebtedness under the Master Indenture, which indebtedness is secured with Obligations issued under the Master Indenture, which will be on parity with the 2021 Master Note. Such other Obligations which will be outstanding under the Master Indenture and which secure Long-Term Indebtedness were in the aggregate principal amount of approximately \$210,082,152, as of March 31, 2021. Additional Obligations in the aggregate amount of approximately \$25,675,451, as of March 31, 2021, securing certain short-term lines of credit and a guaranty of certain long-term debt of affiliates of the Obligated Group will also constitute outstanding parity Obligations secured under the Master Indenture. See Appendix A “CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP - Summary of Outstanding Long Term Debt as of March 31, 2021.”

Concurrently with the issuance of the 2021 Bonds, the Borrowers and the Obligated Group are also incurring Long-Term Indebtedness in the principal amount of \$8,620,000[†] through a taxable fixed rate term loan (the “Taxable Note”) with Bank of America, N.A. (the “Lender”). Proceeds of the Taxable Note will be applied to (i) refund a portion of the 2003B Bonds, the 2013A Bond and the 2013B Bond, (ii) refund all of the Philadelphia Authority for Industrial Development Revenue Bonds (Cathedral Village Project), Series 2013, which are outstanding in the aggregate principal amount of \$7,955,000 (the “CV Bonds”), and (iii) pay the costs of issuance of the Taxable Note. See “THE 2021 PROJECT AND THE PLAN OF FINANCING – Refunding Program.”

The Taxable Note will be secured by Master Indenture Promissory Note, Series 2021-2 (the “Taxable Master Note”) issued under the Master Indenture and secured on parity with the 2021 Master Note and the other outstanding Obligations under the Master Indenture.

The Taxable Note will be amortized over a term of 18 years, with a balloon maturity date ten years from the date of closing on the Taxable Note. The Taxable Note will be a fixed interest rate obligation with

[†] Preliminary, subject to change.

an initial rate of 2.59% per annum, subject to possible rate increase or decrease based on the Obligated Group's Reserve Ratio on each semi-annual ratio measurement date. If the Reserve Ratio falls below 0.25x, the interest rate would increase to a default rate equal to 300 basis points over the interest rate then in effect, and such default rate would apply in the event of the occurrence of an Event of Default under the Taxable Note. Principal will be repaid in accordance with a principal payment schedule to be attached to the Taxable Note and interest will be payable monthly on the first business day of each month. All remaining outstanding principal will be due and payable on the maturity date. Interest is calculated on the basis of the actual number of days elapsed over a 360-day year. The Taxable Note is also subject to certain yield protection provisions and a prepayment premium if principal on the Taxable Note is paid in excess of the scheduled payments in any year.

Various significant covenants in the loan documents that are applicable to the Obligated Group's other outstanding Obligations issued under the Master Indenture, including the Taxable Note, and which are more restrictive or in addition to the covenants contained in the Master Indenture are summarized in Appendix A under the caption "OBLIGATED GROUP FINANCIAL STATEMENTS AND SUMMARY OF FINANCIAL INFORMATION - Summary of Outstanding Obligated Group Long Term Debt as of March 31, 2021."

The Master Indenture permits the members of the Obligated Group to incur additional Indebtedness which, subject to compliance with various financial tests and certifications, would be secured equally and ratably with the Borrowers' obligations with respect to the 2021 Bonds. Such Indebtedness would increase the Obligated Group's debt service and repayment requirements and may adversely affect debt service coverage on the 2021 Bonds. Furthermore, the holders of such parity Indebtedness would be entitled to share ratably with the holders of the 2021 Bonds in any moneys realized from the exercise of remedies in the event of a default by the Obligated Group and in the proceeds of certain insurance and condemnation awards. See Appendix C – "PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Original Master Indenture."

DEBT SERVICE REQUIREMENTS

The following table sets forth the annual debt service requirements on the 2021 Bonds, the Taxable Note and the other outstanding Long-Term Indebtedness of the Obligated Group.

<u>Period Ending December 31</u>	<u>Pro Forma Other Indebtedness^{(1)*}</u>	<u>Principal of 2021 Bonds</u>	<u>Interest on 2021 Bonds</u>	<u>Total Debt Service on 2021 Bonds</u>	<u>Taxable Note⁽²⁾</u>	<u>Total Debt Service</u>
2021	\$17,195,653	\$	\$	\$	\$	\$17,195,653
2022	17,681,945					17,681,945
2023	18,329,628					18,329,628
2024	18,475,977					18,475,977
2025	17,644,656					17,644,656
2026	16,985,924					16,985,924
2027	16,717,168					16,717,168
2028	16,756,546					16,756,546
2029	16,587,764					16,587,764
2030	15,511,812					15,511,812
2031	14,542,740					14,542,740
2032	12,797,285					12,797,285
2033	11,265,115					11,265,115
2034	9,785,302					9,785,302
2035	8,890,433					8,890,433
2036	7,375,474					7,375,474
2037	6,508,359					6,508,359
2038	6,135,733					6,135,733
2039	3,749,776					3,749,776
2040	3,737,205					3,737,205
2041	3,720,925					3,720,925
2042	3,152,700					3,152,700
2043	2,665,779					2,665,779
2044	2,637,261					2,637,261
2045	792,456					792,456
2046	792,456					792,456
Total	\$270,436,070	\$	\$	\$	\$	\$270,436,070

⁽¹⁾ Pro forma other indebtedness that will remain outstanding after the Refunding Program has been effectuated.

⁽²⁾ The Taxable Note is anticipated to be issued concurrently with the 2021 Bonds.

* Preliminary, subject to change.

CERTAIN BONDHOLDERS' RISKS

The paragraphs below discuss certain Bondholders' risks but are not intended to be a complete listing or discussion of all risks associated with the purchase of the 2021 Bonds.

AN INVESTMENT IN THE 2021 BONDS INVOLVES A SIGNIFICANT DEGREE OF RISK. A BONDHOLDER IS ADVISED TO READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND TO REFER TO THE SECTION "SECURITY AND SOURCES OF PAYMENT FOR THE 2021 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN INVESTMENT CONSIDERATIONS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE 2021 BONDS.

General

Payment of Obligations issued under the Master Indenture, including the 2021 Master Note and, therefore, the 2021 Bonds, will depend on the Obligated Group's ability to generate revenues sufficient to pay debt service on the Obligations while paying operating expenses of the Obligated Group's facilities. The Obligated Group's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of unforeseen events and conditions, including changes in demand for facilities similar to those provided by the Obligated Group, fluctuations in public confidence both in the members of the Obligated Group and the services they provide, changes in government licensing procedures, regulation and competition and changes in the rules and guidelines governing reimbursement for health care by third-party payers.

Limited Obligations

The 2021 Bonds are limited obligations of the Authority, the principal or redemption price of and the interest on which will be payable solely from payments made by the Borrowers under the Loan Agreement or by the Obligated Group under the 2021 Master Note or from any other moneys made available to the Authority for such purpose under the Loan Agreement, the 2021 Master Note, the Mortgages or the Bond Indenture.

Limited Assets of Obligated Group

The Obligated Group's sole business consists of the ownership, management and operation of the Facilities. Although the Obligated Group may seek donations from groups and individuals, the Obligated Group does not have any other sources of funds if revenues from operation of the Facilities are not sufficient to cover its expenses, including debt service on the 2021 Master Note and all other outstanding Obligations, including the 2012 Master Note.

Impact of COVID-19 Pandemic

General. The COVID-19 pandemic ("COVID-19" or the "Pandemic") is having numerous and varied medical, economic, and social impacts, any and all of which may adversely affect the Obligated Group's business and financial condition. National, state, and local governments have taken, and may continue to take, various actions, including the passage of laws and regulations, on a wide array of topics, in an attempt to slow the spread of COVID-19 and to address the health and economic consequences of the outbreak. Many of these government actions have caused substantial changes to the way health and residential senior care are provided and how society in general functions. It is not clear how long such measures will remain in place or what any new measures will require.

It is generally expected that the overall impact of the Pandemic on the U.S. economy will be broad-based and materially adverse. The Obligated Group cannot, at this time, quantify or predict the cumulative impact of the Pandemic taken as a whole, but such impact could be material and adverse.

Operational Disruption. The effects of the Pandemic could adversely affect the Obligated Group's normal assisted living, skilled nursing and other residential senior care facilities and operations and, as a result, the financial condition and performance of the Obligated Group could be materially adversely affected. Various states, including Pennsylvania, and local governments have previously issued general "stay at home" or "shelter in place" orders that mandated social distancing, acceptance of COVID-19 residents in nursing homes, suspension of visitations at senior care facilities, closed school systems and closed or limited non-essential business activities in an effort to slow the spread of COVID-19. In recent months, many states have begun the process of easing such restrictions to allow more economic activity to take place only to partially reimplement portions of such restrictions due to a rise in numbers of positive COVID-19 cases and hospitalizations. The self-quarantines, stay-at-home or shelter-in-place orders had, and are expected to continue to have, an adverse impact on the operations and financial position of continuing care retirement communities (CCRCs) and other residential senior care provider systems due to increased costs, including, without limitation, costs associated with increase and enhancement in resident health and safety procedures and protections, resident and staff monitoring, testing, vaccination, treatment and other COVID-related protective measures and health care expenses. Even if such actions help reduce the rate of increase in COVID-19 cases in the near term, they may have to be sustained or reinstated for prolonged periods of time to be effective in controlling and reducing the transmission of COVID-19.

The operation of the Obligated Group's Facilities has been adversely impacted by numerous orders, guidance and directives issued by the Pennsylvania Department of Health and other governmental agencies and authorities. These have included the following:

- Directive of the Secretary of the Pennsylvania Department of Health directing licensed long-term care facilities to continue admitting new COVID-19 patients, including those discharged from hospitals but unable to go home, and to readmit current patients after hospital stays dated March 18, 2020
- Pennsylvania Department of Health Interim Guidance for Nursing Care Facilities During COVID-19 dated May 12, 2020
- Order of the Secretary of the Pennsylvania Department of Health Directing Long-Term Care Facilities to Implement Measures for Use and Distribution of Personal Protective Equipment dated April 13, 2020
- Guidance of the US Department of Health & Human Services Centers for Medicare & Medicaid Services (CMS) establishing procedures, guidelines and requirements for Infection Control and Prevention of COVID-19 in Nursing Homes dated March 13, 2020, as supplemented and revised by further CMS guidance on March 10, 2021 regarding nursing home visitation during the Pandemic
- Order of the Secretary of the Pennsylvania Department of Health Directing Testing at Skilled Nursing Facilities dated June 9, 2020
- Order of the Secretary of the Pennsylvania Department of Health Directing Long-Term Care Facilities to Implement Measures for Use and Distribution of Personal Protective Equipment dated August 18, 2020
- Amended Order of the Secretary of the Pennsylvania Department of Health Requiring Skilled Nursing Care Facilities to Make Daily Reports of Specified Data Regarding Supplies and Equipment dated December 24, 2020
- Pennsylvania Department of Health Interim Guidance for Skilled Nursing Facilities during COVID-19 dated December 24, 2020

- Order of the Acting Secretary of the Pennsylvania Department of Health Requiring Skilled Nursing Care Facilities to Complete the COVID-19 Vaccine Needs Assessment Survey dated March 16, 2021
- Pennsylvania Department of Health Interim Guidance for Skilled Nursing Facilities During COVID-19 dated March 29, 2021

The response to and handling of COVID-19 or another highly contagious disease at the Obligated Group's Facilities and other residential or long term care facilities, as well as governmental and commercial entity responses to the Pandemic and resulting economic conditions, may adversely affect the Obligated Group's operations and financial performance in various ways, including but not limited to (1) imposition of substantial additional costs and expenses of expanded infection control measures and testing of and providing personal protective equipment (PPE) to staff and residents, (2) reduction in new resident admissions and accompanying residency fee and other revenue losses due to fear of the Pandemic exposure in senior care facilities, (3) increased staffing and overtime costs, (4) substantial costs and expense of complying with the numerous governmental orders and directives referenced above, (5) increased costs associated with obtaining and administering vaccines to staff and residents and increased reporting requirements concerning resident or patient COVID-related occurrences, (6) costs associated with quarantine of patients, (7) a disruption in the production or supply of pharmaceuticals, medical supplies and protective equipment and increases in the costs of such products, (8) professional or non-professional staff shortages or illnesses, (9) an increase in overhead costs due to additional costs incurred related to adjustments to the use of various facilities and to staffing during the outbreak, including overtime wages, mandated sick pay, and the use of more expensive contract staff to provide care, (10) significantly delayed payments from third party payors, or (11) potentially increased numbers of professional liability lawsuits. As the effects of, and responses to, the Pandemic are far reaching and rapidly changing, the Obligated Group cannot predict the impacts or costs of the Pandemic, which could be material and adverse.

Economic and Market Disruption. The Pandemic has affected, and is expected to continue to affect, travel, commerce and financial markets in the United States and globally and is widely expected to affect economic growth worldwide. The Pandemic has resulted in volatility in the United States and global financial markets, and significant realized and unrealized losses in investment portfolios. Financial results, generally, and liquidity, in particular, may be materially diminished. Access to capital markets may be hindered and increased costs of borrowing may occur as a result. The impact of the outbreak on the Obligated Group's operations, business and financial results cannot be predicted at this time due to the dynamic nature of the outbreak, including uncertainties relating to its duration and severity, as well as what actions may continue to be taken by governmental authorities and other institutions to contain or mitigate its impact. The continued spread of COVID-19 and containment and mitigation efforts could have a material adverse effect on the operations of the Obligated Group and on state, national, and global economies.

Further, the volatility and other disruptions in U.S and global financial markets caused by the Pandemic may also adversely affect the secondary market for the 2021 Bonds, an investor's ability to sell the 2021 Bonds and/or the price or yield at which the 2021 Bonds might be sold. The duration of these market dislocations and disruptions is presently unknown, but it is reasonable to expect that they may continue for a significant period after the Pandemic abates.

Governmental Relief. In response to the 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 allows access to disaster relief funds to address the Pandemic and related economic dislocation, and the National Emergencies Act, which allows the U.S. Department of Health and Human Services ("DHHS") to waive certain guidelines related to Medicare, Medicaid and the Children's Health Insurance Program (all of which are described in greater detail below) to address the Pandemic. The U.S.

Congress has also passed a series of federal stimulus packages to address the Pandemic, including (1) the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 (“CPRSA Act”), (2) the Families First Coronavirus Response Act (“Families First Act”), (3) the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), (4) the Paycheck Protection Program and Health Care Enhancement Act (“Enhancement Act”) and (5) the coronavirus response and relief portions of the Consolidated Appropriations Act, 2021 (“Appropriations Act of 2021”). The federal stimulus packages are designed to provide economic relief or other support for individuals and businesses, including nursing facility and other health care providers. Federal stimulus provisions that may alleviate some of the financial strain on skilled nursing and health care providers include, among others: (1) a \$178 billion “Public Health and Social Services Emergency Fund” to reimburse eligible health care providers for “health care related expenses or lost revenues that are attributable to coronavirus” (“Provider Relief Fund”), funded through CARES Act and Enhancement Act and Appropriations Act of 2021 appropriations, (2) \$5 billion in additional stimulus payments for Medicare-certified long term care facilities funded through CARES Act, (3) various additional “incentive payments” to nursing homes meeting HHS infection control criteria and (4) various other Medicare and Medicaid policy changes that temporarily boost Medicare and Medicaid reimbursement or provide for additional flexibility in resident care during the COVID-19 emergency period. On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (the “American Rescue Act”), which contained a \$200 million appropriation to support COVID-19 vaccines in nursing homes and an additional \$250 million for states to fund dedicated “strike teams” to help nursing homes combat outbreaks of the Pandemic for up to a year after the end of the formal coronavirus emergency. The timing, adequacy and other ultimate effects of any CPRSA Act, Families First Act, CARES Act, Enhancement Act, Appropriations Act of 2021, the American Rescue Act or other federal or state stimulus relief programs on the Obligated Group, or the economy generally, cannot be predicted at this time. The content and passage of any additional future COVID-19 emergency response and relief legislation is uncertain. See Note 2 in the combined audited financial statements of the Obligated Group for the fiscal years ended December 31, 2020 and 2019 included as APPENDIX B hereto for a discussion of Pandemic Relief obtained by the Obligated Group to date.

The acceptance of funds from certain COVID-19 stimulus programs may be conditioned on eligibility and the acceptance of terms and conditions, and may be subject to other guidelines or requirements that may change from time to time. Additional guidance or clarifications concerning COVID-19 stimulus programs, including reporting, recordkeeping and repayment requirements, may be announced from time to time. Failure to comply with such guidelines or requirements could result in recoupment, False Claims Act liability, or other penalty.

Failure to Maintain Turnover or Occupancy

The economic feasibility of the Facilities depends upon the ability of the Obligated Group to attract sufficient residents and to maintain substantial occupancy of the Obligated Group’s Facilities throughout the term of the 2021 Bonds. If the levels of occupancy assumed by the Obligated Group do not occur, the revenues anticipated by the Obligated Group from monthly fees and entrance fees and other charges could be adversely affected.

If a substantial number of residents live beyond the life expectancies anticipated by the Obligated Group, new residents will be admitted at a slower rate and the receipt of additional entrance fees and monthly service fees will be curtailed with a consequent impairment of the Obligated Group’s cash flow. In addition, even if the anticipated attrition levels are realized and maintained, no assurance can be given that remarketing of vacated units will take place as quickly as assumed by the Obligated Group.

Sale of Homes

Many prospective residents of the Obligated Group's independent living units must sell their current homes to pay the entrance fee prior to occupancy or to meet other financial obligations under their residency agreements. If prospective residents encounter difficulties in selling their current homes due to local or national economic conditions affecting the sale of residential real estate, such prospective residents may not have sufficient funds to pay the entrance fee or to meet other obligations under their residency agreements, thereby causing a delay in the remarketing of vacated independent living units which would have an adverse impact on the revenues of the Obligated Group. In addition, lower prices on the sale of existing homes could result in decreased demand for independent living units in retirement communities generally.

Nature of the Income of Seniors

A portion of the monthly income of the residents of the Facilities will be fixed income derived from investments, retirement plans and Social Security. In addition, some future residents will be liquidating assets in order to pay the monthly and other fees. If, due to inflation or otherwise, substantial increases in fees are required to cover increases in operating costs, wages, benefits and other expenses, some residents may have difficulty paying or may be unable to pay such increased fees. The Obligated Group's inability to collect from residents the full amount of their payment obligations may jeopardize the ability of the Obligated Group to pay amounts due under the Master Indenture.

Construction Risks

The expansion of certain facilities of the Borrowers to be financed with the 2021 Bonds as part of the Capital Project is subject to the usual risks associated with construction projects including but not limited to cost overruns, delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could result in delaying occupancy of the new residential units and thus adversely impact the revenue of the Obligated Group.

It is anticipated that the proceeds from the sale of the 2021 Bonds and other available funds, together with anticipated investment earnings thereon, will be sufficient to complete the construction and equipping of the Capital Project.

Competition

The Facilities of the Obligated Group are located in areas where other continuing care retirement communities, assisted living or personal care facilities, nursing facilities and other competitive facilities exist, or may be developed. The Obligated Group may also face additional competition in the future as a result of changing demographic conditions and the construction of new, or the renovation or expansion of existing continuing care facilities in the geographic areas served by the Obligated Group. The Obligated Group will also face competition from other forms of retirement living, including active adult communities, condominiums, apartment buildings and facilities not specifically designed for seniors, some of which may be designed to offer similar facilities but not necessarily similar services, at lower prices, and from providers of home care and home health services. In addition, with the exception of restrictions on approvals for Medicaid enrollment for new nursing facilities, there are few entry barriers to future competitors because competing facilities generally do not require a certificate of need approval, although continuing care facilities located in Pennsylvania are required to obtain a Certificate of Authority from the Pennsylvania Insurance Department. All of these factors combine to make the senior housing industry volatile and subject to material change that cannot be currently predicted.

Additional Debt

The Master Indenture permits the Obligated Group to incur additional indebtedness which may be equally and ratably secured under the Master Indenture with the 2021 Master Note, the Taxable Master Note and all other outstanding Obligations, including Obligations evidencing Additional Indebtedness related to Additional Bonds permitted to be issued pursuant to the Bond Indenture. Any such additional indebtedness would be entitled to share ratably with the holders of the 2021 Master Note, the Taxable Master Note and all other outstanding Obligations in any moneys realized from the exercise of remedies under the Master Indenture in the event of a default by the Obligated Group and in the proceeds of certain insurance and condemnation awards. There is no assurance that, despite compliance with the conditions under 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 2021 Master Note may not be materially, adversely affected upon the incurrence of additional indebtedness.

Supplements to the Master Indenture (or related financing documents) entered into in connection with the issuance of other Obligations under the Master Indenture may contain additional covenants for the benefit of the Holders of such Obligations, including financial covenants that are more restrictive than the covenants otherwise contained in the Master Indenture. See “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Original Master Indenture” in APPENDIX C hereto for a description of limitations on the incurrence of additional indebtedness.

Certain Matters Relating to Enforceability of the Master Indenture

The obligations of the Obligated Group under the 2021 Master Note will be limited to the same extent as the obligations of debtors typically are affected by bankruptcy, insolvency, moratorium, reorganization, receivership or similar laws affecting the enforcement of creditors’ rights and by general equitable principles and as additionally described below.

The joint and several obligations described herein of the Obligated Group and any future members of the Obligated Group to make payments of debt service on Obligations 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, insolvency, moratorium, reorganization, receivership or similar laws affecting the enforcement of creditors’ rights and by general equitable principles; and (2) such payments: (i) are requested from a member of the Obligated Group on account of borrowings which did not directly benefit such member; (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 2021 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 Obligations, 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. In the event additional entities become members of the Obligated Group in the future, there is no clear precedent in the law as to whether such payments from a member of the Obligated Group other than the Borrowers in order to pay debt service on the 2021 Master Note may be voided by a trustee in bankruptcy in the event of bankruptcy

of the member of the Obligated Group, or by third-party creditors in an action brought pursuant to Pennsylvania fraudulent conveyance laws. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under the Pennsylvania voidable transfer statute 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 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 Pennsylvania fraudulent or voidable transfer laws, or the guarantor is undercapitalized.

Application by courts of the tests of “insolvency” and “reasonably equivalent value” 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 on an Obligation for which it was not the direct beneficiary, a court might not enforce such a payment in the event it is determined that such member of the Obligated Group is analogous to a guarantor of the debt of a member of the Obligated Group who directly benefited from the borrowing and that reasonably equivalent value for such member’s guaranty was not received and that the incurrence of such Obligations has rendered or will render the member insolvent.

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

The accounts of the Obligated Group 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 members of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the members of the Obligated Group to pay debt service on Obligations, including the 2021 Master Note.

The various legal opinions to be delivered concurrently with the execution and delivery of the 2021 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, insolvency, moratorium, reorganization, receivership or other laws affecting creditors’ rights and by equitable principles and the exercise of judicial discretion (or the enforceability of certain remedies or document provisions).

Possible Limitations on Security

The Obligated Group has covenanted in the Master Indenture and the Mortgages not to create or permit to exist any lien or encumbrance on the Mortgaged Facilities, except Permitted Encumbrances. The security interest in the Gross Revenues may not extend to any revenues generated from the use and operation of the Obligated Group’s property after any person other than the Obligated Group members obtains possession of such property, whether by voluntary transfer, foreclosure under a mortgage or other security agreement or enforcement of a statutory or judicially created lien. Further, the Master Indenture permits the Obligated Group to dispose of assets and to pledge, mortgage or grant a security interest in revenues, property and other assets of the Obligated Group to secure other indebtedness of the Obligated Group, subject to certain limitations stated therein. Any such pledges, liens, encumbrances or security

interests, and any pledge, lien, encumbrance or security interest created in violation of the Master Indenture would give the holders of the indebtedness secured thereby priority in payment over the 2021 Bonds from the property, other than Gross Revenues, so encumbered in the event of the enforcement thereof. See “PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS – Original Master Indenture” in APPENDIX C hereto.

In addition, the effectiveness of the pledge of Gross Revenues of the Obligated Group is limited since a security interest in money generally cannot be perfected by the filing of financing statements under the Pennsylvania Uniform Commercial Code (the “UCC”). Rather, such a security interest is perfected by taking possession of the subject funds. The monies constituting Gross Revenues received by the Obligated Group from time to time are generally not required to be transferred to or held by the Master Trustee absent a declared event of default under the Master Indenture, and may be spent by the Obligated Group or commingled with its other funds. Under these circumstances, the pledge of Gross Revenues might not be perfected under the UCC.

To the extent a security interest can be perfected in the Gross Revenues by the filing of financing statements, such action has been taken. The security interest in the Gross Revenues may be unenforceable against third parties unless such Gross Revenues are actually transferred to or for the benefit of the Master Trustee and may be subject to other exceptions under the UCC. The perfection and enforcement of the Master Trustee’s security interest in the Gross Revenues of the Obligated Group may be limited by a number of factors, including, without limitation, the factors described above in the event of a bankruptcy filing by a Member of the Obligated Group. Under current law, the enforceability of the Master Trustee’s security interest in the Gross Revenues also may be limited by (i) federal and state laws giving super-priority to certain types of statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) present or future prohibitions against assignments of certain revenues or payments to senior care providers contained in any federal or state statutes or regulations, including those governing Medicare or Medicaid; (iv) constructive trusts, equitable liens and other rights impressed or conferred by any federal or state court in the exercise of its equitable jurisdiction; (v) the provisions of the United States Bankruptcy Code affecting assignments of revenue earned after or within 366 days prior to any effectual institution of bankruptcy proceedings by or against an Obligated Group member; (vi) Section 552 of the United States Bankruptcy Code, which limits the extent to which property acquired by a debtor after the commencement of a case under the United States Bankruptcy Code may be subject to a security interest arising from a security agreement entered into by the debtor before the commencement of such case; (vii) rights of third parties, and the debtor in possession, in Gross Revenues converted to cash and not in the possession of the Master Trustee; (viii) statutory limitations, exclusions, rules and defined rights of secured creditors under applicable law, including, without limitation, the UCC as from time to time in effect; and (ix) the requirement that appropriate financing or continuation statements be filed in accordance with the Uniform Commercial Code as in effect from time to time in any jurisdiction in which any portion of the properties of the Obligated Group members subject to the lien of the Master Indenture or the Mortgages is located or in which the Obligated Group members may conduct their operations.

The realization of any rights upon a default will depend upon the exercise of various remedies specified in the Master Indenture, the Bond Indenture, the Loan Agreement, the Mortgages and the other documents securing the 2021 Bonds and the Borrowers’ obligations under the Loan Agreement. Any attempt by the Master Trustee or the Bond Trustee to enforce such remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the legal and equitable remedies specified in the Master Indenture, the Bond Indenture, the Loan Agreement, the Mortgages and the other documents securing the 2021 Master Note and the 2021 Bonds and the Borrowers’ obligations under the Loan Agreement and the Obligated Group’s obligations under the Master Indenture may not be readily available.

Limitations of Remedies under the Mortgages

The practical realization of value from the Mortgaged Facilities upon any default will depend on the exercise of the remedies specified under the Mortgages, principally, foreclosure. Under Pennsylvania law, however, the remedies specified in the Mortgages may not be readily available or may be limited. One Mortgaged Facility is located in Ohio and one in Delaware, and all other Mortgaged Facilities are located in Pennsylvania. Ohio and Delaware mortgage law is not described in detail in this Official Statement, but each state has legal and procedural hurdles, processes and requirements that must be met before such mortgages could be executed upon and proceeds realized therefrom. Other statutory provisions (such as the federal bankruptcy laws) also may have the effect of delaying enforcement of the lien and security interest under the Mortgages in the event of a default by the Obligated Group under the Master Indenture.

An event of default under the Master Indenture gives the Master Trustee the right to possession of, and the right to sell the Mortgaged Facilities pursuant to a foreclosure sale under each Mortgage under Pennsylvania law. The Mortgaged Facilities consist of special purpose facilities with limited alternative purposes based upon design and construction of buildings, zoning and other facilities. There can be no assurance that if any event of default were to occur (i) any or all of the Mortgaged Facilities could be foreclosed upon or sold for an amount sufficient to pay in full principal of and interest on the outstanding 2021 Bonds, the 2021 Master Note and all other Master Indenture Obligations secured on a parity therewith, or (ii) any bid would be received for the Mortgaged Facilities and, if received, would be sufficient to fully pay the principal of and interest on the 2021 Bonds, the 2021 Master Note and the other Master Indenture Obligations ratably secured thereby. Any sale of Mortgaged Facilities would require compliance with the laws of the states of the Mortgaged Facilities' location, and Mortgaged Facilities located in different states would be subject to differing laws, rules, procedures, actions and proceedings. Such compliance might be difficult, time-consuming and expensive. Further, in order to foreclose the Pennsylvania Mortgages, separate foreclosure actions would need to be pursued in each applicable county where the Mortgaged Facilities are located such that they could not be sold at Sheriff's execution sale in a single block or package but likely subject to piecemeal liquidation. Any delays in the ability of the Master Trustee to foreclose on one or more Mortgages would result in delays in the payment of the 2021 Bonds and the 2021 Master Note.

Finally, the enforceability of the Mortgages may be limited practically by the Master Trustee's hesitancy or unwillingness to take over control of the Mortgaged Facilities during and after the foreclosure process due to concerns over the welfare of residents and patients at such Mortgaged Facilities and potential significant liability arising from the Master Trustee assuming temporary operational responsibilities.

Unique Nature of the Facilities

Most of the Obligated Group's Facilities are not practically suited to alternative uses. As a result, the remedies available to the Bond Trustee and the Master Trustee in the event of a default under the Loan Agreement, the Master Indenture and the Mortgages may be limited, and the realization of revenues from the sale or leasing of the Mortgaged Facilities (upon foreclosure or otherwise) might thus be materially and adversely affected.

Bankruptcy

In the event of bankruptcy of the any Obligated Group member or any future Obligated Group member, the rights and remedies of the holders of the 2021 Bonds are subject to various provisions of the federal Bankruptcy Code. If an Obligated Group member were to file a petition in bankruptcy, payments made by the Obligated Group member during the 90-day (or in certain situations, one-year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of

the Obligated Group member's liquidation. Security interests and other liens granted to a trustee and perfected during such preference period also may be avoided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such perfection. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Obligated Group member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of a trustee. If the bankruptcy court so ordered, the property of the Obligated Group member, including accounts receivable and proceeds thereof, could be used for the financial rehabilitation of the Obligated Group member despite any security interest of a trustee therein. The rights of the Bond Trustee or the Master Trustee to enforce its security interests and other liens it may have could be delayed during the pendency of the rehabilitation proceeding.

An Obligated Group member could file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and discharges all claims against the debtor provided for in the plan. No plan may be continued unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In the event of bankruptcy of a Borrower or an Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement, the Mortgages, the Master Indenture and certain other documents would survive. Accordingly, the Borrower or other Member of the Obligated Group, as debtor in possession, or a bankruptcy trustee could take action which might adversely affect the exclusion of interest on the 2021 Bonds from gross income for federal income tax purposes.

Federal and State Regulation; Rights of Residents

The Obligated Group is subject to regulatory action by a number of federal, state and local agencies. These bodies may promulgate new regulatory provisions from time to time, and it is not possible to predict the effect of any such future promulgations on the Obligated Group. Future actions by the federal, state or local government increasing the required services to be provided to residents of the Facilities or otherwise changing existing regulations or their interpretation could increase the cost of operation of the Facilities and adversely affect the revenues of the Obligated Group.

The United States Congress and the Pennsylvania General Assembly have considered and enacted a number of proposals, some of which involve comprehensive health care reform, in recent years. See "Health Care Reform" below. The provisions that may be included in future federal or state legislation or regulations and their impact upon the Obligated Group cannot be determined at this time. No assurance can be given that any future health care legislation that is enacted will not materially adversely affect the Obligated Group.

Failure by the Obligated Group or the Facilities to comply with applicable federal and state laws and regulations could have a material adverse effect on the Obligated Group's financial condition and their ability to pay and perform their obligations under the Loan Agreement, the Master Indenture, the 2021 Master Note and the Mortgages.

The enactment of further legislation restricting operation of continuing care retirement facilities, creating additional residents' rights or requiring certain financial reserves could adversely affect the financial condition of the Obligated Group. In addition, the ability of the Master Trustee and the Bond Trustee to enforce remedies and rights under the Master Indenture, the Bond Indenture and the Mortgages may be adversely affected by litigation on behalf of residents. Although under the current residency agreements, residents will have no special lien or claim against any property of the Obligated Group, there can be no certainty that residents could not successfully claim or otherwise restrict the use of the Facilities property in bankruptcy proceedings or other disputes. In the event that the Authority, the Bond Trustee or the Master Trustee seeks to enforce any of the remedies provided by the Loan Agreement, the Master Indenture and the Mortgages upon the occurrence of a default thereunder, it is impossible to predict any judicial resolution of competing claims between the Authority, the Bond Trustee or the Master Trustee and the residents of the Facilities who have fully complied with all the terms and conditions of the residency agreements.

Public and Private Third-Party Reimbursement

The health care industry, in general, is subject to increased efforts of federal, state and local governmental agencies to reduce their health care program costs, including the Medicare and Medicaid reimbursement programs. As a result, the Obligated Group is sensitive to legislative and regulatory changes in such programs and is affected by reductions in governmental spending for such programs. Congress and the state legislature have in the past enacted a number of provisions which affect health care providers, and additional legislative changes can be expected. Previous legislative actions have included limitation of payments to nursing homes under the Medicare and Medicaid programs.

Future legislation, regulation and reimbursement changes by the federal and state governments are expected to continue the trend towards more restrictions on reimbursement for long-term care services in an effort to control the cost of the Medicare and Medicaid programs. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligated Group's financial performance cannot be determined at this time. In addition, future delays in adopting a state budget, as has occurred in some recent years, could result in delays in receipt by the Obligated Group of reimbursement for services provided, which could adversely affect the ability of the Borrowers to make timely payments under the Loan Agreement and of the Obligated Group under the 2021 Master Note.

The Obligated Group also receives reimbursement for services from non-governmental third-party payers, such as commercial insurers, employer self-insured programs, health maintenance organizations, and preferred provider organizations. Reimbursement paid by these payers may be at contract rates which are less than actual charges. Accordingly, there can be no assurance that payments made under such programs will be adequate to cover actual costs incurred.

Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were enacted. The two laws are collectively referred to as the "Affordable Care Act" or the "ACA." The ACA is intended to reform substantially the health insurance and healthcare delivery markets to improve access, coverage and the quality of health care and to lessen the rising cost of that care. The ACA also includes new forms of reimbursement for health care under the federal health care programs (Medicare and Medicaid), targeted reimbursement reductions and increased enforcement against fraud and abuse in those programs. Some of the provisions of the ACA took effect immediately, while others were phased in over time, ranging from one year to ten years. Most of the significant healthcare coverage reforms began in 2014. The ACA also requires the promulgation of substantial regulations with

significant effects on the delivery of healthcare by providers, including skilled nursing care, intended to improve the quality of care, patient outcomes and the reduction of costs. While the ACA is still the law of the land, during President Donald J. Trump’s term in office, the President, Congress and the administrative agencies responsible for its implementation (the Departments of Treasury, Health and Human Services, and Labor) made efforts to systemically unwind as much of the law and its implementing regulations as was within their legal authority. Although President Joseph R. Biden, Jr. took office in January 2021, the need for continuing reform of the issues confronting the country’s health care delivery and reimbursement system – including access to coverage, quality care and improved outcomes, and high costs – is not disputed. There is no consensus on how to tackle these issues effectively.

Provisions of the ACA that affect the Obligated Group’s operations, financial performance or financial conditions are described below. This listing is not comprehensive. The ACA is complex and comprehensive, and includes myriad new programs and initiatives and changes to existing programs, policies, practices and laws.

- Continued reduction to payments under the “Medicare Advantage” programs (Medicare managed care) may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans and may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs.
- States have the option to expand Medicaid programs to a broader population, with incomes up to 133% of federal poverty levels. Pennsylvania has expanded its Medicaid eligibility under the ACA.
- Medicare reduces payments to hospitals found to have a high rate of preventable readmissions for certain conditions; this information is available to the public. Hospitals in turn have incentive to focus on post-discharge care at post-acute care facilities to prevent readmissions.
- The Secretary of Health and Human Services (“HHS”) developed a value-based purchasing program for Medicare payments. This program provides incentive payments to skilled nursing facilities based on their performance on certain quality and efficiency measures.
- In order to reduce waste, fraud, and abuse in public programs, the ACA provides for provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs. It also requires Medicare and Medicaid program providers and suppliers to establish compliance programs. The ACA requires the development of a database to capture and share healthcare provider data across federal healthcare programs and provides for increased penalties for fraud and abuse violations, and increased funding for anti-fraud activities.

As noted above, beginning in 2017, President Donald Trump and the leadership of the Republican-controlled Congress commenced actions to repeal the ACA but their efforts were not successful. In May 2017, the House passed the American Health Care Act (“AHCA”), the first step of a repeal and replacement plan to the ACA. Procedurally, the AHCA was written to fit within the budget reconciliation process, and therefore limited to repealing only the budget-related provisions of the ACA. A budget reconciliation bill only requires a majority vote for passage, whereas the repeal of non-budget related provisions of the ACA requires an affirmative vote of at least 60 votes to avoid a filibuster by the opponents of the law under the Senate “Byrd rule”. Before the budget reconciliation opportunity expired in late September 2017, the Senate leadership introduced its own version of the bill, the Better Care Reconciliation Act (“BCRA”), which was later modified into the Health Care Freedom Act (“HCFA”), a “skinnier” version of the BCRA, and further altered in September by the Graham-Cassidy-Heller-Johnson Amendment. Each bill provided

for some form of phased elimination of the Medicaid expansion provisions and transferred control of all or most of the market reforms and Medicaid program requirements to the States. The Congressional Budget Office published projections on each version, advising that if enacted, each would lead to a substantial increase in uninsured Americans. Ultimately, none of the bills obtained enough votes to pass before the Senate.

In the wake of its failure to repeal the ACA in its entirety, Congress turned to an incremental repeal approach. In the December 2017 tax legislation and the January 2018 government spending authorization bills, Congress delayed the taxes on medical devices for two additional years and health insurance carriers for one year, eliminated the penalty on individual taxpayers for failing to comply with the individual mandate, and delayed the tax on highly valued employer group plans (known as the Cadillac Tax) until 2022. These taxes and penalties were intended to fund the ACA coverage subsidies.

Frustrated with the progress of the legislature, President Trump, by Executive Order, directed Treasury, the Department of Labor, HHS and Centers for Medicare and Medicaid Services (“CMS”) to identify, review and amend or rescind ACA regulations with the intent of reversing the ACA’s reforms where possible. In response, agencies shortened the 2018 enrollment period for the Marketplace Exchange plans, reduced funding for the communication and outreach programs related to the enrollment period and published a number of proposed regulations that will allow individual insurance coverage in the form of association health plans and limited duration insurance policies on the private market subject only to state insurance regulation. President Trump also announced that his administration would eliminate the funding for certain market stabilization provisions of the ACA, such as the subsidies for cost-sharing provisions of the Marketplace Exchange plans. The elimination of this funding will increase the out-of-pocket costs for deductibles and copayments that low-income individuals and families will incur when accessing medical services. HHS has also taken steps to reduce the Federal government’s Medicaid expenditures by, among other steps, streamlining the process for States to obtain waivers of the Medicaid coverage mandates. Other efforts to weaken the ACA include 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, the federal judge ruled in favor of the plaintiffs, holding the elimination of the tax penalty makes the individual mandate an unconstitutional exercise of Congress’ taxing power, the basis for upholding the ACA in the 2012 Supreme Court case *Nat’l Fed. of Independent Bus. v. Sebelius*. Because the judge found the balance of the ACA was not severable from the unconstitutional individual mandate, the Court held that the entire ACA was unconstitutional. The intervenor states appealed the decision to the United States Court of Appeals for the Fifth Circuit (the “Fifth Circuit”), which heard oral arguments on the case on July 9, 2019. On December 18, 2019, the Fifth Circuit issued an opinion confirming that the individual mandate is unconstitutional, but declined to rule on the issue of severability. After the Fifth Circuit remanded the case to the District Court to reconsider this issue, and after the filing of several petitions for *certiorari*, the case was heard by the U.S. Supreme Court in November 2020. The U.S. Supreme Court has not yet issued an opinion. Without a final ruling on its constitutionality, the ACA remains the law while these cases are pending; however, this uncertainty creates operational risk for the healthcare industry. While the ACA cannot be repealed in its entirety through regulatory actions, the sustainability of the Exchange plans may be impacted significantly by these regulatory actions, which may result in further withdrawals by health insurance carriers from the Marketplace Exchanges, higher premiums or less comprehensive benefits coverage and an increase in the number of uninsured individuals in the future.

If Congress enacts further health care reform, it will most likely include cuts in federal funding and benefits for Medicare and Medicaid beneficiaries over a period of years that will impact the Obligated Group. At this time, because the amounts and timing of those reductions have not been enacted, it is not possible to predict the outcome. The repeal and replacement of the ACA could have long-term, wide-ranging impacts upon the Obligated Group.

Health Care Regulation

General. The Obligated Group receives reimbursement for providing skilled nursing care for eligible residents under Title XVIII of the federal Social Security Act (Medicare). Medicare is an exclusively federal program and Medicaid (Title XIX of the federal Social Security Act) is funded by federal and state appropriations. For the fiscal year ended December 31, 2020, approximately 16% of the Obligated Group's net resident service revenue was received from Medicare reimbursement and approximately 21% of the Obligated Group's net resident service revenue was received from Medicaid reimbursement. Changes to Medicare or Medicaid reimbursement could have a material impact on the finances of the Obligated Group.

Federal Budget Cuts. The Budget Control Act of 2011 (the "Budget Control Act") mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the "Super Committee") to develop a plan to further reduce the federal deficit by \$1.5 trillion on or before November 23, 2011. As the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare spending, among other reductions, began in 2013 in a process known as sequestration.

The Bipartisan Budget Act of 2015 further increased the discretionary spending caps imposed by the Budget Control Act for fiscal years 2016 and 2017 and authorized \$80 billion in increased spending over the two years. The Bipartisan Budget Act of 2015 also extended the 2% reduction to Medicare providers and insurers to at least March 31, 2025, and suspended the limit on the federal government's debt until March 2017. The Bipartisan Budget Act of 2018 extended the reduction to Medicare through fiscal year 2027. The Bipartisan Budget Act of 2019 further extended the Medicare reduction for an additional two years, until 2029.

The CARES Act suspended the 2% sequestration payment adjustment from May 1 through December 31, 2020. The Consolidated Appropriations Act extended the suspension period to March 31, 2021. An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes, signed into law on April 14, 2021, extended the suspension period through December 31, 2021.

The Obligated Group does not anticipate that the return of such reduction following the suspension will have a material adverse effect on its operations. Additional legislation addressing nursing home reimbursement could be introduced, and if enacted, such legislation might have an adverse impact upon the revenues of the Obligated Group.

Medicare. Medicare is administered by an agency of HHS known as the CMS, and is a federal health insurance program that provides certain health benefits to beneficiaries who are age 65 or older, blind, disabled, or qualify for the End Stage Renal Disease Program. In order to achieve or maintain Medicare certification, the Obligated Group must meet CMS's "Requirements of Participation" on an ongoing basis, as determined by the state's health facility survey agency.

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

Prior to October 1, 2019, under the Medicare program, CMS reimbursed skilled nursing facilities on a prospective payment system ("PPS") methodology, similar to the diagnosis related group prospective

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

The PPS payment rates were based on a federal per diem rate and were updated annually using a market basket index. The federal per diem rate was adjusted to account for the relative resource utilization of different patients based on the intensity of care and the services required to treat a patient. Previously, patients were classified into groups using a classification system of sixty-six (66) groups known as Resource Utilization Groups IV ("RUGs-IV") based on data from resident assessments and relative weights developed from staff time data. In July 2018, CMS finalized a new case-mix classification model, the Patient Driven Payment Model ("PDPM") effective October 1, 2019. The relative payment weight is applied to the federal per diem rate, along with a wage index modifier reflecting the geographic variation in labor costs, to arrive at the applicable per diem payment for a resident. It cannot be determined at this time whether the new PDPM will have a significant impact on the Obligated Group's Medicare reimbursement and financial condition or operations.

The traditional Medicare fee-for-service program (Medicare Part A) reimburses up to 100 days of skilled nursing care per illness after a qualifying hospital stay for treatment of the illness. The first 20 days are covered by Medicare at 100%, after which Medicare requires the patient to contribute a daily co-payment for the remaining 80 days. This co-payment may be covered by a private insurance company through a Medigap plan. However, in the event the patient's secondary coverage is Medicaid, or the patient has no secondary insurance, the co-payment may not be paid. Medicare allows for certain patient payments that remain unpaid and for which the facility has made certain collection attempts, to be reported as bad debt on its Medicare cost reports. Medicare historically reimbursed 70% of the amount of uncollected bad debt. However, the Middle Class Tax Extension and Job Creation Act of 2012, reduced Medicare bad debt reimbursement to 65% of uncollected debt and took effect in cost reporting periods beginning in fiscal year 2013. Such reduction has not had a material adverse impact on the Obligated Group's revenues.

Federal health care reform impacts Medicare reimbursement of skilled nursing homes. In July 2012, CMS released the 2012 Nursing Home Action Plan, an action plan that focuses on the goal of further improving nursing home quality. There are multiple initiatives by CMS outlined in the 2012 Nursing Home Action Plan that may impact the Obligated Group's finances. CMS' goals include reducing preventable facility acquired conditions and reducing the number of hospital readmissions. Some of the initiatives include value based purchasing demonstration projects, where nursing facility payments may be bundled with hospital payments and other provider payments to encourage utilization control. CMS has adopted similar readmission and facility acquired condition reduction programs for inpatient facilities that are expected to lead to fewer inpatient admissions at hospitals for Medicare patients. Under the Protecting Access to Medicare Act of 2014, CMS was tasked with establishing a value-based purchasing program for skilled nursing facilities, which resulted in the development of the SNF value-based purchasing program ("VBP"), ultimately rolled out by CMS in August 2016. The program will be based on a facility's performance on hospital readmissions. In 2015, CMS implemented a Five Star Quality Rating System on

its Nursing Home Compare website (“Nursing Home Compare”), which reported the rates of re-hospitalization for short-term residents. In October 2018, CMS added the rates of hospitalization for long-term stay residents to Nursing Home Compare and in April 2019, it started including this quality measure along with several others in the calculations for the Five Star Quality Rating System. CMS also resumed health inspection rating calculations in April 2019, which may also affect a nursing home’s quality rating. Changes in Medicare program survey requirements and performance on changing quality of care performance metrics may also impact the Obligated Group’s finances.

In August 2016, CMS issued the final rule outlining the 2017 Medicare reimbursement policies and rates for the skilled nursing facility PPS, the skilled nursing facility quality reporting program (“SNF QRP”), and the SNF VBP. The final rule added three new measures to the SNF QRP for fiscal year 2018: average cost per Medicare beneficiary, rehospitalization rate, and discharge to community rate, and one new measure for fiscal year 2020: drug regimen review. Skilled nursing facilities that fail to submit the required quality data to CMS will be subject to a 2-percentage point reduction to the annual market basket percentage update factor for fiscal years beginning with fiscal year 2018.

In October 2016, CMS issued the first major rewrite of the Requirements of Participation for Long-Term Care Facilities participating in the Medicare and Medicaid Programs since 1991, implementing major changes to improve resident care and safety. The changes are targeted at reducing unnecessary hospital readmissions and infections, improving the quality of care, and strengthening safety measures for residents in long-term care facilities. CMS estimated that the final rule would cost a total of \$831 million in the first year and \$736 million annually in subsequent years to all long-term care facilities. The average per-facility cost was estimated at \$62,900 in the first year and \$55,000 annually thereafter. The rule includes various revisions to staffing and training requirements, discharge and care planning rules, and infection prevention and control provisions. To date, the Obligated Group has not experienced a material adverse effect on the Obligated Group’s financial condition or operations.

In August 2017, CMS issued its final rule for the 2018 Medicare payment policies and rates for the skilled nursing facility PPS, the SNF QRP, and the SNF VBP. The rule revises and rebases the market basket index for fiscal year 2018 and subsequent fiscal years by updating the base year from 2010 to 2014 and by adding a new cost category for installation, maintenance, and repair services. The final rule adds five new measures to the SNF QRP starting in fiscal year 2020: changes in skin integrity post-acute care to pressure ulcer/injury, application of change in self-care score for medical rehabilitation patients, application of change in mobility score for medical rehabilitation patients, application of discharge self-care score for medical rehabilitation patients, and application of discharge mobility score for medical rehabilitation patients. In addition, the rule also finalizes the requirement that SNFs must report certain standardized resident assessment data starting with the fiscal year 2019 SNF QRP. These additional measures imposed further administrative and data collection burdens on the facility, the cost of which is uncertain at this time.

On July 31, 2018, CMS released its final rule on Medicare payment policies and rates for skilled nursing facilities for fiscal year 2019. The rule applied the SNF market basket update for fiscal year 2019 promulgated by the Bipartisan Budget Act of 2018. It also replaced the existing case-mix classification methodology, the Resource Utilization Groups, with the revised PDPM case-mix methodology. Beginning on October 1, 2018, the rule reduced the federal per diem rate by 2% and adjusted the resulting rate by the value-based incentive payment amount earned by a SNF for the fiscal year under the SNF VBP program. In addition, the rule updated the SNF VBP program requirements, including requirements applicable for the fiscal year 2021 SNF VBP program, modification to the SNF VBP scoring methodology and the adoption of an Extraordinary Circumstances Exception policy for the SNF VBP program. Lastly, the rule updated the SNF QRP and adopted an eighth quality measure removal factor to the factors previously adopted as part of CMS’s Meaningful Measures Initiatives, namely, that the costs associated with a measure outweigh the benefit of its continued use in the program. These factors are applied on a case-by-case basis.

These changes were projected to have an overall economic impact of an estimated increase of \$820 million in aggregate payments to SNFs during FY 2019 and the SNF VBP program were estimated to have a reduction of \$211 million in aggregate payments to SNFs during this same period.

On April 25, 2019, CMS released a proposed rule for fiscal year 2020 that would update the Medicare reimbursement rates and quality programs for skilled nursing facilities. Pursuant to the proposed rule, CMS projects aggregate payments to skilled nursing facilities will increase \$887 million for fiscal year 2020 as compared to fiscal year 2019, attributable to a 3% market basket increase factor with a 0.5% percentage point reduction for the multifactor productivity adjustment. The proposed rule also makes certain adjustments to the PDPM finalized in 2018 CMS rulemaking. The proposed rule would provide for a process for updating ICD-10 codes under the new payment model, and revise the definition of group therapy for consistency with other post-acute care payment systems. Through the proposed rule, CMS would modify on SNF QRP measure, adopt two new process measures and 22 standardized patient assessment data elements, as well as seven more data elements related to social determinations of health. CMS finalized many of these proposals when it issued the final rule on July 30, 2019, in addition to making a minor downward adjustment in the projected SNF PPS payment increase from \$887 million to \$851 million. CMS also projects the overall economic impact of the VBP Program to result in a decrease in aggregate SNF payments of \$213.6 million.

On July 31, 2020, CMS issued a final rule for fiscal year 2021. In recognition of the ongoing Pandemic, CMS limited its final rulemaking to only essential policies, including Medicare payments to SNFs. This included ICD-10 code mapping changes and minor changes to its VBP Program. CMS projected that aggregate Medicare program payments to SNFs would increase by \$750 million, or 2.2 percent, for fiscal year 2021 compared to fiscal year 2020. The estimated increase is attributable to a 2.2 percent market basket increase factor, adjusted by a 0.0 percentage point productivity adjustment.

On April 8, 2021, CMS issued a final rule for fiscal year 2022, which includes a revision to the SNF market basket to improve payment accuracy, a QRP Program update, a new COVID-19 vaccination tracker that would require SNFs to report health care personnel vaccination rates to ascertain overall vaccination rates, and a proposal to suppress the all-cause 30 day readmission rate measure in light of the Pandemic. CMS estimates that the aggregate impact of the payment policies in this proposed rule would result in an increase of approximately \$444 million in Medicare Part A payments to SNFs in fiscal year 2022. This estimate reflects a \$445 million increase from the update to the payment rates of 1.3 percent, which is based on a 2.3 percent SNF market basket update, less a 0.8 percentage point forecast error adjustment and a 0.2 percentage point multifactor productivity (MFP) adjustment, and a \$1.2 million decrease due to the proposed reduction to the SNF PPS rates to account for the recent blood-clotting factors exclusion.

Future legislation, regulation or actions by the federal government may continue the trend toward more restrictive limitations on reimbursement for long-term care services. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Similarly, the impact of future cost control programs and future regulations upon the Obligated Group's financial performance cannot be determined at this time.

Medicaid Managed Care. On April 25, 2016, CMS issued the final rule to modernize Medicaid managed care plans to create more standardized practices across states and align managed care standards with those of the private market whose circumstances change during the year. The key aspects of the final rule include:

- Clarifying state authority to require plans to implement value-based purchasing models or encourage participation in alternative payment models and other delivery system reform efforts;
- Revising state and managed care plan standards in the areas of enrollment, communications, care coordination, and the availability and accessibility of covered services;
- Allowing managed care enrollees to have continued coverage during appeals of denials, and aligns Medicaid appeal timeframes to better align with Medicare Advantage and Marketplace rules;
- Strengthening requirements for data relating to utilization and quality of services and for transparency on how Medicaid rates are set, to ensure the fiscal integrity of Medicaid managed care programs, including with respect ; and
- Strengthening the fiscal and programmatic integrity of Medicaid managed care programs and rate setting.

The final rule was implemented in phases over three years, starting on July 1, 2017. Additionally, the final rule establishes an ACA minimum medical loss ratio (or “MLR”) of 85% for Medicaid Managed Care plans, effective 2017. In Pennsylvania, the HealthChoices plans are held to an MLR requirement by the state and are required to pay remittances if they fail to meet the requirement.

CMS issued a proposed rule on November 8, 2018 streamlining the 2016 managed care regulatory framework and seeking to significantly reduce state administrative burden, including removing outdated and overly prescriptive administrative requirements, providing states more overall flexibility in managing various aspects of the Medicaid Managed Care program, and providing states the ability to certify a rate range rather than a fixed rate, subject to certain limits. This proposed rule was finalized on November 13, 2020, and adopted changes in areas including network adequacy, beneficiary protections, quality oversight, and rates and payment. Most changes were finalized as originally proposed with very few changes from the 2018 proposed rule.

Medicaid. Pennsylvania's Medical Assistance (or “Medicaid”) program is a joint federal-state reimbursement program administered by the Pennsylvania Department of Human Services (“DHS”). Medicaid provides certain health care benefits to beneficiaries who are categorically needy (based on financial condition) or meet certain other eligibility requirements for skilled nursing and intermediate care services. Under the ACA, states have the option to expand Medicaid eligibility to individuals with incomes up to 133% of the federal poverty level. Pennsylvania expanded Medicaid eligibility based on a private-market Medicaid program on January 2015, but transitioned to a more simplified and traditional form of Medicaid coverage in September 2015.

The Affordable Care Act repeal and replacement activities in Congress during the Trump administration included substantial reductions or complete repeals of the Medicaid funding provisions in the Affordable Care Act. CMS, under the administration of President Trump, outlined its vision to reset the Medicaid federal-state partnership and give the states more control to design innovative programs through a new and expedited approach to Section 1115 demonstration programs, state plan amendments and 1915 waivers of the Federal benefits requirements, CMS also developed Scorecards to track and publish state and Federal Medicaid improved health outcomes. These programs will take time to filter down to the skilled nursing and intermediate care facilities level and their impact will also depend on whether Pennsylvania modifies its HealthChoices program in response.

Prior to the implementation of Community HealthChoices (discussed below), Medicaid payments were made to skilled nursing facilities on behalf of eligible individuals based upon a case-mix payment system that was set prospectively on an annual basis. The case-mix payment system was based on (i) the skilled nursing facility's net operating costs, which included resident care costs, other costs related to resident care, and administrative costs, and (ii) the nursing facility's capital costs, which included the facility's fixed property costs, movable property costs, and real estate tax costs as determined by the real estate costs in the facility's most recent audited cost report.

The operating cost component of facility case-mix reimbursement was determined based upon the classification of each facility into one (1) of twelve (12) peer groups with similar geographical locations and certified bed complements, and the average operating costs of facilities within such peer group. In determining the resident care costs, a component of the operating costs, the applicable case-mix index for a facility was determined based upon a quarterly snap shot of all of the residents in a facility, and the arithmetic mean of their respective RUGs classifications, which reflected each resident's individual characteristics and clinical needs. Although states were not required to transition to CMS's PDPM case mix methodology on October 1, 2019 for purposes of Medicaid reimbursement, and may still use the RUG classifications as part of their reimbursement methodology, CMS issued guidance on December 6, 2018 indicating that the RUG methodology will be completely discontinued as of October 1, 2020.

The capital cost component of facility reimbursement under the case-mix system was based upon facility-specific fair rental values for certain fixed and movable property, and facility-specific real estate tax costs. DHS has placed substantial limitations on reimbursement for capital costs, and has eliminated payments for capital costs to most facilities not operational prior to August 31, 1982.

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

Medicaid Managed Care

Under Pennsylvania's HealthChoices program, Medicaid beneficiaries are required to enroll in managed care programs. For long-term care and nursing home costs for seniors and physically disabled, Pennsylvania has developed a mandatory Medicaid managed care program, called "Community HealthChoices." Under this program, the Commonwealth will provide "block grants" to three selected Managed Care Organizations ("MCO"), who will enroll Medicaid beneficiaries and develop a network of providers, including nursing facilities. Those MCOs will contract with individual providers at agreed-upon, negotiated rates, subject to some limitations imposed by law. Community HealthChoices replaced the current case-mix per diem payment system for Pennsylvania nursing facilities. Community HealthChoices was implemented in phases. The initial communities of the Obligated Group first became subject to Community HealthChoices effective January 1, 2018. Subsequent communities became subject to Community HealthChoices effective January 1, 2019 and January 1, 2020. To the extent that residents in the Facilities are required to be covered as a mandatory enrollment, the amounts of payments to the Obligor with respect to the provision of such services to such residents may be further reduced from current levels

and adversely affect the operations of the Obligated Group or the ability of the Borrowers to pay the 2021 Bonds.

Medicare and Medicaid Audits

The federal government is devoting significant and increasing resources to the auditing of health care providers with respect to reimbursement claimed under the Medicare and Medicaid programs. The Medicare Prescription Drug Improvement and Modernization Act of 2003 (“MMA”) established the Medicare Recovery Audit Contractor (“RAC”) program to identify overpayments and underpayments made to providers under the Medicare program. The RAC program, initially a three year demonstration project, was made a permanent program in the Tax Relief and Health Care Act of 2006. The ACA expanded the scope of the RAC program to include a review of Medicare Parts C (Medicare Advantage plans) and D (Medicare Prescription Drug plans) and Medicaid. Health care facilities participating in Medicare and Medicaid may be subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. Because such claims can be large or small amounts, it is impossible to predict the effect of such claims. Any such future adjustments could be material. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil or criminal sanctions.

Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding could have a material adverse effect on the ability to generate funds sufficient to make required payments related to the Obligated Group’s indebtedness, including with respect to the 2021 Bonds, and on the overall financial condition of the Obligated Group. In addition, contracts between facilities and third-party payers often have contractual audit, setoff and withholding language that may cause retroactive adjustments, which could have a material adverse effect on the future financial condition of the Obligated Group.

While it is not anticipated that Medicare and Medicaid audits will materially adversely affect the future financial condition or operations of the Obligated Group, in light of the complexity of the regulations relating to the Medicare program, there can be no assurance that significant difficulties could not develop in the future.

Medicare Advantage

As an alternative to the traditional Medicare, every individual who is entitled to Medicare Part A benefits and enrolled in Medicare Part B, with the exception of individuals who suffer from end stage renal disease, may elect coverage under either the traditional Medicare fee for service program or Medicare Advantage.

Public and private health maintenance organizations, preferred provider organizations, and provider service organizations may qualify as authorized Medicare Advantage organizations. With limited exceptions, Medicare Advantage organizations are risk-bearing entities that accept a fixed monthly capitation fee in return for providing beneficiaries with a defined level of services (basic or basic plus supplemental), either directly or through arrangements with other providers. Providers wishing to participate in Medicare Advantage plans are subject to specific requirements concerning enrollee protection and accountability. The shift of Medicare eligible beneficiaries from traditional Part A and Part B coverage to Medicare Advantage may result in reduced utilization of health care services and have a material negative impact upon the revenue of the Obligated Group. Because the cost to the Medicare program under Medicare Advantage plans was on average 114% higher than traditional Medicare, the ACA included changes to the Medicare Advantage payment methodologies that reduced the federal payments to the level of traditional Medicare spending. Although CMS announced a 4.08% rate increase to Medicare Advantage plans in

2022, the overall decreased payments to Medicare Advantage plans may impact the scope of coverage and reimbursement from these insurance plans. It is unclear what, if any, effects these and any future payment adjustments will have on Medicare beneficiaries enrolled in Medicare Advantage plans.

Medicare Prescription Drug Program

In 1993, Congress amended the Social Security Act to create a voluntary prescription drug benefit program, commonly known as Part D, for Medicare beneficiaries. Individuals entitled to or enrolled in Medicare benefits under Parts A and B may elect to enroll in a prescription drug plan (“PDP”). Beneficiaries who qualify for both Medicare and Medicaid are automatically enrolled unless the individual has comparable drug coverage through an employer-based prescription drug plan.

In general, coverage is provided through private prescription plans that exclusively offer drug coverage or through Medicare Advantage Plans that offer integrated prescription drug and health coverage. All participating plans enjoy the flexibility of individual benefit design, including the authority to establish a formulary to designate which drugs are available to beneficiaries under the coverage.

Licensing, Surveys and Accreditations

Health care facilities, including those operated by the Obligated Group, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. Those requirements include but are not limited to credentialing and survey requirements relating to Medicare participation and payment, state licensing agencies, private payer participation, The Joint Commission, the Commission on Accreditation of Rehabilitation Facilities, the National Labor Relations Board and other federal, state and local government agencies. Renewal and continuance of certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews. These activities are generally conducted in the normal course of business of health care facilities. Nevertheless, an adverse result could be the cause of loss of or reduction in a facility’s scope of licensure, certification or accreditation or reduce payments received.

Management of the Obligated Group currently anticipates no difficulty in renewing or maintaining currently held licenses, certifications or accreditations that are material to its operations, and does not anticipate a reduction in third-party payments that would materially adversely affect the financial condition, operations, revenues and expenses of the Obligated Group due to licensing, certification or accreditation difficulties. Nevertheless, there can be no assurance that the requirements of present or future laws, regulations, certifications, and licenses will not materially and adversely affect the operations of the Obligated Group. Actions in any of these areas could occur and could result in a reduction in utilization or revenues or both, or the loss of the Obligated Group ability to operate all or a portion of its health care facilities, and, consequently, could adversely affect the Obligated Group’s financial condition, operations, revenues and expenses or its ability to make payments of principal, interest or any premium coming due on its indebtedness, including with respect to the 2021 Bonds.

Civil and Criminal Fraud and Abuse Laws

There are multiple federal and state laws concerning the submission of inaccurate, incomplete or fraudulent claims for reimbursement. The coding, billing and reporting obligations of Medicare providers are extensive, complex and highly technical. Under these laws, individuals and health care providers can be penalized for submitting claims for services that are not provided, billed in a manner other than as actually provided, not medically necessary, provided by an improper person, accompanied by an illegal inducement to utilize or refrain from utilizing a service or product, provided as the result of a prohibited referral, or billed in a manner that does not otherwise comply with applicable government requirements. In

some cases, errors and omissions by billing and reporting personnel may result in liability under one of the federal False Claims Acts or similar laws, exposing a health care provider to civil and criminal monetary penalties, as well as exclusion from participation in all federal and state health care programs. In other cases, prohibited activity for which the health care provider is reimbursed by Medicare or Medicaid can expose the provider to sanctions under the Anti-Kickback Law or the Stark Law. Lastly, in recent years, the federal government has brought numerous actions against nursing homes alleging that a nursing home's submissions of claims for residents whom allegedly did not receive quality care constituted a false claim under the federal False Claims Act ("FCA").

The threats of large monetary penalties and exclusion from participation in Medicare, Medicaid and other federal and state health care programs, and the significant costs of mounting a defense, create serious pressures to settle on providers who are targets of false claims actions or investigations and other fraud and abuse actions or investigations. Therefore, an action under the FCA, the Civil Monetary Penalties Law (the "CMP Law"), the Anti-Kickback Law or the Stark Law could have an adverse financial impact on the Obligated Group, regardless of the merits of the case. A discussion of these Laws follows.

False Claims Act. The federal FCA provides, in part, that the federal government may bring a lawsuit against any person or entity whom it believes has knowingly presented, or caused to be presented, a false or fraudulent request for payment from the federal government, or who has made a false statement or has used a false record to get such a claim approved. The statute is violated if a person or entity acts with actual knowledge of, or in deliberate ignorance or reckless disregard of, the falsity of the claim. Penalties include civil penalties of up to \$11,665 per claim, plus treble damages per claim. The Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 requires the applicable federal agencies to annually publish regulations adjusting the amount of civil monetary penalties to account for inflation. Under the federal criminal FCA, anyone who knowingly makes a false statement or representation in any claim to the Medicare or Medicaid programs is subject as well to fines and imprisonment.

In May 2009, the Fraud Enforcement and Recovery Act of 2009 ("FERA") amended the federal FCA to strengthen the government's ability to combat health care and other program fraud. Under FERA, liability attaches whether a person knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim. To establish liability now, the federal government need only prove that the false statement was material to the government's decision to pay a false claim.

FERA also expands the reverse false claims provision of the FCA. Before FERA, the reverse false claims provision imposed liability on a person who knowingly made, used or caused to be made or used, a false record or statement to conceal, avoid or decrease an obligation to pay or transmit money or property to the government. First, FERA broadens the standard for liability by eliminating the need for a false record or statement. Instead, liability can be imposed where a person "knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the Government." It is not clear what the word "improperly" is intended to encompass or how it will be interpreted, but it appears likely that it is intended to serve as an analog to the word "false" in the other sections of the statute. Second, FERA includes a definition of "obligation" that likely expands the types of duties that are actionable. Probably most important for the health care industry, the definition of "obligation" also specifies that the "retention of any overpayment" can serve as the basis for reverse false claims liability if it is done knowingly and improperly, or if an overpayment is knowingly concealed.

The ACA directly linked the retention of overpayments to false claim liability. As a result, health care providers, suppliers, Medicaid managed care organizations, Medicare Advantage Plans and prescription drug plan sponsors must report and return any overpayments within 60 days after either the date on which the overpayment was identified or the date any corresponding cost report was due, whichever is later. In addition, members of the health care industry must submit notification in writing to the entity

to which the overpayment was returned as to the reason of the overpayment. Any overpayment retained after the deadline becomes an “obligation” for purposes of the FCA. Therefore, a failure to return any Medicare or Medicaid overpayments by the deadline may result in false claim liability.

The federal FCA includes “whistleblower” provisions under which anyone who believes that a person is violating the federal FCA can file a sealed complaint against that person in the name of the United States government. The nature of the allegations is not revealed to the target during the time the Justice Department investigates the complaint and determines whether to join in the suit. If the Justice Department decides not to join in the suit, the original complainant can nonetheless proceed. In either event, if the case is successful, the whistleblower is entitled to between 15% and 30% of the proceeds of any fines or damages paid. Although the federal FCA has been in effect for many years, in recent years there has been a significant increase in the number of whistleblower allegations filed under the whistleblower provisions of the federal FCA, a large number of which involve the health care and pharmaceutical industries. In addition, FERA enhances whistleblowers’ ability to investigate alleged violations of the FCA and provides them with enhanced protections.

In some cases, whistleblowers and the federal government have taken the position that providers who allegedly have violated other statutes, such as the Anti-Kickback Law or the Stark Law, as discussed below, have thereby submitted false claims under the FCA.

Civil Monetary Penalties Law. In addition, the CMP Law under the Social Security Act provides for the imposition of civil money penalties for numerous reasons, including but not limited to any person who submits a claim to Medicare or any other federal health care program that the person knows or should know is for items or services not provided as claimed, is false or fraudulent, is for services provided by an unlicensed or uncertified physician or by an excluded person, or represents a pattern of claims that are based on a billing code higher than the level of service provided or are for services that are not medically necessary. Penalties under the CMP Law vary depending on the charge, but can include damages of up to three times the amount claimed for each item or service, and exclusion from participation in the federal health care programs. HHS issued an interim final rule on February 3, 2017 establishing an annual inflation adjustment for each applicable civil monetary penalty using the annual percent increase in the Consumer Price Index. The penalty adjustment and table are codified at 45 C.F.R. § 102.3. Since the enactment of the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), the CMP Law extends its prohibition for fraudulent activities to all federal health care programs (except the Federal Employees Benefits Program) and all state health care programs that are funded in part by the federal government.

Exclusions from Medicare or Medicaid Participation. The term “exclusion” means that no Medicare or state health care program payment (including Medicaid and the Maternal and Child Health programs) will be made for any services rendered by the excluded party or for any services rendered on the order or under the supervision of an excluded physician. The Secretary of HHS must exclude from program participation for not less than five years any individual or entity who has been convicted of a criminal health care offense or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance.

The Secretary of HHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty, or other financial misconduct relating either to the delivery of health care in general, or to participation in a federal, state or local government program. The excluded person/entity and the entity that enters into a contract with or employs the excluded person/entity could be subject to a CMP Law penalty for each item or service furnished by the excluded individual, and the responsible party might have to pay three times the amount claimed for each item or service. Any action to exclude the Facilities from participation in the Medicare program or any state health care program could have a material adverse impact on the Obligated Group.

Anti-Kickback Law. Subject to certain safe harbors, it is illegal to enter into certain remuneration arrangements with physicians and other health care providers for the referral of federal healthcare program beneficiaries or business. Violation of the Anti-Kickback Law is a felony and may result in imprisonment for up to ten years, fines of up to \$100,000, and exclusion from participation in federal healthcare programs, as well as other state health care programs. In addition, civil monetary penalties for each act and damages of not more than three times the remuneration offered, paid, solicited or received may be imposed on individuals or entities that commit acts prohibited by the Anti-Kickback Law. HHS has published safe harbor regulations that describe arrangements that will not be deemed to constitute violations of the Anti-Kickback Law. The safe harbors, however, are narrow. Failure to comply with a safe harbor is not automatically a violation of the Anti-Kickback Law. Depending on the circumstances, arrangements outside of the safe harbors may be legitimate business relationships that are not prohibited by the Statute. Such determinations are fact specific and, absent an advisory opinion from the Office of Inspector General (“OIG”) of the HHS, cannot be guaranteed to comply with the Anti-Kickback Law.

Although the Anti-Kickback Law applies only to health benefit programs funded by the federal government, a number of states have passed similar laws pursuant to which similar types of prohibitions are made applicable to other health plans or third-party payers. Pennsylvania has its own anti-kickback law that prohibits the offer, payment, solicitation or receipt of remuneration in exchange for or as an inducement to make or influence a referral of a patient for the provision of goods or services that may be reimbursed under the medical assistance program. For a first conviction, the person is guilty of a felony of the third degree and subject to a maximum penalty of a \$15,000 fine and seven (7) years imprisonment for each violation. As ordered by the court, a convicted person shall pay the Commonwealth an amount not to exceed three (3) times the amount of excess benefits or payments and is ineligible to participate in the medical assistance program for five (5) years from the date of conviction.

Stark Law. In addition to the Medicare and Medicaid Fraud and Abuse statutes, the Stark Law, enacted by federal lawmakers in 1989 and effective in 1992, prohibits referrals for certain designated health services between a physician and any entity in which or with which the physician (or an immediate family member) has a financial interest if the referrals are for goods and services reimbursable by Medicare or Medicaid. The legislation was adopted to address conflicts of interests that could arise when a physician has a financial relationship with a facility and refers patients to the facility for care. Financial relationship is a broadly defined term that includes employment and independent contractor relationships between physicians and certain health care entities. Exceptions to the Stark Law prohibition are narrow, and arrangements must fit all elements of an exception in order to be protected. Failure to fit an arrangement triggering the Stark prohibitions into an applicable exception would render the arrangement in violation of the Stark Law. Although the Stark Law is primarily focused on physician behavior, the health care entity that provides the prohibited goods or services may be denied payment, is subject to civil monetary penalties for each prohibited service, and faces exclusion from participation in the Medicare and Medicaid programs. In addition, if a physician and another entity enter into a circumvention scheme (e.g., a cross-referral arrangement) that is designed to ensure referrals that would be prohibited if made directly, the physician and the entity can be subject to a civil monetary penalty and also face exclusion from the Medicare and Medicaid programs.

As required under the Affordable Care Act, in 2010 CMS released the Voluntary Self-Referral Disclosure Protocol (SRDP) under which health care providers must make self-disclosures of actual and potential Stark Law violations, with reduced penalties for self-disclosed violations. CMS posted revisions to the SRDP process in an attempt to streamline the self-disclosure process, Effective June 1, 2017, CMS requires the use of new forms and a financial worksheet when an entity discloses noncompliant conduct.

Violations of the Stark Law can result in refunds of the amounts collected for services rendered pursuant to a prohibited referral, civil monetary penalties of up to \$25,820 (in 2020) for each claim arising

out of such referral, and exclusion from the Medicare and Medicaid programs. The Stark Law also provides for a civil penalty of up to \$172,137 (in 2020) for entering into an arrangement with the intent of circumventing its provisions. In certain circumstances, knowing violations may also create liability under the FCA.

In October 2019, HHS announced proposed rules to update the Stark and Anti-Kickback Laws, adding exceptions and safe harbors for value-based care arrangements and care coordination activities, among others. This proposed rule was finalized with some minor changes in December 2020. The majority of the final rule's provisions were made effective January 1, 2021. A determination as to the impact of the final rule is difficult to ascertain at this time.

Due to the complexity of the Stark Law and similar laws at the state level (described below under "Pennsylvania Fraud and Abuse Laws"), as well as related federal and state regulatory guidance, there can be no assurance that the Obligated Group will not be found to have violated the Stark Law or similar state-specific laws and if so, whether any sanction imposed would have a material adverse effect on the operations and/or financial condition of the Obligated Group.

HIPAA. Congress enacted HIPAA as part of a broad health care reform effort. Among other things, HIPAA established a program administered jointly by the Secretary of HHS and the United States Attorney General designed to coordinate federal, state and local law enforcement programs to control fraud and abuse in connection with the federal health care programs. In addition, in HIPAA, Congress greatly increased funding for health care fraud enforcement activity, enabling the OIG of HHS to substantially expand its investigative staff and the Federal Bureau of Investigation to plan to quadruple the number of agents assigned to health care fraud. The result has been a dramatic increase in the number of civil, criminal and administrative prosecutions for alleged violations of the laws relating to payment under the federal health care programs, including the Anti-Kickback Law and the federal FCA. This expanded enforcement activity, together with the whistleblower provisions of the federal FCA, have significantly increased the likelihood that all health care providers, including the Obligated Group, could face inquiries or investigations concerning compliance with the many laws governing claims for payment and cost reporting under the federal health care programs.

In addition to the expanded enforcement activity noted above, HIPAA also established, among other things, a program to address the confidentiality and security of individuals' health information (the "Administrative Simplification" provisions). The Administrative Simplification provisions apply to health care providers, health plans, and health care clearinghouses (collectively "Covered Entities"). In 2013, HHS issued final regulations strengthening many aspects of the privacy and security rules under HIPAA so that they are more aligned with the Health Information Technology for Economic and Clinical Health Act ("HITECH Act"). The final rules (the "Omnibus Rule") change certain requirements for covered entities and establish rules that now apply directly to their vendors that handle protected health information and qualify as business associates under HIPAA. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality and electronic data security requirements extend not only to patient medical records, but also to a wide variety of health care clinical and financial transactions where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

Various requirements of HIPAA apply to virtually all health care organizations (including continuing care retirement communities), and significant civil and criminal penalties may result from a failure to comply with the Administrative Simplification regulations. Compliance requires changes in information technology platforms, major operational and procedural changes in the handling of data, and

vigilance in the monitoring of ongoing compliance with the various regulations. The financial costs of compliance with the Administrative Simplification regulations are substantial.

The HITECH Act. In February, 2009, the American Recovery and Reinvestment Act amended HIPAA through the HITECH Act, which appropriated about \$20 billion for the development and implementation of health information technology standards and the adoption of electronic health care records. The HITECH Act also significantly expanded the HIPAA privacy and security provisions applicable to covered entities such as the Obligated Group and its business associates. Changes to the privacy provisions include modifications to the minimum necessary requirement, the fundraising and marketing rules, the rules governing accounting for disclosures of protected health information, and the right of individuals to restrict disclosure of protected health information in certain circumstances. HHS is charged with developing guidance and implementing regulations for these requirements and issued final regulations in 2013, implementing many of the HITECH Act provisions.

The HITECH Act institutes a breach notification rule for covered entities and their business associates with respect to breaches of unsecured protected health information. This breach notification rule, finalized in the Omnibus Rule, requires covered entities to provide written notice directly to the individual in the manner and with the content prescribed in the HITECH Act and by HHS in the Omnibus Rule. In the event a covered entity experiences a breach of unsecured protected health information involving more than 500 individuals, the entity must notify HHS and the media in the area where the breach occurred. Breaches involving fewer than 500 individuals must be reported to HHS on an annual basis.

The HITECH Act provides that all of the HIPAA administrative, physical and technical safeguards, as well as security policies, procedures and documentation requirements will now apply directly to all business associates. In addition, the HITECH Act makes certain privacy provisions directly applicable to business associates. Business associates are required to report breaches of unsecured protected health information to the covered entity (or upstream business associate). As a result of these changes, business associates will be directly regulated by HHS for those requirements, and as a result, will be subject to penalties imposed by HHS and/or state attorneys general. The HITECH Act also requires HHS to perform periodic audits to ensure that covered entities and business associates are complying with HITECH's new privacy and security provisions.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The HITECH Act revises the civil monetary penalties associated with violations of HIPAA, as well as provides state attorneys general with authority to enforce the HIPAA privacy and security regulations in some cases, through a damages assessment of \$100 per violation or an injunction against the violator. The 2020 revised civil monetary penalty provisions establish a tiered system, ranging from a minimum of \$119 per violation for an unknowing violation to \$1,191 per violation for a violation due to reasonable cause, but not willful neglect. For a violation due to willful neglect, the penalty is a minimum of \$11,904 or \$59,522 per violation, depending on whether the violation was corrected within 30 days of the date the violator knew or should have known of the violation. There is a \$1.785 million maximum total penalty per calendar year for the same type of violation. Further, the HITECH Act requires HHS to promulgate a regulation to distribute a portion of civil monetary penalty proceeds directly to harmed individuals which may serve as an incentive for individuals to file complaints. A person who knowingly obtains or discloses protected health information in violation of HIPAA may face a criminal penalty of up to \$50,000 and up to one-year imprisonment. The criminal penalties increase to \$100,000 and up to five years imprisonment if the wrongful conduct involves false pretenses, and to \$250,000 and up to 10 years imprisonment if the wrongful conduct involves the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm.

The financial costs of continuing compliance with HIPAA and the Administrative Simplification regulations are substantial and will increase as a result of the amendments issued under the HITECH Act.

The Facilities have multiple HIPAA-related policies and procedures, and PSL has a Corporate Compliance Officer to handle matters related to fraud, waste and abuse, a Privacy Officer to handle matters related to privacy and protected health information and an Electronic Security Officer to handle matters related to electronic security. However, future laws and regulations may create new requirements that will necessitate additional compliance efforts at a significant cost. Furthermore, the resulting costs of a breach of unsecured PHI can be high if it involves a large number of individuals, and may involve reporting the breach to HHS or subsequent private lawsuits. Despite having risk reduction mechanisms in place, the Obligated Group experienced a data breach in October 2020 as a result of phishing attack. The attack was caught early and the breach was reported to HHS as required by law and to the Obligated Group's cyber insurance carrier. The extent of the breach was contained to six communities and included names of residents, medical record numbers, locations, and payors. The Obligated Group has not experienced any known losses or liabilities to date as a result of such attempted breach. Further, there can be no assurances that the Obligated Group will not be faced with additional data breaches or potential private litigation.

The Breach of Personal Information Notification Act. The Breach of Personal Information Notification Act (the "Notification Act") was enacted in 2006. Under the Notification Act any state agency, political subdivision, individual or business that operates in Pennsylvania and maintains, stores, or manages personal consumer information on a computer must provide notice of any security system breach to state residents whose personal information was or may have been compromised by the breach.

A private action under the Notification Act may result in treble damages, and the Pennsylvania Attorney General may impose civil penalties of \$1,000 per violation, or \$3,000 if the injured person is age sixty or older.

Pennsylvania Fraud and Abuse Laws

Health care providers in the Commonwealth are subject to a variety of state laws and regulations, including those described below.

Insurance Fraud. 18 Pa. Cons. Stat. § 4117(a) prohibits a person's or entity's submission of false or misleading claims for payment or approval by an insurance company or the government, and allows the Commonwealth to recover substantial damages from persons or entities that knowingly present or cause to be presented a false or misleading claim for payment or approval by an insurance company. Any person or entity that violates the statute may be liable for, among other things, a penalty of \$5,000 for the first violation, \$10,000 for the second violation, and \$15,000 for each subsequent violation. In addition to or as an alternative to the civil sanctions provided in the statute, the Attorney General may bring a criminal action under other applicable statutes.

False Claims. 62 P.S. § 1407(a) prohibits submission of duplicate or misleading claims and submission of claims for services or equipment not rendered by the provider to the Medical Assistance program. Violation of 62 P.S. § 1407 may lead to termination of the provider agreement and a civil penalty of up to three times the amount of excess benefits or payments plus legal interest from the date the violation or violations occurred. For a first conviction, the person is guilty of a felony of the third degree and subject to a maximum penalty of a \$15,000 fine and seven (7) years imprisonment for each violation. The mere allegation of such a violation, if such violation were found to have occurred, or any sanctions imposed, could have a material adverse effect upon the operations and financial condition of the Obligated Group.

Anti-Kickback Laws. 18 Pa. Cons. Stat. § 4117(b) prohibits health care providers from compensating or giving anything of value to a person for providing names, addresses, telephone numbers or other identifying information of individuals seeking or receiving medical or rehabilitative care for accident, sickness or disease, except to the extent a referral and receipt of compensation is permitted under applicable professional rules of conduct. Health care providers may not compensate or give anything of value to a person to recommend or secure the provider's service for having made a recommendation resulting in the provider's service, except that the provider may pay the reasonable cost of advertising or written communication as permitted by rules of professional conduct. 62 P.S. § 1407(a)(2) prohibits solicitation or receipt of any form of remuneration, including any kickback, bribe or rebate for referrals, services or merchandise which may be paid whole or in part under the Medical Assistance program. Violation of 18 Pa. Cons. Stat. § 4117(b) may lead to civil and criminal penalties, as well as suspension or revocation of the health care provider's license.

Stark Law. Pennsylvania does not have a state law similar to the Stark Law that prohibits self-referrals in all circumstances; however, as mentioned above, it has laws and regulations prohibiting kickbacks. Additionally, Pennsylvania's Workers' Compensation Act and its Medicaid regulations have self-referral restrictions similar to the federal Stark Law.

If violations of state fraud and abuse laws were found to have occurred, any penalties or sanctions imposed could have a material adverse effect upon the future operations and financial condition of the Obligated Group

Corporate Compliance

The sentencing of organizations for federal health care crimes is governed by the U.S. Sentencing Guidelines, which permit the imposition of extremely large fines in many instances. The Guidelines permit the fine to be reduced significantly if the provider had in place at the time of the crime an effective corporate compliance program and/or accepts responsibility for its actions. As a result of the current environment of increased enforcement against health care fraud and abuse, health care organizations have established compliance programs to prevent or detect violations of federal law. The OIG issued a Compliance Program Guideline for Nursing Facilities in 2000 and Supplemental Compliance Program Guidance for Nursing Facilities in 2008 to assist nursing facilities in the development and implementation of effective controls and to promote adherence to applicable federal and state laws and program requirements of federal, state and private health plans. Section 6102(b) of the ACA required nursing homes to have an effective compliance and ethics program in place by March 23, 2013. In October 2016, as part of the revisions to the Requirements of Participation for Long Term Care Facilities, CMS issued a final rule establishing the requirements for an effective ethics and compliance program. CMS has recommended that all operating organizations for SNFs and NFs review their current programs and revise and/or develop new sections to comply with the final rule. The final rule provided long-term care facilities with a phased-in implementation period over 3 years to develop or upgrade their ethics and compliance program by November 2019. CMS recently issued a proposed rule that would delay the deadline for the development of a compliance plan for one year until November 2020.

In November, 2020, the Obligated Group updated its Corporate Compliance Plan (the "Compliance Plan") in order to assist its employees, agents and staff in understanding their job responsibilities, and to foster compliance with federal, state and local laws, and federal health care program and private health plan requirements. The goal of the Compliance Plan is to prevent and reduce improper or unlawful conduct. The Compliance Plan consists of the following: the appointment of a compliance officer, the establishment of policies and procedures, the development of mandatory educational and compliance training, the establishment of processes for reporting any potential non-compliance issues or areas of concern, periodic and on-going monitoring and auditing, and the establishment of a process for corrective action.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures

Health plans, Medicare, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by nursing facilities. Nursinghomecompare.com and other published rankings (such as “score cards”), and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of nursing facilities to influence the behavior of consumers and providers. Current measures of quality are based on clinical outcomes of patient care, staffing levels, survey results and patient satisfaction, among other factors. Measures of performance set by others that characterize the Obligated Group’s nursing facilities negatively may adversely affect its reputation and financial condition.

Professional Liability Claims and Losses

One or more substantial medical malpractice claim or claims arising from the corporate or business activities of the Obligated Group or its affiliates in excess of their insurance coverage or other actions seeking punitive or other damages which are not covered by insurance could materially and adversely affect the financial results and condition of the Obligated Group.

In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased nationwide, resulting in substantial increases in malpractice insurance premiums. Professional liability and other actions alleging wrongful conduct and seeking punitive damages often are filed against health care providers. Litigation may also arise from the corporate and business activities of the Obligated Group and its respective employees. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers’ compensation claims are not covered by insurance or other sources and, in whole or in part, may be a liability of the Obligated Group if determined or settled adversely. Claims for punitive damages may not be covered by insurance under Pennsylvania law. Although the Obligated Group currently carries malpractice and general liability insurance which management of the Obligated Group considers adequate, the Obligated Group is unable to predict the availability, cost or adequacy of such insurance now or in the future.

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

Staffing

The Obligated Group utilizes agency staff, when necessary, to maintain appropriate staffing levels at several communities. In recent years, the health care industry has experienced a shortage of skilled and unskilled nursing personnel that has resulted in nursing wage scales to increase. The Obligated Group’s management believes that it will be able to retain current personnel and hire any additional required staff, but the presence of other health care providers may make it difficult over time to attract and retain skilled personnel. If the Obligated Group is required to employ temporary staff through employment agencies, its employment costs may substantially increase.

Federal Tax Matters

Possible Changes in an Obligated Group Member's Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by a member of the Obligated Group of the present advantages of certain provisions of the federal income or state tax laws could materially and adversely affect the status of the Obligated Group and thereby the revenues of the Obligated Group. Each member of the Obligated Group has obtained a determination letter from the Internal Revenue Service to the effect that it is exempt from federal income taxation under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code or is entitled to such status by reason of being listed as a subordinate entity under the group exemption of PSL. As exempt organizations, the Obligated Group is subject to a number of requirements affecting their operation. The failure of the Obligated Group members to remain qualified as exempt organizations would affect the funds available to the Borrowers for payments to be made under the Loan Agreement and could also cause interest on the 2021 Bonds to be included in the gross income of holders of 2021 Bonds for federal income tax purposes retroactive to their date of issuance. Failure of the Borrowers or the Authority to comply with certain requirements of the Code, or adoption of amendments to the Code to restrict the use of tax-exempt bonds for facilities, could cause interest on the 2021 Bonds to be included in the gross income of holders of 2021 Bonds or former holders of 2021 Bonds for federal income tax purposes retroactive to their date of issuance.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of charitable organizations. There can be no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the operations and revenues of the Obligated Group by requiring it to pay income taxes.

Intermediate Sanctions. Section 4958 of the Code, provides the Internal Revenue Service with an “intermediate” tax enforcement tool to combat violations by tax-exempt organizations of the private inurement prohibition of the Code. Previous to the “intermediate sanctions law,” the Internal Revenue Service could punish such violations only through revocation of an entity’s tax-exempt status. Intermediate sanctions may be imposed where there is an “excess benefit transaction,” defined to include a disqualified person (i.e., a director, officer or other related party): (1) engaging in a non-fair market value transaction with the tax-exempt organization; (2) receiving excessive compensation from the tax-exempt organization; or (3) receiving payment in an arrangement that violates the private inurement proscription. A disqualified person who benefits from an excess benefit transaction will be subject to a “first tier” penalty excise tax equal to 25% of the amount of the excess benefit. Organizational managers who participate in an excess benefit transaction knowing it to be improper are subject to a first-tier penalty excise tax of 10% of the amount of the excess benefit, subject to a maximum penalty of \$10,000. A “second tier” penalty excise tax of 200% of the amount of the excess benefit may be imposed on the disqualified person (but not the organizational manager) if the excess benefit transaction is not corrected in a specified time period.

Bond Audit. Pursuant to its audit work plan, the Internal Revenue Service may specifically allocate resources to audits of tax-exempt bonds in the charitable organization sector. The 2021 Bonds may be subject to audit, from time to time, by the Internal Revenue Service. The Borrowers believe that the 2021 Bonds properly comply with applicable tax laws and regulations. In addition, Co-Bond Counsel will render an opinion with respect to the tax-exempt status of the 2021 Bonds, as described under the heading “TAX MATTERS.” No ruling with respect to the tax-exempt status of the 2021 Bonds has been or will be sought from the Internal Revenue Service, however, and opinions of counsel are not binding on the Internal Revenue Service or the courts, and are not guarantees. There can be no assurance, therefore, that an audit of the 2021 Bonds will not adversely affect the federal tax-exempt status of interest on the 2021 Bonds.

Other Tax Status Issues. The Internal Revenue Service has also issued Revenue Rulings dealing specifically with the manner in which a facility providing residential services to seniors must operate in

order to maintain its exemption under Section 501(c)(3). Revenue Ruling 72-124 held that, if otherwise qualified, a facility providing residential services to seniors is exempt under Section 501(c)(3) if the organization (1) is dedicated to providing, and in fact provides or otherwise makes available services for, care and housing to aged individuals who otherwise would be unable to provide for themselves without hardship, (2) to the extent of its financial ability, renders services to all or a reasonable proportion of its residents at substantially below actual cost, and (3) renders services that minister to the needs of seniors and relieve hardship or distress. Revenue Ruling 79-18 holds that a facility providing residential services to the seniors may admit only those tenants who are able to pay full rental charges, provided that those charges are set at a level that is within the financial reach of a significant segment of the Facilities seniors, and that the organization is committed by established policy to maintaining persons as residents, even if they become unable to pay the monthly services fees after being admitted to the facility.

In recent years the Internal Revenue Service and members of Congress have expressed concern about the need for more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally and of retirement communities in particular. Although the Borrowers have covenanted in the Loan Agreement to take all appropriate measures to maintain their tax-exempt status, compliance with current and future regulations and rulings of the Internal Revenue Service could adversely affect the ability of the Borrowers to charge and collect revenues at the level required by the Loan Agreement, finance or refinance indebtedness on a tax-exempt basis or otherwise generate revenues necessary to provide for payment of the 2021 Bonds.

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

A refundable entrance fee payment made by a resident to certain continuing care facilities has been determined under Section 7872 to constitute a below market interest rate loan by the resident to the facility to the extent that the resident is not receiving a market rate of interest on the refundable portion of the entrance fee. Section 7872(h) provides a “safe harbor” exemption for certain types of refundable entrance fees. The statutory language of Section 7872 does not permit a conclusive determination as to whether the residency agreements come within the scope of the continuing care facility safe harbor or within the statute itself. The Internal Revenue Service (“IRS”) may issue future guidance to clarify this issue, and such guidance could apply retroactively to existing residency agreements.

Provided the residency agreements fall within the scope of Section 7872, the safe harbor exemption under Section 7872(h) is applicable (i) if such loans were made pursuant to a continuing care contract, (ii) if the residents (or the residents’ spouses) have attained age 62 before the close of the year and (iii) irrespective of the amount of the “loan” by the residents (or the residents’ spouse) to the continuing care facility. Section 425 of the Tax Relief and Health Care Act of 2006 amended Section 7872(h) to make the exemption for loans to qualifying care facilities permanent. Any determination of applicability of Section 7872 could have the effect of discouraging potential residents from becoming or remaining residents of the Facilities.

Unrelated Business Taxable Income

The IRS and state, county and local taxing authorities may undertake audits and reviews of the operations of tax exempt organizations with respect to the generation of unrelated business taxable income (“UBTI”). The Obligated Group may participate in activities that could generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to UBTI and,

in some cases, ultimately could affect the tax exempt status of a member of the Obligated Group, as well as the exclusion from gross income for federal income tax purposes of the interest payable on the 2021 Bonds.

State and Local Tax Exemptions

In recent years, a number of local taxing authorities in Pennsylvania have sought to subject the facilities of non-profit and other traditionally exempt organizations to local real estate and business privilege taxes, primarily by challenging their status as “institutions of purely public charity” as described in the Pennsylvania Constitution, notwithstanding the fact that such facilities historically may have been viewed as exempt from such taxes. In November 1997, the Pennsylvania legislature enacted H.B. 55, The Institution of Purely Public Charity Act (the “Act”), the intent of which was to grant certainty with respect to the standards for all not-for-profit organizations, that are purely public charities from challenges to their tax-exempt status. The Act adopts a five-part test similar, but not identical to, that developed by the courts (known as the “HUP Test”) as a criterion for determining if an organization is an institution of purely public charity. However, in 2012, the Pennsylvania Supreme Court in *Mesivtah Eitz Chaim of Bobov Inc. v. Pike County Board of Assessment Appeals* ruled that an institution must first satisfy the HUP test and then separately the test under the Act before it can be considered an institution of purely public charity and therefore exempt from taxation. This decision potentially opens up more opportunities for a local taxing authority to tax a non-profit and prevail in any appeal proceeding. As a result of the 2012 decision, there is increased risk that a Pennsylvania non-profit will face taxation. Further, the taxing authorities are able to apply more pressure to non-profits to make payments in lieu of taxes to local governments to avoid a challenge to their tax-exempt status.

Any future imposition of an additional tax levy on the Obligated Group may have an adverse impact on the Obligated Group’s financial position and operations. It is not possible to predict the scope or effect of future legislation, including any amendments to Act 55, constitutional amendments, or regulatory actions with respect to taxation of nonprofit entities, especially given the uncertainty following the *Mesivtah* decision. There can be no assurance that future changes in the laws and regulations of the federal, state and local governments may not materially and adversely affect the operations and revenues of the Obligated Group by requiring the Obligated Group to pay income or real estate taxes.

Secondary Market for 2021 Bonds

There can be no assurance that there will be a secondary market for the 2021 Bonds and, although the Underwriter contemplates making a secondary market for the 2021 Bonds, from time to time there may be no market for them depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and results of the operations of the Obligated Group.

Environmental Risks

Health care providers and retirement communities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, operations and facilities owned or operated by providers and retirement communities. The types of regulatory requirements faced by health care providers and retirement communities include: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at facilities operated by such providers or retirement communities; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

As owners and/or operators, members of the Obligated Group may be subject to liability for hazardous substances that are located on their properties, including any such substances that may have migrated off their properties. Typical health care provider and retirement community operations include, but are not limited to, 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 provider and retirement community operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; interrupt operations and/or increase their cost; result in legal liability, damages, injunctions or fines; and result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There can be no assurance that the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

The members of the Obligated Group are in possession of various Phase 1 or other environmental studies dating from 2002 to 2012 for all of the Mortgaged Facilities.

Based on these studies, the Obligated Group does not believe that it has material business risk exposure resulting from environmental conditions associated with the Obligated Group's facilities.

Nonprofit Tax-exempt Healthcare Environment

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are in compliance with the regulatory requirements for nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare compliance, and instead, in many cases, are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, community benefit, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including state, local governments, attorneys general, the IRS, labor unions, Congress, state legislatures, other federal and state agencies and patients and in a variety of forums, including hearings, audits and litigation.

No Termination of Occupancy

Members of the Obligated Group conduct a financial analysis of each potential resident before executing a residency agreement to determine the likely ability of the resident to meet the financial obligations to the Obligated Group member, however no assurance may be given that future events, including life expectancy, will not result in residents encountering difficulty in paying monthly service fees. The residency agreements provide that it is the policy of the Obligated Group not to terminate the occupancy of a resident solely for the resident's financial inability to pay the total monthly service fee. If a resident establishes facts to justify the need for financial assistance as determined by the Obligated Group member, then to the extent it is financially feasible, and subject to the provisions of the residency agreement, the Obligated Group member will advance funds to help such resident pay his or her monthly service fee. Any such advances will be charged against the refundable portion of the resident's entrance fee in accordance with provisions set forth in the residency agreement. It is possible, however, that the Obligated Group member will be required to provide such support in amounts in excess of what it can recover upon a resident's death or withdrawal from the facility.

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 Facilities. These factors include generally imposed fiscal policies, adverse use of adjacent or neighboring real estate, the ability to maintain the facilities, community acceptance of the facilities, changes in demand for the facilities, changes in the number of competing facilities, changes in the costs of operation of the facilities, changes in the laws of the Commonwealth affecting long term care programs, the limited income of seniors, changes in the long term care and health care industries, difficulties in or restrictions on the Obligated Group's ability to raise rates charged, general economic conditions and the availability of working capital. In recent years, a significant 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 Facilities 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 Facilities and cannot be determined at this time.

Increases in Nursing Costs Along with Number of Residents Requiring Nursing Care

Members of the Obligated Group are obligated to provide residents with nursing care, including placing residents in other nursing facilities if no beds are available at their respective facilities, without increasing the monthly service fee. Any increases in the nursing care requirements of the resident population or substantial unanticipated increases in the cost of nursing care could have an adverse impact on the operations of the Obligated Group. Additionally, if members of the Obligated Group should have to place residents in nursing care beds not located at their facilities, an adverse effect on marketing may result. The undertaking to provide such nursing care is a general obligation of the Obligated Group, and although the Obligated Group believes that it will have sufficient funds to meet all of its future obligations, no assurance can be given that such funds will be sufficient to meet all future obligations of the Obligated Group.

Malpractice Insurance

The Obligated Group is required by the Master Indenture to maintain professional liability and other insurance coverage as shall be recommended in a written report of an Insurance Consultant. Professional Liability and other claims, however, could adversely affect the Obligated Group's finances, as could substantial increases in the cost of malpractice insurance. See "THE FACILITIES - Insurance" in APPENDIX A hereto.

Rate Setting

Future legislative proposals granting full or partial rate fixing authority to a Pennsylvania or federal agency could prevent the Obligated Group from increasing rates adequately to cover potential increases in its 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.

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.

Amendments to Bond Documents

Certain amendments to the Master Indenture, the Bond Indenture, the Loan Agreement and the Mortgages may be made without the consent of the owners of the 2021 Bonds. Certain supplements or amendments to the Master Indenture, such as supplements to issue additional master Obligations, to evidence addition of members to the Obligated Group or to effect corrections or ambiguities, may be made without the consent of any Obligation holders. Other amendments to the Master Indenture may be made with the consent of the owners of a majority in aggregate principal amount of then outstanding Obligations. Amendments to the Bond Indenture and the Loan Agreement may be made with the consent of the holders of not less than a majority in aggregate principal amount of the bonds then outstanding. Such amendments could affect the security for the 2021 Bonds. See APPENDIX C hereto. See also "CERTAIN BONDHOLDERS' RISKS – Additional Debt."

Other Considerations

Reduced Demand. The reduced need for senior living services arising from future scientific advances, preventive medicine, home healthcare services, alternative delivery systems, changes in demographics, or a decline in the population or the economic condition of the service area of the Facilities may adversely affect the Obligated Group's revenues.

Cost Increases. Cost increases without corresponding increases in revenues would result from, among other factors, increases in insurance premiums, increases in the salaries, wages and fringe benefits of employees, increases in costs associated with advances in medical technology or with inflation and future legislation which would prevent or limit the ability of the Obligated Group to increase revenues from operating its facilities or providing services. Furthermore, the Code places certain limitations on the ability to finance certain projects, invest bond proceeds and advance refund prior tax-exempt bond issues. These limitations may increase the interest costs for future borrowings by the Obligated Group.

Governmental Approvals. The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Obligated Group.

Other Legislation. Certain retirement communities, such as the Facilities, are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations that address, among other things, operations of facilities and properties owned or operated by nursing facilities. The Tax Relief and Health Care Act of 2006 (the "TRHCA") focuses on quality of care. Among the types of regulatory requirements faced by personal care homes are: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos; requirements related to polychlorinated biphenyls and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the nursing facility; requirements for training employees in the proper handling and management of hazardous materials and wastes; and other requirements. The Obligated Group may be subject to liability for investigating and remedying any hazardous substances that have come to be located on the property, including any such substances that may have migrated off of the property. Typical operations of senior living facilities include, to some extent, and in various combinations, the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. For this reason, operations of personal care homes are susceptible to the practical, financial and legal risks associated with compliance with such laws and

regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations or increase their cost or both; may result in legal liability, damages, injunctions or fines; or may trigger investigations, administrative proceedings, penalties or other government agency actions. There can be no assurance that the Obligated Group will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Obligated Group.

Organized Resident Activity

The Obligated Group may, from time to time, be subject to pressure from its residents seeking, among other things, to raise the level of services or to maintain the level of monthly fees or other charges without increase. While such pressure from groups of residents is not unusual, no assurance can be given that such pressure will not escalate into serious organized activity such as a general fee strike. Moreover, management of 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 fees and other charges. In such event, no assurance can be given that management of the Obligated Group would be able satisfactorily to meet the needs of both groups. To the extent that the Obligated Group was unable to do so, the number of residents who voluntarily withdraw from the Facilities may increase.

Prepayment Risks

All of the 2021 Bonds are subject to redemption, without premium, in advance of their stated maturities under certain circumstances. Upon the occurrence of certain events of default, the payment of the principal of and interest on the 2021 Bonds may be accelerated. Thus, there can be no assurance that the 2021 Bonds will remain outstanding until their stated maturities. See “THE 2021 BONDS – Redemption.”

Cybersecurity Risk

In the provision of services, health care providers create, use and maintain electronic health data and financial data on equipment, networks and corporate systems and share such information with third-party servicers. This subjects the Obligated Group to potential cybersecurity risks from outside unrelated parties, within the workforce and from faulty equipment and services. Health care institutions have been targeted by outside third parties, including technically sophisticated and well-resourced state-sponsored actors, attempting to access or compromise systems and to steal patient data. This can include hacks and malware. Outside parties may attempt to fraudulently induce the health care provider’s employees, partners, or other parties to disclose sensitive information or take other actions to gain access to data (including resident data). This can take the form of ransomware. In addition, employees, some of whom have access to protected health information and other personally identifiable information, have in the past received “phishing” emails intended to trick recipients into surrendering their user names and passwords. Phishing is a fraud method in which the perpetrator sends out legitimate-looking emails in an attempt to gather personal, business, financial or other information from recipients.

A health care provider’s workforce may also constitute a threat due to inadvertent, negligent or malicious disclosure of information. Such unauthorized access or conduct may continue undetected for an extended period of time.

Hardware, software, or applications that health care providers procure from third parties to enable them to process protected health information or personally identifiable information, or which are connected to systems that hold such information, may contain defects in design or manufacture or other problems that could unexpectedly compromise network and data security. Alternatively, such problems could be the result of faulty implementation due to human error or malicious acts. In addition, if third-party providers who

process protected health information or personally identifiable information on a health care provider's behalf, including cloud service providers, fail to adopt or adhere to adequate data security practices, or otherwise incur a breach of their networks, the health care provider's data or resident's data may be improperly accessed, used, or disclosed.

The Obligated Group has taken steps to prevent unauthorized data disclosure or access to its systems; however, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be disguised or difficult to detect, or designed to remain dormant until a triggering event, the Obligated Group may be unable to anticipate these techniques or implement adequate preventative measures.

While the Obligated Group is not aware of any security incident implicating patient data on their systems to date other than the October 2020 phishing attack referenced above, the fact that health care providers are a primary target of security breaches or other unauthorized access or actions exposes them to a risk of theft of patient data, regulatory actions, litigation, investigations, remediation costs, damage to reputation and brand, loss of patient or investor confidence in the security of systems and resulting fees, costs, and expenses, loss of revenue, and other potential liability that could have a significantly adverse effect on their business. Successful ransomware attacks which restrict access to patient files and records also carry the risk of slowing down or even temporarily stopping the Obligated Group's ability to provide patient care.

In addition to the federal regulatory requirements of HIPAA and HITECH discussed above, health care providers may also be subject to other federal, state and foreign legislation governing privacy, data retention, data transfer and data protection issues, including laws or regulations mandating disclosure to law enforcement bodies and individuals. A cybersecurity attack or a breach of these laws and regulations can lead to regulatory enforcement as well as litigation, including class actions lawsuits, which could adversely impact the Obligated Group's business and reputation.

Other Risk Factors

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

- Reinstatement of or establishment of mandatory governmental wage, rent or price controls.
- A decline in the population, a change in the age composition of the population or a decline in the economic conditions of the Obligated Group's market area.
- Developments or events affecting the federal or state exemption of the income of the Obligated Group from taxation or the status of the Obligated Group as an exclusively charitable organization.
- Changes in key management personnel.
- Reductions in utilization of continuing care retirement, personal care or nursing facilities as a result of preventive medicine, improved occupational health and safety, development and utilization of medical and scientific research and technological advances and other developments.
- Increased costs resulting from employee strikes, or the unionization of the employees of the Obligated Group or the utilization by a non union employee of the Obligated Group of proceedings available under the National Labor Relations Act.

- Increases in costs, including costs associated with, among other things, salaries, wages and fringe benefits, supplies, technology and equipment, energy and other utilities, the attraction and retention of nurses and other personnel, compliance with or violation of environmental laws and regulations, and other costs that could result in a sizable increase in expenditures without a corresponding increase in revenues.
- Inability of the Obligated Group to obtain future governmental approvals to undertake additional projects necessary to remain competitive as to rates, charges and the quality and scope of care or any limitation on the availability of tax-exempt or other financing for future projects.
- The occurrence of natural disasters, including floods, hurricanes, tornadoes and earthquakes, could damage the facilities of the Obligated Group, interrupt utility service or otherwise impair the operations of the Obligated Group and the generation of revenues from the Facilities. The facilities of the Obligated Group are required to be covered by general property insurance in amounts which management of the Obligated Group considers to be sufficient to provide for the replacement of such facilities in the event of a natural disaster.
- Suspension or revocation of or failure to renew the license to operate the Facilities or any portion thereof, or any restriction on new admissions to licensed beds, or a failure to obtain a renewal of the certificate of authority from the Pennsylvania Insurance Department or the applicable regulatory authorities of other states where facilities are located.
- Increases in the cost and limitations on the availability of insurance, such as fire, automobile and general comprehensive liability insurance and business interruption insurance that institutions of the size and type similar to the Obligated Group generally carry.
- Adverse community relations or publicity involving the Facilities could affect the demand for the services provided by the facilities, or the generation of revenues from the facilities.
- Increases in the cost of public utilities, including electricity, natural gas, water and sewer services.

The paragraphs above briefly summarize certain Bondholders' risks, but are not intended to be comprehensive or a complete enumeration of all risks associated with the purchase or holding of the 2021 Bonds. Regulatory and other changes resulting from the factors mentioned above, among others, or the occurrence of other unanticipated events could have a material adverse effect on the Obligated Group's financial condition or results of its operations.

PENNSYLVANIA REGULATION OF CONTINUING CARE RETIREMENT COMMUNITIES

In the Commonwealth, the various components of continuing care retirement communities are licensed by several different agencies. Because the entrance fees paid upfront by residents upon admission to a continuing care retirement community are held by the management of the continuing care community and must be invested according to state law, continuing care retirement communities in the Commonwealth are regulated by the Pennsylvania Insurance Department (See "RESIDENCE AND CARE AGREEMENTS" in APPENDIX A hereto). The Pennsylvania Department of Human Services (formerly the Department of Public Welfare) is responsible for licensure of personal care homes. Skilled nursing care facilities, home health services, home care agencies and hospices are licensed by the Department of Health under the Health Care Facilities Act.

Continuing Care Provider Law

The Facilities are subject to the provisions of the Commonwealth's Continuing Care Provider Registration and Disclosure Act and the regulations promulgated thereunder by the Commonwealth's Insurance Department (the "CCP Act"). The CCP Act requires, among other things, that each Obligated Group member: (i) obtain a certificate of authority ("COA") from the Insurance Commissioner; (ii) provide to each prospective resident a disclosure statement (a "Disclosure Statement") setting forth material information with respect to the Obligated Group member and the operation of the continuing care facility; (iii) include certain provisions in agreements for continuing care; (iv) set aside reserves in specified amounts to ensure that the Obligated Group member will be able to meet its contractual obligations to residents; and (v) file an annual financial report. The CCP Act also provides for civil and criminal penalties for violations of the CCP Act and for certain remedies if a continuing care facility encounters financial difficulties.

The CCP Act requires each continuing care provider to establish and maintain liquid reserves in an amount equal to or exceeding the greater of (i) the total of all principal and interest payments due during the next twelve (12) months on account of any mortgage loan or other long-term financing or (ii) ten (10) percent of the projected annual operating expenses of the facility exclusive of depreciation. The provider is required to notify the Insurance Commissioner in writing at least ten (10) days prior to reducing the funds available to satisfy this reserve requirement and may expend no more than one-tenth of the required balance in each calendar month. Reserve funds may be invested under the CCP Act.

The CCP Act also requires a continuing care provider to establish an interest-bearing escrow account for entrance fees. The Insurance Commissioner may, when deemed necessary to further secure a provider's obligations under its continuing care agreements, require a provider to establish and maintain, on a current basis, in escrow with a bank, trust company or other escrow agent approved by the Insurance Department, a portion of all entrance fees received by the provider in an aggregate amount not to exceed the total of all principal and interest payments due during the next twelve (12) months on account of any first mortgage loan or other long-term financing. The escrow agent must release up to one-twentieth of the original principal balance of the escrow account if the provider so requests in writing. Funds may not be released more than once during any calendar month and then only after the escrow agent has given written notice to the Insurance Commissioner at least ten (10) days in advance.

The CCP Act also provides that prior to issuing a COA, or at such other time as the Insurance Commissioner may determine it to be in the best interests of the facility's residents, the Insurance Commissioner may file a lien on the real and personal property of the provider to secure the provider's obligations under existing and future contracts for continuing care. The CCP Act provides that such lien shall be subordinate to the lien of any first mortgage on the real property of the facility and may be subordinated with the Insurance Commissioner's consent to the claims of other persons. The lien may be foreclosed upon the liquidation of the facility or the insolvency or bankruptcy of the provider and the proceeds thereof are required to be used in full or partial satisfaction of the provider's obligations under existing contracts for continuing care.

Under certain circumstances, the Insurance Commissioner may, after notice and an opportunity for the provider to be heard, apply to the appropriate court of the Commonwealth or to any federal bankruptcy court which may have previously taken jurisdiction over the provider or facility for an order directing or authorizing the Insurance Commissioner to appoint a trustee to rehabilitate or liquidate such facility. The Insurance Commissioner may make such an application when: (i) a portion of a reserve fund escrow required under the CCP Act has been or is proposed to be released; (ii) a provider has been or will be unable in such a manner as may endanger the ability of the provider to fully perform its obligations pursuant to its continuing care contracts or to meet the pro forma income or cash flow projections previously filed with the Insurance Commissioner; (iii) a provider has failed to maintain the reserves required under the CCP

Act; or (iv) the provider is bankrupt or insolvent or in imminent danger of becoming bankrupt or insolvent. A rehabilitation order under the CCP Act permits the Insurance Commissioner or the appointed trustee to take possession of and operate the facility and take such other steps as the court may direct to rehabilitate the facility. In applying for an order to rehabilitate or liquidate a facility, the Insurance Commissioner must give due consideration in the application to the manner in which the welfare of persons who have previously contracted for continuing care with the provider may be best served.

The Obligated Group has been issued COA's for the Facilities located in Pennsylvania by the Pennsylvania Insurance Commissioner and the Obligated Group is in material compliance with the requirements of the CCP Act.

Personal Care Homes

Personal care homes are designed to provide safe, comfortable and supportive residential settings for adults who do not require the services of a long-term care facility, but who do require assistance or supervision with activities of daily living. Personal care homes must be licensed by the Department of Human Services and licenses must be renewed annually.

The regulations include an extensive list of residents' rights, and require the establishment by the facility of a complaint process for alleged violations of those rights. Some of the rights guaranteed to residents include a prohibition against discrimination, neglect, intimidation, abuse, exploitation and involuntary seclusion. The regulations specify a program for administrator and staff qualification, training and orientation, and contain a list of incidents and conditions that are reportable to the Department of Human Services. The regulations also establish minimum standards for the residential space, building, equipment, operations, care programs and services required for personal care home licensure. In addition, there may be up to four (4) residents to a room in a personal care home. To determine compliance with the regulations, the Department of Human Services conducts annual, unannounced inspections of licensed facilities, and may conduct additional announced or unannounced inspections. Failure to comply with regulatory requirements could result in the imposition of various penalties, including fines and the revocation or non-renewal of licensure.

The Obligated Group's Pennsylvania personal care units are licensed by the Department of Human Services as a personal care home. The current licenses were effective per the table below. Please note that licenses are being issued after annual inspections have been completed; therefore, at this time the applicable members of the Obligated Group have applied for renewal and are waiting for the inspections and issuance of the renewed licenses for certain communities. There is no third-party reimbursement for personal care homes.

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Community	Type	Issue Date	Exp Date
Quincy Village Personal Care	PC	8/29/2020	8/29/2021
Quincy Village (Parker House Assisted Living)	AL	4/24/2021	4/24/2022
Cathedral Village Personal Care	PC	6/3/2020	6/3/2021
Westminster Woods Huntingdon Personal Care	PC	6/3/2020	6/3/2021
Presbyterian Village at Hollidaysburg Personal Care	PC	6/20/2020	6/20/2021
Windy Hill Village (The Heights At Windy Hill Village)	PC	4/2/2020	4/2/2021
Ware Presbyterian Village (Steward Place Personal Care)	PC	5/25/2020	5/25/2021
Ware Presbyterian Village (Steward Place Assisted Living)	AL	10/1/2019	10/1/2020
St. Andrew's Village (The Village House Personal Care)	PC	2/5/2020	2/5/2021
Westminster Village in Dover Assisted Living	AL	5/1/2020	4/30/2021
Kirkland Village Personal Care	PC	2/19/2021	2/19/2022
Green Ridge Village (Carriage Courts Personal Care)	PC	3/22/2020	3/22/2021
Green Ridge Village (Gilliland Manor Personal Care)	PC	6/3/2020	6/3/2021
Westminster Village at Allentown Personal Care	PC	12/3/2019	12/3/2020
The Long Community at Highland Assisted Living	AL	1/10/2021	1/10/2022
Presbyterian Home at Williamsport Personal Care	PC	6/22/2020	6/22/2021
The Easton Home Personal Care	PC	9/29/2020	9/29/2021

Nursing Homes

Both for-profit and nonprofit long-term care nursing facilities which provide either skilled nursing care or intermediate nursing care are licensed medical facilities that are inspected and licensed annually by the Pennsylvania Department of Health. Nursing homes must comply with both state and federal laws and regulations. In August 2015, the Pennsylvania Secretary of Health formed a task force to review and determine the measures needed to enhance quality of care in nursing homes. In September 2016, the task force released a Nursing Home Quality Improvement Task Force Report that identifies and provides recommendations on enhancing quality of care, quality of life and person-centeredness of care. The Pennsylvania Department of Health also announced that it intended to revise nursing home regulations based upon the recommendations within the report. As of June 2021, the Pennsylvania Department of Health has not revised the nursing home regulations. The Pennsylvania Office of Attorney General provided \$1.2 million to help facilitate and implement the recommended changes. At the same time, the new federal Requirements for Participation for nursing homes, released in October, 2016, addressed stricter standards for many of the quality of care issues raised by the Task Force. The State currently surveys nursing homes on the requirements set forth in the new federal regulations and the existing Pennsylvania regulations. Since 2017, there has been an increase in enforcement actions and penalty assessments against nursing homes. If the Department of Health issues new regulations on nursing homes, the Obligated Group may need to review and modify its policies and workforce composition in the future.

Nursing homes accept third party reimbursement (e.g., Medicare and Medicaid) for residents who qualify. The Obligated Group participates in the Medicare and Medicaid programs. See “CERTAIN BONDHOLDERS’ RISKS – Health Care Regulation - Medicare” and “-Medicaid”. Nursing homes must comply with multiple regulations regarding management of the facility, residents’ rights, compliance with the federal life-safety code, physical plant and equipment standards, housekeeping and maintenance standards, resident care plans and service standards, and staffing and training requirements. In addition, nursing homes must also comply with federal laws and regulations related to participation in the Medicare and Medicaid programs. To determine compliance with the regulations, the Department of Health conducts annual inspections of nursing homes, and may conduct additional announced or unannounced inspections. A failure to meet any of the federal or state laws or regulations may jeopardize a nursing home’s ability to admit new residents and may result in exclusion from federal payer programs. No assurances can be made that the Obligated Group will continue to satisfy the requirements of participation under Medicare or Medicaid rules for eligibility as a nursing home or that the Obligated Group will be able to maintain current revenue levels in the future.

The Obligated Group's Pennsylvania skilled nursing facilities are licensed by the Pennsylvania Department of Health. Its current licenses were effective per the table below. Please note that licenses are being issued after annual inspections have been completed; therefore, at this time the applicable members of the Obligated Group have applied for renewal and are waiting for the inspections and issuance of the renewed licenses for certain communities.

Community	Type	Issue Date	Exp Date
Quincy Village - Health Center	SNF	4/14/2021	4/30/2022
St. Andrew's Village - Health Center	SNF	12/16/2019	12/30/2020
Westminster Village at Allentown Health Center	SNF	3/11/2021	3/31/2022
Westminster Woods Huntingdon Health Center	SNF	11/18/2019	11/30/2020
Windy Hill Village of The Presbyterian Homes	SNF	7/2/2020	7/31/2021
Oxford Health Center (Ware)	SNF	9/4/2020	8/31/2020
Swaim Health Center (Green Ridge)	SNF	5/28/2020	5/31/2021
Kirkland Village Health Center	SNF	11/16/2020	10/31/2021
Westminster Village Health Center (Dover)	SNF	7/1/2020	4/30/2021
Cathedral Village Health Center	SNF	9/17/2020	9/30/2020
Presbyterian Village at Hollidaysburg Health Center	SNF	7/24/2020	7/31/2021

Regulations in Other States

In addition to Pennsylvania, the Obligated Group maintains one facility in each of Ohio and Delaware. Although both Ohio and Delaware maintain senior care licensing requirements, no detailed discussion is offered on the licensure requirements of those states. However, the Obligated Group members that operate the Ohio and Delaware facilities currently hold all required governmental licensures and approvals for such facilities.

INDEPENDENT AUDITORS

The combined audited financial statements of the Obligated Group as of and for the fiscal year ended December 31, 2020 included in this Official Statement, have been audited by Baker Tilly US, LLP, independent auditors, as stated in their report appearing in APPENDIX B to this Official Statement. The combined audited financial statements of the Obligated Group as of and for the fiscal year ended December 31, 2019 included in this Official Statement, have been audited by Arnett Carbis Toothman LLP, independent auditors. Baker Tilly US, LLP has agreed to the inclusion of the audited financial statements of the Obligated Group in this Official Statement.

TAX MATTERS

Federal

Exclusion of Interest From Gross Income. In the opinion of Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2021 Bonds, *including interest in the form of original issue discount*, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Authority and the Borrowers with the requirements of the Code. Interest on the 2021 Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering their opinion, Co-Bond Counsel has assumed compliance by each of the Authority and the Borrowers with its covenants contained in the Bond Indenture and the representations and covenants in

the Tax Compliance Certificate and Agreement executed by the Authority and Borrowers the date of issuance of the 2021 Bonds relating to actions to be taken by the Authority and the Borrowers after the issuance of the 2021 Bonds necessary to effect or maintain the exclusion from gross income of the interest on the 2021 Bonds for federal income tax purposes. These covenants and representations relate to, inter alia, the use and investment of proceeds of the 2021 Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in the interest on the 2021 Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the 2021 Bonds.

Other Federal Tax Matters. Ownership or disposition of the 2021 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the 2021 Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2021 Bonds.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption “Exclusion of Interest From Gross Income” above and expressly stated in the Proposed Form of Opinion of Co-Bond Counsel included as APPENDIX D to this Official Statement. Purchasers of the 2021 Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, interest on the 2021 Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the 2021 Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The 2021 Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth of Pennsylvania under applicable state or local tax laws.

Purchasers of the 2021 Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

RATING

Fitch Ratings Service has assigned the 2021 Bonds a municipal bond rating of “BBB+” (Stable outlook). Any explanation of the significance of such rating may only be obtained from Fitch Ratings Service. There is no assurance that the rating initially assigned to the 2021 Bonds will be maintained for any given period of time or that such rating may not be revised downward or withdrawn entirely by Fitch Ratings Service if, in its judgment, circumstances so warrant. Any downward change in, or the withdrawal of, such rating may have an adverse effect on the marketability or the price at which the 2021 Bonds may be resold by the holder of such 2021 Bonds.

Neither the Authority nor the Borrowers have undertaken to maintain any rating on the 2021 Bonds.

ABSENCE OF LITIGATION

The Authority. There is no litigation of any nature pending or, to the Authority's knowledge, threatened against the Authority, at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the 2021 Bonds, or in any way contesting or affecting the validity of the 2021 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or the security provided for the payment of the 2021 Bonds or the existence or powers of the Authority or the accomplishment of the 2021 Project.

The Obligated Group. There is no litigation or proceeding pending or, to the Obligated Group's knowledge, threatened against the Obligated Group, at the date of this Official Statement, which (a) seeks to restrain or enjoin the issuance or delivery of the 2021 Bonds or the execution or the performance by the Obligated Group of their obligations under the Master Indenture or by the Borrowers of their obligations under the Loan Agreement, (b) in any way contests or affects the issuance or the validity of the 2021 Bonds, the Master Indenture or the Loan Agreement, or (c) in any way contests the legal existence or powers of the Obligated Group. There is no other litigation or proceeding pending or, to the Obligated Group's knowledge, threatened against the Obligated Group the outcome of which could have a material adverse effect on the operations or financial condition of the Obligated Group taken as a whole.

Notwithstanding the foregoing, one of the facilities of the Obligated Group, Cathedral Village, is currently the subject of an open governmental investigation by the U.S. Department of Justice ("DOJ") resulting from the death of a resident on April 13, 2018. The resident was the father of a former senior federal official. To date, no criminal charges have been asserted or alleged against CV, PSL or the Obligated Group and no fines, penalties or sanctions have been imposed. Nevertheless, there can be no assurance that the results of the investigation will not have a material adverse effect on the operations and/or financial condition of CV, PSL or the Obligated Group.

Recently, one of the facilities of the Obligated Group, Ware Presbyterian Village Oxford Health Center ("Ware"), received a Civil Investigative Demand for documents from the DOJ related to therapy services provided by third-party entities to ten residents at the subject facility. To date, no criminal charges have been asserted or alleged against Ware, PSL or the Obligated Group and no fines, penalties or sanctions have been imposed. Nevertheless, there can be no assurance that the results of the investigation will not have a material adverse effect on the operations and/or financial condition of Presbyterian Homes, PSL or the Obligated Group.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2021 Bonds will be passed upon by Eckert Seamans Cherin & Mellott, LLC, Harrisburg, Pennsylvania, and Turner Law, P.C., Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the Authority by the Office of Chief Counsel, Department of Community and Economic Development, Harrisburg, Pennsylvania; for the Obligated Group by their counsel, McNees Wallace & Nurick LLC, Harrisburg, Pennsylvania; and for the Underwriter by its counsel, Cozen O'Connor, Philadelphia, Pennsylvania.

UNDERWRITING

Herbert J. Sims & Co., Inc. (the "Underwriter") is purchasing the 2021 Bonds pursuant to a Bond Purchase Agreement at the total purchase price of \$_____ (representing the principal amount of the 2021 Bonds, [plus/less] [net] original issue [premium/discount] of \$_____ and less an Underwriter's

discount of \$_____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2021 Bonds, if any 2021 Bonds are purchased. The obligation of the Underwriter to pay for the 2021 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including delivery of specified opinions of counsel and of a certificate of the Obligated Group that there has been no material adverse change in their condition (financial or otherwise) from that set forth in this Official Statement. The Borrowers agree in the Bond Purchase Agreement to indemnify the Underwriter and the Authority against certain liabilities relating to this Official Statement.

The Underwriter may offer and sell 2021 Bonds to certain dealers (including dealer banks and dealers depositing 2021 Bonds into investment trusts) and others at prices lower than the public offering prices. Such initial public offering prices may be changed from time to time by the Underwriter.

CERTAIN RELATIONSHIPS

McNees Wallace and Nurick LLC represents a division of the Bond Trustee and the Master Trustee in certain trust and fiduciary matters from time to time.

A member of Eckert Seamans Cherin & Mellott, LLC, Co-Bond Counsel, serves on the Board of Directors of the Authority.

Cozen O'Connor, counsel to the Underwriter, represents PSL and certain members of the Obligated Group, from time to time, in unrelated matters.

CONTINUING DISCLOSURE

In connection with the issuance of the 2021 Bonds, the Obligated Group will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") pursuant to which it will covenant, in compliance with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), to provide certain annual financial information and operating data and event notices required by the Rule. Such information will be filed with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access (EMMA) System (<http://emma.msrb.org>). The form of the Continuing Disclosure Agreement is attached hereto as APPENDIX E

The Continuing Disclosure Agreement provides holders of the 2021 Bonds with certain enforcement rights in the event of a failure by the Obligated Group 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, the Master Indenture or the 2021 Master Note. 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 2021 Bonds are advised that the Continuing Disclosure Agreement should be read in its entirety for more complete information regarding its contents.

No financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the 2021 Bonds and the Authority will not provide any such information. The Obligated Group has undertaken all responsibilities for any continuing disclosure to holders of the 2021 Bonds as described above and in APPENDIX E and the Authority shall have no liability to the holders of the 2021 Bonds or any other person with respect to such disclosures.

The Obligated Group's obligations under the foregoing provisions may be amended to the extent required or permitted by the Rule, or in connection with a change in the identity, nature or status of the Obligated Group, or the type of business conducted by it, if permitted by the Rule.

Neither the Authority nor the Bond Trustee shall have any obligation to examine or review the annual or quarterly financial information respecting the Obligated Group, nor shall the Authority or the Trustee have any duty to verify the accuracy or completeness of any such information.

The Obligated Group or various Members are also parties to Continuing Disclosure Agreements entered into in connection with (1) the Cumberland County Municipal Authority, Revenue Bonds (Presbyterian Homes Obligation Group Project), Series A of 2008 (the “2008A Disclosure Agreement”), (2) the Cumberland County Municipal Authority Converted Term Rate Revenue Bonds (Presbyterian Homes, Inc. Project) (the “2008C Disclosure Agreement”) and (3) the CV Bonds (as the same has been amended and supplemented, the “2013 Disclosure Agreement” and together with the 2008A Disclosure Agreement and the 2008C Disclosure Agreement, collectively, the “Prior Disclosure Agreements”). The Prior Disclosure Agreements required the Obligated Group or various Members to file or cause a dissemination agent to file annual audited financial statements and certain annual and quarterly financial and operating reports with the MSRB.

In the past 5 years, two quarterly filings related to the 2008A Disclosure Agreement and three quarterly filings related to the 2008C Disclosure Agreement were not timely filed within the period specified by the 2008A Disclosure Agreement and the 2008C Disclosure Agreement, respectively. In addition, several of the annual and quarterly filings did not contain all of the information required by the 2008A Disclosure Agreement and the 2008C Disclosure Agreement. The 2008A Disclosure Agreement terminated on January 1, 2019, the maturity date of the 2008A Bonds. The 2008C Disclosure Agreement terminated on June 3, 2021, the date on which the last outstanding maturity of the 2008C Bonds was called for redemption.

In the past 5 years, several of the annual and quarterly filings were not timely filed within the period specified by the 2013 Disclosure Agreement. The 2013 Disclosure Agreement was substantially amended on June 1, 2015 when Cathedral Village joined the Obligated Group and the Obligated Group, including CV as a member, was substituted as the joint and several obligors on the CV Bonds. Certain of the reports and calculations that were required by the terms of the original 2013 Disclosure Agreement were no longer applicable by reason of the obligor substitution or were specifically modified to comply with the reports and calculations required to be delivered on a consolidated basis by the Obligated Group under the Master Indenture. With the exception of certain late filings as described above, the Obligated Group believes that it is in material compliance with its obligations under the 2013 Disclosure Agreement. The CV Bonds are being advance refunded and defeased with proceeds of the Taxable Note and the 2013 Disclosure Agreement will be terminated.

In connection with the Continuing Disclosure Agreement for the 2021 Bonds, the Obligated Group has a form of filing and schedule for future filings to assist it in ensuring that it files accurately and timely.

MISCELLANEOUS

All of the summaries of the provisions of the Act, the 2021 Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, the 2021 Master Note, the Mortgages and the Continuing Disclosure Agreement hereinabove set forth and all other references to such other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions of such documents.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representation whatsoever is made that such estimates or assumptions are

correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Obligated Group and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

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

The Obligated Group has reviewed the information contained herein which relates to the Obligated Group and has approved this Official Statement.

The Authority and the Obligated Group have authorized the use and distribution of this Official Statement in connection with the offering and sale of the 2021 Bonds.

PENNSYLVANIA ECONOMIC
DEVELOPMENT FINANCING AUTHORITY

By: _____
Executive Director

PRESBYTERIAN HOMES, INC.

PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGDON

By: _____
Senior Vice President and Chief
Financial Officer

By: _____
Senior Vice President and Chief
Financial Officer

THE LONG COMMUNITY, INC.

QUINCY RETIREMENT COMMUNITY

By: _____
Senior Vice President and Chief
Financial Officer

By: _____
Senior Vice President and Chief
Financial Officer

PHI INVESTMENT MANAGEMENT
SERVICES, INC.

THE LONG HOME

By: _____
Senior Vice President and Chief
Financial Officer

By: _____
Authorized Trustee

CATHEDRAL VILLAGE

By: _____
Senior Vice President and Chief
Financial Officer

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APPENDIX A

CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP

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PRESBYTERIAN HOMES OBLIGATED GROUP

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PRESBYTERIAN HOMES OBLIGATED GROUP

INTRODUCTION

Background and History

PHI (d.b.a. Presbyterian Senior Living) (“PHI” or “PSL”), a Pennsylvania not-for-profit corporation, is the parent corporation of Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Presbyterian Homes in the Presbytery of Huntingdon Foundation, Presbyterian Senior Living Services, Inc. d.b.a. Glen Meadows Retirement Community, Glen Meadows Retirement Community, Inc., Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., PHI Services, Inc., Cathedral Village, Achieve Signature Rehab, Presbyterian Apartments, Inc., Geneva House, Inc., The Shepherds in Monroe County, Inc., and Presbyterian Senior Living Housing Management Corporation.

PHI is the managing general partner of the following limited partnerships, which operate Low Income Housing Tax Credit Communities: Scharner House Associates L.P., Westminster Place at Parkesburg, L.P., Westminster Place at Windy Hill, L.P., Westminster Place at Carroll Village L.P., Stewartstown Courtyard L.P., Westminster Place at Bloomsburg, L.P., Westminster Place at Ware Presbyterian Village L.P., Westminster Place at The Long Community L.P., Westminster Place at Quincy Village LP, Silver Spring Courtyards, L.P., S.S. Gardens LP, Shrewsbury Courtyards Associates LP, Shrewsbury Courtyards II Associates, S Overlook L.P., Stony Brook Gardens L.P., PHI Stadium Place Senior Care, Inc., Northampton Place at Easton, LP, Westminster Place at Queen Street LP, Long Crest Senior Housing LP, Ross Presbyterian Senior Housing L.P., Wisteria Commons Senior Housing L.P., Oaks Senior Community LP, Barrett School Senior Living L.P., Westminster Place at Ware Senior Housing, Westminster Place at Huntingdon LP, and Westminster Place at Windy Hill L.P., II.

These limited partnerships have been qualified and allocated low-income housing tax credits to construct living communities for seniors pursuant to Internal Revenue Code (IRC) Section 42 (“Section 42”), which regulates the use of the communities as to the occupant income eligibility and the unit gross rent, among other requirements. The communities must meet the provisions of these regulations during the first fifteen consecutive years to remain qualified to receive the credits. In addition, the partnerships have each executed restrictive covenants, which require utilization of the communities pursuant to Section 42 for a minimum of 30 years.

As a whole, PSL presently owns and/or operates thirteen continuing care retirement communities (“CCRCs”) in Pennsylvania, one CCRC in Delaware, one CCRC in Maryland, four independent living facilities, including one in Ohio, an assisted living facility, two personal care homes, and an adult day care center, which in total serve over 6,000 senior adults annually. The foregoing communities are located throughout Pennsylvania and in Maryland, Ohio, and Delaware. PSL also owns 50% of Prelude Systems, Inc., an information technology services provider to the long-term care industry.

PSL posts regular updates with respect to financial information, occupancy, on its website at <https://www.presbyterianseniorliving.org/about-us/corporate-information-and-financials>.

Composition of The Presbyterian Homes Obligated Group

The Presbyterian Homes Obligated Group (the “Obligated Group”) consists of the following not-for-profit Pennsylvania affiliates (the “Obligated Affiliates”) of PHI.

- Presbyterian Homes, Inc. (“Pres Homes”)
- Presbyterian Homes in the Presbytery of Huntingdon (“PHPH”)
- Quincy United Methodist Home, doing business as Quincy Retirement Community (“QRC”)
- Cathedral Village (“CV”)
- The Long Community, Inc (“TLC”)
- PHI Investment Management Services, Inc. (“PIMSI”)

Also included in the Obligated Group is The Long Home, a Pennsylvania testamentary charitable trust (“Long Home”) established by the wills of the late prominent Lancaster County Judge Henry G. Long and his daughter, Catherine. The Long Home owns no operating assets, nor does it presently operate any senior care or other facilities of any kind.

The Obligated Affiliates own, operate, and manage twelve continuing care retirement communities, three stand-alone independent living facilities, and two stand-alone personal care homes. See “THE COMMUNITIES” herein for a more complete description of the Obligated Group communities.

- Presbyterian Homes Inc.
 - CCRCs: Green Ridge Village, Kirkland Village, St. Andrew’s Village, Ware Presbyterian Village, Westminster Village/Allentown, and Westminster Village/Dover
 - Independent Living Facilities: Grace Manor, Mark H. Kennedy Park, and Carroll Village
 - Personal Care Home: The Easton Home and Presbyterian Home at Williamsport
- Presbyterian Homes in the Presbytery of Huntingdon (CCRCs: Presbyterian Village at Hollidaysburg, Westminster Woods at Huntingdon, and Windy Hill Village)
- Quincy Retirement Community (CCRC)
- Cathedral Village (CCRC)
- The Long Community at Highland (CCRC)

The Obligated Group is governed by the Board of Trustees of PHI, doing business as Presbyterian Senior Living. PHI is the parent organization for the members of the Obligated Group. Each member of the Obligated Group is also governed by its own subordinate Board of Directors or Board of Trustees (in the case of The Long Home)

The Obligated Affiliates are managed by PHI, but PHI is not a member of the Obligated Group. See “MANAGEMENT OF THE OBLIGATED AFFILIATES.” **NEITHER PHI , NOR ANY AFFILIATES OF PHI OTHER THAN THE OBLIGATED AFFILIATES AND LONG HOME, ARE OBLIGATED TO MAKE PAYMENTS OF PRINCIPAL OR INTEREST WITH RESPECT TO ANY INDEBTEDNESS OUTSTANDING FOR THE OBLIGATED GROUP, INCLUDING, WITHOUT LIMITATION THE 2021 BONDS. IN ADDITION, NO AFFILIATES OF PHI OTHER THAN THE OBLIGATED AFFILIATES ARE OBLIGATED TO MAKE ANY PAYMENTS TO PHI FOR MANAGEMENT SERVICES PROVIDED TO THE OBLIGATED AFFILIATES.**

Westminster Village/Allentown (“Westminster Allentown”) is a community owned and operated by Presbyterian Homes, Inc. On June 4, 2021 the PHI Board of Trustees voted to sell Westminster Allentown to an unaffiliated third party. The sale is consistent with PHI’s long range strategic and capital plan and is expected to improve the Obligated Group’s liquidity. Westminster Allentown is presently encumbered with a master mortgage securing all master note and obligation debts outstanding under the Master Indenture, which includes the 2021 Master Note that will secure the 2021 Bonds (the “WVA Mortgage”). Under the terms of the Master Indenture, any Member of the Obligated Group is entitled to transfer a facility or other assets if certain financial measurement tests are met. These tests are anticipated to be met in connection with the sale of Westminster Allentown. In addition, the WVA Mortgage and all other master mortgages provide for a release of the related mortgage if a facility is permitted to be sold under the Master Indenture, and the WVA Mortgage will be terminated and released upon closing of the facility sale and transfer. After such sale, closing and release, the WVA Mortgage will not secure the 2021 Master Note and the 2021 Bonds. There are no assurances that closing on the sale of Westminster Allentown will occur. In the event that the sale is not completed the WVA Mortgage will continue to secure all master notes and obligations under the Master Indenture, including the 2021 Master Note, which secures the 2021 Bonds.



PRESBYTERIAN SENIOR LIVING

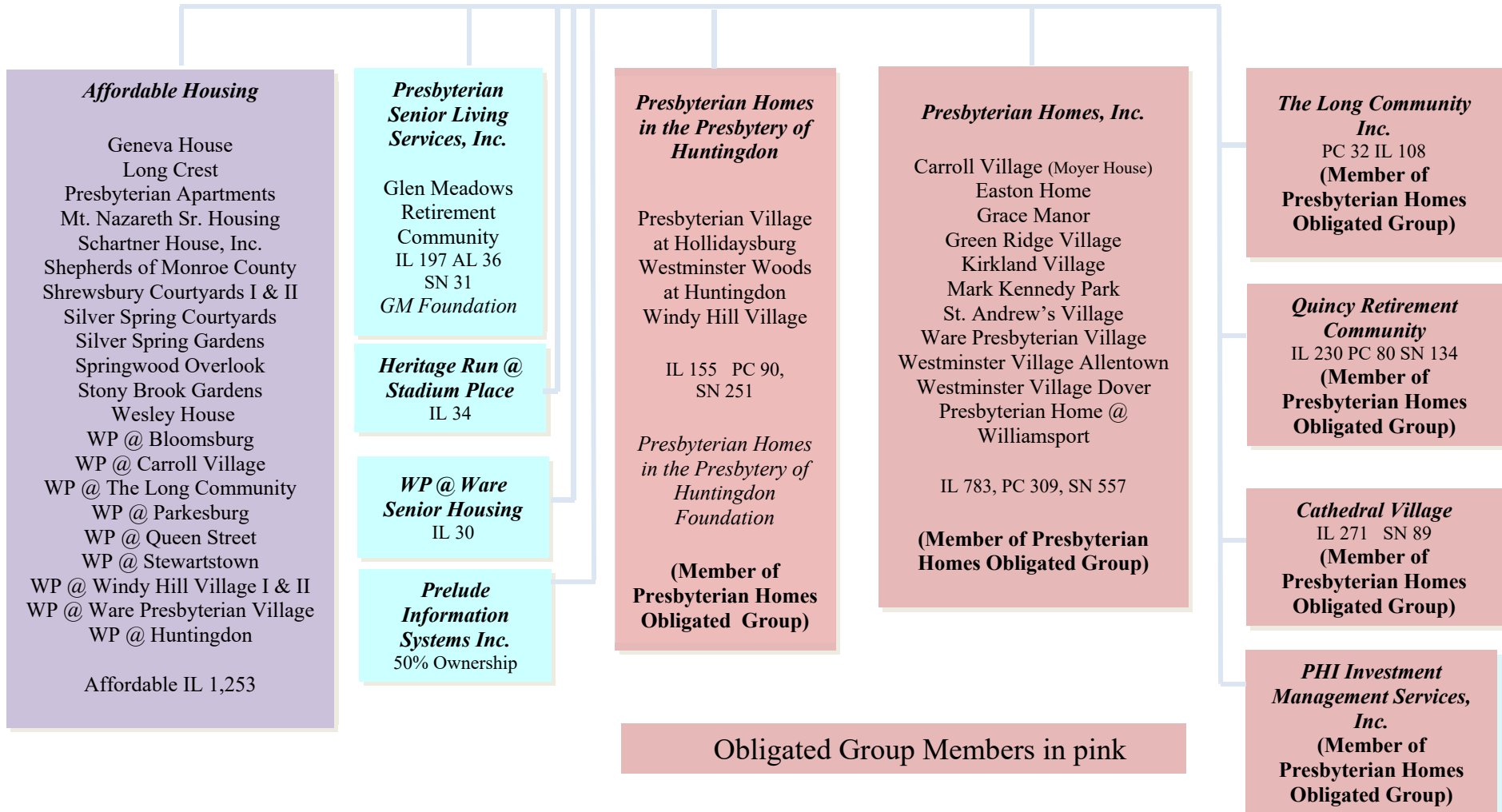
Total Presbyterian Senior Living

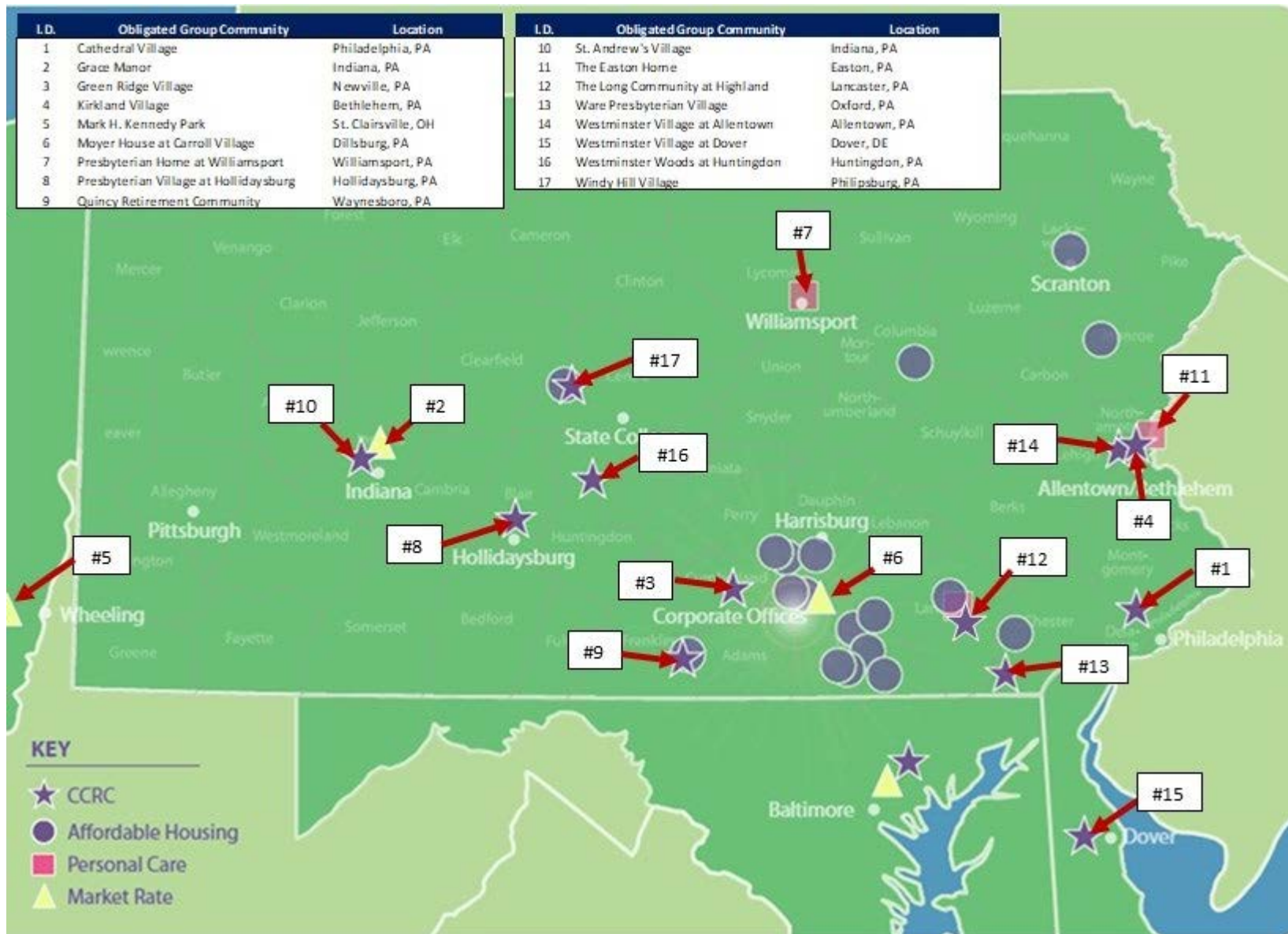
Independent = 1,901 (Entrance Fee & Market Rate)

Personal Care/Assisted Living = 547

Nursing = 1,062

Affordable IL = 1,253





Mission Statement of Presbyterian Senior Living

“Guided by the life and teachings of Jesus, the mission of Presbyterian Senior Living is to provide compassionate, vibrant and supportive communities and services to promote wholeness of body, mind, and spirit.”

MANAGEMENT OF THE OBLIGATED AFFILIATES

Management

PHI is responsible for the management of the facilities of the Obligated Affiliates. Specifically, PHI selects, hires, and trains Executive Directors and other designated senior management staff at the Obligated Group facilities and supervises, evaluates, and determines the compensation for these persons. All other employees involved in the operations of the Obligated Affiliates and their facilities and services are employees of the respective Obligated Affiliates. PHI assists with determining policies, staffing levels, and budgeting for the Obligated Affiliates. Specific areas in which off-site management assistance and guidance are provided by PHI’s staff include, but are not limited to, human resources, marketing, and public relations, buildings, and repairs, as well as education, finance and accounting, insurance, food service, general administration, health services, information services, planning, mission support, and legal services. For the management services, the Obligated Affiliates pay PHI a monthly management fee in an amount per annum based on the net service revenues of the managed facilities for the preceding fiscal year. For 2019 through 2021, management fees averaged 6.2% of net service revenues.

In addition to the management fee, the Obligated Affiliates are required to reimburse PHI monthly, in arrears, by the fifteenth day of the following month an amount equal to the cost of the salaries and benefits, including employer taxes, of the Executive Director and other designated management staff, and for the salaries, wages and other benefits, including employer taxes, of any other employees provided to the Obligated Affiliates by PHI. Obligated Affiliates are responsible to pay directly or reimburse PHI for (i) all office, travel and conference expenses of each of the Executive Directors and other designated management staff; (ii) all legal, auditing, actuarial and any other consultant services performed for the Obligated Affiliates at the request of PHI.

Executive Management Staff

The President of PHI and senior members of PHI’s staff are listed below with brief resumes of their backgrounds:

James F. Bernardo, President & Chief Executive Officer. Mr. Bernardo has been employed by Presbyterian Senior Living since 1985 and has over 40 years of experience in aging services. In addition to serving as the President and Chief Executive Officer, he held the positions of Chief Operating Officer, Regional Operations Director, and Executive Director. Mr. Bernardo has served as a member of the Board of Directors of LeadingAge and served as the Association’s Treasurer and as the Chair of the Board of LeadingAge PA. He is also a surveyor for the Commission on Accreditation of Rehabilitation Facilities (“CARF”) as well as a presenter of educational programs in the area of aging service program design and delivery. Mr. Bernardo has served on many community agency boards, including the Advisory Council for the Berks County Area Agency on Aging and the Board of Directors of the Lehigh Valley Visiting Nurse Association. Mr. Bernardo received a Bachelor of Arts in social work from LaSalle University and a Master’s of social work degree from the University of Pittsburgh.

Dan L. Davis, Jr., Sr. Vice President/Chief Operating Officer. Mr. Davis is a graduate of Oklahoma City University, where he received a Bachelor of Science in Business and Shippensburg University where he obtained his Master of Arts in Organizational Development and Leadership. Mr. Davis has been employed in the field of aging services for 28 years. He has been a licensed Nursing Home Administrator since 1993, has served as a surveyor for CARF, and has been active in LeadingAge PA, having served as Treasurer for the LeadingAge PA Board of Directors. Mr. Davis has also served on other non-profit boards and currently serves on the Board of Directors for Forgotten Voices International. Throughout his career in aging services, he has worked in various settings, including acute care hospitals, short-term rehabilitation centers, specialized memory support neighborhoods, personal care/assisted living communities, and Continuing Care Retirement Communities. For the past nineteen years, Mr. Davis has worked for

PSL, where he has held positions of Executive Director, Regional Director of Operations, and Vice President of Continuing Care Retirement Communities prior to his current position.

Dyan McAlister, Senior Vice President/Chief Financial Officer. Ms. McAlister has been employed by PSL for over 22 years. Prior to serving as Senior Vice President/Chief Financial Officer, she held the positions of Vice-President of Finance, Director of Financial Reporting, Controller, Accounting Manager, and Senior Accountant. Prior to joining PSL, Ms. McAlister worked in public accounting, where she obtained her CPA license in 1998. She began her career as an accountant for Keystone Service Systems. She is a graduate of Messiah College and is currently working to obtain her Masters of Business Administration from Penn State University in Strategic Management and Executive Leadership. Ms. McAlister has served on several non-profit boards, including Forgotten Voices International and Carlisle Christian Academy.

Diane Burfeindt, Senior Vice President, Strategy and Innovation. Ms. Burfeindt has over 28 years of experience in healthcare and aging services and has been employed by PSL since 1997. Prior to serving as Senior Vice President Strategy and Innovation, she held the positions of Vice President Population Health, Vice President of Residential and Community Services, Corporate Director, and Executive Director. Throughout her career, she has worked with acute care, housing, home care, continuing care retirement communities, personal care/assisted living, and skilled nursing. In her current position, she is responsible for PSL's innovation and strategic planning processes.

Ms. Burfeindt received her Masters of Business Administration from Bloomsburg University and Bachelor's degree in Communications and Journalism from Shippensburg University. She has been involved in various volunteer leadership positions, including the National Investment Council Planning Committee, Secretary of the LeadingAge PA Board of Directors, LeadingAge PA Fellows in Leadership Coach, and is a Larry Minnix Leadership Academy Fellow. She is a licensed nursing home administrator and previously served as a surveyor for CARF. She is a frequent presenter at state and national conferences on best practices in the industry.

Cindy Fox, Senior Vice President of Human Resources. Ms. Fox is responsible for developing and executing human resources strategy in support of the overall business plan and strategic direction of the organization. Specifically, her responsibilities are in the areas of talent acquisition, compensation and benefits, payroll, H.R. electronic systems, employee relations and employment law, and performance management. Ms. Fox has been with PSL since 2010 and has over 30 years of experience in human resources. She has held the positions of Corporate H.R. Director, Vice President of Employee Relations, and Vice President of Human Resources while working at PSL. Prior to joining PSL, Ms. Fox worked in the human resource sector with Pennsylvania Blue Shield, AMISYS Synertech, and Prelude Services. She is a graduate of Indiana University of Pennsylvania and holds a Master's degree in Industrial Organizational Psychology from the University of Tennessee. She is a member of the Society of Human Resources Management and is President of the United Methodist W.C. Trust for Quincy Village.

Affiliate Employees

PSL provides a variety of human resources support to the approximately 2,122 full and part-time employees of the Obligated Group. Full-time employees are eligible to enroll in medical, prescription, dental, and vision coverage. (the employee pays approximately 18% to 23% of the premium depending on tier coverage level), two times salary in employer-paid life insurance and an employee assistance plan. Employees may also contribute to a 403(b) plan. PSL offers a Defined Contribution plan for employer contributions which has historically been 1% of salary. The plan vests over five years. A union does not represent the affiliate employees of the Members of the Obligated Group. Management of the Obligated Group believes relationships with employees are overall satisfactory.

GOVERNANCE OF THE OBLIGATED GROUP

PHI's Board of Trustees

PHI is governed by a Board of Trustees. The PHI Board is comprised of not less than eleven members who are appointed for terms of three years, subject to a maximum 12 consecutive year term limit. Some members of the PHI Board of Trustees are also members of the Boards of Directors of the Obligated Affiliates. The PHI Board of Trustees appoints all of the members of the Boards of Directors for Pres Homes, PIMSI, QRC, TLC and CV. For PHPH, the Board of Directors are also appointed by the PHI Board of Trustees, with one board membership position

being nominated by the Presbytery of Huntingdon. The boards are made up of clergy, business executives, and retired persons. The Obligated Affiliate boards are comprised of seven members who serve three-year terms with a nine-year term limit; however, the Board of Pres Homes is comprised of four members with no term limits. The full Boards generally meet at least three times per year, unless special meetings are called as provided in the bylaws. The PHI Board maintains seven standing committees; Executive Committee, Governance Committee, Program and Services Committee, Finance Committee, Audit Committee, Resource Development Committee, and Compensation Committee. The Obligated Affiliate boards currently have no standing committees.

In addition to the power to appoint Board members of the Obligated Affiliates, the PHI Board of Trustees holds significant reserved powers over the operations of the Obligated Affiliates pursuant to the Bylaws of the Obligated Affiliates. These reserved powers include the right to authorize and approve: amendments to or revocation of articles of incorporation and bylaws; termination, liquidation, reorganization, conversion, division, dissolution, merger or consolidation; changes in membership interests; investments other than ordinary course of business investments in designated types of assets in accordance with an approved investment policy; incurrence of indebtedness in excess of amounts designated by the PHI Board from time to time; the sale, conveyance, transfer or lease of assets having a fair market value in excess of the aggregate amounts designated by the PHI Board from time to time, other than conveyances to PHI or another PHI affiliate; the making of capital expenditures or incurrence of capital obligations in excess of amounts designated by the PHI Board from time to time; approval of operating and capital budgets; the granting of a lien or encumbrance on assets other than in the ordinary course of business; surrender of or material change in any permit, approval or license; selection of outside financial auditors, general legal counsel and investment advisors; strategic and operating plans or any changes thereto; adoption of or changes to statements of purpose, vision or mission; creation of new business lines or business operations sites; creation of subsidiaries or joint ventures, or any material changes in existing services or outside strategic relationships; contracts that could materially impact PHI or any of its affiliates; changes in location or name of business; compensation of directors; adoption or amendment of employee benefit plans; and undertaking Obligated Group financings and refinancings.

The current officers and members of the Board of Trustees of PHI are as follows:

Name	Occupation	Office	Term Expires
Dr. Charles Alexander	Retired U.S. Navy Captain (Medical Officer)	Member	2021
Thomas Beaver III	Finance	Member	2022
Anne Drennan	Retired Finance Executive	Vice Chair	2024
Tracey Glenn	Communications Executive	Member	2022
Terry Goldstein	Retired Attorney	Member	2023
Rev. Dr. Alf E. Halvorson	Presbyterian Minister	Member	2022
Sharon Kelly	Retired Pinnacle Health Executive	Chair	2022
Thomas Paisley	Retired Hospital Executive, Consultant	Member	2021
Joseph M. Kinard	Corporate Finance	Member	2023
Stuart S. Paxton, Jr.	Retired Healthcare Executive, Consultant	Member	2021
Susan Reimann	Human Resources Executive	Member	2021
Jennifer Shropshire	Management and Fundraising Consultant	Member	2022
Robyn I. Stone	Executive Director LeadingAge Center for Applied Research and Sr. V.P. Research	Member	2021
James Bernardo	President and CEO - PSL	Non-Voting Member	

The current officers and members of the Board of Directors of TLC are as follows:

Name	Occupation	Office	Term Expires
Thomas Beaver III	Finance	Member	2021
Michael Oster	Safety Engineer and Consultant	Vice Chair	2021
Jeff Goss	Attorney	Chair	2021
Dr Lawrence Chottiner	Presbyterian Clergy and Educator	Member	2022
Paul Gordon	Retired Presbyterian Clergy	Member	2022
Jane Snyder	Retired Government Executive	Member	2023
Anthony Mastropietro	Physician	Member	2023

The current officers and members of the Board of Directors of QRC are as follows:

Name	Occupation	Office	Term Expires
Beverly Shockey	Retired – Current Resident	Member	2021
Cheryl Rhodes	Retired – Current Resident	Member	2021
Kim Shockey	Financial Services Executive	Chair	2021
Nancy Glen	Retired - Education	Member	2022
Ray Miller	Healthcare Executive	Member	2022
Kathryn Sandifer	Construction Estimator	Vice Chair	2021
Rodger Savage	Pharmacist	Member	2021
Thomas Salsgiver	Clergy representing Central PA Conference of UMC		

The current officers and members of the Board of Directors of PHPH are as follows:

Name	Occupation	Office	Term Expires
Carl Campbell	Presbyterian Clergy	Member	2021
Terry Goldstein	Attorney	Vice Chair	2021
Charlene McCartney	Retired – Education	Member	2021
Daniel Nelson	Attorney	Chair	2022
James Huff	Attorney	Member	2023
Robert Hormell	Retired Business Executive	Member	2021
Susan Scott	Retired Health Service Executive, Nurse	Member	2021
JoAnn Kimmel	Retired Accounting	Member	2021

The current officers and members of the Board of Directors of PIMSI are as follows:

Name	Occupation	Office	Term Expires
Anne Fedorchack	Finance	Member	2021
Robert Hormell	Retired Business Executive	Member	2022
Anne Drennan	Retired Finance Executive	Vice Chair	2023
Joseph Kinard	Finance	Member	2023
Philip Miller	Retired Business Executive	Chair	2023
Stuart Paxton	Retired Hospital Executive	Member	2022
David Wolff	Insurance Broker	Member	2021

The current officers and members of the Board of Directors of CV are as follows:

Name	Occupation	Office	Term Expires
Randi Carr	HR Executive	Member	2021
Karl Fritton	Attorney	Chair	2021
Elizabeth Gemmill	Retired Banking, Investment Management	Member	2021
David Bruton	Retired Attorney	Member	2022
Jennifer Shropshire	Management and Fundraising Consultant	Vice Chair	2022
Robert Hormell	Retired Business Executive	Member	2022
Susan Scott	Retired Health Service Executive, Nurse	Member	2022
Michael Blum	Retired Human Service Executive	Member	2021
William Cobb, Jr	Construction Executive	Member	2021
William Scott	Retired Attorney	Member	2021

The current officers and members of the Board of Directors of Pres Homes are as follows:

Name	Occupation	Office
James Bernardo	President and CEO	Chair
Dan Davis	Senior VP and Chief Operating Officer	Vice Chair
Diane Burfeindt	Senior VP Strategy and Innovation	Member
Dyan McAlister	Senior VP and Chief Financial Officer	Member

THE COMMUNITIES

General

The Obligated Affiliates offer several different levels of senior care at their facilities, ranging from nursing care to independent living. The following is a brief description of each category of service.

Continuing Care Retirement Communities (CCRC). Each of the Obligated Affiliates' CCRCs provides a complete range of services from independent living to nursing care, thus enabling a person to enter the community and receive appropriate care (other than hospitalization) for the rest of his or her life. The Obligated Affiliates' CCRCs offer a variety of housing and care options, including apartments, independent cottages, assisted living and personal care accommodations, and a nursing center.

Independent Living. Provided a person meets certain age and health criteria, such person may reside in an independent living residence unit, usually an apartment, cottage, or villa, for the remainder of his or her life. In addition, the resident is entitled to various services, which are spelled out in a Residence and Care Agreement. These services vary from one facility to the next and may include such things as: one meal per day, housekeeping, linen laundering, all utilities except telephone, maintenance of common areas, landscaping, scheduled activities and entertainment programs, and use of facilities in the community center. Independent living is offered at an isolated facility or as part of a CCRC. See "THE RESIDENCE AND CARE AGREEMENTS AND RENTAL AGREEMENTS" herein.

Personal Care/Assisted Living. This level of care provides three meals a day and personal care to persons with needs for assistance in the activities of daily living. Personal care and assisted living services are meant to bridge the gap between living at home and entering a nursing facility. The personal care and assisted living provided by certain Obligated Affiliates consist of either a freestanding community or the offering as part of a CCRC. Such care also includes recreational and entertainment activities directed by a trained therapist or an activities coordinator.

Nursing Care. Services offered as part of nursing care include room and board services (housekeeping, laundry, meals); personal care services (bathing, dressing, etc.); and professional health care and medical services provided by an interdisciplinary team of physical, occupational, and speech therapists, dietitians, social workers, and licensed registered and practical nurses. Such care also includes recreational and entertainment activities directed by a trained therapist or an activities coordinator.

Adult Day Care Center. The Adult Day Care Center provides care and supervision to the elderly in the community on a daily basis, typically during the hours of 8:30 a.m. to 6:00 p.m. Also provided is a variety of medical services as well as social and recreational programs.

End of Life and Comfort Care. Staff and volunteers provide emotional support and peaceful surroundings while providing end-of-life comfort to residents and their family and friends. Ongoing training in pain management and in ways to help people cope with the emotions surrounding end of life is pivotal to meeting PSL's mission.

Memory Support Services. Memory support services provide skilled nursing services, personal care, assisted living, and therapy to Alzheimer's Disease and other forms of memory impairment. Special programming enables residents, staff, and families to create an environment that is supportive, calm, and secure.

Respite Care. Respite stays are offered in personal care, assisted living, and skilled nursing settings. This solution allows for families to find a comfortable home-away-from-home for a loved one when out of town or preparing for a holiday. Residents enjoy friendship and good food with the support of full-time, on-site staff, while their family members can take a much-needed break or the time to do what they need to do.

At-Home Services. This program provides in-home assistance with everyday tasks that may be difficult or unsafe for a resident to do alone. Professionally coordinated, our At-Home Services foster good health and help to keep residents independent.

Continuing Care Retirement Communities

The following is a brief description of the continuing care retirement communities owned by the Obligated Affiliates and managed by PHI.

Green Ridge Village, Newville, Cumberland County, Pennsylvania. Green Ridge Village opened in 1928 and is located on a 255-acre wooded campus in the countryside of Central Pennsylvania. The facility is CARF Accredited and is licensed for Medicare and Medicaid. Green Ridge Village has 127 independent living units, 63 assisted living units, 78 nursing beds (the Swaim Health Center) which includes 20 memory support beds, and offers comprehensive rehabilitation services. The independent living units consist of both apartments and cottages. The nursing facility has three distinct units - a short-term Medicare-certified rehabilitation unit, a long-term care unit, and an Alzheimer's unit. Attached to the nursing facility is a medical model dementia assisted living facility. The campus also includes a social model assisted living facility for residents who require some assistance with the activities of daily living.

St. Andrew's Village, Indiana, Indiana County, Pennsylvania. St. Andrew's Village was opened in 1983 and is located on approximately 47 acres. The facility is CARF Accredited and is licensed for Medicare and Medicaid. The facility is situated in a rural setting and includes 47 independent living units, 22 personal care units, and 115 nursing beds (the Julia Pound Health Center) which includes 22 memory support beds, commons, and support facilities. The independent living units are located in a mid-rise apartment building consisting of one and two-bedroom apartments.

Ware Presbyterian Village, Oxford, Chester County, Pennsylvania. Ware Presbyterian Village opened in 1977 and is located on 80 acres of land. The campus includes 155 independent living units, 32 assisted living units, 20 personal care units, 118 nursing beds (Oxford Manor) which includes 18 memory support beds. The facility is CARF Accredited and is licensed for Medicare and Medicaid.

Westminster Village, Allentown, Lehigh County, Pennsylvania. Originally constructed in 1967, Westminster Village is situated on 4 acres. The facility consists of 68 independent living units, 111-bed nursing beds (including 22 memory support beds), common areas, support facilities, and an adult day care center. The facility is CARF Accredited and is licensed for Medicare and Medicaid. The independent living units are located in a mid-rise

apartment building consisting of one bedroom with den, two-bedroom, and two-bedroom deluxe apartments. On June 4, 2021 the PHI Board of Trustees voted to sell this facility. See “Background and History” above for more information on the sale.

Westminster Village, Dover, Kent County, Delaware. Located on 27 acres, Westminster Village offers 118 independent living units, 61 assisted living units which include 16 memory support units, a 75-bed nursing facility, and a community center. The facility is CARF Accredited and is licensed for Medicare and Medicaid. The nursing facility at Westminster Village was acquired by Pres Homes in 1984.

Kirkland Village, Bethlehem, Northampton County, Pennsylvania. Kirkland Village was formed on November 29, 1990, and is located on 20 acres in a suburban setting. The community consists of 193 independent living units, 60 personal care units and 60 nursing beds which includes 16 memory support beds. In April 2020 construction commenced on 36 new independent living apartments to be complete in June 2021. Kirkland Village is CARF Accredited and is licensed for Medicare.

Quincy Retirement Community, Quincy, Franklin County, Pennsylvania. Originally constructed in 1903, Quincy Retirement Community is situated on 360 acres. Quincy Retirement Community offers 230 independent living units, 32 assisted living units which include 16 memory support units, 48 personal care units, and a 134-bed nursing facility which includes 17 memory support beds. The facility is CARF Accredited and is licensed for Medicare and Medicaid.

Presbyterian Home at Hollidaysburg, Hollidaysburg, Blair County, Pennsylvania. Founded in 1927, the Presbyterian Home at Hollidaysburg is situated on approximately 10 acres of land with 77 acres of vacant land within half of a mile available for future expansion. Presbyterian Homes at Hollidaysburg offers 72 independent living units, 43 assisted living units, and a 67-bed nursing facility. Presbyterian Homes at Hollidaysburg affiliated with PHI in April 2005. The facility is CARF Accredited and is licensed for Medicare and Medicaid.

Westminster Woods at Huntingdon, Huntingdon, Huntingdon County, Pennsylvania. Westminster Woods at Huntingdon is located on 46 acres of wooded land. Westminster Woods offers 78 independent living units ranging from one-bedroom apartments to single homes. The Homestead, which is the assisted living sector of the community, consists of 30 personal care units. The Oaks is the 64-bed skilled nursing health care center. Westminster Woods at Huntingdon affiliated with PHI in April 2005. The facility is CARF Accredited and is licensed for Medicare and Medicaid.

Windy Hill Village, Philipsburg, Clearfield County, Pennsylvania. Windy Hill Village is located on a 10-acre campus. It offers five units of both single cottages and duplexes for independent housing, 17 personal care units, and a skilled facility of 120 beds. Windy Hill Village affiliated with PHI in April 2005. The facility is CARF Accredited and is licensed for Medicare and Medicaid.

Cathedral Village, Philadelphia, Philadelphia County, Pennsylvania. Originally opened in 1979, Cathedral Village is situated on 40 acres of land in the northwestern corner of Philadelphia, adjacent to Montgomery County. It offers 276 residential apartments in fourteen garden-style buildings, of which up to 50 of these apartments can be used to provide personal care services, and Bishop White Lodge, the skilled nursing facility, which includes 89 nursing beds of which 44 beds are for memory support. The facility is CARF Accredited and is licensed for Medicare and Medicaid. Cathedral Village affiliated with PHI in July 2015.

The Long Community at Highland, Lancaster, Lancaster County, Pennsylvania. The Long Community is located on a 13-acre campus. It offers 108 independent living apartments consisting of one-bedroom and den, two-bedroom, and two-bedroom deluxe, and 32 assisted living units which include 16 memory care units.

Residential Living Communities

The following is a brief description of the various residential living communities owned by the Obligated Affiliates and managed by PHI.

Carroll Village, Dillsburg, Cumberland County, Pennsylvania. Carroll Village is situated on 36 acres of land. Moyer House at Carroll Village was completed in 2007. It offers 41-unit independent living units.

Mark H. Kennedy Park, St. Clairsville, Belmont County, Ohio. Mark H. Kennedy Park was constructed by Pres Homes in 1985. The 35-acre campus includes 34 independent living apartment units.

Personal Care Communities

The following is a brief description of the various assisted living communities owned by the Obligated Affiliates and managed by PHI.

The Easton Home, Easton, Northampton County, Pennsylvania. The Easton Home was founded in 1890 by a coalition of 17 local churches. It is a 52 personal care community that includes 20 memory support beds and is CARF accredited. The Easton Home offers both furnished and unfurnished private rooms. The Easton Home was initially an independently owned home that merged with Pres Homes in 1994.

Williamsport Presbyterian Home, Williamsport, Lycoming County, Pennsylvania. The Williamsport Home was constructed in 1966. It is a 26-unit personal care community located on a quiet residential street. The facility is CARF accredited.

Occupancy Statistics—Continuing Care Retirement Communities

The table below sets forth the Occupancy Statistics for the CCRCs for the Obligated Affiliates for the fiscal years ended December 31, 2018 through 2020 and year-to-date through March 31, 2021.

FACILITY	Q1 2021	2020	2019	2018
CONTINUING CARE RETIREMENT COMMUNITIES				
Green Ridge Village, Newville, PA				
Independent	97%	93%	94%	95%
Personal Care	73%	80%	79%	87%
Skilled	74%	83%	93%	89%
St. Andrew's Village, Indiana, PA				
Independent	89%	90%	97%	94%
Personal Care	93%	88%	95%	95%
Skilled	74%	76%	95%	94%
Ware Presbyterian Village, Oxford, PA				
Independent	96%	98%	96%	94%
Personal Care	75%	89%	94%	84%
Skilled	65%	74%	74%	86%
Kirkland Village, Bethlehem, PA				
Independent	94%	91%	94%	94%
Personal Care	75%	87%	95%	91%
Skilled	75%	70%	90%	88%
Westminster Village, Allentown, PA				
Independent	77%	79%	91%	83%
Skilled	77%	79%	93%	95%
Westminster Village, Dover, DE				
Independent	95%	92%	95%	92%
Personal Care	81%	93%	91%	84%
Skilled	67%	80%	77%	79%

FACILITY	Q1 2021	2020	2019	2018
Westminster Woods at Huntingdon, <i>Huntingdon, PA</i>				
Independent	94%	93%	95%	95%
Personal Care	60%	77%	93%	95%
Skilled	75%	84%	98%	96%
Windy Hill Village, <i>Philipsburg, PA</i>				
Independent	100%	100%	100%	92%
Personal Care	95%	88%	94%	91%
Skilled	62%	79%	94%	93%
Presbyterian Homes of Hollidaysburg, <i>Hollidaysburg, PA</i>				
Independent	96%	95%	84%	83%
Personal Care	71%	89%	92%	95%
Skilled	82%	83%	96%	95%
The Long Community, <i>Lancaster, PA</i>				
Independent	90%	93%	96%	97%
Personal Care/Assisted Living	92%	83%	87%	85%
Quincy Retirement Community, <i>Waynesboro, PA</i>				
Independent	83%	83%	83%	83%
Personal Care/Assisted Living	83%	83%	83%	83%
Skilled	83%	83%	83%	83%
Cathedral Village, <i>Philadelphia, PA</i>				
Independent	84%	86%	82%	75%
Skilled	79%	80%	87%	76%
OTHER FREESTANDING FACILITIES				
Mark H. Kennedy Park, <i>St. Clairsville, OH</i>				
Independent	90%	94%	97%	98%
Presbyterian Home at Williamsport, <i>Williamsport, PA</i>				
Personal Care	60%	87%	87%	94%
The Easton Home, <i>Easton, PA</i>				
Personal Care	63%	67%	78%	88%
Moyer House, <i>Dillsburg, PA</i>				
Independent	96%	97%	97%	95%
Total Presbyterian Homes Obligated Group				
Independent	90%	92%	92%	90%
Personal Care	75%	86%	90%	88%
Skilled	70%	79%	90%	89%

Independent Living Unit Turnover

The Obligated Group's independent living unit turnover rate, which generates new Entrance Fees, is summarized in the table below.

Fiscal Year Ended December 31	Total IL Units	Total IL Turnovers	Total IL Move-Ins	Number of New Entrance Fees Received
2021*	1566	50	73	51
2020	1509	211	212	166
2019	1505	220	292	209

** Through March 31, 2021*

Entrance Fees

Information related to gross Entrance fees received, and average Entrance Fees is set forth in the following table.

Fiscal Year Ended December 31	Gross Entrance Fees Received	Number of Entrance Fees Received	Average Entrance Fee Received
2021*	7,171,553	51	140,619
2020	23,233,117	166	139,959
2019	23,750,663	209	113,640

** Through March 31, 2021*

Resident Fee Adjustments

The Obligated Group has the authority to increase the resident's Monthly Service Fees or daily fees with 60 days' notice. Historically, the Obligated Group has only annually increased Monthly Service Fees and daily fees on January 1. The following table show the percentage by which rates were increased for the past three years as well as the increase with respect to Entrance fees for such years.

Year	Increase in IL Service Fee	Average increase in service fees for all levels of care combined	Increase in amount of Entrance Fees
2021	1% - 4%	3.2%	0% - 31%
2020	0% - 5%	3.2%	0% - 63%
2019	0% - 3.6%	2.5%	0% - 2%

Insurance

PHI has a self-insured workers' compensation program, which provides for self-payment of work-related injuries and illnesses as opposed to utilizing an insurance carrier. PHI has contracted with a major insurance carrier for excess insurance coverage, loss control services, and administration and maintains a surety bond for \$3,000,000 in connection with this self-insurance program. All employees of PHI and its affiliates are protected through this program. Compensation benefits and medical and hospital expenses are payable to the injured employees who cannot work because of work-related illnesses or injuries.

PHI maintains general liability insurance in the amount of \$1,000,000 per occurrence with a \$3,000,000 aggregate limit. Professional liability coverage is also maintained in the amount of \$100,000 per occurrence with a \$1,000,000 aggregate. The Pennsylvania MCare Fund provides the next \$100,000,000 layer of professional liability coverage. PHI also maintains excess liability coverage providing additional limits in the amount of \$20,000,000 over the general liability and professional liability limits listed above. Property insurance is maintained with a blanket

building and contents limit in the amount of \$500,000,000. PHI became a member of Caring Communities, a Reciprocal Risk Retention Group, in 2020 and has recorded an investment as of December 31, 2020 of \$1,289,286.

THE RESIDENCE AND CARE AGREEMENTS AND RENTAL AGREEMENTS

General

The Obligated Affiliates and each prospective resident of the independent living units currently enter into a Residence and Care Agreement (the “Residence Agreement”) or a Rental Agreement. In the Residence Agreement and Rental Agreement, the Obligated Affiliate agrees to provide to each resident a specified living accommodation in the appropriate community for as long as he or she is able to occupy the unit, and the services described below, subject to the right of the Obligated Affiliate or such resident to terminate the Residence Agreement or Rental Agreement in certain events described below.

For those residents signing a Residence Agreement, the right to reside in the appropriate community and receive the services, is dependent upon each resident paying a residency investment fee (the “Entrance Fee”) and a Monthly Fee, both of which are based upon the size and type of unit and the number of occupants in the unit. The fees are described in greater detail below.

Rental Agreements are also offered at some of the Obligated Affiliates’ CCRCs. Under the terms of the rental agreement, the resident is not required to pay an Entrance Fee. Instead, the resident pays a Community Fee. The resident is required to pay the Monthly Fee plus an additional service fee.

The Long Community at Highland also offers Rental Agreements whereby the resident only required to pay a Monthly Fee and no additional service fee.

For the Pres Homes’ independent living facilities, prior to 1999, residents could select from a Life Care Agreement or a Modified Health Service Plan (the “Modified Agreement”). Beginning January 1, 1999, new residents at all Pres Homes’ independent living facilities participate only in a Modified Agreement.

Residents at both QRC and PHPH only participate in a Modified Agreement.

CV is currently the only community owned by any Obligated Affiliate that offers residents the option of participating in either a Life Care Agreement or a Modified Agreement.

The Life Care Agreement and the Modified Agreement provide residents with similar services and amenities. However, the Life Care Agreement provides unlimited skilled nursing, personal care, and/or assisted living care without any additional fees. A monthly premium is charged to residents with Life Care Agreements. The Modified Agreement provides only fourteen days per year of skilled nursing care at no additional cost in the health center, or 14 days per year of care in Personal Care or Assisted Living facilities. Approximately 10.5% of the current independent living residents are covered by the Life Care Agreement. As of its most recent actuarial study, there was no future service obligation projected for future care of these residents at this time.

Qualification for Residency

Individuals are accepted as residents of the Obligated Affiliates communities without regard to sex, race, color, religion, ancestry, or national origin. An individual must be 55 years of age or older by the time of occupancy of the unit. Each prospective independent living resident must be able to live independently, meet certain health criteria before final acceptance to the communities, and be able to demonstrate the ability to pay the Entrance Fee and the Monthly Fee required under the Residence Agreement; and the Community Fee, Service Fee and/or Monthly Fee under the Rental Agreement. In addition, under the Residence Agreement, each resident is required to maintain, at such resident’s expense, coverage under Medicare Parts A and B, including Medicare Managed Care plans with which the Obligated Affiliate participates and/or, Medicare Supplemental Insurance or another supplemental insurance plan approved by the Obligated Affiliate.

Entrance Fee

To accommodate residents with varying estate-planning requirements, Pres Homes, PHPH, QRC, and CV, offer two Entrance Fee payment plans: (i) the 50 Month Refund Plan, which involves a lower initial Entrance Fee, but provides no refund if the Residence Agreement is terminated more than 50 months after initial occupancy, and (ii) the 50% or 70% Refund Plan, which involves a higher initial Entrance Fee, but provides for a refund of 50% or 70% of the Entrance Fee upon termination of the Residence Agreement, as described below under the subheadings “Termination” and “Refunds.” In each case, the refund the resident is entitled to receive declines by 1% per month of occupancy, until the 50% or 70% limit is reached.

An installment payment equal to 35% of the Entrance Fee is payable at the time of execution of the Residence Agreement. The remaining payment of the final 65% is due upon occupancy of the unit. The Entrance Fees are subject to change for future residents at any time. Pres Homes, PHPH, QRC, and CV offer residents the option to delay the final 65% Entrance Fee payment by placing a mortgage on their home. The 65% payment is due within one year after occupancy or within ten days after the house sells, whichever is earlier. Beginning three months after the resident’s occupancy date, interest is charged on the outstanding balance of the Entrance Fee at an annual rate of 6% and is reflected monthly on the resident statement. To participate in this program, the resident’s home must be on the market, the resident must take occupancy on or before the designated occupancy date as noted in the Resident Agreement, and the resident must pay his/her monthly fees.

Monthly Fees

Monthly Fees are payable in advance on the first day of each month. The Monthly Fee may be adjusted from time to time by the Obligated Affiliate upon 30 days’ written notice to the residents. Without qualifying the right of the Obligated Affiliate to terminate a Residence Agreement, if a resident no longer can pay the Monthly Fee in full due to insufficient funds for reasons beyond the control of the resident, it is currently the policy of the Obligated Affiliate to furnish financial assistance to the extent that funds are available. Under this policy, a resident shall not be dismissed nor a Residence Agreement or Rental Agreement terminated solely because of the resident’s financial inability to pay the Monthly Fees and/or charges, provided the resident presents to the Obligated Affiliate facts which, in the Obligated Affiliate’s opinion, justify special financial consideration. In such event, the Obligated Affiliate in its sole discretion may partly or wholly subsidize the resident’s Monthly Fee and other charges, provided that such subsidy can be granted without impairing the ability of the Obligated Affiliate to provide care to its other residents. In the event that PHI subsidizes a resident’s Monthly Fees and/or additional charges, the amount of such subsidy shall be due and payable from, and enforceable against, the resident’s estate.

Terminations and Refunds

A prospective resident may terminate the Residence Agreement for any reason prior to occupancy by giving written notice. If termination occurs within the seven day rescission period a full refund of the Entrance Fee is made. If the prospective resident terminates the Residence Agreement after the seven day rescission period for any reason other than the death or serious illness of the prospective resident or the failure of the Member of the Obligated Group in which community such resident resides to meet its obligations under the Residence Agreement, such Member of the Obligated Group may retain the 10% deposit of the Entrance Fee. In the event of termination after occupancy by reason of death, permanent transfer or other reason, any unamortized portion of the Entrance Fee, less any amounts necessary to cover costs incurred to upgrade, restore or repair the unit in the event of unreasonable wear and tear or to satisfy unpaid charges will be refunded to the Resident or Resident’s Estate. Prior to occupancy refunds are made within 60 days of request. After occupancy refunds are made once the unit has been surrendered, resident has departed all levels of care and a new Residence and Care Agreement has been entered into and the new resident has taken occupancy of the unit.

At any time after occupancy, a resident may terminate the Residence Agreement by giving 30 days’ prior written notice. The Residence Agreement will terminate automatically upon the resident’s death. Each Member of the Obligated Group may terminate a Residence Agreement by giving 30 days’ written notice to which it is a party for just cause, including (i) non-payment; (ii) submission of material false information in the application documents; (iii) material breach of the Residence Agreement or the reasonable rules of the community; and (iv) health status or behavior which constitutes a substantial threat to the health or safety of the resident, other residents or employees.

OBLIGATED GROUP FINANCIAL STATEMENTS AND SUMMARY OF FINANCIAL INFORMATION

The combined audited financial statements of the Obligated Group for the fiscal years ended December 31, 2020, and 2019 are attached as Appendix B. Below is a comparison of the March 31, 2021, and March 31, 2020, unaudited financial statements, as well as the audited years of 2020 and 2019.

Presbyterian Homes Obligated Group Combined Statements of Financial Position	Unaudited March 31, 2021	Unaudited March 31, 2020	Audited December 31, 2020	Audited December 31, 2019
Assets				
Cash and cash equivalents	\$ 9,527,294	\$ 10,530,115	\$ 12,110,330	\$ 11,139,633
Investments	85,498,736	66,105,424	83,331,986	72,958,043
Statutory liquid reserves	13,525,025	11,876,639	13,670,554	12,216,204
Accounts receivable, net	10,183,982	14,286,710	12,432,750	16,406,914
Assets whose use is limited	17,736,012	18,118,366	17,929,702	23,569,588
Assets held for sale	-	3,619,230	2,350,618	3,619,230
Property and equipment, net	384,706,329	357,972,823	381,271,663	356,488,553
Due from affiliates, net	85,424,983	83,350,940	86,723,738	80,989,105
Funds held in trust by others	20,550,143	16,822,274	20,257,550	19,321,794
Other assets	6,800,917	6,963,876	6,516,847	6,617,230
Total assets	\$ 633,953,421	\$ 589,646,397	\$ 636,595,738	\$ 603,326,294
Liabilities and Net Assets				
Accounts payable	\$ 10,570,176	\$ 8,013,475	\$ 12,508,432	\$ 8,604,402
Accrued expenses	15,532,328	13,702,606	16,499,374	16,701,169
Lines of credit	16,317,549	16,470,798	14,212,412	15,198,790
Resident deposits	6,989,284	4,957,254	6,313,719	2,338,788
Entrance fee payable	8,939,842	10,807,160	9,648,523	10,850,556
Other liabilities	4,991,808	3,281,694	5,066,233	3,197,311
Cares act funding liabilities	15,674,438	-	13,644,706	-
Long-term debt	245,962,976	234,170,642	248,331,284	236,946,145
Deferred revenues from entrance fees	107,032,976	105,137,838	105,563,008	107,071,801
Total liabilities	432,011,377	396,541,467	431,787,691	400,908,962
Net Assets				
Without donor restrictions	173,787,625	169,021,524	177,052,198	175,925,637
With donor restrictions	28,154,419	24,083,406	27,755,849	26,491,695
Total net assets	201,942,044	193,104,930	204,808,047	202,417,332
Total liabilities and net assets	\$ 633,953,421	\$ 589,646,397	\$ 636,595,738	\$ 603,326,294

**Presbyterian Homes Obligated Group
Combined Statements of Operations and
Changes in Net Assets**

Net Assets Without Donor Restrictions

	Unaudited March 31, 2021	Unaudited March 31, 2020	Audited December 31, 2020	Audited December 31, 2019
Revenues, gains and other support:				
Resident services:				
Resident services	\$42,923,059	\$50,089,362	\$184,334,407	\$199,621,840
Amortization of entrance fees	4,390,501	4,502,269	17,531,498	16,955,577
Total resident services	47,313,560	54,591,631	201,865,905	216,577,417
Contributions, gifts, grants and bequests	114,831	159,401	666,812	459,266
Revenues from provider relief funds	208,846	-	12,502,478	-
Net assets released from restrictions	50,543	100,122	900,638	1,216,581
Total operating revenues	47,687,780	54,851,154	215,935,833	218,253,264
Expenses:				
Nursing services	13,927,106	15,335,088	59,895,338	59,488,679
Rehabilitation	3,224,779	3,727,181	14,157,544	16,118,459
Recreation and special services	895,621	1,107,048	4,013,901	4,604,833
Pharmacy	709,536	939,549	3,001,700	3,354,446
Social services	228,116	255,214	993,605	1,015,769
Physician services	186,310	183,541	727,903	729,176
Food Services	5,369,082	6,021,673	23,331,177	23,819,083
Building operations and maintenance	6,818,615	6,739,187	25,960,232	25,822,462
Housekeeping	926,899	1,027,621	3,885,356	3,871,340
Laundry and linen	283,067	331,455	1,251,814	1,272,211
General and administrative	7,775,329	7,721,846	30,477,684	32,741,036
Employee benefits	2,596,199	2,475,939	11,059,466	11,494,826
Interest	1,802,452	1,817,274	6,942,336	7,966,263
Depreciation	5,867,060	5,475,092	22,327,535	21,525,057
Amortization	70,650	70,650	282,601	282,601
Fundraising	180,522	166,855	501,396	742,586
Total expenses before nonrecurring expenses	50,861,343	53,395,213	208,809,588	214,848,827
Nonrecurring expenses, COVID-19	1,505,320	122,819	12,692,325	-
Operating (loss) income	(4,678,883)	1,333,122	(5,566,080)	3,404,437
Other income (loss):				
Investment income, net of investment expense	465,364	472,341	2,188,723	2,085,992
Realized gain (loss) on investments	306,999	(23,873)	5,290,142	1,982,030
Unrealized gain on investments	1,150,947	(8,691,201)	2,828,905	4,137,173
Gain (loss) on sale of property and equipment	-	5,500	(214,042)	(670,883)
Loss on early extinguishment of debt	-	-	(75,093)	(165,422)
Loss on impairment of asset	-	-	-	(505,085)
Total other income (loss)	1,923,310	(8,237,233)	10,018,635	6,863,805
Revenues (less than) in excess of expenses	(2,755,573)	(6,904,111)	4,452,555	10,268,242
Transfer to affiliated entity	(509,000)	-	(3,325,994)	-
Increase (decrease) in net assets without donor restrictions	(3,264,573)	(6,904,111)	1,126,561	10,268,242

**Presbyterian Homes Obligated Group
Combined Statements of Operations and
Changes in Net Assets (cont'd)**

	Unaudited March 31, 2021	Unaudited March 31, 2020	Audited December 31, 2020	Audited December 31, 2019
Net Assets With Donor Restrictions				
Contributions, gifts and bequests	\$143,749	\$162,073	\$728,843	\$973,389
Investment income, net of investment expense	15,200	29,534	119,000	116,614
Unrealized gain on investments	290,164	(2,499,776)	1,316,949	2,233,423
Net assets released from restrictions	(50,543)	(100,122)	(900,638)	(1,216,581)
Increase in net assets with donor restrictions	398,570	(2,408,291)	1,264,154	2,106,845
Change in net assets	(2,866,003)	(9,312,402)	2,390,715	12,375,087
Net Assets, Beginning	204,808,047	202,417,332	202,417,332	190,042,245
Net Assets, Ending	\$201,942,044	\$193,104,930	\$204,808,047	\$202,417,332

**Presbyterian Homes Obligated Group
Combined Statements of Cash Flows**

	Unaudited March 31, 2021	Unaudited March 31, 2020	Audited December 31, 2020	Audited December 31, 2019
Cash Flows From Operating Activities				
(Decrease) Increase in net assets	(\$2,866,003)	(\$9,312,402)	\$2,390,715	\$12,375,086
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:				
Depreciation	5,867,060	5,475,092	22,327,535	21,525,057
Provision for doubtful collections	314,799	(135,031)	1,679,115	(295,410)
Proceeds from nonrefundable entrance fees and deposits	6,276,128	3,233,005	15,332,945	21,604,070
Amortization of entrance fees	(4,390,501)	(4,502,269)	(17,531,498)	(16,955,577)
Loss on early extinguishment of debt	-	-	75,093	165,422
Unrealized gain on investments	(1,441,111)	11,190,977	(4,145,854)	(6,370,596)
Realized gain on investments	(306,999)	23,873	(5,290,142)	(1,982,030)
Loss on sale of property and equipment	-	(5,500)	214,042	670,883
Contributions restricted for long-term purposes	-	-	(28,411)	(59,112)
Amortization of deferred financing costs	22,940	39,805	155,616	195,666
Amortization of bond premium	(6,690)	(6,691)	(26,762)	(26,761)
Loss on impairment of asset	-	-	-	505,085
Changes in assets and liabilities:				
Accounts receivable	1,818,113	1,821,718	2,776,752	3,043,350
Entrance fee receivable	115,856	433,517	(481,703)	(379,727)
Other assets	(284,070)	(346,646)	100,383	(294,675)
Accounts payable	2,658,187	3,383,252	1,105,168	(2,761,670)
Accrued expenses	(967,046)	(2,998,563)	253,261	1,752,183
Other liabilities	(74,426)	84,383	1,868,922	184,202
CARES Act funding liabilities	2,029,732	-	13,644,706	-
Net cash provided by operating activities	8,765,969	8,378,520	34,419,883	32,895,446

**Presbyterian Homes Obligated Group
Combined Statements of Cash Flows (cont'd)**

	Unaudited March 31, 2021	Unaudited March 31, 2020	Audited December 31, 2020	Audited December 31, 2019
Cash Flows From Investing Activities				
Acquisition of property and equipment	(6,951,107)	(6,953,862)	(40,200,360)	(24,165,993)
Net proceeds from sale of property and equipment	-	-	1,303,466	1,980,000
Purchases of investments	(6,607,478)	(4,401,785)	(30,160,727)	(30,968,348)
Proceeds from sale of investments	1,903,737	4,901,565	33,076,075	11,775,866
Change in due from affiliates	1,298,755	(2,361,835)	(5,734,633)	(1,979,846)
Net cash used in investing activities	(10,356,093)	(8,815,917)	(41,716,179)	(43,358,321)
Cash Flows From Financing Activities				
Payment of accounts payable, construction	(4,596,441)	(3,974,179)	(4,815,375)	(1,677,609)
Refunds of entrance fees and deposits	(1,344,201)	(857,458)	(4,437,514)	(4,484,519)
Proceeds from refundable entrance fees and deposits, resales	97,500	163,500	550,854	180,093
Proceeds from refundable entrance fees and deposits, new units	797,925	2,604,329	7,349,318	1,966,500
Principal payments on redemptions of long-term debt	(3,379,954)	(2,808,617)	(13,133,752)	(12,573,234)
Proceeds from issuance of long-term debt	1,000,000	-	27,955,000	14,805,170
Refunding, refinancing or payoff of long-term debt	-	-	(3,430,000)	(14,882,520)
Redemption of treasury bonds	-	-	-	50,000
Financing costs incurred	(4,604)	-	(210,056)	(132,907)
Borrowings (Repayments) on lines of credit	2,105,137	1,272,008	(986,378)	679,992
Contributions restricted for long-term purposes	-	-	28,411	59,112
Net cash (used in) provided by financing activities	(5,324,638)	(3,600,417)	8,870,508	(16,009,922)
Net change in cash, cash equivalents and restricted cash	(6,914,762)	(4,037,814)	1,574,212	(26,472,797)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	32,494,465	30,920,253	30,920,253	57,393,050
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending				
Unrestricted	\$9,527,294	\$10,530,115	\$12,110,330	\$11,139,633
Restricted	16,052,409	16,352,324	20,384,135	19,780,620
	<u>\$25,579,703</u>	<u>\$26,882,439</u>	<u>\$32,494,465</u>	<u>\$30,920,253</u>

Debt Service Coverage Ratio for the Obligated Group

The following table sets forth, for the Fiscal Years ended December 31, 2019 and 2020, based upon the audited financial statements of the Obligated Group, and for the three-month period ended March 31, 2020 and 2021, as derived from unaudited financial statements, the Obligated Group's Historical Debt Service Coverage Ratios. Debt Service Requirements for Fiscal Years Historical Debt Service Coverage Ratio are calculated in accordance with the Master Indenture.

	Unaudited for the Three Months Ended March 31,		Audited for the Fiscal Year Ended December 31,	
	2021*	2020*	2020	2019
Income Available for Debt Service	\$39,996,527	\$39,615,783	\$44,787,357	\$38,491,256
Historical Debt Service Requirements	21,708,950	22,954,270	22,947,270	23,573,468
Historical Debt Service Coverage Ratio	1.84	1.73	1.95	1.63

*Rolling 12 month figures

Debt Service Coverage Ratio for the Obligated Group – ProForma

The following table sets forth, on a proforma basis, the three months ended March 31, 2021, based upon the unaudited financial statements of the Obligated Group Historical Debt Service Coverage Ratios and Historical Proforma Debt Service Coverage Ratios. Debt Service Requirements for Fiscal Years Historical Debt Service Coverage Ratio are calculated in accordance with the Master Indenture. Historical Proforma Debt Service Coverage Ratio is based on the Bonds being issued in the aggregate principal amount of and reflect a full year of estimated principal and interest due on the Bonds.

	Unaudited for the Three Months Ended March 31, 2021
Income Available for Debt Service	39,996,527
Historical Debt Service Requirements	21,708,950
Historical Debt Service Coverage Ratio	1.84
Proforma Maximum Annual Debt Service – 2021 Bonds	21,425,920*
Historical Proforma Debt Service Coverage Ratio	1.87

* Preliminary, subject to change. Includes approximately \$723,000 of debt service annually allocable to the Heritage Run guarantee, which will be extinguished if the Heritage Run sale is completed. See "Summary of Outstanding Obligated Group Long Term Debt as of March 31, 2021" below.

Reserve Ratio for the Obligated Group

The following table sets forth the Obligated Group's reserve ratio, for the Fiscal Years ended December 31, 2019 and 2020, based upon the audited financial statements of the Obligated Group, and for the three-month period ended March 31, 2020 and 2021, as derived from unaudited financial statements.

	Unaudited for the Three Months Ended March 31,		Audited for the Fiscal Year Ended December 31,	
	2021	2020	2020	2019
Cash & Investments	\$120,483,590	\$89,275,191	\$121,040,710	\$97,072,086
Long Term Indebtedness	255,320,878	243,939,960	257,720,970	246,732,196
Historical Reserve Ratio	47%	37%	47%	39%

Reserve Ratio for the Obligated Group - ProForma

The following table sets forth, on a proforma basis, the three months ended March 31, 2021, based upon the unaudited financial statements of the Obligated Group Historical Reserve Ratios.

	Unaudited as of March 31, 2021
Cash & Investments	\$120,483,590
Long Term Indebtedness	293,320,878*
Historical Reserve Ratio	41%

* Preliminary, subject to change. Includes approximately \$7,505,964 of long-term indebtedness allocable to the Heritage Run guarantee, which will be extinguished if the Heritage Run sale is completed. See "Summary of Outstanding Obligated Group Long Term Debt as of March 31, 2021" below.

Payor Mix for Nursing Facilities

Nursing services are charged on a *per diem* basis. A table of total patient days for nursing facilities of the Obligated Group by payment source for the first quarter 2021 and the years ending December 31, 2020-2018 is presented below.

FACILITY	Private Pay	Medicare	Medicaid	Other
Green Ridge Village - Swaim Health Center				
<i>Newville, PA</i>	32%	5%	58%	5%
Kirkland Village				
<i>Bethlehem, PA</i>	55%	24%	0%	21%
St. Andrew's Village - Julia Wilson Pound Health Center				
<i>Indiana, PA</i>	18%	5%	67%	10%
Ware Presbyterian Village - Oxford Manor Health Center				
<i>Oxford, PA</i>	25%	15%	54%	6%
Westminster Village				
<i>Allentown, PA</i>	14%	7%	73%	6%

FACILITY	Private Pay	Medicare	Medicaid	Other
Westminster Village				
<i>Dover, DE</i>	28%	18%	50%	4%
Quincy Retirement Community				
<i>Waynesboro, PA</i>	19%	12%	63%	6%
Westminster Woods at Huntingdon				
<i>Huntingdon, PA</i>	28%	8%	54%	10%
Presbyterian Homes of Hollidaysburg				
<i>Hollidaysburg, PA</i>	21%	11%	55%	13%
Windy Hill Village				
<i>Philipsburg, PA</i>	5%	6%	80%	9%
Cathedral Village				
<i>Philadelphia, PA</i>	15%	6%	43%	36%
Average Payor Mix - PHOG				
Q1 2021	22%	10%	57%	11%
2020	25%	8%	57%	10%
2019	21%	9%	59%	11%
2018	22%	13%	54%	11%

Summary of Outstanding Obligated Group Long Term Debt as of March 31, 2021

Series	Issuer	Taxable/ Tax-Exempt	Outstanding Par	Lender	Maturity	Interest Rate	Interest Rate As Issued	Rate Reset Dates
Series 2014 Revenue Bonds	Northampton and Blair County Industrial Development Authority	Tax-Exempt	9,497,500	Bank of America	Nov-28	3.63%	10 year reset	Nov-28
Series 2014 Revenue Bonds	Blair County Hospital Authority	Tax-Exempt	9,497,500	Bank of America	Nov-28	3.63%	10 year reset	May-28
Series 2015A Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	1,317,749	Bank of America	Dec-21	2.28%	Fixed	
Series 2015B Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	8,315,653	Bank of America	Jul-38	3.23%	10 year reset	Nov-28
Series 2015C Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	13,785,333	Bank of America	Jul-38	1.38%	Variable	
1995 Series A Revenue Note	Huntingdon County Industrial Development Authority	Tax-Exempt	\$809,415	First National Bank	Jul-26	2.05%	3 year reset	Jul-23
Series 2002 Mortgage Revenue Note	Huntingdon County Industrial Development Authority	Tax-Exempt	132,436	First National Bank	Apr-23	0.52%	3 year reset	Nov-25
Series 2003B Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	5,332,000	First National Bank	Dec-32	3.80%	5 year reset	Dec-23
Series 2005 Revenue Bonds	College Township	Tax-Exempt	1,379,042	First National Bank	Sep-26	3.67%	5 year reset	Oct-26
Series 2012 Revenue Note	Uwchlan Township Industrial Development Authority	Tax-Exempt	6,476,436	First National Bank	Jun-32	3.50%	10 year reset	Jun-22
Series 2010 Revenue Bonds	York County Industrial Development Authority	Tax-Exempt	13,441,298	First National Bank	Nov-33	1.52%	Variable	
Series 2015 Revenue Bonds	Abington Township Industrial and Commercial Development Authority	Tax-Exempt	7,743,469	First National Bank	Oct-35	2.35%	5 year reset	Sep-25
Series 2013A Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	5,540,957	Key Bank	Jun-26	3.11%	10 year reset	Jun-23
Series 2013B Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	2,346,636	Key Bank	Jun-22	3.11%	Fixed	
Series 2011 Revenue Bonds	General Municipal Authority of the Township of Manheim	Tax-Exempt	6,235,106	M & T Bank	Dec-31	4.13%	Fixed	
Series 2012 Revenue Bonds	Quincy Sewer Authority	Tax-Exempt	6,529,874	M & T Bank	Aug-32	4.14%	Fixed	
Series 2013 Revenue Bonds	Uwchlan Township Industrial Development Authority	Tax-Exempt	7,004,969	M & T Bank	Jun-33	4.17%	Fixed	
Series 2015 Revenue Bonds	Uwchlan Township Industrial Development Authority	Tax-Exempt	7,679,717	M & T Bank	May-35	2.92%	10 year reset	May-25
Series 2015 Revenue Bonds	Northampton County Industrial Development Authority	Tax-Exempt	7,705,796	M & T Bank	May-35	2.80%	10 year reset	May-25
Series 2019 Revenue Bonds	General Municipal Authority of the Township of Manheim	Tax-Exempt	6,411,091	M & T Bank	Aug-32	2.70%	Fixed	
Series 2019 Revenue Bonds	Indiana County Industrial Development Authority	Tax-Exempt	7,113,722	M & T Bank	Nov-33	2.70%	Fixed	
Series 2016 Revenue Bonds	Quincy Sewer Authority	Tax-Exempt	17,718,343	TD Bank	Jun-43	2.40%	5 year reset	Jun-26
Series 2018 Revenue Bonds	Pennsylvania Economic Development Financing Authority	Tax-Exempt	29,092,500	TD Bank	Dec-44	3.91%	10 year reset	Dec-28
Series 2008C Revenue Bonds	Cumberland County Municipal Authority	Tax-Exempt	10,300,000	Fixed Rate Bonds	Dec-26	3.80%	Fixed	
Series 2013 Gross Revenue Bonds	Philadelphia Authority for Industrial Development	Tax-Exempt	8,220,000	Fixed Rate Bonds	Apr-39	5.00%	Fixed	
Taxable Term Loan		Taxable	3,324,276	Bank of America	May-26	1.82%	Variable	
Taxable Term Loan		Taxable	9,483,638	Bank of America	Dec-26	3.85%	10 year reset	Dec-21

Series	Issuer	Taxable/ Tax-Exempt	Outstanding Par	Lender	Maturity	Interest Rate	Interest Rate As Issued	Rate Reset Dates
Taxable Term Loan	Northampton County Industrial Development Authority	Taxable	13,955,000	Bank of America	Jun-30	2.49%	Fixed	Jun-30
Series 2020 Revenue Bonds		Taxable	15,000,000	Bank of America	Jan-37	2.31%	10 year reset	
Taxable Term Loan		Taxable	2,859,577	Peoples Bank	Jul-25	2.13%	Variable	
Taxable Term Loan		Taxable	2,871,659	First National Bank	Jul-25	2.22%	Variable	
			\$204,706,957					

The debt series highlighted above are anticipated to be refunded with the 2021 Bonds and the Taxable Note. In addition to the foregoing debt schedule, the Obligated Group guaranteed certain bank loan indebtedness of a non-Member affiliate of PHI for construction and permanent financing of Heritage Run at Stadium Place, a facility in the State of Maryland (“Heritage Run”) pursuant to a guaranty obligation of the Obligated Group issued and secured under the Master Indenture (the “Heritage Guranty”). On June 4, 2021, the PHI Board of Trustees voted to sell Heritage Run to an unaffiliated third party. Upon consummation of the sale of Heritage Run, proceeds will be used to repay the outstanding debt of Heritage Run and thus the Heritage Guaranty will no longer be outstanding. There are no assurances that closing on the sale of Heritage Run will occur. In the event that the sale is not completed, the Heritage Guaranty will remain outstanding and constitute long-term indebtedness for purposes of calculating Maximum Annual Debt Service under the Master Indenture.

The outstanding bank debt listed above, excluding the debt to be refunded (the “Bank Debt”) has been incurred pursuant to Loan Agreements, Bond Purchase and Loan Agreements, Project Financing Agreements or similar credit agreements among the indicated lenders, the issuers of the tax-exempt bonds or notes, where applicable, and the Obligated Group or various members thereof (the “Bank Agreements”). All of the Bank Debt is secured by master notes issued under the Master Indenture.

The Bank Agreements contain various covenants that are more restrictive than, or in addition to, those required of the Obligated Group under the Master Indenture, the violation of which would represent defaults under the Bank Agreements. Such defaults under the Bank Agreements would, subject to certain cure rights, also constitute an event of default under the Master Indenture if the applicable bank accelerates the underlying Bank Debt. In such an event, the Master Trustee (at its discretion or upon direction by holders of not less than 25% in aggregate principal amount of master notes and other obligations outstanding under the Master Indenture) may declare all outstanding master notes and obligations immediately due and payable, with the effect that the principal of and interest on the 2021 Bonds would be declared to be immediately due and payable.

Some of these significant covenant differences include the following:

1. The Bank of America Bank Agreements contain covenants: (i) making violations of the Debt Service Coverage Ratio or the Reserve Ratio as of any measurement period immediate events of default without giving effect to rights under the Master Indenture to retain a consultant to correct such failures prior to such constituting Master Indenture events of default; (ii) limiting transfers of assets in excess of \$500,000 in any fiscal year to a single availability test under the Master Indenture without bank consent; (iii) limiting the availability of one Master Indenture test for incurring Completion Indebtedness (as defined in the Master Indenture); (iv) imposing additional reporting requirements not contained in the Master Indenture; (v) prohibiting the granting of negative pledges to third parties or granting liens to secure swaps or other derivatives agreements without bank consent; (vi) imposing restrictions on liens on current assets that are not contained in the Master Indenture; (vii) imposing certain conditions on fundamental transactions that may otherwise be permitted under the Master Indenture; and (viii) prohibiting the existing Members of the Obligated Group from withdrawing from the Obligated Group without bank consent and imposing tests for withdrawal of any future members that differ from withdrawal tests set forth in the Master Indenture.
2. The M&T Bank Bank Agreements contain covenants: (i) imposing additional reporting requirements not contained in the Master Indenture; (ii) imposing detailed requirements on maintenance of senior care facilities licenses and third party reimbursement arrangements; and (iii) imposing requirements regarding ERISA compliance.
3. The PeoplesBank Bank Agreement contains covenants: (i) imposing additional reporting requirements not contained in the Master Indenture; (ii) imposing detailed requirements on maintenance of senior care facilities licenses and third party reimbursement arrangements; (iii) imposing requirements regarding ERISA compliance; (iv) imposing detailed anti-terrorism and money laundering compliance requirements.
4. The FNB Bank Agreements contain covenants: (i) imposing additional reporting requirements not contained in the Master Indenture; (ii) imposing detailed requirements on maintenance of senior care facilities licenses and third party reimbursement arrangements; (iii) imposing requirements regarding ERISA compliance; (iv) imposing detailed anti-terrorism and money laundering compliance requirements and (v) imposing environmental law compliance obligations.
5. The TD Bank Bank Agreements contain covenants: (i) imposing detailed anti-terrorism and money laundering compliance requirements; (ii) imposing additional reporting requirements not contained in the Master Indenture; (iii) imposing requirements regarding ERISA compliance; and (iv) imposing detailed requirements on maintenance of senior care facilities licenses and third party reimbursement arrangements.

All of the Bank Agreements contain cross defaults to the Master Indenture, to other debt to the respective bank and various debt to third parties (which generally would include the debt under the other Bank Agreements) and events of default based on entry of certain judgments against Obligated Group Members and bankruptcy and insolvency events of default.

Listed below are the percentages of Obligations each bank holds as of March 31, 2021, not giving effect to the issuance of the 2021 Bonds and the refinancing projects funded thereby and by the Bank Loan:

<u>Bank</u>	<u>Amount</u>	<u>Percentage</u>
Bank of America, N.A.	84,176,649	37%
M&T Bank	48,680,276	21
PeoplesBank	2,859,577	1
FNB Bank	38,185,755	17
Key Bank	7,887,594	3
TD Bank	46,810,843	20
Total	228,600,693	

Listed below are the percentages of Obligations each bank holds as of March 31, 2021, giving effect to the issuance of the 2021 Bonds and the refinancing projects funded thereby and by the Bank Loan:

<u>Bank</u>	<u>Amount*</u>	<u>Percentage*</u>
Bank of America, N.A.	92,896,649	38
M&T Bank	48,680,276	20
PeoplesBank	2,859,577	1
FNB Bank	16,754,807	7
TD Bank	46,810,843	19
Total	208,002,152	

* - The post issuance numbers are preliminary and are subject to change.

Management Discussion of the Obligated Group Financial Performance

Three Month Period Ended March 31, 2021

Obligated Group

In December 2020, cases of COVID-19 increased throughout the Obligated Group in correlation with community outbreaks throughout Pennsylvania, Ohio and Delaware. While several communities were spared significant outbreaks, the first three weeks in December saw the fastest growth to date in both resident and staff cases. The broad geography impacted by this surge in cases significantly impacted the skilled nursing census in December. Knowing this, early in December, the finance department and the operations team worked to create new 2021 budgets based on this lower occupancy. In connection with the lower occupancies for the first quarter, several expense reduction measures were put into effect to offset the loss of revenue anticipated. Staff reductions, which included freezes on vacant positions, of non-direct care positions were completed the last week in December. This resulted in a projected \$2 million savings for 2021. All 2021 salary increases were put on hold until the end of the first quarter. This temporary hold provided an additional \$740,000 for the Obligated Group in expense reductions. A final measure implemented was the restriction on all non-essential and non-project funded capital expenses. While this did not help in expense reductions, it did allow the Obligated Group to use operating cash to continue testing and provide personal protective equipment as needed. The newly revised scenario planning for 2021 projected that the first quarter would have an operating loss due to the steady but slow return of occupancies. The new plan envisages operating income returning to positive levels by June 2021. For the three months ended March 31, 2021, operating revenues net of operating expenses, excluding earned entrance fees, depreciation and amortization, interest expense, and non-recurring operating expenses, yielded a break-even margin. The net operating margin adjusted for Entrance Fees received was 10.5%. Entrance Fees, net of refunds, for the three months ended March 31, 2021, were \$5.8 million, which is on target with budget. Average occupancy for independent living was 90%; assisted living/personal care was 76%; and skilled nursing was 71% for the three months ended March 31, 2021. Unrestricted cash and investments totaled \$108,551,055 as of March 31, 2021, up 23 percent from March 31, 2020. For the three months ended March 31, 2021, the Obligated Group's debt service coverage ratio was 1.84, in excess of the ratio of 1.25 required under the Master Trust Indenture.

Operating expenses, excluding pandemic-related costs as of March 31, 2021, were \$2.5 million lower than March 31, 2020. COVID-19 expenses were approximately \$1.5 million. While the Obligated Group does not anticipate receiving additional provider relief funds to help offset some of these costs, the Obligated Group members did apply for FEMA relief which totaled \$6.6 million for the Obligated Group. As of March 31, 2021, the Obligated Group had received \$9.5 million in paycheck protection program funds. The Obligated Group has filed for forgiveness on \$7.5 million and intends to file for forgiveness of the remaining \$2 million received in round two in May of 2021.

Fiscal Year Ended December 31, 2020

Obligated Group

For the fiscal year ended December 31, 2020, operating revenues net of operating expenses, excluding earned entrance fees, depreciation and amortization, interest expense, and non-recurring operating expenses, yielded a margin of 8.9%. Entrance Fees, net of refunds, for the fiscal year ended December 31, 2020, were \$18.9 million, down 2.4% from the prior year. Even though communities were closed to new occupancy for several months during the year due to restrictions related to the COVID pandemic, independent living occupancy, entrance fees received, and interest in independent living units held strong. Average occupancy for independent living was 92%; assisted living/personal care occupancy was 86%; and skilled nursing occupancy was 79% for the fiscal year ended December 31, 2020. Unrestricted cash and investments totaled \$109,112,870 as of December 31, 2020, up 13 percent from the prior year. For the year ended December 31, 2020 the Obligated Group's debt service coverate ratio was 1.95. See "Summary Financial Information" above for audited financial statements of the Obligated Group for the fiscal year ended December 31, 2020.

The financial performance in the fiscal year ended December 31, 2020, was largely due to the agility of the community staff. The COVID pandemic forced the Obligated Group to freeze expenses in some areas to obtain personal protective equipment (PPE) and other necessary pandemic-related costs. The clinical teams juggled red and yellow zones to contain the virus while maintaining high-quality service to those in the Obligated Group's care.

Finance staff worked to monitor government funding to maximize the funds available to offset the high costs of testing and PPE. When interest rates hit all-time lows in March of 2020, the finance team refinanced several bank debt issues, bringing interest expense down by \$1 million for 2020. Operating expenses, excluding pandemic-related costs in the fiscal year ended December 31, 2020, were \$6 million lower than the prior year. While the Obligated Group did incur over \$12.7 million in COVID 19 related expenses, the Obligated Group received provider relief funds to help offset some of these costs.

The overall investment return for the fiscal year ended December 31, 2020, was 11.6% compared to PSL's investment benchmark for the year of 14.3%. The current investment benchmark used by the Obligated Group does not account for funds held in U.S. Treasuries or corporate debt securities, which did not have as great a return as the market during 2020. The Obligated Group holds these investments to provide security in difficult market times. The Obligated Group's strong cash management and liquid reserves did not require the Obligated Group to sell any investment funds to assist with operations during the pandemic.

Fiscal Year Ended December 31, 2019

Obligated Group

For the fiscal year ended December 31, 2019, operating revenues net of operating expenses, excluding earned entrance fees, depreciation and amortization, and interest expense, yielded a margin of 7.3%. Entrance fees, net of refunds, for the fiscal year ended December 31, 2019, were \$19.3 million, up 10.6% from the prior year. Average occupancy for independent living was 92%; assisted living/personal care occupancy was 90%; and skilled nursing occupancy was 90% for the fiscal year ended December 31, 2019. Unrestricted cash and investments totaled \$96,313,880 as of December 31, 2019, which was up 10.6% from the prior year. See "Summary Financial Information" above for audited financial statements of the Obligated Group for the fiscal year ended December 31, 2019.

The financial performance in the fiscal year ended December 31, 2019 was due to continued strong operating performance by the employees at all of the Obligated Group's communities. Sales and Marketing had a very strong year with \$21.8 million in Entrance Fee sales (including \$2 million from expansion cottages at Ware Presbyterian Village and apartments at Presbyterian Village at Hollidaysburg) and the corresponding increase in operating revenues from all levels of care.

The overall investment return for the Fiscal year ended December 31, 2019 was a positive 5.6 percent compared to the investment benchmark of 6.4 percent. The Obligated Group's solid cash flow and liquid reserves did not require the Obligated Group to sell any invested funds for operations.

Other Items of Note:

The Obligated Group has maintained a positive change in net assets without donor restrictions (unrestricted net assets) for the fiscal years 2018 through 2020.

Unrestricted revenues increased 6% from 2018 to 2020 reflecting the following trends:

- Independent living occupancy continues to hold strong. Wait lists are strong and any dip in occupancy is usually related to time needed to refresh the unit for new move-ins.
- Positive realized gains on investments for 2019 and 2020.
- Consistent management of payor mix, and a focus on increasing acuity-based reimbursements from Medicare and Medicaid.
- Rate increases that have reflected at a minimum cost inflation, and in some cases upward adjustment based on market conditions and facility positioning therein.
- Expenses have been controlled well year to year, and have conformed to annual budgets. From 2018 to 2020, unrestricted expenses have increased 7%, including COVID-related expenses.

In 2021 a new strategic plan was approved by the PSL Board of Trustees. As part of this plan, PSL is completing a comprehensive portfolio review analysis. This analysis will assist with:

- The continued rightsizing of the entire skilled nursing product for PSL
- A model to strategically invest in current location and future affiliations
- A non-subjective review of divestitures of communities and facilities.

During this review, Westminster Village/Allentown was identified as a community to divest of. On June 4, 2021 the PHI Board of Trustees voted to sell this facility. See “Background and History” above for more information on the sale.

Capital improvements and expansions of the Obligated Group for the past three years have included:

- Phase I and II Walkway and Façade Renovation at Cathedral Village, Philadelphia, PA
- Three carriage homes (duplexes) at Ware Presbyterian Village, Oxford PA,
- Health center renovation at Ware Presbyterian Village, Oxford PA
- A 48 unit new independent living apartment building at Quincy Village, Waynesboro, PA
- New dining space within Minnich Manor at Quincy Village, Waynesboro, PA
- Upgrade of Sprinkler system at Cathedral Village, Philadelphia, PA
- Demolition of homes purchased to create a parking lot in Hollidaysburg, PA.
- Thirty-six unit independent living building at Kirkland Village, Bethlehem, PA
- Conversion of a section of the skilled nursing wing to personal care at St Andrew’s Village, Indiana, PA

Capital Projects

Proceeds of the 2021 Bonds include \$38 million for the following new capital projects:

- Kirkland Village Health Center - Renovations on the existing health center to increase the number of private rooms. Dedicated space will be allocated to short-term and long-term care. The number of health center beds will be reduced from 60 beds to 48 beds. The current secure memory support wing will be expanded. This will allow for dedicated memory support programming. The memory support dining area will be enlarged for specific dining programmatic needs of a memory support neighborhood. A secure outdoor patio space will also be created. It is anticipated that the project will start in January 2022 and be completed by December 2022.
- Kirkland Village Bistro - Expand existing dining facility to allow for more capacity due to the addition of 48 new independent living units that will be completed in June 2021. Construction is anticipated to begin in May 2021. Renovations consist of relocating office space for administrative and marketing staff, enlarging the current footprint, replacing equipment and furnishings, the addition of a coffee/bakeshop, and a grab and go market. The project is expected to be complete in October 2021.
- Kirkland Village Land - Purchase land adjacent to Kirkland Village to continue the mission of senior care within the Kirkland Village location.
- Cathedral Village Walkways – This is the third phase of this project and will complete over 50% of the campus. Designs will be completed in July 2021, with renovations to begin in September 2021. The construction period is anticipated to be 16 months, with a completion date of December 2022.
- Cathedral Village Personal Care – Renovations to convert the first-floor health center into 11 studio, nine single and six suite personal care rooms with kitchenettes. This will reduce the number of skilled

nursing beds from 119 to 69. The construction is to start in April 2021 and will be completed in May 2021.

- Ware Presbyterian Village – Construction of a 31-unit independent living apartment building. Groundbreaking is anticipated in May 2022. The construction period is projected to be 16 months, with a completion date of August 2023.

Future Plans

In its management of the Obligated Group, PHI conducts periodic reviews of the individual communities that comprise the Obligated Group as well as its other communities. These reviews may result in a change in composition of unit mix in certain communities, which may include expansions such as those referenced in the immediately preceding section, repositioning of the health care unit mix at one or more communities, retiring a portion of skilled nursing beds at communities or the sale or acquisition of facilities from time to time. Other than the capital projects described above, the sale of Westminster Allentown (which is owned by a member of the Obligated Group) and the potential decrease in the number of underutilized skilled nursing beds at certain facilities within the Obligated Group, PHI does not presently have any plans to make significant changes to the unit mix within the Obligated Group's facilities, to dispose of significant Obligated Group assets outside the ordinary course of business, or to acquire any facility and add it to those owned by the Obligated Group. No assurances can be given, however, that PHI will not undertake any of the foregoing in the future if it is determined to be in the business interests of the Obligated Group.

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APPENDIX B

**COMBINED AUDITED FINANCIAL STATEMENTS OF
THE PRESBYTERIAN HOMES OBLIGATED GROUP
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019**

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Presbyterian Homes Obligated Group

Combined Financial Statements and
Supplementary Information

December 31, 2020 and 2019

Presbyterian Homes Obligated Group

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December 31, 2020 and 2019

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Certification of Chief Executive and Chief Financial Officers

We are responsible for the combined financial statements of the Presbyterian Homes Obligated Group as of December 31, 2020 and 2019, and attest that they are accurate, complete and fairly presented.

The accuracy and completeness of financial information depends on our systems, process, and most importantly our integrity. Our commitment to integrity is reflected in the code of conduct that the leadership of Presbyterian Senior Living has established as the standard for the entire organization. We believe that this commitment, our processes and internal controls produce financial information that can be trusted.

Combined financial statements report our financial positions and results using numbers and prescribed rules. They also include a significant amount of information that is required by financial reporting standards. We believe these combined financial statements disclose information that is important to create a complete picture of our stewardship of financial resources.

Combined financial statements alone can never reflect the breadth and depth of our stewardship of this ministry. They do not report on our most significant assets, our employees and volunteers. They also do not reflect our most important stewardship role: our commitment to provide Christian understanding and compassion to those seniors entrusted to our care. We believe that we continue to successfully fulfill the financial and nonfinancial aspects of our mission, extending a proud tradition of ministry that has served older persons guided by the life and teachings of Jesus for the past 114 years.

Finally, we believe in openly and honestly sharing information. Please feel free to contact either of us if you have questions on any part of this report, or if we can be of further assistance in understanding Presbyterian Senior Living's mission.

Jim Bernardo
Chief Executive Officer
Presbyterian Senior Living

Dyan McAlister
Chief Financial Officer
Presbyterian Senior Living

Independent Auditor's Report

To the Board of Trustees of
Presbyterian Homes Obligated Group

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Presbyterian Homes Obligated Group (the Obligated Group) which comprise the combined statements of financial position as of December 31, 2020, and the related combined statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the combined 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 entities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Presbyterian Homes Obligated Group as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Combined Financial Statements

The combined financial statements as of and for the year ended December 31, 2019 were audited by other auditors whose report dated April 13, 2020, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information on pages 34 through 35 is presented for purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets and cash flows of the individual corporations and is not a required part of the combined financial statements. Additionally, the other supplementary information appearing on page 36 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits and the reports of the other auditors, the supplementary information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 12, 2021

Presbyterian Homes Obligated Group

Combined Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Assets		
Cash and cash equivalents	\$ 12,110,330	\$ 11,139,633
Investments	83,331,986	72,958,043
Statutory liquid reserves	13,670,554	12,216,204
Accounts receivable, net	12,432,750	16,406,914
Assets whose use is limited	17,929,702	23,569,588
Assets held for sale	2,350,618	3,619,230
Property and equipment, net	381,271,663	356,488,553
Due from affiliates, net	86,723,738	80,989,105
Funds held in trust by others	20,257,550	19,321,794
Other assets	6,516,847	6,617,230
Total assets	<u>\$ 636,595,738</u>	<u>\$ 603,326,294</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 12,508,432	\$ 8,604,402
Accrued expenses	16,499,374	16,701,169
Lines of credit	14,212,412	15,198,790
Resident deposits	6,313,719	2,338,788
Entrance fee payable	9,648,523	10,850,556
Other liabilities	5,066,233	3,197,311
Cares act funding liabilities	13,644,706	-
Long-term debt	248,331,284	236,946,145
Deferred revenues from entrance fees	105,563,008	107,071,801
Total liabilities	<u>431,787,691</u>	<u>400,908,962</u>
Net Assets		
Without donor restrictions	177,052,198	175,925,637
With donor restrictions	27,755,849	26,491,695
Total net assets	<u>204,808,047</u>	<u>202,417,332</u>
Total liabilities and net assets	<u>\$ 636,595,738</u>	<u>\$ 603,326,294</u>

See notes to combined financial statements

Presbyterian Homes Obligated GroupStatements of Operations and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Revenues, gains and other support:		
Resident services:		
Resident services	\$ 184,334,407	\$ 199,621,840
Amortization of entrance fees	17,531,498	16,955,577
Total resident services	201,865,905	216,577,417
Contributions, gifts and bequests	666,812	459,266
Revenues from provider relief funds	12,502,478	-
Net assets released from restrictions	900,638	1,216,581
Total operating revenues and other support	215,935,833	218,253,264
Expenses:		
Nursing services	59,895,338	59,488,679
Rehabilitation	14,157,544	16,118,459
Recreation and special services	4,013,901	4,604,833
Pharmacy	3,001,700	3,354,446
Social services	993,605	1,015,769
Physician services	727,903	729,176
Food Services	23,331,177	23,819,083
Building operations and maintenance	25,960,232	25,822,462
Housekeeping	3,885,356	3,871,340
Laundry and linen	1,251,814	1,272,211
Management and general	30,477,684	32,741,036
Employee benefits	11,059,466	11,494,826
Interest	6,942,336	7,966,263
Depreciation	22,327,535	21,525,057
Amortization	282,601	282,601
Fundraising	501,396	742,586
Total expenses before nonrecurring expenses	208,809,588	214,848,827
Nonrecurring expenses, COVID-19	12,692,325	-
Operating (loss) income	(5,566,080)	3,404,437
Other income (loss):		
Investment income	2,188,723	2,085,992
Realized gain on investments	5,290,142	1,982,030
Unrealized gain on investments	2,828,905	4,137,173
Loss on sale of property	(214,042)	(670,883)
Loss on early extinguishment of debt	(75,093)	(165,422)
Loss on impairment of asset	-	(505,085)
Total other income	10,018,635	6,863,805
Revenues in excess of expenses	4,452,555	10,268,242
Transfer to affiliated entity	(3,325,994)	-
Increase in net assets without donor restrictions	1,126,561	10,268,242

See notes to combined financial statements

Presbyterian Homes Obligated Group

Statements of Operations and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets With Donor Restrictions		
Contributions, gifts and bequests	\$ 728,843	\$ 973,389
Investment income, net of investment expense	119,000	116,614
Unrealized gain on investments	1,316,949	2,233,423
Net assets released from restrictions	<u>(900,638)</u>	<u>(1,216,581)</u>
Increase in net assets with donor restrictions	<u>1,264,154</u>	<u>2,106,845</u>
Increase in net assets	2,390,715	12,375,087
Net Assets, Beginning	<u>202,417,332</u>	<u>190,042,245</u>
Net Assets, Ending	<u><u>\$ 204,808,047</u></u>	<u><u>\$ 202,417,332</u></u>

See notes to combined financial statements

Presbyterian Homes Obligated Group

Combined Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Increase in net assets	\$ 2,390,715	\$ 12,375,086
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	22,327,535	21,525,057
Provision for doubtful collections	1,679,115	(295,410)
Proceeds from nonrefundable entrance fees and deposits	15,332,945	21,604,070
Amortization of entrance fees	(17,531,498)	(16,955,577)
Loss on early extinguishment of debt	75,093	165,422
Unrealized gain on investments and change in fair value of funds held in trust by others	(4,145,854)	(6,370,596)
Realized gain on investments	(5,290,142)	(1,982,030)
Loss on sale of property and equipment	214,042	670,883
Contributions restricted for long-term purposes	(28,411)	(59,112)
Amortization of deferred financing costs	155,616	195,666
Amortization of bond premium	(26,762)	(26,761)
Loss on impairment of asset	-	505,085
Changes in assets and liabilities:		
Accounts receivable	2,776,752	3,043,350
Entrance fee receivable	(481,703)	(379,727)
Other assets	100,383	(294,675)
Accounts payable	1,105,168	(2,761,670)
Accrued expenses	253,261	1,752,183
Other liabilities	1,868,922	184,202
Cares act funding liabilities	13,644,706	-
Net cash provided by operating activities	34,419,883	32,895,446
Cash Flows From Investing Activities		
Acquisition of property and equipment	(40,200,360)	(24,165,993)
Proceeds from sale of property and equipment	1,303,466	1,980,000
Purchases of investments	(30,160,727)	(30,968,348)
Proceeds from sale of investments	33,076,075	11,775,866
Due from affiliates	(5,734,633)	(1,979,846)
Net cash used in investing activities	(41,716,179)	(43,358,321)
Cash Flows From Financing Activities		
Payment of accounts payable, construction	(4,815,375)	(1,677,609)
Refunds of entrance fees and deposits	(4,437,514)	(4,484,519)
Proceeds from refundable entrance fees and deposits, resales	550,854	180,093
Proceeds from refundable entrance fees and deposits, new units	7,349,318	1,966,500
Principal payments on redemptions of long-term debt	(13,133,752)	(12,573,234)
Proceeds from issuance of long-term debt	27,955,000	14,805,170
Refunding, refinancing or payoff of long-term debt	(3,430,000)	(14,882,520)
Redemption of treasury bonds	-	50,000
Financing costs paid	(210,056)	(132,907)
(Repayments) borrowings on lines of credit	(986,378)	679,992
Contributions restricted for long-term purposes	28,411	59,112
Net cash provided by (used in) financing activities	8,870,508	(16,009,922)
Net change in cash, cash equivalents and restricted cash	1,574,212	(26,472,797)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	30,920,253	57,393,050
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	\$ 32,494,465	\$ 30,920,253
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	\$ 6,879,300	\$ 7,715,674
Noncash Investing and Financing Activities		
Obligations incurred for the acquisition of property and equipment	\$ 7,159,181	\$ 4,815,375
Reconciliation of Cash, Cash Equivalents and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 12,110,330	\$ 11,139,633
Cash and cash equivalents in investments	5,780,241	1,081,811
Restricted cash and cash equivalents in:		
Statutory reserves	1,640,758	168,942
Assets whose use is limited	12,963,136	18,529,867
Total cash, cash equivalents, and restricted cash and cash equivalents	\$ 32,494,465	\$ 30,920,253

See notes to combined financial statements

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2020 and 2019

1. General Information

The Presbyterian Homes Obligated Group (the Obligated Group) consists of the following not-for-profit corporations: Presbyterian Homes, Inc. (Pres Homes), Presbyterian Homes in the Presbytery of Huntingdon (PHPH), Quincy Retirement Community (QRC), The Long Community, Inc. (TLC), PHI Investment Management Services, Inc. (PIMSI), and Cathedral Village (CA). Among all the members of the Obligated Group, they own, operate and manage twelve continuing care retirement communities, three stand-alone independent living facilities and two stand-alone personal care homes.

The Obligated Group is governed by the Board of Trustees of PHI, doing business as Presbyterian Senior Living. Presbyterian Senior Living (PSL) is the parent organization for the members of the Obligated Group.

The following table details the number of beds/units that operate under each member of the Group:

	<u>Total</u>	<u>Pres Homes</u>	<u>PHPH</u>	<u>QRC</u>	<u>TLC</u>	<u>CA</u>
Nursing beds	1,090	575	251	134	-	130
Personal care units	511	309	90	80	32	-
Independent living units	<u>1,547</u>	<u>783</u>	<u>155</u>	<u>230</u>	<u>108</u>	<u>271</u>
Total	<u>3,148</u>	<u>1,667</u>	<u>496</u>	<u>444</u>	<u>140</u>	<u>401</u>

2. Summary of Significant Accounting Policies

Basis of Combination and Accounting

These combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting, and only include those entities set forth in the master trust indenture by and among BNY Mellon, dated May 1, 2008 that make up the Obligated Group, as amended through the thirty-second supplemental indenture dated November 1, 2019. All material intercompany balances and transactions have been eliminated.

Income Taxes

The Obligated Group and all its members are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and have been recognized as tax exempt under Section 501(a) of the IRC.

Use of Estimates

The preparation of combined financial statements in accordance with accounting principles generally accepted in the United States of America as set forth in the master trust indenture 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 combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2020 and 2019

Cash and Cash Equivalents

The Obligated Group considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents for the purposes of the combined statements of financial position and cash flows, except for those included in investments or assets whose use is limited. The Obligated Group's cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times during 2020 and 2019, the Obligated Group's cash balances may have exceeded the FDIC coverage. The Obligated Group has not experienced any loss in these accounts.

Restricted cash included in statutory reserves represents amounts required by the Continuing Care Provider Registration and Disclosure Act in Pennsylvania, which requires a working capital reserve equivalent to the greater of the total debt service payments due during the next 12 months on account of any loan or long-term financing, or 10 percent of the projected annual operating expenses of the Obligated Group exclusive of depreciation. The reserve is computed on only the proportional share of financing or operating expenses that are applicable to Residence and Care Agreements. Restricted cash in assets whose use is limited represents cash held by a trustee under the terms of various bond indentures and permanently restricted investments.

Investments and Investment Risk

The Obligated Group's investments are comprised of a variety of financial instruments. The fair values reported in the combined statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is possible that the amounts reported in the combined balance sheets could change materially in the near term.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of expenses unless the income or loss is restricted by donor or law. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

Accounts Receivable, Net

The Obligated Group assesses collectability on all resident accounts prior to providing services. An allowance for uncollectible accounts is recognized to reduce accounts receivable to its net realizable value for impairment of revenues for changes in resident credit worthiness. The allowance is estimated by management based on factors such as aging of the accounts receivable, and anticipated collection of the consideration. Accounts are written off through bad debt expense when the Obligated Group has exhausted all collection efforts and accounts are deemed impaired.

Included in accounts receivable, net are entrance fee receivables. Entrance fee receivables are evaluated for collectability prior to residents being admitted to the community based on the resident's credit worthiness. The terms and conditions of each entrance fee receivable are determined when a resident agreement is executed.

Assets Whose Use is Limited

Assets whose use is limited primarily include assets held by a trustee under the terms of various bond indentures and donor-restricted investments.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2020 and 2019

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value on the date of donation. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets for property and equipment. The Obligated Group's policy is to capitalize items in excess of \$3,000 or for a group of items that are the same or similar in nature or function as a group totaling \$3,000 or more and benefits more than one year.

Depreciable lives are determined as follows:

Land improvements	3-35 years
Buildings and improvements	5-75 years
Departmental equipment, furniture and fixtures	1-40 years
Furniture	5-25 years
Vehicles	4 years

Costs of Borrowing

The average cost of capital during the period of construction of capital assets is capitalized as a component of construction-in-progress. Interest of \$1,109,945 and \$1,189,610 was capitalized in 2020 and 2019, respectively.

Assets Held for Sale

Asset held for sale are recorded at the lower of varying value or net realizable value and are not depreciated.

Funds Held in Trust by Others

The members of the Obligated Group have been named as a beneficiary of several trusts which are administered and controlled by independent trustees. The trusts are recorded as contribution revenue when the Obligated Group is notified of the trust's existence. The Obligated Group receives the earnings from these trusts whose principal is to be held in perpetuity. The earnings from the trust are reported as investment income, increasing net assets without donor restrictions.

Assets held in trust by others are valued based on the estimated fair value of the underlying investments. The change in the fair value of assets held in trust by others is included in donor-restricted unrealized gains or losses on investments.

Also included in funds held in trust by others are gift annuities held by an independent trustee. Periodic payments are made until the death of the annuitant. These annuities are recorded at the present value of the annuity amount discounted at the contract rate over the estimated remaining life of the annuitant.

A summary of these funds as of December 31 is as follows:

	2020	2019
Beneficial interest in perpetual trusts	\$ 19,675,603	\$ 18,696,589
Contributions receivable from remainder trusts	566,336	609,657
Gift annuities	15,611	15,548
Total funds held in trust by others	<u>\$ 20,257,550</u>	<u>\$ 19,321,794</u>

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Deferred Financing Costs

The Obligated Group has deferred the costs incurred for obtaining the proceeds of its long-term debt arrangements. These costs are being amortized over the term of the related financings using the straight-line method which approximates the effective interest method. The Obligated Group incurred financing costs of \$210,056 and \$132,907 during the years ended December 31, 2020 and 2019, respectively. The Obligated Group refunded \$75,093 in financing costs, which is included in loss on early extinguishment of debt for the year ended December 31, 2020. Amortization expense is expected to be \$115,509, \$112,144, \$110,461, \$110,461 and \$109,186 for the next five years, respectively, and is classified as interest expense on the combined statements of operations and changes in net assets. Unamortized deferred financing costs are a direct deduction from the associated long-term debt included on the combined statements of financial position.

Workers' Compensation

Accrued expenses include a provision for estimated self-insured workers' compensation claims for both reported claims not yet paid and claims incurred but not reported.

Deferred Revenue From Entrance Fees, Entrance Fees Payable and Amortization of Entrance Fees

Residents entering a community execute a Residence and Care Agreement, which requires payment of an entrance fee, based on the unit to be occupied. The Obligated Group offers both nonrefundable and refundable resident agreements. Under the majority of nonrefundable resident agreements, residents who terminate their contracts will generally be entitled to a refund less 2 percent of the remaining entrance fee per each month of residency up to 50 months. Under refundable resident agreements, the entrance fee is reduced to no less than the guaranteed refund, as specified in the resident agreement and refunds to residents are generally paid by the Obligated Group after the resident leaves the community and a new resident occupies the residential living unit vacated by the former resident.

The nonrefundable portion of entrance fees is amortized to revenue over the estimated life expectancy of the residents using the straight-line method, which approximates the period of time that services under the resident agreements are expected to be transferred to residents and the Obligated Group's performance obligation to the residents is satisfied, and is classified as deferred revenue from entrance fees on the combined statements of financial position.

The guaranteed refundable portion of entrance fees is classified as entrance fee payable on the combined statements of financial position and is not amortized to revenue. The gross contractual refund obligations under existing resident agreements was approximately \$52,406,000 at December 31, 2020.

Obligation to Provide Future Service

The Obligated Group periodically calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that with the balance of deferred revenue, entrance fees. If the present value of the net cost of future services and the use of facilities exceeds deferred revenue, entrance fees, a liability is recorded with the corresponding change to income. As a result of the last calculation (as of December 31, 2019) using a discount rate of 5.5 percent, the present value of the net cost of future services and use of facilities did not exceed deferred revenue from entrance fees; accordingly, no obligation was recorded as of December 31, 2020 or 2019.

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Statutory Liquid Reserves

The Continuing Care Provider Registration and Disclosure Act in Pennsylvania requires a working capital reserve equivalent to the greater of the total debt service payments due during the next 12 months on account of any loan or long-term financing, or 10 percent of the projected annual operating expenses of the Obligated Group exclusive of depreciation. The reserve is computed on only the proportional share of financing or operating expenses that are applicable to Residence and Care Agreements.

In addition to the statutory liquid reserves, deposit and entrance fee payments received by the Obligated Group prior to the date the resident occupies the living unit as of December 31, 2020 and 2019 was approximately \$2,400,000. The amounts are also included in the required statutory liquid reserves and cash and cash equivalents on the accompanying combined statements of financial position.

Net Assets

Net assets, revenues, gains and other losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets available for use subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor Restrictions

The Obligated Group reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose to which the donation is restricted is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the combined statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restriction in the accompanying combined financial statements.

The Obligated Group reports noncash gifts as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Obligated Group reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions, including unconditional promises to give, are recognized as revenues when the promise to give is first made. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution.

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Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Obligated Group expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. Net resident service revenues are recognized as performance obligations are satisfied.

Net resident service revenues are primarily comprised of independent living, personal care / assisted living, and health center revenue streams, which are primarily derived from providing housing, skilled nursing, personal care, and independent living services to residents at a stated daily or monthly fee, net of any explicit or implicit price concessions. The Obligated Group has determined that the services included in the stated daily or monthly fee for each level of care represents a series of distinct services that have the same timing and pattern of transfer. Therefore, the Obligated Group considers the services provided to residents in each level of care to be one performance obligation which is satisfied over time as services are provided. As such, skilled nursing, personal care, and independent living revenues are recognized on a daily or month-to-month basis as services are rendered. Net resident service revenues includes revenues from therapy services, other services such as housekeeping, laundry, transportation and other revenues from residents are considered one performance obligation which is satisfied over time as services are rendered. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to the resident in a retail setting (for example, pharmaceuticals and medical equipment), and the Obligated Group does not believe it is required to provide additional goods or services related to that sale.

Payment terms and conditions for the Obligated Group's resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Net resident service revenues for recurring and routine monthly services are generally billed monthly in advance. Net resident service revenues for ancillary services are generally billed monthly in arrears.

The Obligated Group receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. The Obligated Group's agreements with third-party payors provide for payments at amounts different from established rates. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Obligated Group estimates the transaction price based on the terms of the contract and correspondence with the third-party payor and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined. A summary of the payment arrangements with major third-party payors follows:

Medical Assistance: Nursing services provided to Medicaid program beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments.

The Department of Human Services (DHS) in the Commonwealth of Pennsylvania has fully implemented its mandatory Medical Assistance managed care program, Community HealthChoices (CHC) for skilled nursing facilities across the Commonwealth of Pennsylvania. CHC eliminates the fee-for-service (FFS) payment methodology. The primary goals of CHC are to better coordinate health care coverage and improve access to medical care. The services for which Medical Assistance program beneficiaries are eligible will not change under CHC.

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Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). DHS has provided information to nursing facilities indicating the initial rate paid by the MCOs will be subject to a "floor" equal to the average of each facility's prior four quarters Medical Assistance rates. In addition, MCOs and nursing facilities may agree to higher or lower negotiated rates under an alternative payment methodology agreement. The rate "floors" are expected to be in effect for 36 months.

Medicare: Nursing and ancillary services provided to Medicare Part A beneficiaries are paid at prospectively determined rates per day. These rates vary according to a resident-specific classification system that is based on clinical, diagnostic, and other factors and the reimbursement methodology is subject to various limitations and adjustments. The determination of these rates is partially based on the Obligated Group's clinical assessment of its residents. The Obligated Group is required to clinically assess its residents at predetermined time periods throughout the year which are subject to review and adjustment by the Medicare program.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates based upon contractual obligations (i.e. the terms/rates agree upon in the respective contracts).

Revenues From Provider Relief Funds

Revenues from provider relief funds include amounts received from federal and state funding sources related to the COVID-19 pandemic. The Obligated Group accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Obligated Group complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Obligated Group received \$7,236,403 in 2020 related to this funding. In accordance with the terms and conditions, the Obligated Group could apply the funding first against eligible expenses, and then against lost revenues. The Obligated Group's methodology for calculating lost revenues was the difference between 2020 budgeted and 2020 actual revenue. Additionally, the Obligated Group received \$3,082,847 of CARES funding that was passed through the State of Pennsylvania Department of Human Services under Act 24 of 2020 to be used for eligible expenses. The Obligated Group also received an additional \$2,183,228 in funding from the Provider Relief Fund for COVID-19 testing.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these combined financial statements were issued. In addition, it's unknown whether there will be further developments in regulatory guidance.

The Obligated Group has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the CARES Act and Act 24 as of December 31, 2020 of \$12,502,478 which were recognized and included in revenues from provider relief funds in the accompanying combined statement of operations and changes in net assets for the year ended December 31, 2020.

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Paycheck Protection Program and Subsequent Event

In April 2020, the Obligated Group received various loans pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the CARES Act. The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the COVID-19 pandemic. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. The Obligated Group initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the organization's loan forgiveness amount to the lender, or, if the organization does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

Subject to certain eligibility and certification requirements under the PPP, some or all of the loans amounts may be forgiven; however, the amount and timing of any forgiveness is uncertain. Among other factors, loan eligibility is contingent upon economic uncertainty and necessity. The determination of necessity includes access to liquidity available to support the ongoing operations of the Obligated Group. The Obligated Group made a good-faith certification at the time of application regarding these elements and believes these certifications are still appropriate.

The Obligated Group initially recorded \$7,515,900 of PPP funds as deferred revenue in cares act funding liabilities in the accompanying combined statement of financial position as of December 31, 2020. The Obligated Group will record the forgiveness in accordance with revenue recognition guidance under ASC 958-605 for conditional contributions once forgiveness is received by the SBA. The Obligated Group believes that it has met all requirements of the program, however, due to lack of guidance from the SBA, cannot make a final conclusion until forgiveness occurs. The Obligated Group believes it will receive forgiveness and the remaining deferred revenue will be recognized as revenue within its combined statement of operations and changes in net assets for the year-end December 31, 2021.

Compliance with the terms and conditions of the funding received above is subject to future government review and interpretation as well as significant regulatory action for noncompliance. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. There can be no assurance that regulatory authorities will not challenge the Obligated Group's compliance with the terms and conditions, and it is not possible to determine the impact (if any) on the Obligated Group.

As a part of the Consolidated Appropriations Act, 2021, stimulus package passed in December of 2020, the SBA opened a second round of Paycheck Protection Program funding. CA met the requirements to file for a second round and the application was submitted on January 19, 2021. The application was approved and funded by the SBA on February 19, 2021 for \$2,000,000.

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Medicare Advance Payments

The CARES Act also included provisions to expand the Centers for Medicare and Medicaid Services Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April 2020, the Obligated Group received \$6,128,806 in payments under this program. Repayments of the advances to the government is scheduled to begin one year after receipt of the advances and end 29 months later, at which time the advances are required to be repaid in full or any remaining outstanding amounts will be subject to interest at 4 percent. The Obligated Group expects to begin repaying the Medicare advances during 2021. The repayments are expected to occur automatically through a partial reduction in Medicare payments due to the Obligated Group for services rendered to Medicare program beneficiaries. The Obligated Group expects services rendered during the recoupment period to be sufficient to offset the payments received. The amount is included in cares act funding liabilities in the accompanying combined statement of financial position as of December 31, 2020.

Charity Care

Charity care is measured based on the Obligated Group's direct and indirect costs of providing charity care services. If the costs cannot be specifically attributed to services provided to charity care patients, reasonable techniques are used to estimate these costs.

The Obligated Group's policy is to provide services without charge, or at amounts less than its established rates, to residents who meet the certain need-based criteria. These criteria consider resident income and expenses, financial resources, state and federal government requirements, and other sources of payment for services which may be provided. The Obligated Group also receives donations and income from donor-restricted trusts and investments designated to the needs of its residents under this policy.

Amounts the Obligated Group provided and received for resident financial support are as follows for the years ended December 31:

	2020	2019
Charity care provided at the estimated cost thereof, net of amounts received from residents and third-party payors	\$ 6,023,318	\$ 6,529,190
Additional benevolent care provided at amounts less than preestablished charges for private pay services	34,310,168	35,970,343
Giving and income designated for resident financial support	282,384	348,574

Advertising

Advertising costs are expensed in the year incurred. Total advertising expense for the years ended December 31, 2020 and 2019, amounted to \$542,164 and \$739,165, respectively.

Performance Indicator

The Obligated Group measures the performance of its operations using the combined statements of operations and changes in net assets, which includes a performance indicator of operations labeled as "Revenues in excess of expenses."

Reclassifications

Certain reclassifications have been made to the 2019 combined financial statements to conform to the presentation of 2020.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
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Subsequent Events

The Obligated Group has evaluated subsequent events through April 12, 2021, which is the date the combined financial statements were issued.

3. Net Resident Service Revenues

The Obligated Group disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors which include the following:

- Payors (Medicare, Medicaid, managed or other insurance) have different reimbursement and payment methodologies
- Length of the resident's stay or service
- Method of reimbursement (fee-for-service or capitation)
- Corporation's line of business that provided the service (skilled nursing, assisted living, independent living, and outpatient)

The composition of resident service revenue by payor and level of care for the years ended December 31, 2020 and 2019, is as follows:

2020						
	Independent Living	Personal Care/Assisted Living	Health Center	Outpatient	Other	Total
Private Pay	\$ 50,359,135	\$ 27,282,356	\$ 29,496,980	\$ 382,936	\$ -	\$ 107,521,407
Medicare	964,083	2,838,015	29,236,109	52,626	-	33,090,833
Medicaid	-	-	42,289,325	81,838	-	42,371,163
Other	1,014	220	471,010	134,550	744,210	1,351,004
Amortization of nonrefundable entrance fees	17,531,498	-	-	-	-	17,531,498
Total	<u>\$ 68,855,730</u>	<u>\$ 30,120,591</u>	<u>\$ 101,493,424</u>	<u>\$ 651,950</u>	<u>\$ 744,210</u>	<u>\$ 201,865,905</u>
2019						
	Independent Living	Personal Care/Assisted Living	Health Center	Outpatient	Other	Total
Private Pay	\$ 49,982,715	\$ 28,081,569	\$ 32,358,325	\$ 675,056	\$ -	\$ 111,097,665
Medicare	1,184,907	2,386,077	36,256,299	16,938	-	39,844,221
Medicaid	-	-	46,051,942	110,572	-	46,162,514
Other	25,505	2,256	1,069,776	177,615	1,242,288	2,517,440
Amortization of nonrefundable entrance fees	16,955,577	-	-	-	-	16,955,577
Total	<u>\$ 68,148,704</u>	<u>\$ 30,469,902</u>	<u>\$ 115,736,342</u>	<u>\$ 980,181</u>	<u>\$ 1,242,288</u>	<u>\$ 216,577,417</u>

Revenues from Medicare and Medicaid represent 37 percent and 40 percent of revenues for the years 2020 and 2019, respectively. Medicare and Medicaid receivables represent approximately 53 percent and 49 percent of accounts receivable as of December 31, 2020 and 2019, respectively.

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4. Investments, Assets Whose Use is Limited and Fair Value Measurements

The composition of investments and assets whose use is limited as of December 31 is as follows:

	2020	2019
Money market funds	\$ 20,384,135	\$ 19,780,620
Marketable equity securities	2,771,356	2,428,642
Mutual funds:		
Equity	36,127,689	14,189,023
Fixed income	33,472,314	49,091,238
Alternative investments	22,176,748	23,254,312
Total investments and assets whose use is limited	114,932,242	108,743,835
Less:		
Assets whose use is limited:		
Investments held in perpetuity	(5,219,671)	(5,180,302)
Bond fund	(329,022)	(306,973)
Debt service reserve fund	(767,796)	(758,206)
Debt service escrow fund	(11,160,046)	-
Project fund	(453,167)	(17,324,107)
Statutory liquid reserves	(13,670,554)	(12,216,204)
Total investments	\$ 83,331,986	\$ 72,958,043

Fair Value Measurements

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

The levels of the fair value hierarchy are as follows:

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

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

Level 3 - Significant unobservable inputs.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Money market funds are valued based on the carrying amount which approximates fair value due to the short-term nature of these instruments.

Marketable equity securities and mutual funds are valued at fair value based on quoted market prices in active markets.

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Investments in the accompanying combined balance sheets include alternative investment funds (the Funds). The Funds are measured using the net asset value per share as a practical expedient. The Funds are held in private investment partnerships, which include publicly traded securities, real estate and natural resources. Partnership agreements specify the type of investments held, liquidity, manager compensation, and other funding requirements. The Obligated Group's ownership structure does not provide for control over the related investees, and the Obligated Group's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment which were \$1,391,482 and \$1,592,000 at December 31, 2020 and 2019, respectively. Redemptions are not permitted and liquidity is available to the extent of distributable realized events. The Obligated Group has no plans to sell the funds or a portion of the amounts currently owned. Financial information used by the Obligated Group to evaluate the Funds are provided by the investment manager or general partner, and includes fair value valuations of underlying securities and other financial instruments held by the investee and estimates that require varying degrees of judgment. The financial statements of the Funds are audited annually by independent auditors, although the timing of reporting the results of the audits does not coincide with the Obligated Group's annual financial reporting. There is uncertainty in the accounting for the Funds arising from factors such as lack of active markets, lack of transparency in underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least reasonable possibility that estimates of fair value will change in the near term.

The funds held in trust by others are valued at fair value based on the Obligated Group's interest in the fair values of the underlying assets, which approximate the present value of estimated future cash flows to be received from the trusts.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2020 and 2019, are as follows:

	Fair Value as of December 31, 2020			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 20,384,135	\$ 20,384,135	\$ -	\$ -
Marketable equity securities	2,771,356	2,771,356	-	-
Mutual funds:				
Equity	36,127,689	36,127,689	-	-
Fixed income	33,472,314	33,472,314	-	-
Total investments	92,755,494	92,755,494	-	-
Funds held in trust by others	20,257,550	-	-	20,257,550
Total assets	\$ 113,013,044	\$ 92,755,494	\$ -	\$ 20,257,550

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	Fair Value as of December 31, 2019			
	Total	Level 1	Level 2	Level 3
Money market funds	\$ 19,780,620	\$ 19,780,620	\$ -	\$ -
Marketable equity securities	2,428,642	2,428,642	-	-
Mutual funds:				
Equity	33,052,198	33,052,198	-	-
Fixed income	30,228,063	30,228,063	-	-
Total investments	85,489,523	85,489,523	-	-
Funds held in trust by others	19,321,794	-	-	19,321,794
Total assets	<u>\$ 104,811,317</u>	<u>\$ 85,489,523</u>	<u>\$ -</u>	<u>\$ 19,321,794</u>

The reconciliation of total investments, restricted deposits and funded reserves and assets whose use is limited for the years ended December 31 is as follows:

	2020	2019
Measured at net asset value	\$ 22,176,748	\$ 23,254,312
Measured at fair value	92,755,494	85,489,523
Total investments, restricted deposits and funded reserves and assets whose use is limited	<u>\$ 114,932,242</u>	<u>\$ 108,743,835</u>

For investments falling within Level 3 in the fair value hierarchy, the activity recognized during the years ended December 31, 2020 and 2019, is as follows:

	Funds Held in Trust by Others
Balance, December 31, 2018	\$ 17,388,344
Unrealized and realized gains, net of earnings distributed	1,933,450
Balance, December 31, 2019	19,321,794
Unrealized and realized gains, net of earnings distributed	935,756
Balance, December 31, 2020	<u>\$ 20,257,550</u>

Unrealized and realized gains, net of earnings distributed on funds held in trusts by others are included in assets with donor restrictions on the combined statements of operations and changes in net assets.

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Notes to Combined Financial Statements
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5. Liquidity

The Obligated Group's financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the combined statement of financial position date are as follows:

	2020	2019
Cash and cash equivalents	\$ 12,110,330	\$ 11,139,633
Investments	83,331,986	72,958,043
Accounts receivable, net	12,432,750	16,406,914
Total	<u>\$ 107,875,066</u>	<u>\$ 100,504,590</u>

The Obligated Group's endowment fund consists of donor-restricted funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures.

As a part of the Obligated Group's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Obligated Group invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Obligated Group has committed lines of credit (Note 9) that totaled \$16,750,000 and \$17,500,000 as of December 31, 2020 and 2019, respectively, which it draws upon as needed. As of December 31, 2020 and 2019, the lines of credit had approximately \$2,540,000 and \$2,300,000, respectively, available to draw.

6. Related-Party Transactions

PSL provides the Obligated Group with various management and administrative services to each member of the Obligated Group's operating facilities, for which it charges the members of the Obligated Group a management fee. The Obligated Group members also incur certain operating expenses that are comprised primarily of the salaries and benefits of certain key management personnel provided to the Obligated Group by the parent organization. During the years ended December 31, 2020 and 2019, the Obligated Group incurred management fees and other expenses totaling \$15,668,667 and \$17,641,866, respectively, which is included in general and administrative expenses on the combined statements of operations and changes in net assets.

The Obligated Group is a guarantor of the First National Bank Loan for PHI Stadium Place Senior Care, Inc., an affiliate organization, for a maximum principal amount of \$10,000,000. As of December 31, 2020 and 2019, PHI Stadium Place Senior Care, Inc. had \$7,610,929 and \$8,021,569, respectively, in outstanding debt. In the event of a deficiency judgment, the Obligated Group has guaranteed to repay all of this outstanding debt which matures through 2034.

Prelude Systems, Inc. (Prelude) is a joint venture between PSL and Diakon Lutheran Social Ministries (Diakon). Prelude is a technical information services organization with a wide range of programs designed to support the information systems needs of both PSL and Diakon as well as other health care and community service organizations. During 2020 and 2019, the Obligated Group incurred expenses related to Prelude amounting to \$1,670,669 and \$1,702,633, respectively, for information services provided by Prelude, of which \$37,972 and \$37,431 is included in accounts payable as of December 31, 2020 and 2019, respectively.

Amounts due from affiliate entities as of December 31, 2020 and 2019, are \$86,723,738 and \$80,989,105. The balances represent amounts transferred to PSL to fund development of affiliated affordable housing entities and other amounts arising from the normal course of business including affiliate liquidity support. The amounts are unsecured, noninterest bearing and have no fixed repayment terms. The Obligated Group assesses the amounts due from affiliates annually to determine if events or circumstances effect the collectability of the amounts. No impairment losses were recognized during 2020 and 2019. During 2020, the Obligated Group transferred assets of \$3,393,050 to PSL for development of a new affordable housing entity.

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7. Property and Equipment

A summary of property and equipment and accumulated depreciation as of December 31 is as follows:

	2020		2019	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 37,488,500	\$ -	\$ 37,633,570	\$ -
Land improvements	28,802,789	17,530,937	28,797,831	16,907,275
Buildings and improvements	532,004,458	247,311,065	500,686,140	228,105,559
Departmental equipment, furniture and fixtures	55,146,701	45,661,468	53,314,265	43,730,994
Vehicles	1,848,109	1,719,074	1,831,475	1,722,460
Construction-in-progress	38,203,650	-	24,691,560	-
	<u>\$ 693,494,207</u>	<u>\$ 312,222,544</u>	<u>\$ 646,954,841</u>	<u>\$ 290,466,288</u>
Net book value		<u>\$ 381,271,663</u>		<u>\$ 356,488,553</u>

As the Obligated Group undertakes expansion and improvement projects, costs are included in construction-in-progress. As projects are completed, the costs are transferred to buildings and building improvements. Ongoing improvement and expansion is anticipated in the normal course of operations.

As of December 31, 2020, the Obligated Group had entered into construction contracts totaling approximately \$31,800,000 for various projects. Costs incurred through December 31, 2020 were approximately \$24,400,000 related to the projects. As of December 31, 2020 and 2019, respectively, the Corporation had approximately \$7,159,000 and \$4,815,000 outstanding of construction payable included in accounts payable in the accompanying combined statements of financial position.

During 2019, management decided to sell three parcels of land that have not yet been developed. The current value of the land has been moved to assets held for sale and the additional costs incurred to date have been expensed to loss on impairment of asset. During 2020, one of the parcels was sold.

8. Long-Term Debt

Long-term debt of the group and of the amounts payable by the Obligated Group as of December 31 consisted of the following:

	2020	2019
1995 Series A Revenue Note to First National Bank, payable in equal monthly installments of principal and interest, interest sufficient to amortize the principal balance to July 2026, the note bears a floating interest rate which was 2.05% for December 31, 2020 and 2019, interest will be reset in three year increments.	\$ 857,887	\$ 1,047,157
Series 2002 Huntingdon County Industrial Development Authority, Mortgage Revenue Note, payable to First National Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to April 2023, the note bears a floating interest rate, interest will be reset in five year increments and was 1.76% as of December 31, 2020 and 2019.	147,194	203,716
Cumberland County Municipal Authority Revenue Bonds Series 2003B, variable rate bonds, held by First National Bank, principal maturities in varying amounts from 2016 to 2032, interest fixed at 3.80%.	5,335,000	5,660,000

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	2020	2019
Series 2005 College Township Revenue Bonds, held by First National Bank, payable in equal installments to include principal and interest through September 2026, the bonds bear a floating interest rate, which will reset in five year increments and was 3.67% as of December 31, 2020 and 2019.	\$ 1,435,445	\$ 1,655,054
Cumberland County Municipal Authority Revenue Bonds Series 2013A, held by Key Bank, principal due in varying annual amounts from 2016 to 2026, interest is fixed at 3.11%, interest will be reset in ten year increments.	5,735,207	6,261,208
Cumberland County Municipal Authority Revenue Bonds Series 2008C, variable rate bonds, converted to fixed rate bonds in 2013, principal maturities in varying amounts from 2016 to 2026, interest rates ranging from 3.80% to 4.00%.	10,300,000	13,730,000
York County Industrial Development Authority Bonds Series 2010, held by First National Bank, principal due in varying annual amounts from 2016 to 2033, the bonds bear a floating interest rate, which was 1.54% and 2.76% as of December 31, 2020 and 2019, respectively.	13,715,690	14,737,782
Bank of America taxable ten year term loan, principal due in varying amounts, extended in 2016 to be due in December 2026 with the option to extend all or a portion of the remaining balance over the remaining 25-year amortization period. The bonds bear a floating interest rate which resets in five year increments, and was 3.85% as of December 31, 2020 and 2019.	9,593,406	10,017,081
General Municipal Authority of the Township of Manheim Revenue Bonds Series 2011, held by M&T Bank, principal maturities based on a twenty year repayment schedule, interest is fixed at 4.13% as of December 31, 2020 and 2019.	6,353,765	6,818,224
Quincy Sewer Authority Revenue Bonds Series 2012, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to August 15, 2032, interest was fixed at 4.14% as of December 31, 2020 and 2019.	6,646,226	7,098,302
Uwchlan Township Industrial Development Authority Revenue Note Series 2012, held by First National Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to June 2032, interest is fixed at 3.50% until June 2022, interest rate will be reset in ten year increments.	6,593,844	7,049,510
Cumberland County Municipal Authority Revenue Bonds Series 2013B, held by Key Bank, principal due in varying annual amounts from 2013 to 2022, interest is fixed at 3.11% as of December 31, 2020 and 2019.	2,725,136	3,594,636
Uwchlan Township Industrial Development Authority Revenue Bonds Series 2013, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to June 2033, interest was fixed at 4.17% as of December 31, 2020 and 2019.	7,116,970	7,555,043

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	2020	2019
Philadelphia Authority for Industrial Development Gross Revenue Bonds, Series 2013, no principal payment due until April 2017, the bonds consist of term bonds which mature at various dates from April 2023 to April 2039, interest rates vary between 4.81% to 5.00%.	\$ 8,220,000	\$ 8,475,000
Northampton and Blair County Industrial Development Authority Revenue Bonds Series 2014, held by Bank of America, principal due in varying amounts annually, a call options is available at the lender's discretion in November 2028, interest rate was fixed at 3.63% until November 2028, interest will be reset in ten year increments.	9,564,500	9,631,500
Blair County Hospital Authority Revenue Bonds Series 2014, tax exempt bonds, bank qualified debt, held by Bank of America, principal due in varying amounts annually, interest was fixed at 3.63% until November 2028, interest will be reset in ten year increments.	9,564,500	9,631,500
Uwchlan Township Industrial Development Authority Revenue Bonds Series 2015, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to May 2035, interest is fixed at 2.92% until May 2025, interest rates will be reset in ten year increments.	7,788,289	8,210,958
Northampton County Industrial Development Authority Revenue Bonds Series 2015, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to May 2035, interest is fixed at 2.80% until May 2025, interest rates will be reset in ten year increments.	7,814,721	8,239,239
People's Bank taxable ten year term loan, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to July 31, 2025, interest is variable and was 2.19% and 3.75% as of December 31, 2020 and 2019, respectively.	3,016,705	3,624,356
First National Bank taxable ten year term loan, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to July 31, 2025, interest is variable and was 2.25% and 3.80% as of December 31, 2020 and 2019, respectively.	3,029,163	3,656,289
Abington Township Industrial and Commercial Development Authority Revenue Bonds, Series 2015, held by First National Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to October 2035, interest is variable and was 2.35% as of December 31, 2020 and 2019, interest rates will be reset in five year increments.	7,855,565	8,291,854
Cumberland County Municipal Authority Revenue Bonds Series 2015A, held by Bank of America, principal due in varying monthly amounts through maturity in December 2021, interest is fixed at 2.28%.	1,734,596	3,398,363
Cumberland County Municipal Authority Revenue Bonds Series 2015B, held by Bank of America, principal due in varying annual amounts from 2016 to 2038, interest is fixed and was 3.23% as of December 31, 2020 and 2019, interest resets in ten year increments.	8,315,653	8,672,798

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	2020	2019
Cumberland County Municipal Authority Revenue Bonds Series 2015 C and Series 2008 C, held by Bank of America, principal due in varying amounts from 2015 to 2038, interest is variable and was 1.41% and 2.45% as of December 31, 2020 and 2019, respectively.	\$ 13,785,333	\$ 14,019,333
Quincy Sewer Authority Series 2016 bonds held by TD Bank, principal due in varying annual amounts from 2017 to 2042, interest is fixed at 2.40% until 2021, interest rates will be reset in five year increments.	17,877,020	18,502,154
Bank of America taxable ten year term loan, principal due in varying amounts through 2034, due in May 2026 with the option to extend all or a portion of the remaining balance over the remaining 25-year amortization period. The bonds bear a floating interest rate which was 1.85% and 3.41% as of December 31, 2020 and 2019, respectively.	3,395,918	3,675,408
Pennsylvania Economic Development Financing Authority Revenue Bonds, Series 2018, held by TD Bank, principal due in varying amounts from 2020 to 2044. The bonds bear a fixed rate of interest equal to 3.91% per annum multiplied by a margin rate factor, interest rate was 3.91% as of December 31, 2020 and 2019, interest resets in ten year increments.	29,277,000	30,000,000
General Municipal Authority of the Township of Manheim Bond Series 2019, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to August 2032, interest is fixed at 2.70% as of December 31, 2020.	6,529,909	6,994,082
Indiana County Industrial Development Authority Revenue Bonds Series 2019, held by M&T Bank, payable in equal monthly installments of principal and interest sufficient to amortize the principal balance to November 15, 2033, interest is fixed at 2.70% as of December 31, 2020.	7,225,609	7,663,455
Bank of America taxable ten year term loan Bond Series 2020, principal payments to begin on January 3, 2022, principal payments will be based on 8.5 year mortgage style amortization schedule, due in June 2030. The bonds bear a fixed interest rate equal to 2.49% as of December 31, 2020.	13,955,000	-
Northampton County Industrial Development Authority Revenue Bonds Series 2020, held by Bank of America, \$15 million drawn in \$2 million increments through December 31, 2020 with \$1 million drawn in January 2021. Interest only tax exempt rate of 2.31% per annum through January 3, 2022 at which time principal and interest will be payable.	14,000,000	-
Total long-term debt	249,505,251	238,114,002
Plus unamortized premium	292,027	318,788
Less deferred financing costs	(1,465,994)	(1,486,645)
Total	<u>\$ 248,331,284</u>	<u>\$ 236,946,145</u>

All of the Obligated Group long-term debt is collateralized by property and equipment and gross revenues of the Obligated Group and is tax exempt, unless otherwise stated.

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Under the terms of the bond indenture, the Obligated Group is subject to various covenants, which include the achievement of certain pre-established financial indicators. In addition, the Obligated Group is required to maintain certain deposits with a trustee. These deposits are included in assets whose use is limited.

During 2020, the Cumberland County Municipal Authority Revenue Bonds Series 2008C were advance-refunded with Series 2020 Bonds of \$13,955,000 and the remaining \$10,500,000 was placed into the debt service reserve fund included in assets whose use is limited in the accompanying combined balance sheet as of December 31, 2020. On June 3, 2021, the amount will be paid.

Scheduled maturities for the five years subsequent to December 31, 2020, and thereafter are as follows:

Years ending December 31:	
2021	\$ 25,614,454
2022	14,639,827
2023	17,191,603
2024	17,927,960
2025	17,659,945
Thereafter	<u>156,471,462</u>
Total	<u>\$ 249,505,251</u>

9. Lines of Credit

The Obligated Group has available various lines of credit with financial institutions. Interest rates on these lines of credit are variable based on the prime rate of the various financial institutions or the LIBOR rate. The lines of credit are collateralized by property, plant and equipment of the Obligated Group. As of December 31, 2020 and 2019, under the line of credit agreements, the Obligated Group had available a total maximum of \$16,750,000 and 17,500,000, respectively from the financial institutions. As of December 31, 2020 and 2019, the Obligated Group had \$14,212,412 and \$15,198,790, respectively, outstanding under these agreements at interest rates ranging from 1.69 percent to 2.69 percent and with maturity dates ranging from July 2021 to November 2021.

10. Workers' Compensation Insurance

The Obligated Group has instituted a self-insured workers' compensation program as allowed by the Commonwealth of Pennsylvania Bureau of Workers' Compensation. This program provides for self-payment of work related injuries and illnesses as opposed to utilizing an insurance carrier. The Obligated Group has contracted with major insurance carriers for excess insurance coverage, loss control services and administration. For both 2020 and 2019, the Obligated Group maintained a surety bond for \$3,000,000, in connection with this self-insurance program. As of December 31, 2020 and 2019, the Obligated Group has recorded an accrued expense of approximately \$4,400,000 and \$3,800,000, respectively, for workers' compensation claims which includes known case reserves and an estimate of the Obligated Group's liability for incurred but not reported claims.

11. Medical Malpractice Claims Coverage

The Obligated Group members are named insured under a claims-made professional liability insurance policy maintained by the parent organization, Presbyterian Senior Living. Other than for premiums paid under this policy, no provision has been made for estimated losses. Management believes no incidents have occurred or will be asserted that will exceed the insurance coverages or will have a material adverse effect on the combined financial statements.

Presbyterian Homes Obligated Group

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12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31.

	2020	2019
Subject to expenditure for specified purpose:		
Caring community	\$ 279,536	\$ 86,400
Community enhancement	700,995	606,651
	<u>980,531</u>	<u>693,051</u>
Subject to the passage of time:		
Promises to give that re not restricted by donors, but which are unavailable for expenditure until due	224,494	272,044
Gift annuities	15,611	15,548
Contributions receivable from remainder trusts	566,337	609,657
	<u>806,442</u>	<u>897,249</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
Educational scholarship	47,370	38,584
Benevolent care	6,352	5,278
Community enhancement	189,794	150,556
	<u>243,516</u>	<u>194,418</u>
Subject to endowment spending policy and appropriation:		
Educational scholarship	177,076	177,076
Benevolent care	1,051,718	1,024,107
Community enhancement	3,990,878	3,979,119
	<u>5,219,672</u>	<u>5,180,302</u>
Total endowments	<u>5,463,188</u>	<u>5,374,720</u>
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trusts	19,675,602	18,696,589
Trust assets held for the benefit of the Easton Home	830,086	830,086
	<u>20,505,688</u>	<u>19,526,675</u>
Total	<u>\$ 27,755,849</u>	<u>\$ 26,491,695</u>

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2020	2019
Expiration of time restrictions	\$ 204,568	\$ 359,104
Satisfaction of purpose restriction:		
Caring community	17,170	24,828
Community enhancement	608,999	724,350
Restricted-purpose spending rate distributions and appropriations:		
Benevolent care	31,968	30,742
Community enhancement	37,933	77,557
Total	\$ 900,638	\$ 1,216,581

13. Endowments

The endowments consist of donor-restricted funds established for a variety of purposes supporting the Obligated Group. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Obligated Group has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Obligated Group classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence described in state laws. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Obligated Group considers the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

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The following schedule represents endowment net asset composition by type of fund and changes in endowment net assets for the years ended December 31, 2020 and 2019:

	With Donor Restrictions	
	2020	2019
Endowment net assets, beginning of year	\$ 5,374,720	\$ 5,270,923
Investment income	119,000	116,614
Contributions	39,370	95,482
Appropriation of endowment assets for expenditures	(69,902)	(108,299)
Endowment net assets, end of year	<u>\$ 5,463,188</u>	<u>\$ 5,374,720</u>

The value of the original gifts plus subsequent gifts to be held in perpetuity totaled \$5,219,672 and \$5,180,302 for the years ended December 31, 2020 and 2019, respectively.

Funds With Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Obligated Group to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as net assets without donor restrictions. The Obligated Group's policy states that should a fund fall below the original principal balance the Obligated Group would curtail spending in the fund until it returned to its original principal balance. There were no such deficiencies reported as of December 31, 2020 or 2019.

Return Objectives and Risk Parameters

The Obligated Group has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Obligated Group must hold in perpetuity for donor-specified purposes. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a composite of public market indexes based on the mix of investments held, while assuming a moderate level of investment risk. The Obligated Group's goal is that its endowment funds, over time, will provide an average rate of return of approximately the consumer price index plus the investment spending percentage plus one percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

The Obligated Group relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Obligated Group targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Obligated Group has a total return policy for calculating the amounts available for distribution each year. It is a percent of its endowment funds' average fair value over the prior three calendar year ends. This percentage per the policy was up to 4.0 percent for 2020 and 2019. Actual distributions are to satisfy donor restrictions. If the total return amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, then from the accumulated net capital gains of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the unrestricted or temporarily restricted fund balance. In establishing this policy, the Obligated Group considered the long-term expected return on its endowments. Accordingly, over the long term, the Obligated Group intends that the current spending policy will allow its endowments to grow at an average of inflation plus one percent annually. This is consistent with the Obligated Group's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

14. Retirement Plan

The Obligated Group has a defined-contribution retirement plan covering all employees that have completed one year of service and have reached the age of 21. Vesting occurs after three years of service. Contributions to the plan are at the discretion of the Board of Trustees of PHI and employees have the ability to direct how their contributions are invested. For the years ended December 31, 2020 and 2019, retirement plan expense totaled \$582,051 and \$1,182,850, respectively.

15. Functionalized Expenses

The combined statements of operations and changes in net assets report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis. Benefits and payroll taxes are allocated on the basis of total wages. Information technology and insurance are allocated on the basis of direct costs and management fees are allocated based on the home office direct costs.

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The costs of providing services and supporting activities are as follows for the years ended December 31, 2020 and 2019:

	2020			
	Resident Services	General and Administrative	Fundraising and Development	Total
Salaries and wages	\$ 81,970,866	\$ 1,280,181	\$ -	\$ 83,251,047
Employee benefits and other employee costs	11,492,030	193,281	-	11,685,311
Payroll taxes	5,768,088	90,083	-	5,858,171
Professional services	6,388,108	910,366	-	7,298,474
Management services	4,977,824	10,189,469	501,374	15,668,667
Accounting fees	-	2,047	-	2,047
Legal fees	-	620,811	-	620,811
Advertising and promotion	542,164	-	-	542,164
Office expenses	9,021,978	2,774,431	-	11,796,409
Information technology	1,484,750	185,949	-	1,670,699
Occupancy	11,977,000	71,985	-	12,048,985
Travel	92,168	31,151	-	123,319
Conferences and meetings	7,025	5,191	-	12,216
Interest	6,169,654	772,682	-	6,942,336
Insurance	2,809,658	16,391	-	2,826,049
Training and development	2,391	56,658	-	59,049
Depreciation	22,198,035	129,500	-	22,327,535
Amortization	280,962	1,639	-	282,601
Bad debt (recovery)	-	1,679,114	-	1,679,114
Pharmacy	3,001,699	-	-	3,001,699
Medical supplies	5,773,844	-	-	5,773,844
Therapy services	13,559,501	-	-	13,559,501
Dietary services	5,321,010	-	-	5,321,010
Food, beverages and supplies	7,537,787	52,034	-	7,589,821
Maintenance and repairs	1,532,641	28,393	-	1,561,034
Total cost of services provided	<u>\$ 201,909,183</u>	<u>\$ 19,091,356</u>	<u>\$ 501,374</u>	<u>\$ 221,501,913</u>

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	2019			
	Resident Services	General and Administrative	Fundraising and Development	Total
Salaries and wages	\$ 77,605,234	\$ 1,508,033	\$ -	\$ 79,113,267
Employee benefits and other employee costs	11,567,682	249,645	-	11,817,327
Payroll taxes	5,455,075	106,004	-	5,561,079
Professional services	6,287,015	971,557	-	7,258,572
Management services	5,513,084	11,424,872	703,910	17,641,866
Accounting fees	-	922	-	922
Legal fees	-	359,965	-	359,965
Advertising and promotion	739,165	-	-	739,165
Office expenses	3,319,771	2,759,820	-	6,079,591
Information technology	1,537,477	158,345	6,811	1,702,633
Occupancy	12,050,709	92,338	-	12,143,047
Travel	183,139	89,573	-	272,712
Conferences and meetings	45,738	21,280	-	67,018
Interest	7,193,536	740,862	31,865	7,966,263
Insurance	2,596,782	15,149	-	2,611,931
Training and development	952	45,180	-	46,132
Depreciation	21,400,212	124,845	-	21,525,057
Amortization	280,962	1,639	-	282,601
Bad debt (recovery)	-	1,914,131	-	1,914,131
Pharmacy	3,354,446	-	-	3,354,446
Medical supplies	3,230,627	-	-	3,230,627
Therapy services	15,430,724	-	-	15,430,724
Dietary services	6,430,461	-	-	6,430,461
Food, beverages and supplies	7,393,957	51,936	-	7,445,893
Maintenance and repairs	1,799,269	54,128	-	1,853,397
Total cost of services provided	\$ 193,416,017	\$ 20,690,224	\$ 742,586	\$ 214,848,827

16. Commitments and Contingencies

Senior Living Services Industry

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

Litigation

The Obligated Group is involved in several legal proceedings arising from its activities in the health care industry. Although it is not possible to presently determine the final outcome of these matters, management believes the aggregate liability, if any, resulting from such proceedings will not have a material adverse effect on the Obligated Group's assets, liabilities, net assets, operations or cash flows.

Presbyterian Homes Obligated Group

Notes to Combined Financial Statements
December 31, 2020 and 2019

COVID-19

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Obligated Group's evaluation of the effects of these events is ongoing as of the date the accompanying combined financial statements were available to be issued. COVID-19 may impact various parts of the Obligated Group's 2021 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, sales of independent living units or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Presbyterian Homes Obligated Group

 Combining Schedule of Financial Position
 December 31, 2020

	Presbyterian Homes, Inc.	Presbyterian Homes in the Presbytery of Huntingdon	PHI Investment Management Services, Inc.	The Long Community, Inc.	Quincy Retirement Community	Cathedral Village	Obligated Group Subtotal	Eliminating Entries	Obligated Group Total
Assets									
Current Assets									
Cash and cash equivalents	\$ 11,000,186	\$ 46,760	\$ 17,861	\$ 295,276	\$ 210,251	\$ 539,996	\$ 12,110,330	\$ -	\$ 12,110,330
Investments	1,570,551	11,503,382	41,749,781	7,628,197	6,395,091	14,484,984	83,331,986	-	83,331,986
Statutory liquid reserves	6,938,679	1,417,489	-	-	1,226,952	4,087,434	13,670,554	-	13,670,554
Accounts receivable, net	7,426,325	2,140,862	-	61,849	1,726,332	1,077,382	12,432,750	-	12,432,750
Assets whose use is limited	11,642,221	2,250,375	2,710,786	-	258,511	1,067,809	17,929,702	-	17,929,702
Assets held for sale	-	2,350,618	-	-	-	-	2,350,618	-	2,350,618
Property and equipment, net	225,769,163	37,715,728	-	32,957,196	33,677,844	51,151,732	381,271,663	-	381,271,663
Due from affiliates, net	42,720,690	28,861,323	14,923,574	(12,950,318)	12,075,314	1,093,155	86,723,738	-	86,723,738
Funds held in trust by others	8,946,169	948,135	-	885,501	6,750,088	2,727,657	20,257,550	-	20,257,550
Other assets	3,061,892	649,828	-	211,249	493,914	2,099,964	6,516,847	-	6,516,847
Beneficial interest in assets	2,422,088	-	-	-	-	-	2,422,088	(2,422,088)	-
Total assets	<u>\$ 321,497,964</u>	<u>\$ 87,884,500</u>	<u>\$ 59,402,002</u>	<u>\$ 29,088,950</u>	<u>\$ 62,814,297</u>	<u>\$ 78,330,113</u>	<u>\$ 639,017,826</u>	<u>\$ (2,422,088)</u>	<u>\$ 636,595,738</u>
Liabilities and Net Assets									
Current Liabilities									
Accounts payable	\$ 8,818,595	\$ 901,461	\$ -	\$ 51,203	\$ 1,597,986	\$ 1,139,187	\$ 12,508,432	\$ -	\$ 12,508,432
Accrued expenses	8,070,346	3,846,955	45,993	550,069	1,265,015	2,720,996	16,499,374	-	16,499,374
Lines of credit	14,212,412	-	-	-	-	-	14,212,412	-	14,212,412
Resident deposits	5,332,860	66,750	-	11,000	159,109	744,000	6,313,719	-	6,313,719
Entrance fee payable	8,449,303	307,798	-	-	654,135	237,287	9,648,523	-	9,648,523
Other liabilities	2,381,701	389,406	-	71,705	299,035	1,924,386	5,066,233	-	5,066,233
Cares act funding liabilities	3,354,356	4,414,478	-	311,330	3,091,316	2,473,226	13,644,706	-	13,644,706
Long-term debt	160,535,112	17,042,554	-	24,283,049	22,974,421	23,496,148	248,331,284	-	248,331,284
Deferred revenues from entrance fees	58,843,339	11,257,700	-	-	11,608,936	23,853,033	105,563,008	-	105,563,008
Total liabilities	<u>269,998,024</u>	<u>38,227,102</u>	<u>45,993</u>	<u>25,278,356</u>	<u>41,649,953</u>	<u>56,588,263</u>	<u>431,787,691</u>	<u>-</u>	<u>431,787,691</u>
Net Assets									
Without donor restrictions	38,064,464	46,300,307	56,933,922	2,813,130	14,033,482	18,906,893	177,052,198	-	177,052,198
With donor restrictions	13,435,476	3,357,091	2,422,087	997,464	7,130,862	2,834,957	30,177,937	(2,422,088)	27,755,849
Total net assets	<u>51,499,940</u>	<u>49,657,398</u>	<u>59,356,009</u>	<u>3,810,594</u>	<u>21,164,344</u>	<u>21,741,850</u>	<u>207,230,135</u>	<u>(2,422,088)</u>	<u>204,808,047</u>
Total liabilities and net assets	<u>\$ 321,497,964</u>	<u>\$ 87,884,500</u>	<u>\$ 59,402,002</u>	<u>\$ 29,088,950</u>	<u>\$ 62,814,297</u>	<u>\$ 78,330,113</u>	<u>\$ 639,017,826</u>	<u>\$ (2,422,088)</u>	<u>\$ 636,595,738</u>

Presbyterian Homes Obligated Group

 Combining Schedule of Operations and Changes in Net Assets
 December 31, 2020

	Presbyterian Homes, Inc.	Presbyterian Homes in the Presbytery of Huntingdon	PHI Investment Management Services, Inc.	The Long Community, Inc.	Quincy Retirement Community	Cathedral Village	Obligated Group Subtotal	Eliminating Entries	Obligated Group Total
Net Assets Without Donor Restrictions									
Revenues, gains and other support:									
Resident services:									
Resident services	\$ 103,406,788	\$ 31,131,328	\$ -	\$ 5,063,717	\$ 21,448,923	\$ 23,283,651	\$ 184,334,407	\$ -	\$ 184,334,407
Amortization of entrance fees	10,277,288	1,657,636	-	-	1,453,133	4,143,441	17,531,498	-	17,531,498
Total resident services	113,684,076	32,788,964	-	5,063,717	22,902,056	27,427,092	201,865,905	-	201,865,905
Contributions, gifts and bequests	364,917	77,179	-	53,081	166,484	5,151	666,812	-	666,812
Revenues from provider relief funds	6,658,470	2,826,567	-	59,170	1,601,851	1,356,420	12,502,478	-	12,502,478
Net assets released from restrictions	708,674	24,894	-	6,677	46,912	113,481	900,638	-	900,638
Total operating revenues and other support	121,416,137	35,717,604	-	5,182,645	24,717,303	28,902,144	215,935,833	-	215,935,833
Expenses:									
Nursing services	33,755,148	10,512,458	-	718,526	8,015,919	6,893,287	59,895,338	-	59,895,338
Rehabilitation	7,490,728	3,647,988	-	-	2,105,557	913,271	14,157,544	-	14,157,544
Recreation and special services	2,350,685	594,553	-	70,410	405,778	592,475	4,013,901	-	4,013,901
Pharmacy	1,701,490	620,787	-	13,654	398,044	287,725	3,001,700	-	3,001,700
Social services	586,865	194,518	-	-	83,268	128,954	993,605	-	993,605
Physician services	175,854	148,227	-	9,000	51,630	343,192	727,903	-	727,903
Food Services	12,700,647	3,925,298	-	596,636	1,969,926	4,138,670	23,331,177	-	23,331,177
Building operations and maintenance	14,772,267	3,236,574	-	1,125,403	2,552,059	4,273,929	25,960,232	-	25,960,232
Housekeeping	2,377,504	556,206	-	23,921	256,232	671,493	3,885,356	-	3,885,356
Laundry and linen	666,637	233,136	-	-	192,819	159,222	1,251,814	-	1,251,814
Management and general	15,813,578	6,051,909	614	905,414	3,474,750	4,231,419	30,477,684	-	30,477,684
Employee benefits	6,446,540	2,163,233	-	173,623	1,249,313	1,026,757	11,059,466	-	11,059,466
Interest	4,573,489	556,172	-	803,673	454,516	568,192	6,956,042	(13,706)	6,942,336
Depreciation	12,750,124	2,557,691	-	1,144,578	1,760,794	4,114,348	22,327,535	-	22,327,535
Amortization	-	-	-	-	-	282,601	282,601	-	282,601
Fundraising	239,282	107,043	-	14,459	65,351	75,261	501,396	-	501,396
Total expenses before nonrecurring expenses	116,400,838	35,105,793	614	5,599,297	23,035,956	28,680,796	208,823,294	(13,706)	208,809,588
Unusual nonrecurring expenses, COVID-19	8,141,385	2,365,842	-	203,212	1,030,184	951,702	12,692,325	-	12,692,325
Operating (loss) income	(3,126,086)	(1,754,031)	(614)	(619,864)	651,163	(730,354)	(5,579,786)	13,706	(5,566,080)
Other income (loss):									
Investment income	575,338	270,870	267,228	219,666	425,037	494,618	2,252,757	(64,034)	2,188,723
Realized gain on investments	80,909	199,816	1,081,044	175,031	46,983	3,725,832	5,309,615	(19,473)	5,290,142
Unrealized gain on investments	3,941	1,430,141	1,336,832	929,259	789,643	(1,730,712)	2,759,104	69,801	2,828,905
(Loss) gain on sale of property	(250,431)	36,021	-	-	368	-	(214,042)	-	(214,042)
Loss on early extinguishment of debt	(75,093)	-	-	-	-	-	(75,093)	-	(75,093)
Total other income	334,664	1,936,848	2,685,104	1,323,956	1,262,031	2,489,738	10,032,341	(13,706)	10,018,635
Revenues (less than) in excess of expenses	(2,791,422)	182,817	2,684,490	704,092	1,913,194	1,759,384	4,452,555	-	4,452,555
Transfer to affiliated entity	67,056	-	(3,393,050)	-	-	-	(3,325,994)	-	(3,325,994)
(Decrease) increase in net assets without donor restrictions	(2,724,366)	182,817	(708,560)	704,092	1,913,194	1,759,384	1,126,561	-	1,126,561
Net Assets With Donor Restrictions									
Contributions, gifts and bequests	371,974	117,033	-	44,099	82,915	112,822	728,843	-	728,843
Investment income, net of investment expense	116,889	498	-	-	1,613	-	119,000	-	119,000
Unrealized gain on investments	644,707	157,860	342,404	10,147	397,301	106,935	1,659,354	(342,405)	1,316,949
Net assets released from restrictions	(708,674)	(24,894)	-	(6,677)	(46,912)	(113,481)	(900,638)	-	(900,638)
Increase in net assets with donor restrictions	424,896	250,497	342,404	47,569	434,917	106,276	1,606,559	(342,405)	1,264,154
(Decrease) increase in net assets	(2,299,470)	433,314	(366,156)	751,661	2,348,111	1,865,660	2,733,120	(342,405)	2,390,715
Net Assets, Beginning	53,799,409	49,224,084	59,722,165	3,058,933	18,816,234	19,876,190	204,497,015	(2,079,683)	202,417,332
Net Assets, Ending	\$ 51,499,939	\$ 49,657,398	\$ 59,356,009	\$ 3,810,594	\$ 21,164,345	\$ 21,741,850	\$ 207,230,135	\$ (2,422,088)	\$ 204,808,047

Presbyterian Homes Obligated Group

Statutory Minimum Liquid Reserves Schedule

December 31, 2020

	Presbyterian Homes, Inc.	Presbyterian Homes in the Presbytery of Huntingdon	Quincy Retirement Community	Cathedral Village	Obligated Group Subtotal
2021 Budgeted operating expenses	\$ 122,912,095	\$ 36,163,236	\$ 24,949,946	\$ 28,515,532	\$ 212,540,809
Less depreciation expense	13,287,634	2,594,475	2,125,818	4,586,877	22,594,804
Expenses subject to minimum liquid assets requirement	109,624,461	33,568,761	22,824,128	23,928,655	189,946,005
Percentage of residents subject to continuing-care agreements as of December 31, 2020	48%	36%	51%	81%	
	52,619,741	12,084,754	11,640,305	19,382,211	95,727,011
Statutory requirement	10%	10%	10%	10%	10%
Statutory minimum liquid reserve requirement, operating expenses (a)	<u>\$ 5,261,974</u>	<u>\$ 1,208,475</u>	<u>\$ 1,164,031</u>	<u>\$ 1,938,221</u>	<u>\$ 9,572,701</u>
Next 12 months debt service payments: Total debt service for next 12 months	\$ 14,447,207	\$ 1,531,415	\$ 1,647,531	\$ 1,802,786	\$ 19,428,939
Percentage of residents subject to residence and care agreements as of December 31, 2020	48%	36%	51%	81%	
Statutory minimum liquid reserve requirement, debt service (b)	<u>\$ 6,934,659</u>	<u>\$ 551,309</u>	<u>\$ 840,241</u>	<u>\$ 1,460,257</u>	<u>\$ 9,786,466</u>
Statutory minimum liquid reserve, greater of (a) or (b)	<u>\$ 6,934,659</u>	<u>\$ 1,208,475</u>	<u>\$ 1,164,031</u>	<u>\$ 1,938,221</u>	<u>\$ 9,786,466</u>
Total per bank statements as of December 31, 2020	<u>\$ 6,938,679</u>	<u>\$ 1,417,489</u>	<u>\$ 1,226,952</u>	<u>\$ 4,087,434</u>	<u>\$ 13,670,554</u>
Assets in excess of statutory minimum liquid reserve requirement	<u>\$ 4,020</u>	<u>\$ 209,014</u>	<u>\$ 62,921</u>	<u>\$ 2,149,213</u>	<u>\$ 2,425,168</u>

APPENDIX C

PROPOSED FORMS OF CERTAIN FINANCING DOCUMENTS

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MASTER TRUST INDENTURE

Between

PRESBYTERIAN HOMES, INC.,
PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON,
PRESBYTERIAN HOUSING AND SERVICES CORPORATION,
QUINCY RETIREMENT COMMUNITY, and
PHI INVESTMENT MANAGEMENT SERVICES, INC.

and

THE BANK OF NEW YORK
as Master Trustee

Dated as of June 1, 2008

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MASTER TRUST INDENTURE dated as of June 1, 2008, by and among PRESBYTERIAN HOMES, INC. (the "Corporation"), PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON ("PHPH"), PRESBYTERIAN HOUSING AND SERVICES CORPORATION ("PHSC"), QUINCY RETIREMENT COMMUNITY ("Quincy") and PHI INVESTMENT MANAGEMENT SERVICES, INC. ("PIMS"), each of which is a not-for-profit corporation duly organized and validly existing under the laws of the Commonwealth of Pennsylvania, and THE BANK OF NEW YORK (together with its successors and assigns in the trust created hereunder, the "Master Trustee"), a national banking association organized and existing under the laws of the United States of America.

PRELIMINARY STATEMENT

The Corporation, PHPH, PHSC, Quincy and PIMS are authorized by law and deem it desirable to enter into this Indenture for the purpose of providing for the issuance from time to time of Obligations (as such term, together with certain other terms used herein are defined in Section 1.1 hereof) in connection with the lawful and proper corporate purposes of such entities and all other Obligated Issuers.

All acts and things necessary to constitute this Indenture a valid indenture and agreement according to its terms have been done and performed. At the time Obligations are issued in accordance with the provisions of this Indenture, all acts and things necessary to authorize such Obligations and to cause such Obligations to be the valid and binding legal obligations of the Corporation and each other Obligated Issuer will have been done and performed.

GRANTING CLAUSE

NOW, THEREFORE, in order to declare the terms and conditions upon which Obligations are to be issued and delivered hereunder, and in consideration of the premises, and of the sum of One Dollar to it duly paid by the Master Trustee at the execution of this Indenture, the receipt of which is hereby acknowledged, the Corporation, PHPH, PHSC, Quincy and PIMS hereby covenant and agree with the Master Trustee, and each other Obligated Issuer upon becoming such shall covenant and agree with the Master Trustee, for the equal and proportionate benefit of the respective holders from time to time of all Obligations issued hereunder, to perform and observe all covenants and agreements of the Obligated Group and each Obligated Issuer hereunder; and

To secure the performance and observance of all such covenants and agreements, the Corporation, PHPH, PHSC, Quincy and PIMS do hereby (and each Obligated Issuer upon becoming such shall) sell, assign, transfer, set over, pledge and grant to the Master Trustee a security interest in (a) all of their (or its) right, title and interest in and to the Revenue Fund, including all moneys and investments therein and investment income thereon, and (b) all of their (or its) respective right, title and interest in and to the Gross Revenues (as herein defined), to have and to hold in trust for the equal and ratable benefit and security of all holders of Obligations issued hereunder, without preference, priority or distinction (except as otherwise specifically provided herein) of any one Obligation over any other Obligation.

ARTICLE ONE

DEFINITION OF TERMS, CONSTRUCTION AND CERTAIN GENERAL PROVISIONS

Section 1.1 Definitions of Terms. Unless the context shall otherwise require, the words and terms used in this Indenture shall have the meanings specified in this Section.

“Accountant” shall mean an independent public accounting firm which is appointed by an Obligated Issuer for the purpose of examining and reporting on or passing on questions relating to the financial statements of one or more Obligated Issuers or the entire Obligated Group, has all certifications necessary for the performance of such services, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors; provided that notice of such appointment shall be given to the Master Trustee; and further provided, that in the case of financial statements regarding the entire Obligated Group, such Accountant shall be appointed by the Obligated Group Representative.

“Architect” shall mean an independent architect, engineer or firm of architects or engineers which is appointed by an Obligated Issuer for the purpose of passing on questions relating to the design and construction of any particular facility, has all licenses and certifications necessary for the performance of such services, has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature; provided that notice of such appointment shall be given to the Master Trustee.

“Authorized Officer” shall mean, with respect to any particular action to be taken by or on behalf of an Obligated Issuer, the president, treasurer, or chief financial officer of such Obligated Issuer and any other officer authorized to take such action pursuant to the Obligated Issuer’s Articles of Incorporation or By-Laws or a resolution duly adopted by its Board.

“Board” when used in connection with an Obligated Issuer, shall mean its board of directors, board of trustees, board of governors or other governing body in which such Obligated Issuer has vested powers for its governance generally or for specific matters under consideration.

“Bond Counsel” means an independent law firm appointed by any issuer of Tax-Exempt Obligations or an Obligated Issuer, having a national reputation in the field of municipal law and whose opinions are generally accepted by purchasers of municipal obligations.

“Book Value” means, with respect to property of an Obligated Issuer, the value of such property included in such Obligated Issuer’s most recent audited or unaudited statement of financial position delivered pursuant to Section 7.14 hereof under the heading “net property, plant and equipment”, or any similar heading included in such statement of financial position.

“Capital Additions” means property of any kind and any addition, improvement or extraordinary repair to a Facility acquired or constructed by any Obligated Issuer, after the date hereof, which is used or useful in connection with a Facility and the cost of which is properly chargeable to plant or property account under generally accepted accounting principles, including, without limiting the generality of the foregoing, any improvement or renovation to the Facilities, land, easements, rights of way, leaseholds, other interests in real property, buildings,

improvements, fixtures, machinery, equipment, replacements of property retired, and permanent additions and betterments to a Facility.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Construction Contract” means, collectively, any construction contract or construction management agreement between an Obligated Issuer and the general contractor or construction manager providing for the construction of any Capital Addition.

“Consultant” shall mean any independent consulting firm which is appointed by an Obligated Issuer for the purpose of passing on questions relating to the financial affairs, management or operations of one or more Obligated Issuers or the entire Obligated Group, and has a national reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors provided that notice of such appointment shall be given to the Master Trustee, and further provided that with respect to matters relating to the entire Obligated Group, a Consultant shall be appointed by the Obligated Group Representative. If any Consultant’s report or opinion is required to be given with respect to matters partly within and partly without the expertise of any Consultant, such Consultant may rely upon the report or opinion of another Consultant possessing the necessary expertise.

“Counsel” shall mean an independent attorney at law or law firm (which may include counsel to an Obligated Issuer) not unsatisfactory to the Master Trustee, and in the case of counsel to the Master Trustee may mean its internal legal counsel.

“Credit Facility” shall mean an irrevocable letter of credit, a line of credit which is revocable only upon the occurrence of commercially reasonable contingencies, a guaranty or an indemnity or surety insurance policy or bond (a) which is issued for the benefit of the holder of any Indebtedness in order to provide a source of funds for the payment of all or any portion of an Obligated Issuer’s payment obligations under such Indebtedness, including Tax-Exempt Obligations, and (b) the issuer of which is not unsatisfactory to the Master Trustee.

“Credit Facility Issuer” shall mean the issuer of any Credit Facility which secures an Obligation issued hereunder.

“Current Assets” means cash and cash equivalent deposits, marketable securities, funds permitted to be designated by the Board of an Obligated Issuer for any specific purpose and any other intangible assets of an Obligated Issuer ordinarily considered current assets under generally accepted accounting principles.

“Debt Service Coverage Ratio” means the ratio for the applicable period of Funds Available for Debt Service to the Maximum Annual Debt Service Requirements on the Obligations and all other Long Term Indebtedness Outstanding during the applicable period.

“Debt Service Requirements” shall mean, for any specified period, (a) the amounts payable as lease rentals in respect of any or all Long Term Indebtedness in the form of capitalized leases, (b) the amounts payable to the Holders of Obligations (or to the trustee for such Holders) in respect of the principal of any or all Obligations issued as Long Term

Indebtedness hereunder (including scheduled mandatory redemptions or prepayments of principal or redemptions required pursuant to any agreement relating to a Credit Facility or other similar agreement) and the interest on such Obligations, (c) the amount payable in respect of any guaranty of Long Term Indebtedness, to the extent provided in Section 4.3(d) hereof, and (d) the amounts payable to any or all holders of Long Term Indebtedness other than capitalized leases and Obligations hereunder (or to any trustee or paying agent for such holders) in respect of the principal of such Long Term Indebtedness (including scheduled mandatory redemptions or prepayments of principal or redemptions required pursuant to any agreement relating to a Credit Facility or other similar agreement) and the interest on such Long Term Indebtedness. Notwithstanding the foregoing, the amounts deemed payable in respect of any Long Term Indebtedness shall not include interest or principal for the full payment of which sufficient funds are available (without reliance on any reinvestment) in a Qualified Escrow. In addition, calculations of Debt Service Requirements shall be subject to adjustment as and to the extent permitted or required by Section 4.3 hereof.

“Event of Default” shall mean any event of default under this Indenture, as defined in Article Eight hereof.

“Facility” or “Facilities” means any or all of the facilities of an Obligated Issuer, wherever located.

“Feasibility Report” means a report prepared and signed by a Consultant setting forth for the Forecast Period: (a) forecasted financial statements prepared on the same basis as the Obligated Group’s audited financial statements and (b) a full explanation of the assumptions and rationale used in preparing such forecasts, including that such forecasts have taken into account the projected utilization of the Facilities, the rates and charges to patients and such other data and information as may be necessary to support the forecasted financial statements.

“Financial Advisor” shall mean any independent investment banking or financial advisory firm which is appointed by an Obligated Issuer for the purpose of passing on questions relating to the availability and terms of Long Term Indebtedness for an Obligated Issuer, and is actively engaged in and has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of Long Term Indebtedness incurred by entities engaged in reasonably comparable endeavors; provided that notice of such appointment shall be given to the Master Trustee; and further provided that with respect to matters relating to the entire Obligated Group as a whole, a Financial Advisor shall be appointed by the Obligated Group Representative.

“Fiscal Year” shall mean a period of twelve consecutive months (which shall be the same period for each Obligated Issuer) ending on December 31 or on such other date as may be specified in an Officer’s Certificate delivered to the Master Trustee; provided, that if any Obligated Issuer is required to adopt a different Fiscal Year by any Regulatory Body, for the purposes of this Indenture, including the preparation of any financial reports or Feasibility Reports required hereunder, such Obligated Issuer shall be deemed to continue to have a Fiscal Year ending December 31.

“Forecast Period” means: (a) in the case of any Long Term Indebtedness incurred or an Obligation issued to finance a Capital Addition, a minimum of two full Fiscal Years following the date such Capital Addition or repair is estimated to be completed; and (b) in the case of Indebtedness incurred or an Obligation issued for any other purpose, or in the case of a Feasibility Report prepared for any other purpose hereunder, a minimum of two full Fiscal Years following the date such Indebtedness is proposed to be incurred or such other event for which the Feasibility Report is prepared is proposed to occur, as the case may be.

“Funds Available for Debt Service” means for any period the sum of: (a) the Net Income for such period; (b) all interest expense of the Obligated Group for such period with respect to the interest requirements on all Long Term Indebtedness then outstanding, except interest payable from the proceeds of Obligations or other Long Term Indebtedness; (c) all depreciation expense (including depreciation of subsidiaries accounted for on the equity method), amortization of financing charges and other intangible assets; (d) any entrance fees received during such period, net of refunds of entrance fees, minus (e) amortization of entrance fees.

“Government Obligations” shall mean obligations of, or obligations the timely payment of the principal of and interest on which are backed by the full faith and credit of the United States of America.

“Gross Revenues” shall mean all operating and nonoperating revenue, receipts and income of each Obligated Issuer and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments, general intangibles or other rights and all proceeds thereof, including insurance proceeds and condemnation awards, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, however that there shall be excluded from Gross Revenues any restricted gifts, grants, bequests, donations or contributions and any income from the foregoing, but only to the extent that such sums may not be pledged or applied to the payment of Debt Service Requirements or operating expenses generally as a result of restrictions or designations imposed by the donor or maker of the gift, grant, bequest, donation or contribution in question at the time of the making thereof.

“Guaranty” shall mean any Obligation issued hereunder by an Obligated Issuer, under the terms of which the Obligated Issuer guarantees in any manner, whether directly or indirectly, any Indebtedness of any Person other than a member of the Obligated Group.

“Holder” shall mean, as the context requires, any Noteholder or any Person in whose name a Guaranty is issued, and shall include successors or assigns. In the case of an Obligation issued to a trustee or other fiduciary acting on behalf of the holders of any bonds, notes or other similar obligations which are secured by such Obligation, the term Holder shall mean the trustee or other fiduciary or, if so provided in the Related Financing Documents, the holders of the bonds, notes or other obligations in proportion to their respective interests therein.

“Indebtedness” shall mean and include: (a) all Obligations; and (b) any additional obligation for the payment of money to a Person other than an Obligated Issuer, which obligation is incurred, assumed or guaranteed by an Obligated Issuer and is in the form of (i) a loan, (ii) a capitalized lease, installment sale agreement or other comparable arrangement to provide for the

acquisition, renovation or construction of capital assets, or (iii) any other extension of credit by a third party which is properly treated as indebtedness under generally accepted accounting principles; provided that Indebtedness shall not include any indemnity obligation incurred pursuant to an agreement between an Obligated Issuer and an insurer. For the purposes of Section 4.2 hereof Indebtedness shall be deemed incurred when an Obligated Issuer has obtained the right to receive an advance of funds, and the amount of such Indebtedness shall be treated as the full amount authorized to be advanced, notwithstanding that not all authorized advances are expected to be made upon the execution of the documents evidencing such Indebtedness, provided that the foregoing shall not apply to Indebtedness available under a Credit Facility. For the purposes of calculating the Debt Service Coverage Ratio under any provision of this Indenture, only the principal amount which has been, or is forecasted to be, advanced as of the date of calculation shall be counted as outstanding Indebtedness. Nothing in this definition or otherwise shall be construed to count Indebtedness more than once, and Indebtedness incurred pursuant to a Credit Facility shall be counted only to the extent the reimbursement obligation on amounts drawn or, in the reasonable judgment of the Obligated Group, likely to be drawn, on the Credit Facility exceeds the obligation on the Indebtedness for which such Credit Facility is provided.

"Indenture" shall mean this Master Trust Indenture, as it may be supplemented or amended from time to time.

"Insurance Consultant" shall mean an independent firm of insurance agents, brokers or consultants which is appointed by an Obligated Issuer for the purpose of reviewing and recommending insurance coverages for the facilities and operations of one or more Obligated Issuers or of the entire Obligated Group, and has a favorable reputation for skill and experience in performing such services in respect of facilities and operations of a comparable size and nature; provided that notice of such appointment shall be given to the Master Trustee.

"Interested Bondholder" means the holder of \$1,000,000 or more in aggregate principal amount of any issue of bonds secured by an Obligation and any other holder of such bonds who shall have filed a written request with the Master Trustee to receive copies of reports under Section 7.14, the status of such holder to be established pursuant to a certificate of such holder and such written evidence of such holder's status as the Master Trustee.

"Investment Securities" shall mean and include the following:

(a) Government Obligations;

(b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations;

(c) debt obligations issued by any of the following agencies or instrumentalities or such other like governmental or government-sponsored agencies or

instrumentalities which may be hereafter created: Federal Home Loan Mortgage Corporation; Federal Land Banks; Federal Intermediate Credit Banks; Banks for Cooperatives; Federal Home Loan Banks; Federal National Mortgage Association; Student Loan Marketing Association; or Resolution Funding Corporation;

(d) debt obligations of any state of the United States or political subdivision thereof or any agency or instrumentality of such a state or political subdivision, provided that (i) the principal or redemption price of and interest on such obligations are secured by and payable from amounts received (without reinvestment) in respect of the principal of and interest on non-callable Government Obligations, and (ii) such debt obligations are rated in the highest rating category by a nationally recognized rating service;

(e) long term debt obligations of any state of the United States or any political subdivision thereof, provided that such obligations are rated in either of the two highest rating categories assigned by a nationally recognized rating service;

(f) shares in an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, at least 95% of whose assets consist of Government Obligations or obligations described in paragraphs (b), (d), (e) or (h) of this definition and which (i) seeks to maintain a constant net asset value per share, (ii) has assets with a value of at least \$50,000,000 and (iii) is rated in the highest short-term credit rating category by a nationally recognized rating service, including money market funds for which the Master Trustee or an affiliate of the Master Trustee performs services for a fee;

(g) negotiable and non-negotiable certificates of deposit, time deposits or other similar banking arrangements having a term of not more than five years which are issued by banks, trust companies or savings and loan associations, provided that, unless issued by a Qualified Financial Institution, the Master Trustee or an affiliate or the Master Trustee, any such certificate, deposit or other arrangement shall be continuously secured as to principal in the manner and to the extent provided in Section 6.3 hereof;

(h) repurchase agreements for Investment Securities described in subparagraph (a), (b) or (c) above with Qualified Financial Institutions or with dealers in government securities which report to, trade with and are recognized as primary dealers in U.S. Government Securities that are on the list of reporting dealers published by the Federal Reserve Bank of New York and are members of the Securities Investors Protection Corporation, provided that the repurchase price payable under any such agreement shall be continuously secured in the manner and to the extent provided in Section 6.3 hereof; or

(i) investment agreements with Qualified Financial Institutions providing for payment of interest at a guaranteed rate of return and allowing for withdrawal of invested funds at any time without penalty upon not more than seven days prior notice and which withdrawal the Obligation Group covenants to make if the issuer of such investment agreement ceases to be a Qualified Financial Institution.

“Lien” means any mortgage, pledge, security interest, lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property, Current Assets or Gross Revenues of an Obligated Issuer which secures any Indebtedness or any other obligation of an Obligated Issuer, or which secures any obligation of any person other than an obligation to an Obligated Issuer, excluding liens applicable to Property in which the Obligated Issuer has only a leasehold interest unless the lien secures Indebtedness of the Obligated Issuer or an obligation of any Person.

“Long Term Indebtedness” shall mean all Indebtedness other than Short Term Indebtedness.

“Maximum Annual Debt Service Requirements” shall mean, as of the date of calculation, the highest of (i) the annual Debt Service Requirements payable during the then current Fiscal Year, or (ii) in the case of a calculation with respect to any prior Fiscal Year, the annual Debt Service Requirements payable in such prior Fiscal Year, or (iii) the annual Debt Service Requirements payable during any succeeding Fiscal Year over the remaining term of all Obligations issued hereunder; provided that during any period when all or a portion of the Debt Service Requirements on an Obligation are paid from the proceeds thereof or from a Qualified Escrow, the Maximum Annual Debt Service Requirements on such Obligation shall be disregarded. If any calculation of Funds Available for Debt Service as a percentage of Maximum Annual Debt Service Requirements is required to be made for any period ending between the date of incurrence of any Long Term Indebtedness to finance a Capital Addition and the completion date of such Capital Addition, the Maximum Annual Debt Service Requirements to be used for the purpose of such calculation shall be deemed equal to the sum of (a) the Maximum Annual Debt Service Requirements on all Long Term Indebtedness, excluding the Long Term Indebtedness incurred to finance such Capital Addition, and (b) the Debt Service Requirements on the excluded Long Term Indebtedness for the period in question, calculated as described in the definition of “Debt Service Requirements” and in Section 4.3 hereof.

“Mortgage” means a mortgage, deed of trust or deed to secure debt granted by an Obligated Issuer to the Master Trustee, creating a mortgage lien on or security interest in facilities of such Obligated Issuer.

“Mortgaged Facilities” means facilities owned by an Obligated Issuer which are subject to the lien of a Mortgage.

“Net Income” means for any period, the Total Revenue, less all operating expenses of the Obligated Group, including depreciation, amortization and interest expenses, all as determined in accordance with generally accepted accounting principles consistently applied. In calculating Net Income, there shall be excluded extraordinary items, gains or losses on extinguishment of indebtedness, unrealized gains and losses, any revenue and expenses from the disposition of capital assets, impairment losses, other-than-temporary declines in value of investments, changes in market value of Swaps, the proceeds received from insurance policies (except to the extent of payments received under insurance policies which cover operating expenses), condemnation awards, pledges not received in cash, gifts, donations, grants, devises, legacies, bequests and contributions, as any of the same may be specifically designated or restricted as to use by their terms which does not permit their application to payment of Debt Service Requirements or other

operating expenses of any Obligated Issuer, all income on Qualified Escrows, any increase or decrease in future service obligation and any other gains or losses not involving the receipt or expenditure of cash.

“Note” shall mean any note issued hereunder by an Obligated Issuer to evidence Indebtedness incurred pursuant to the terms hereof.

“Noteholder” shall mean (a) in the case of a Note in fully registered form, the Person in whose name the Note is registered pursuant to Section 2.4 hereof and (b) in the case of a coupon Note, the bearer of the Note or the Person in whose name the Note may be registered as to principal pursuant to Section 2.4 hereof.

“Obligated Group” shall mean all Obligated Issuers.

“Obligated Group Representative” shall mean an Authorized Officer of the Corporation or of any other Obligated Issuer designated in writing (which shall be signed by all Obligated Issuers and filed with the Master Trustee) as having authority to act on behalf of the Obligated Group with respect to a matter or matters arising under this Indenture.

“Obligated Issuer” shall mean (a) the Corporation, PHPH, PHSC, Quincy and PIMS or any other Person which has become an Obligated Issuer in accordance with the provisions of Article Eleven hereof, whether or not such Person has issued any Obligations hereunder, and (b) when used in respect of any particular Obligation or other Indebtedness, shall mean the obligor thereunder.

“Obligations” shall mean Notes and Guaranties issued hereunder and any additional forms of Obligations which may be created pursuant to Section 10.1 hereof.

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer of the appropriate Obligated Issuer. When an Officer’s Certificate is required hereunder to set forth matters relating to more than one Obligated Issuer, such Officer’s Certificate shall be signed by the Obligated Group Representative.

“Outstanding” shall mean (a) in the case of Notes, all Notes issued, authenticated and delivered hereunder other than (i) Notes as to which all required payments of principal, premium and interest have been fully paid or have been duly provided for pursuant to Article Twelve hereof, (ii) Notes surrendered to and required to be cancelled by the Master Trustee or otherwise replaced, as provided in Article Two hereof and (iii) Notes issued to or held by an Obligated Issuer, and (b) in the case of Guaranties, all Guaranties issued hereunder issued to a Person other than an Obligated Issuer unless the Master Trustee has received from the Holder thereof a written release of all claims thereunder against the signer and all other Obligated Issuers or other evidence satisfactory to the Master Trustee that the guaranteed indebtedness has been discharged. Notwithstanding the foregoing, a Tax-Exempt Obligation shall be deemed Outstanding if such Tax-Exempt Obligation is considered Outstanding under the terms of the Related Financing Documents.

“Permitted Encumbrances” shall mean those encumbrances enumerated in Section 7.10 hereof.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, a governmental unit or an agency, political subdivision or instrumentality thereof or any other group or organization of individuals.

“Property” shall mean any and all land, leasehold interests, building, machinery, equipment, hardware, and inventory of any Obligated Issuer or the Obligated Group, wherever located and whether now or hereafter acquired, and any and all rights, titles and interest in and to any and all tangible property of any Obligated Issuer or the Obligated Group, whether real or personal, and wherever situated and whether now or hereafter acquired.

“Qualified Escrow” shall mean a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long Term Indebtedness previously incurred and then outstanding (“Prior Indebtedness”) or for Long Term Indebtedness, if any, then to be incurred to refund outstanding Prior Indebtedness (“Refunding Indebtedness”), (b) is held by the holder of the Prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such holder and is subject to a perfected security interest in favor of such holder, trustee or agent, (c) is held in cash or invested in obligations described in subparagraph (a), (b), (c) or (d) of the definition of Investment Securities and (d) is required by the documents establishing such fund or account to be applied toward an Obligated Issuer’s payment obligations in respect of the Prior Indebtedness; provided that a debt service reserve fund or other special fund held for the security of Indebtedness shall not constitute a Qualified Escrow except to the extent such fund is available for use as a credit toward an Obligated Issuer’s payments under such Indebtedness; and provided further, that if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the Refunding Indebtedness to be made from the fund or account prior to the date on which the Prior Indebtedness is repaid in full.

“Qualified Financial Institution” shall mean a bank, trust company, national banking association, insurance company or other financial services company whose unsecured senior long term debt obligations (in the case of a bank, trust company, national banking association or other financial services company) or whose claims paying abilities (in the case of an insurance company) are rated in either of the two highest rating categories by a nationally recognized rating service.

“Regulatory Body” shall mean any federal, state or local government, department, agency, authority or instrumentality and any other public or private organization, including accrediting bodies, having regulatory jurisdiction and authority over any Obligated Issuer or the facilities or operations of any Obligated Issuer.

“Related Financing Documents” shall mean:

(a) in the case of any Note, (i) all documents pursuant to which the proceeds of the Note (or of any debt evidenced or secured thereby) are made available to an Obligated Issuer, the payment obligations evidenced by such Note are created and any security for such Note (if permitted hereunder) is granted, and (ii) all documents creating

any additional payment or other obligations on the part of an Obligated Issuer which are executed in favor of the Noteholder in consideration of the proceeds of such Note (or of any debt evidenced or secured thereby) being loaned or otherwise made available to the Obligated Issuer or, if a Credit Facility has been issued in support of the Obligated Issuer’s obligations under such Note, executed in favor of the issuer thereof in consideration of such issuance, and any agreement entered into in connection with a Swap which is secured by a Note;

(b) in the case of any Guaranty, all documents creating the indebtedness being guaranteed pursuant to such Guaranty and providing for the loan or other disposition of the proceeds of the indebtedness and all documents pursuant to which any security for such Guaranty (if permitted hereunder) is granted; and

(c) in the case of any Indebtedness other than Notes or Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

“Reserve Ratio” means, as of any date of calculation, the ratio of (x) the Obligated Group’s (i) unrestricted and unencumbered cash and investments and (ii) cash and investments pledged to secure (A) Obligations issued under this Indenture, or (B) bonds, notes or other obligations under any indenture, loan agreement, reimbursement agreement or any other agreement that are secured by Obligations, including all moneys held in any debt service reserve fund or other funds or accounts thereunder, notwithstanding that such funds may be pledged to secure specific Obligations or other Indebtedness (excluding amounts in a debt service fund held for payment of interest) but only to the extent that the moneys in such accounts may be used for payment of operating expenses or Debt Service Requirements without third-party consent, to (y) the aggregate principal amount of Long Term Indebtedness of the Obligated Group Outstanding on such date.

“Revenue Fund” means the Revenue Fund to be established pursuant to Section 6.2(a) hereof upon the occurrence of an Event of Default.

“Short Term Indebtedness” shall mean any Indebtedness which (a) matures not later than 365 consecutive days after it is incurred or is payable upon demand within such period at the option of the holder and (b) is not subject to extension at the unilateral option of the borrower for a term extending beyond the initial 365 day period; provided that term Short Term Indebtedness shall not be deemed to include either (i) Indebtedness described in Section 4.3(b) or 4.3(c) hereof to the extent payments under such Indebtedness have been excluded from the Debt Service Requirements of the Obligated Group for the then current Fiscal Year, or (ii) the current portion of Long Term Indebtedness.

“Subordinated Indebtedness” means Indebtedness the security for and the payment of which is junior and subordinate in all respects to the security for and the payment provided with respect to Obligations issued hereunder which is incurred pursuant to Section 4.2(h) hereof.

“Supplemental Indenture” shall mean an indenture supplemental to, and authorized and executed pursuant to the terms of this Indenture.

“Swaps” shall have the meaning as defined in Section 4.3(e) hereof.

“Tax-Exempt Obligations” means any series of Obligations or any series of municipal obligations to the payment of which an Obligation is pledged, the interest on which is, in the opinion of Bond Counsel delivered on the date of original issuance of such Obligations, excludable from gross income for federal income tax purposes.

“Total Revenue” means, for any Fiscal Year, the total revenue of the Obligated Group, all as determined in accordance with generally accepted accounting principles consistently applied.

“Variable Rate Indebtedness” shall mean any Long Term Indebtedness, the rate of interest on which is subject to change on a periodic basis prior to maturity; provided, however, that Long Term Indebtedness shall not be deemed to be Variable Rate Indebtedness if the rate of interest thereon is subject to change solely by reason of the occurrence of an event of default, the loss of any applicable exemption of such interest from income taxation or any other contingency which was not reasonably expected to occur at the time of incurrence.

Section 1.2 Construction of References. References by number in this Indenture to any Article or Section shall be construed as referring to the Articles and Sections contained in this Indenture, unless otherwise stated. The words “hereby”, “herein”, “hereof”, “hereto”, and “hereunder” and any compounds thereof shall be construed as referring to this Indenture generally and not merely to the particular Article, Section or subdivision in which they occur, unless otherwise required by the context.

Section 1.3 Separability Clause. If any provision of this Indenture shall be held or be deemed to be, or shall in fact be, inoperative or unenforceable as applied to any particular case in any jurisdiction or jurisdictions, or in all jurisdictions or in all cases, because any provision conflicts with any constitution or statute or rule of public policy or for any other reason, such circumstance shall not have the effect of rendering the provision or provisions in question inoperative or unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable.

Section 1.4 Accounting Principles. 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 this Indenture or any agreement, document or certificate executed and delivered in connection with or pursuant to this Indenture, such determination or computation shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, consistently applied, provided that intercompany balances and liabilities among the Obligated Issuers shall be disregarded and that the requirements set forth herein shall prevail, if inconsistent with generally accepted accounting principles.

ARTICLE TWO

THE NOTES

Section 2.1 Issuance of Notes; Form and Terms Thereof. Subject to the further conditions specified in Article Four hereof, each Obligated Issuer shall be permitted to issue one or more series of Notes hereunder. Notes may be issued hereunder for the purposes of financing or refinancing the cost of acquiring, constructing, reconstructing, renovating, improving or equipping Facilities or Capital Additions thereto, refinancing any Notes Outstanding hereunder or any other outstanding Indebtedness, including financing interest on Notes prior, during or after such period of acquisition, construction, renovation or improvement or to provide funds, including working capital and reserve funds, useful or necessary in connection with the operation of the Facilities and any costs incurred in connection with the foregoing. The Notes of each series shall be issued in substantially such form as may be approved by the Obligated Issuer thereof and set forth in the Supplemental Indenture providing for the issuance thereof. At the option of the Obligated Issuer, the Notes of any particular series may be issued in coupon form (registerable as to principal only) or in fully registered form without coupons and, subject to the applicable provisions hereof, such Notes shall be issued upon and contain such additional terms as may be set forth in the Supplemental Indenture providing for the issuance of the Notes in question.

Section 2.2 Execution. Each Note shall be executed by an Authorized Officer of the Obligated Issuer thereof. The validity of any Note so executed shall not be affected by the fact that one or more of the officers whose signatures appear on such Note have ceased to hold office at the time of authentication or delivery to the Holder or at any time thereafter.

Section 2.3 Authentication. No Note shall be valid for any purpose hereunder until the certificate of authentication printed thereon is duly executed by the manual signature of an authorized signatory of the Master Trustee. Such authentication shall be proof that the Holder is entitled to the benefit of the trust hereby created.

Section 2.4 Registration, Transfer and Exchange.

(a) The Note registration books of the Obligated Group shall be maintained at the principal corporate trust office of the Master Trustee. Such books shall contain (i) the names and addresses of all Holders of Notes in fully registered form, all Holders of Notes in coupon form which are registered as to principal (other than to bearer) and, with the consent of the Master Trustee, all other Holders of Notes who have filed their names and addresses with the Master Trustee for the purpose of receiving notices, and (ii) any other information which may be necessary for the proper discharge of the Master Trustee's duties hereunder as trustee, registrar, paying agent and transfer agent in respect of such Notes.

(b) The Notes of any series may be transferred or exchanged in the manner specified in the Supplemental Indenture providing for the issuance thereof. No transfer or exchange made in any other manner shall be valid for any purpose hereunder. Unless otherwise specified in the Supplemental Indenture providing for the issuance of the Notes to be transferred or exchanged, the Obligated Issuer of such Notes shall pay all costs relating to such transfer or exchange, except for taxes or governmental charges related thereto, which shall be paid by the Holder requesting the transfer or exchange.

Section 2.5 Mutilated, Destroyed, Lost or Stolen Notes.

(a) If any Note or coupon is mutilated, lost, stolen or destroyed, the Holder thereof shall be entitled to the issuance of a substitute Note, with unmatured interest coupons attached, if appropriate, only as follows:

(1) in all cases, the Noteholder shall provide indemnity against any and all claims arising out of or otherwise related to the issuance of substitute Notes pursuant to this Section;

(2) in the case of a mutilated Note or coupon, the Noteholder shall surrender the Note, with all unmatured coupons, to the Master Trustee for cancellation; and

(3) in the case of a lost, stolen or destroyed Note or coupon, the Noteholder shall surrender the Note or coupons (whichever have not been lost, stolen or destroyed) provide evidence, satisfactory to the Master Trustee, of the ownership of the affected Note or coupon and the loss, theft or destruction thereof.

Upon compliance with the foregoing, a new Note of like tenor and denomination, with unmatured coupons attached, if appropriate, executed by the Obligated Issuer, shall be authenticated by the Master Trustee and delivered to the Noteholder, all at the expense of the Noteholder to whom the substitute Note and, if applicable, unmatured interest coupons, is delivered. Notwithstanding the foregoing, the Master Trustee shall not be required to authenticate and deliver any substitute for a Note which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or redemption price then due or becoming due shall be paid by the Master Trustee in accordance with the terms of the mutilated, lost, stolen or destroyed Note without substitution therefor.

(b) Every substituted Note and coupon issued pursuant to this Section 2.5 shall constitute an additional contractual obligation of the Obligated Group, whether or not the Note or coupon alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes and coupons duly issued hereunder.

(c) All Notes and coupons shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes and coupons, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments, investments or other securities without their surrender.

Section 2.6 Payments of Principal, Redemption Price and Interest; Persons Entitled Thereto. All payments under each Note shall be made in the manner set forth therein and in the Supplemental Indenture applicable thereto.

Section 2.7 Temporary Notes. Pending preparation of definitive Notes of any series, or by agreement with the purchasers of all Notes of any series, temporary printed or typewritten Notes may be issued, authenticated and delivered in lieu of definitive Notes. At the request of the Obligated Issuer of such Notes, the Master Trustee shall authenticate definitive Notes in exchange for and upon surrender of an equal principal amount of temporary Notes. Until so exchanged, temporary Notes shall have the same rights, remedies and security hereunder as definitive Notes.

Section 2.8 Cancellation and Destruction of Surrendered Notes. The Master Trustee shall cancel and destroy (a) all Notes surrendered for transfer or exchange and all Notes surrendered for payment at maturity or for redemption (if surrender for such payment is required under the terms of such Notes) and (b) all Notes purchased by an Obligated Issuer and surrendered to the Master Trustee for cancellation. The Master Trustee shall deliver to the Obligated Issuer of any series of Notes a certificate of destruction in respect of all Notes of such series destroyed in accordance with this Section.

Section 2.9 Acts of Noteholders; Evidence of Ownership. Any action to be taken by Noteholders may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Noteholders in person or by agent appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Holder of any Note shall bind all future Holders of the same Note in respect of any thing done or suffered by any Obligated Issuer or the Master Trustee in pursuance thereof.

ARTICLE THREE

GUARANTIES

Section 3.1 Issuance of Guaranties. Subject to the further conditions specified in Article Four hereof, each Obligated Issuer shall be permitted to issue one or more Guaranties hereunder. Any such Guaranty shall be issued in such form and shall be issued upon and contain such terms as the Obligated Issuer thereof shall determine and as shall be permitted or required by the applicable provisions hereof.

Section 3.2 Execution and Authentication. Each Guaranty shall be executed by an Authorized Officer of the Board of the Obligated Issuer thereof. No Guaranty shall be valid for any purpose hereunder until authenticated by an authorized signatory of the Master Trustee as having been issued in accordance with the terms and conditions specified herein.

Section 3.3 Registration, Transfers and Exchanges.

(a) The Guaranty registration books of the Obligated Group shall be kept at the principal corporate trust office of the Master Trustee and shall contain the names and addresses of all Holders of Guaranties issued hereunder and any other information which may be necessary for the proper discharge of the Master Trustee's duties hereunder as trustee, registrar, paying agent and transfer agent in respect of such Guaranties.

(b) Guaranties may be transferred or exchanged as follows:

(1) Each Guaranty shall be issued in the name of the Holders, who shall be the Person or Persons to whom the indebtedness being guaranteed is payable or the trustee or other agent acting on behalf of such Person or Persons and shall be transferable for the purpose of reflecting a change in the identity of the Holder.

(2) Guaranties may be issued as either (A) a single instrument in favor of a single Holder in a principal amount equal to the entire indebtedness (or portion thereof) being guaranteed or (B) two or more instruments in favor of an equivalent number of Holders, each in a principal amount equal to the participation of the Holder in the indebtedness (or portion thereof) being guaranteed. If portions of the indebtedness being guaranteed are transferred, any one or more Guaranties covering the affected portions of the indebtedness may be exchanged for one or more replacement Guaranties in an equal aggregate principal amount, if necessary to appropriately reflect the participations of the Holders in the indebtedness (or portion thereof being guaranteed).

Each such transfer or exchange of a Guaranty shall be made in the manner set forth in the Supplemental Indenture relating thereto and no transfer or exchange made in any other manner shall be valid for any purpose hereunder. Unless otherwise specified in the Supplemental Indenture providing for the issuance of the Guaranty being transferred or exchanged, the Obligated Issuer of the Guaranty shall pay all costs relating to such transfer or exchange, except for taxes or governmental charges related thereto, which shall be paid by the Holder requesting the transfer or exchange.

Section 3.4 Payments Under Guaranties. All payments under each Guaranty shall be made in the manner set forth therein and in the Supplemental Indenture applicable thereto. Each Guaranty shall provide that, in the event that the Obligated Issuer of such Guaranty is required to make payments thereunder, the Master Trustee shall be notified of the amounts and due dates of such payments.

Section 3.5 Acts of Holders of Guaranties. Any action to be taken by the Holders of any Guaranties may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Holders in person or by agent appointed in writing. The fact and date of the execution by any Person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Holder of any Guaranty shall bind the future Holders of the same Guaranty in respect of anything done or suffered by any Obligated Issuer or the Master Trustee in pursuance thereof.

ARTICLE FOUR

OBLIGATIONS AND ADDITIONAL INDEBTEDNESS

Section 4.1 Initial Notes. The initial Notes or series of Notes hereunder may be issued upon execution of this Indenture and of the Supplemental Indenture relating to such Notes. The Master Trustee shall authenticate and deliver such Notes at the written direction of the Corporation.

Section 4.2 Additional Indebtedness. Except for the initial Notes issued pursuant to Section 4.1 hereof, no Obligated Issuer shall be permitted to incur additional Indebtedness (whether through the creation of new Indebtedness, the assumption of existing Indebtedness or the guaranteeing of any new or existing Indebtedness) unless, as of the date of such incurrence, the requirements of this Section 4.2 have been met; provided that this limitation shall not apply to Indebtedness incurred to another Obligated Issuer. Any proposed Indebtedness may be incurred under subsections (b), (c), (d), (e), (f), (g) or (h) of this Section 4.2 and the failure of such Indebtedness to qualify under any such subsection of this Section 4.2 shall not be construed as preventing such Indebtedness as qualifying under another subsection.

(a) General Provisions. In the case of Long Term Indebtedness, other than Indebtedness described in subsections (c), (g) and (h) below, the Master Trustee shall have received the following:

(1) From each Obligated Issuer whose approval is required under the articles of incorporation and by-laws of the Obligated Issuers and under any contractual arrangements among the Obligated Group, a certified resolution of the Board of such Obligated Issuer approving the incurrence of the Long Term Indebtedness and the purpose thereof;

(2) An Officer's Certificate (i) setting forth in reasonable detail the estimated uses of the proceeds of the Long Term Indebtedness and (ii) stating that no Event of Default has occurred and is continuing, and the applicable requirements for the

incurrence of the Long Term Indebtedness hereunder and under all Related Financing Documents then in effect have been satisfied;

(3) An executed counterpart or certified copy of all Related Financing Documents delivered in connection with the incurrence of the Long Term Indebtedness; and

(4) An opinion of Counsel to the effect that (i) the incurrence of the Long Term Indebtedness has been duly authorized by each Obligated Issuer whose approval is required, (ii) all applicable requirements for the incurrence of the Long Term Indebtedness hereunder and under the terms of any Related Financing Documents then in effect have been satisfied, and (iii) all necessary approvals of all Regulatory Bodies having jurisdiction have been obtained with respect to the incurrence of the Long Term Indebtedness.

(b) Short Term Indebtedness. The Obligated Group may incur Short Term Indebtedness in an aggregate amount outstanding at any time not exceeding twenty percent (20%) of Total Revenue for the prior Fiscal Year. Any such Indebtedness must be either: (A) reduced to an amount not exceeding five percent (5%) of Total Revenue for the last Fiscal Year for a period of at least 30 consecutive days during each Fiscal Year, (B) reduced to a zero balance for a period of at least 15 consecutive days during each Fiscal Year, (C) qualified as permitted Long-Term Indebtedness under Section 4.2 (d) or (e) hereof, or (D) any combination of the foregoing.

(c) Limit Based on Total Revenue. The Obligated Group may incur Long Term Indebtedness (other than an Obligation issued under this Indenture) if there is delivered to the Master Trustee an Officer's Certificate showing that the principal amount of the proposed Long-Term Indebtedness, together with all Long-Term Indebtedness incurred pursuant to this subsection (c) which is then Outstanding and which is not covered by a Feasibility Report or Officer's Certificate delivered pursuant to subsections (d) or (e) below, does not exceed ten percent (10%) of Total Revenue for the preceding Fiscal Year (or, at the option of the Obligated Group, for the four most recent fiscal quarters shown on unaudited financial statements); provided that if the principal amount of the Long-Term Indebtedness proposed to be incurred, together with all other Long-Term Indebtedness incurred pursuant to this subsection (c) during the then-current Fiscal Year is less than \$250,000, then the Obligated Group shall not be required to deliver an Officer's Certificate with respect to such incurrence.

(d) Limit Based on Pro-Forma Debt Service Coverage Ratio. The Obligated Group may incur Long Term Indebtedness in any amount and for any lawful purpose if there is delivered to the Master Trustee an Officer's Certificate showing that (i) the Debt Service Coverage Ratio for the preceding Fiscal Year (or, at the option of the Obligated Group, for the four most recent fiscal quarters shown on unaudited financial statements) was at least 1.30 (assuming for the purpose of such ratio that the proposed Long Term Indebtedness was already outstanding but that the Funds Available for Debt Service include no revenue in respect of such Long Term Indebtedness or any new Facilities financed by such Long Term Indebtedness); and (ii) the Reserve Ratio, after

giving effect to the issuance of the proposed Long Term Indebtedness, would be at least 0.25.

(e) Limit Based on Feasibility Report. The Obligated Group may incur Long Term Indebtedness in any amount and for any lawful purpose if there is delivered to the Master Trustee: (i) an Officer's Certificate demonstrating that (A) the Debt Service Coverage Ratio was at least 1.25 for the last Fiscal Year, based on the audited financial statements for the Obligated Group (or, at the option of the Obligated Group, for the four most recent fiscal quarters shown on unaudited financial statements) and (B) the Reserve Ratio was at least 0.25 on the last semiannual calculation date, and (ii) either (A) a Feasibility Report showing that (1) for each year in the Forecast Period, the Debt Service Coverage Ratio is forecasted to be at least 1.30 and (2) the Reserve Ratio is forecasted to be at least 0.25 on each semi-annual testing date during the Forecast Period, or (B) an Officer's Certificate showing that (1) for each year in the Forecast Period, the Debt Service Coverage Ratio is forecasted to be at least 1.40 and (2) the Reserve Ratio is forecasted to be at least 0.40 on each semi-annual testing date during the Forecast Period.

(f) Refunding Indebtedness. The Obligated Group may incur Long Term Indebtedness in any amount, but only for the purpose of refunding outstanding Long Term Indebtedness, if there is delivered to the Master Trustee an Officer's Certificate showing that (i) the Maximum Annual Debt Service Requirements on the refunding Indebtedness does not exceed 110% of the Maximum Annual Debt Service Requirements on the Indebtedness to be refunded.

(g) Completion Indebtedness. The Obligated Group may incur Long Term Indebtedness to complete construction of a Facility or a Capital Addition, but without increasing the scope of such Facility or such Capital Addition, if there is delivered to the Master Trustee an Architect's Certificate stating that the proceeds of such Long Term Indebtedness, together with other available funds of the Obligated Group, would be sufficient to pay the cost of completing such Facility or Capital Addition, and either (A) the amount of the proposed Long Term Indebtedness does not exceed ten percent (10%) of the principal amount of Indebtedness originally incurred to finance such Facility or Capital Addition, or (B) there is delivered to the Master Trustee a Feasibility Report showing that for each year in the Forecast Period, the Debt Service Coverage Ratio is forecasted to be (1) at least 1.25 or (2) at least 90% of the Debt Service Coverage Ratio forecasted in the Feasibility Report delivered pursuant to Section 4.2(e) above in connection with the issuance of Indebtedness originally incurred to finance such Facility or Capital Addition, if applicable.

(h) Subordinated Indebtedness. The Obligated Group may incur Subordinated Indebtedness in any amount and for any purpose; provided that (A) such Subordinated Indebtedness is unsecured and (B) the Related Financing Documents entered into in connection with such Subordinated Indebtedness provide (1) that payment of interest or principal on such Indebtedness shall be deferred unless the Debt Service Coverage Ratio for the preceding Fiscal Quarter was at least 1.30, there is no deficiency in any debt service fund or debt service reserve fund established under any Related Financing Document with respect to any Outstanding Obligation at the time of such payment and the

Reserve Ratio would be at least 0.30 after giving effect to such payment, and (2) that any payment of principal and interest thereon which is not permitted to be paid pursuant to the foregoing requirements shall be deferred without additional interest.

(i) Credit Facility Debt. The Obligated Group may incur or assume Indebtedness in connection with a Credit Facility issued with respect to Indebtedness incurred in accordance with any other provision of this Section 4.2, provided that the Indebtedness in favor of the Credit Facility provider shall not exceed 110% of the related Indebtedness.

Section 4.3 Calculating Debt Service Requirements for Certain Indebtedness. The amount of Indebtedness which may be incurred by the Obligated Group is governed by Section 4.2 hereof. The method of determining the Debt Service Requirements on certain types of Indebtedness is described in this Section.

(a) Variable Rate Indebtedness. For purposes of the computation of the interest component of any forecasted (but not historical) Debt Service Requirements, the interest rate on any Variable Rate Indebtedness shall be assumed to be the higher of: (i) 100% of the average interest rate on such Variable Rate Indebtedness for the preceding two year period (or such shorter period for which such Indebtedness has been outstanding); and (ii) the current interest rate on such Variable Rate Indebtedness; provided, however, that in determining the assumed interest rate on Variable Rate Indebtedness which has not been incurred, the Obligated Group may substitute the interest rate on any other variable rate debt for any other borrower which, in the judgment of a Financial Advisor, has the same creditworthiness as the Obligated Group and the same frequency of interest rate adjustment as the proposed Variable Rate Indebtedness.

(b) Demand Indebtedness. For the purposes of determining the Debt Service Requirements on Indebtedness which is subject to a tender for payment at the demand of the holder, the Debt Service Requirements on such Indebtedness shall be deemed to be the greater of:

(1) the Debt Service Requirements payable under the terms of such Indebtedness, assuming none of such Indebtedness is tendered, including (where such Indebtedness bears interest at a variable rate) the interest determined pursuant to subsection (a) above; or

(2) the amount payable by any Obligated Issuer to reimburse any third party which has paid or purchased any such Indebtedness which has been tendered (including interest at the rate specified in the Obligated Issuer's agreement with such third party) plus the Debt Service Requirements on any such Indebtedness which have not been tendered, determined pursuant to paragraph (1) above.

(c) Interim and Balloon Indebtedness. For the purposes of determining the Debt Service Requirements on Long Term Indebtedness of an Obligated Issuer on which no principal is payable until maturity (as in the case of a construction loan or other temporary loan) or Indebtedness on which more than 25% of the original principal amount

becomes due in any year or upon demand of the holder (including demand for purchase) (a "Balloon Maturity"), after giving credit for prior sinking fund installments paid with respect to such amount, in lieu of using the actual Debt Service Requirements on such Indebtedness, the Obligated Group may at its option, make such calculation by using any one of the following methods which is applicable:

(1) If the Obligated Issuer has received an enforceable commitment, issued by a financial institution, financial services company or insurance company, whose unsecured long term obligations are rated in one of the highest three long term credit rating categories by a nationally recognized rating service, for funding a new Long Term Indebtedness to repay such prior Indebtedness, the Debt Service Requirements may be deemed to be those of the new Long Term Indebtedness;

(2) If such Indebtedness is secured by a letter of credit or other similar security issued by a financial institution, financial services company or insurance company, whose unsecured long term obligations are rated in one of the highest three long term credit rating categories by a nationally recognized rating service, in an amount at least equal to the principal amount of such Indebtedness, (A) the principal of such Indebtedness may be deemed to be due and payable in the amounts and at the times specified in the agreement pursuant to which the letter of credit or similar security is issued or (B) the Debt Service Requirements may be deemed to be those which will become due from the Obligated Issuer assuming such letter of credit or other security is drawn upon to pay such Indebtedness at any Balloon Maturity; and

(3) If such Indebtedness does not meet the requirements of paragraphs (1) or (2) above, or at the election of the Obligated Group Representative (regardless of whether the Indebtedness meets the requirements of (1) or (2) above), such Indebtedness may be deemed to be amortized on a level-debt service basis over a term equal to the lesser of twenty (20) years or the actual term of such Indebtedness.

(d) Guarantees. If any Obligated Issuer guarantees indebtedness of a Person who is not an Obligated Issuer, such guaranty will constitute Indebtedness under this Indenture. For purposes of any covenants or computations provided for herein, including determination of the ability of the Obligated Issuer to enter into or become liable under a guaranty pursuant to Section 4.2, the aggregate annual principal and interest payments on, and the principal amount of, any indebtedness (the "Guaranteed Debt") of a person which is not an Obligated Issuer which is the subject of a guaranty hereunder and which would, if such obligation were incurred by an Obligated Issuer, constitute Long Term Indebtedness, shall be deemed equivalent to twenty percent (20%) of the actual Debt Service Requirements on, and principal amount of, such Indebtedness; provided that the Debt Service Requirements on, and principal amount of, any Long-Term Indebtedness represented by a guaranty shall be deemed equivalent to 100% of the actual Debt Service Requirements on, and principal amount of, such Indebtedness, if any payment has been required to be made by an Obligated Issuer on such guaranty (or for so long as the obligor on the guaranteed debt has insufficient funds for the payment of debt service and is receiving transfers of operating funds from the Obligated Issuer) within the last twenty-four (24) months.

(e) Swaps. The Obligated Group shall not enter into any agreement providing for an interest rate swap, cap, floor, futures contract and similar financial product (collectively, a "Swap"), unless the other party to such agreement shall have, at the time the Swap is executed, long term indebtedness rated not less than "A" (without regard to gradations or modifiers of such rating) by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. In the case of a Swap which is being incurred for the purpose of limiting interest rate risk with respect to specific Indebtedness which is proposed to be incurred, or which is then outstanding, the Debt Service Requirements of the Obligated Group shall be adjusted for the related Indebtedness to give effect to the Swap (excluding termination payments or other lump-sum payments due upon the breakage of the Swap for whatever reason) in such manner, and to such extent, if any, as may be required by generally accepted accounting principles or, in the absence of any such requirements under generally accepted accounting principles, as may be stated in an Officer's Certificate (which certificate shall be delivered concurrently with any Feasibility Report or Officer's Certificate required in connection with the incurrence of the related Indebtedness) as necessary to present fairly the reasonably expected Debt Service Requirements of the Obligated Group after the incurrence of the Swap. In the case of an Obligation issued to secure a Swap: (i) for the purpose of any direction, consent, approval or other action under this Master Indenture that is permitted or required to be taken by the holders of Obligations, the outstanding amount of such Obligation at any time shall be deemed to be amount which would be due upon termination of such Swap on such date; (ii) for purposes of Article VIII hereof, the amount which is due and owing under a Swap at any time (whether regularly scheduled payments or termination payments) shall be deemed to be principal payments on such Obligation; (iii) for purposes of Article XII hereof, the amount which would be due upon termination of such Swap shall be deemed to be principal due on such Obligation; and (iv) a Swap shall not otherwise be treated as Indebtedness under any other provision of this Master Indenture.

(f) Provisions Not Mutually Exclusive. The provisions of this Section 4.3 are not and shall not be deemed to be mutually exclusive. If two or more of the foregoing provisions are applicable to any particular Long Term Indebtedness, each such provision shall be applied, as and to the extent appropriate.

Section 4.4 Issuance of Notes and Guaranties. Any Indebtedness which is properly incurred pursuant to Section 4.2 may, at the option of the Obligated Issuer thereof, be evidenced by Notes or issued in the form of Guaranties; provided that such Notes or Guaranties and the Supplemental Indentures relating thereto shall be in such forms and contain such provisions as may be permitted or required hereunder.

Section 4.5 Security for Indebtedness.

(a) Parity Indebtedness. Indebtedness permitted to be incurred under Section 4.2(b), 4.2(d), 4.2(e), 4.2(f) (but only if the Indebtedness being refunded was secured by an Obligation issued under this Indenture) or 4.2(g) (but only if the Indebtedness which originally financed the applicable Facility or Capital Addition was secured by an Obligation issued under this Indenture) or obligations of an Obligated Issuer under a Swap which is entered into as a hedge against Long Term Indebtedness which is an

Obligation or is eligible to be Parity Indebtedness under this section, may be secured by an Obligation issued hereunder or by a parity lien or security interest in the Gross Revenues and/or the Mortgaged Facilities and, in the case of a parity lien, the holder of such Indebtedness and the Master Trustee enter into an intercreditor agreement in form satisfactory to the Master Trustee providing for the coordination of the exercise of remedies by such holder and the Master Trustee, and the application of any proceeds pro rata in proportion to the respective outstanding principal amounts of such Indebtedness and the Obligations. No Obligated Issuer shall enter into a credit support annex or similar agreement with a Swap counterparty which requires such Obligated Issuer to post, deposit or pledge any cash or other collateral in favor of such Swap counterparty in an amount in excess of the amount that could be transferred by such Obligated Issuer to a third party pursuant to Section 7.11(c)(ii) hereof.

(b) Non-Parity Indebtedness. Indebtedness incurred under Section 4.2 may also be secured by (i) a lien on real property not constituting Mortgaged Facilities, provided that the Master Trustee shall also receive a parity lien on such real property, (ii) by a lien or security interest in any fixtures, machinery, equipment, furniture or furnishings becoming part of a Facility, if such Property is being financed or refinanced through the incurring of Indebtedness and the Obligated Issuer proposes to grant a security interest in the nature of a purchase money security interest in such Property to secure such Indebtedness or to refinance Indebtedness which was previously secured by a purchase money security interest in such Property, or (iii) by a Permitted Encumbrance.

(c) The Obligations. All Obligations shall be equally and ratably secured by a security interest in the Gross Revenues granted pursuant to this Indenture and a mortgage lien on and security interest in the Mortgaged Facilities granted pursuant to the Mortgages.

(d) Credit Facility. If a Credit Facility is issued in support of any Long Term Indebtedness secured as permitted by this Section 4.5, the Obligated Issuer may grant a lien in favor of the issuer of the Credit Facility which is equal in rank and priority with or subordinate to the lien granted to secure the Long Term Indebtedness; provided that any Credit Facility which is issued to secure an Obligation may be secured by another Obligation issued in favor of the issuer of such Credit Facility.

(e) Qualified Escrows and Other Funds. The foregoing shall not be deemed to prohibit the establishment of, or the exercise of any rights and remedies with respect to, Qualified Escrows or other funds to be held as security for any Indebtedness incurred by an Obligated Issuer including (A) construction funds or other similar funds established to pay the costs of projects being financed by the Indebtedness secured thereby, (B) debt service funds or other similar funds established to accumulate funds to pay the principal or redemption price of and interest on the Indebtedness secured thereby, (C) depreciation reserve funds or other similar funds established to provide a proper matching between Funds Available for Debt Service and Debt Service Requirements and (D) other reasonably required reserve funds. All such funds and the required deposits of moneys of any Obligated Issuer therein shall be consistent with prevailing market conditions at the

time such funds are established and the documents pursuant to which such funds were created.

(f) Intercreditor and Subordination Agreements. The Master Trustee shall, with the consent of the Obligated Group Representative, enter into an intercreditor agreement or subordination agreement, or such other form of agreement as may be requested by the person to whom an Obligated Issuer is permitted to grant a lien or security interest in property pursuant to subsection (a) above which is senior to the lien and security interest created by this Indenture, in order to confirm the priority of such lien or security interest in accordance with this Section 4.5 and the respective rights and remedies of the Master Trustee and such other person with respect to the collateral subject thereto.

Section 4.6 Further Assurances.

(a) Each Obligated Issuer agrees that it shall not at any time during the term of this Indenture enter into any contracts or agreements or perform any acts or request the Master Trustee to enter into any contracts or agreements or perform any acts which would materially adversely affect any of its assurances or any rights of the Master Trustee hereunder. Each Obligated Issuer shall perform or cause to be performed such other acts, and execute and cause to be executed any and all further instruments as may be required by law or as shall reasonably be requested by the Master Trustee for the protection and perfection of the interests of the Master Trustee and the Holders of the Obligations, including without limitation instruments confirming the lien of this Indenture as provided herein, and shall furnish satisfactory evidence to the Master Trustee of recording, registering, filing and refiling of such instruments and of every additional instrument in such place or places which, in the opinion of Counsel, shall be necessary to preserve such security interests until the principal of and interest on all Obligations have been paid.

(b) Concurrently with the execution and delivery hereof, the Obligated Group will file financing statements under the Pennsylvania Uniform Commercial Code relating to the security interests created under this Indenture and the Mortgages with the office of the Secretary of State of the Commonwealth of Pennsylvania and, in the case of the Mortgaged Facilities, in the offices in which the respective Mortgages are recorded. Until the principal of and interest on all Obligations shall have been paid, or provision for such payment shall have been made in accordance with this Indenture, the Obligated Group shall prepare continuation statements under the Pennsylvania Uniform Commercial Code and the Uniform Commercial Codes in effect in each state in which a Mortgage is recorded, if required under the applicable provisions of the Uniform Commercial Code, and shall file the same in the aforesaid offices within six months prior to the fifth anniversary of the original execution and delivery of financing statements required hereunder, and within six months prior to the end of each five-year period thereafter, or at such other place and time as may be required by applicable law, in order to preserve the security interests granted under this Indenture and under the Mortgages. The Obligated Group shall deliver to the Master Trustee evidence that such financing statements and continuation statements have been filed.

ARTICLE FIVE

REDEMPTION OF OBLIGATIONS

Section 5.1 Redemption of Notes. Notes of each series shall be subject to optional or mandatory redemption in whole or in part as provided in this Indenture, the Notes and the applicable Supplemental Indenture. Notice of any redemption of Notes shall be given in such manner and at such time as may be specified in the Notes to be redeemed or the Supplemental Indenture applicable thereto.

Section 5.2 Redemption of Guaranteed Indebtedness. Any Indebtedness guaranteed by an Obligated Issuer pursuant to a Guaranty issued hereunder may be subject to optional or mandatory redemption. Subject to the limitations contained herein, any such redemption by the Obligated Issuer of the Guaranty shall be made upon such terms (and upon such notice) as may be specified in the Guaranty, the Related Financing Documents therefor and the applicable Supplemental Indenture.

ARTICLE SIX

OBLIGATIONS CREATED HEREUNDER, SECURITY THEREFOR

Section 6.1 Obligations Created Hereunder. This Indenture and the obligations created hereunder are the joint and several general obligations of each Obligated Issuer. To secure the performance of such obligations, the Obligated Issuers hereby sell, assign, transfer, set over and pledge unto the Master Trustee and grant a security interest in the Revenue Fund established hereunder, including all moneys and investments therein and all income derived from the investment thereof, and the Gross Revenues, to have and to hold in trust for the benefit of the Holders from time to time of all Obligations issued and Outstanding hereunder, without preference or priority of any one Obligation over any other Obligation except as otherwise expressly provided herein, provided that the existence of the Master Trustee's security interest shall not prevent the Obligated Issuers from expending, depositing or commingling Gross Revenues of the Obligated Group so long as no Event of Default as defined in Section 8.1(a)(1) hereof has occurred and is continuing.

Section 6.2 Revenue Fund.

(a) If an Event of Default occurs as defined in Section 8.1(a)(1) hereof, the Master Trustee shall establish and maintain a Revenue Fund hereunder. Until such Event of Default has been cured, each Obligated Issuers shall transfer to the Master Trustee for deposit to the Revenue Fund all Gross Revenues received by such Obligated Issuer within two business days of receipt thereof.

(b) The Master Trustee shall apply amounts on deposit in the Revenue Fund as follows, in the order of priority indicated: first, to payment of refunds owed to residents and operating expenses, in accordance with an approved budget; second, to the payment of principal and interest due on Obligations; third, to the restoration of any debt service reserve funds established under Related Financing Documents; fourth, to the

payment of debt service on other Indebtedness of the Obligated Group, as directed by the Obligated Group Representative; and fifth, any balance remaining shall be retained in the Revenue Fund until the Event of Default has been cured. Once the Event of Default has been cured, the Obligated Issuers will no longer be required to transfer revenues to the Master Trustee pursuant to this Section 6.2 and any balance remaining in the Revenue Fund will be immediately transferred to the Obligated Group Representative.

Section 6.3 Investment of Funds.

(a) Moneys held in the Revenue Fund shall be invested and reinvested in Investment Securities which mature or are redeemable at the option of the holder not later than such times as shall be required to provide moneys needed to make payments or transfers therefrom. Subject to the foregoing, such investments shall be made in accordance with instructions (which may be telephonic, confirmed in writing) received by the Master Trustee from the Obligated Group Representative. Unless otherwise provided in this Indenture, the Master Trustee shall sell, or present for redemption, any Investment Securities so acquired whenever it shall be requested so to do in a certificate of a designated representative of the Obligated Group or whenever it shall be necessary to provide moneys to make any payment or transfer from the Revenue Fund. The Master Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment. All investment income and any gain from the sale or other disposition of any Investment Securities in the Revenue Fund shall be retained in the Revenue Fund and the amount so retained as of each January 1 and July 1 shall be allocated on a pro rata basis to the deposits to be made pursuant to Section 6.2(a)(1) hereof during the next succeeding six-month period and shall be applied as credits against such deposits. All losses realized upon the sale or other disposition of such Investment Securities shall be charged to the Revenue Fund and added, on a pro rata basis, to the deposit next becoming due in respect of each Outstanding Obligation hereunder.

(b) Any collateral required to be maintained for Investment Securities in the form of certificates of deposit, time deposits, other similar banking arrangements and repurchase agreements shall be subject to the following:

(1) The collateral shall be in the form of obligations described in subparagraph (a), (b) or (c) of the definition of Investment Securities.

(2) The collateral shall have an aggregate market value, calculated not less frequently than monthly, at least equal to the principal amount or the repurchase price secured thereby, as the case may be (less any portion insured by the Federal Deposit Insurance Corporation or any comparable insurance corporation chartered by the United States of America). The instruments governing the issuance of and security for the Investment Securities shall designate the Person responsible for making the foregoing calculations; provided that the Master Trustee shall make such calculations if they are not made by the Person so designated.

(3) The Master Trustee shall have a perfected security interest in all such collateral, free and clear of the claims of third parties. Such security interests shall be perfected in such manner as may be permitted or required by applicable law, provided that if possession of the collateral is required for such perfection, the collateral shall be deposited with the Master Trustee or with a bank or trust company (other than the obligor) which is acting solely as agent for the Master Trustee and has a combined net capital and surplus of at least \$50,000,000.

ARTICLE SEVEN

ADDITIONAL COVENANTS

Section 7.1 Payment of Principal, Premium, Interest and Other Amounts.

(a) Each Obligated Issuer will be jointly and severally liable for the payment of, and will duly and punctually pay, the principal of, premium, if any, and interest on all Obligations issued under this Indenture, and any other payments required by the terms of such Obligations, on the dates, at the times and at the place and in the manner provided in such Obligations, the applicable Supplemental Indenture and this Indenture when and as the same become payable, whether at maturity, upon call for redemption, by acceleration of maturity or otherwise, according to the true intent and meaning hereof.

(b) The covenant of the Obligated Group to make payments required under the Obligations shall be absolute and unconditional without defense or set-off by reason of any default by any Obligated Issuer, contractor or construction manager, or any third party. Except as may be expressly provided in this Indenture, such payments shall not be decreased, abated, postponed or delayed for any reason whatsoever, including without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to a Facility, the taking of any part of a Facility, commercial frustration of purpose, failure to complete any construction, or failure of any patient or occupant of the Facilities to pay the fees, rentals or other charges, and irrespective of whether or not any such patient or occupant receives either partial or total reimbursement as a credit against such payment, it being the intention of the parties that the payments required under the Obligations will be paid in full when due without any delay or diminution whatsoever. This paragraph shall not be construed as a waiver or release of any claim, debt, cause of action, defense or counter claim which any Obligated Issuer may have against any Person, all of which may be asserted and pursued in appropriate judicial or other proceedings.

Section 7.2 Representations and Warranties: Warranty of Title. Each Obligated Issuer represents and warrants that:

(a) It is a not-for-profit corporation duly formed and validly existing under the laws of the state of its incorporation and duly qualified to do business in all states in which it owns a Facility or otherwise does business, with full power and legal right to enter into this Indenture and to perform its obligations hereunder.

(b) The making and performance of this Indenture by each Obligated Issuer have been duly authorized by all necessary corporate action and will not violate or conflict with such Obligated Issuer's articles of incorporation or by-laws or with any statute, order, governmental rule or regulation, or agreement, instrument or other document by which such Obligated Issuer or its properties are bound.

(c) This Indenture constitutes a legal, valid and binding obligation of such Obligated Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency or other similar laws or equitable principles affecting generally the enforcement of creditors' rights.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would: (1) result in any material adverse change in the financial condition, properties or operations of such Obligated Issuer; (2) materially adversely affect the transactions contemplated by this Indenture; or (3) adversely affect the validity or enforceability of the Obligations or this Indenture.

(e) Neither the execution and delivery of this Indenture nor the fulfillment of or compliance with the terms and conditions contained herein is prevented, limited by, conflicts with or results in a breach of, the terms, conditions or provisions of any law, rule, regulation, order of any court or governmental agency, or any agreement, instrument or evidence of indebtedness by which such Obligated Issuer is bound, or constitutes a default under any of the foregoing or will result in the creation of a lien in favor of any third party on any of the Property pledged hereunder.

Section 7.3 Covenants as to Corporate Existence, Maintenance of Properties, Etc. Each Obligated Issuer shall:

(a) preserve its corporate existence (except as provided in Section 7.12 or 7.13 hereof) and all its rights and licenses to the extent necessary or desirable in the operation of its business affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualification; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Board, useful in the conduct of its business;

(b) at all times cause its business to be carried on and conducted in an efficient manner and its properties to be maintained, preserved and kept in good repair, working order and condition and all needful and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing herein contained shall be construed (1) to prevent it from ceasing to operate any portion of its properties, if in the judgment of its Board it is advisable not to operate the same for the time being, or if it intends to sell or otherwise dispose of the same as permitted hereunder and within a reasonable time endeavors to effect such sale or other disposition or (2) to obligate it to preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the

judgment of its Board, useful in the conduct of its business, or to retain the same if the transfer thereof is permitted under Section 7.11 hereof;

(c) conduct its affairs and carry on its business and operations in such manner as to comply, in all material respects, with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its properties; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof shall be contested in good faith, provided that if by non-compliance with the requirements of any such law, order, regulation or requirement, the pledge and security interest of this Indenture will be impaired or any Property of the Obligated Group will be subject to imminent loss or forfeiture, then the Obligated Group shall comply with such law, order, regulation or requirement;

(d) promptly pay all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or any of its properties; provided, however, that it shall have the right to contest in good faith by appropriate proceedings any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof, provided that, if by non-payment of any such sums, the lien and security interest of this Indenture will be impaired or any Property of the Obligated Issuer will be subject to imminent loss or forfeiture, then such sums shall be paid immediately; provided, further, that the Obligated Issuer may make such payment under protest and pursue a refund;

(e) 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, other than any thereof (exclusive of the Obligations issued and Outstanding hereunder) whose validity, amount or collectibility is being contested in good faith by appropriate proceedings, provided that (i) if by non-payment of any such sums, the pledge and security interest of this Indenture will be impaired or any Property of the Obligated Issuer will be subject to imminent loss or forfeiture, then such sums shall be paid immediately; (ii) the Obligated Issuer may make such payment under protest and pursue a refund; and (iii) subject to clause (i) above, the Obligated Issuer may omit to make payments of the foregoing, if the failure to do so would have no material adverse effect on the Obligated Issuer's business or financial condition, and would not constitute an Event of Default under Section 8.1(a)(3) hereof;

(f) at all times comply, in all material respects, with all terms, covenants and provisions contained in any lien or security interest at such time existing upon its properties or any part thereof or securing any of its indebtedness and pay or cause to be paid, or to be renewed, refunded or extended, or to be taken up, by it, all of its indebtedness secured by a lien or security interest, as and when the same shall become due and payable;

(g) maintain in good standing its license to operate each Facility in accordance with the laws of the state in which such Facility is located, and promptly

comply, unless the same is contested in good faith, with any and all orders and requirements, of the state department of health, or other licensing authority, with respect to the operation of such Facility, in providing health care or educational services to clients;

(h) procure and maintain all licenses, permits, approvals, certifications and accreditations issued by any Regulatory Bodies which are material to the maintenance of its properties, conduct of its operations and performance of its obligations hereunder; provided, however, that it need not comply with this Section 7.3(h) if and to the extent that its Board shall have determined in good faith, evidenced by a resolution of the Board, that such compliance is not in the best interests of such Obligated Issuer and that lack of such compliance would not materially impair the ability of such Obligated Issuer or the Obligated Group to pay its indebtedness when due; and

(i) take no action or suffer any action to be taken by others which will adversely affect any applicable exemption from federal income taxation of the interest on any Tax-Exempt Obligations issued pursuant to and secured by the Related Financing Documents for any Obligations or other indebtedness incurred or permitted to be incurred hereunder.

Section 7.4 Debt Service Coverage Ratio; Reserve Ratio.

(a) Debt Service Coverage Ratio. The Obligated Group covenants that it shall maintain a Debt Service Coverage Ratio of at least 1.25.

(1) Testing Compliance. Compliance with the Debt Service Coverage Ratio covenant shall be tested: (A) quarterly on the basis of the unaudited financial reports required by Section 7.14(a)(2) hereof for the preceding 12-month period; and (B) annually on the basis of the Obligated Group's audited financial statements required pursuant to Section 7.14(a)(1) hereof, for the preceding Fiscal Year.

(2) Failure to Maintain Debt Service Coverage Ratio. If the actual Debt Service Coverage Ratio is less than the Debt Service Coverage Ratio required above as of any calculation date, the Obligated Group shall, within 60 days of receipt of the report showing such deficiency, complete a report setting forth in detail the reasons for such deficiency and shall adopt a specific plan setting forth steps designed to achieve the required Debt Service Coverage Ratio by the end of the second fiscal quarter following the date such report and plan are delivered, provided that such report shall be completed within 30 days if such report may be prepared by management pursuant to paragraph (c) below. Such report and plan shall be prepared and implemented pursuant to Section 7.4(c) hereof, provided that no such report and plan will be required if a report and plan have been delivered pursuant to this subsection (a)(2) within the last five months.

(b) Reserve Ratio. The Obligated Group covenants that it shall maintain a Reserve Ratio of at least 0.25.

(1) Testing Compliance. Compliance with the Reserve Ratio covenant shall be tested: (A) semiannually as of each June 30 and December 31 based on the Obligated Group's unaudited financial statements required pursuant to Section 7.14(a)(2)

hereof, and (B) annually based on the Obligated Group's audited financial statements required pursuant to Section 7.14(a)(1) hereof.

(2) Failure to Maintain Reserve Ratio. If the actual Reserve Ratio is less than the Reserve Ratio required above as of any calculation date, the Obligated Group shall, within 60 days of receipt of the report showing such deficiency, complete a report setting forth in detail the reasons for such deficiency and shall adopt a specific plan setting forth steps designed to achieve the required Reserve Ratio by the end of the second fiscal quarter following the date such report and plan are delivered, provided that such report shall be completed within 30 days if such report may be prepared by management pursuant to paragraph (c) below. Such report and plan shall be prepared and implemented pursuant to Section 7.4(c) below, provided that no such report and plan will be required if a report and plan have been delivered pursuant to this subsection (b)(2) within the last five months.

(c) Management or Consultant Reports and Plans. Whenever the Obligated Group is required pursuant to Subsection 7.4(a) or 7.4(b) above to complete a report and plan for correcting a deficiency under such sections, the Obligated Group shall cause such report and plan to be prepared and shall adopt such plan within the applicable time limit prescribed by such Subsections. Each such report and plan shall be prepared by a Consultant except that (i) for the first Debt Service Coverage Ratio calculation during any 12-month period which is below 1.25 (but not less than 1.0), such report and plan may be prepared by management and (ii) for the first Reserve Ratio calculation during any 12-month period which is below 0.25 (but not less than 0.15), such report and plan may be prepared by management. Each such report and plan must be in writing and contain sufficient detail to support the conclusions made concerning the reasons for the deficiency and the steps to be taken for its correction. Each such report and plan shall be implemented immediately upon its adoption, except to the extent limited by law or existing contracts. Copies of each such report and plan shall be sent to the Master Trustee and each Credit Facility Issuer.

(d) Failure to Maintain Ratios Not a Default. Except as provided in Section 8.1(a)(6) hereof, the failure of the Obligated Group to maintain the Debt Service Coverage Ratio or Reserve Ratio required by this Section 7.4 shall not be deemed to constitute a Default or Event of Default hereunder, so long as the Obligated Group takes all action within its control to comply with the procedures set forth in Subsection 7.4(c) above for preparing and implementing a report and plan for correcting such deficiency; provided that if the Debt Service Coverage Ratio is less than 1.0, such Debt Service Coverage Ratio deficiency shall constitute an Event of Default as provided in Section 8.1(a)(6) hereof.

Section 7.5 Management. Each Obligated Issuer covenants to provide for management of the Facilities through competent and qualified persons having experience in the management of facilities similar to the Facilities. No Obligated Issuer shall enter into any management contract, contract for services or lease of space at a Facility financed or refinanced with Tax Exempt Obligations unless (i) such management or service contract or lease is with an organization described in Section 501(c)(3) of the Code which is exempt from federal income taxes under Section 501(a) of the Code, or (ii) the Obligated Issuer shall have been advised by Counsel that such management or service contract or lease will not adversely affect the exclusion from gross income of interest on any Tax Exempt Obligations.

Section 7.6 Tax Exempt Status.

(a) Each Obligated Issuer affirmatively represents and covenants that: (1) it is an organization described in Section 501(c)(3) of the Code which is exempt from federal income taxes under Section 501(a) of the Code and which is not a "private foundation," as such term is defined under Section 509(a) of the Code; (2) it has received a letter or letters from the Internal Revenue Service confirming such status; (3) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or letters; (4) such status has not been adversely modified, limited or revoked; and (5) the facts and circumstances which form the basis of such status as represented to the Internal Revenue Service continue substantially to exist.

(b) Each Obligated Issuer covenants that: (1) it shall not perform any acts nor enter into any agreements which shall cause any revocation or adverse modification of such Federal income tax status; and (2) it will not take any action or permit any action to be taken on its behalf, or cause or permit any circumstance within its control to arise or continue, if such action or circumstance, or its expectation on the date of issue of any series of Tax-Exempt Obligations, would cause the interest paid on such Tax-Exempt Obligations to be included in gross income of the owners thereof for federal income tax purposes.

Section 7.7 Insurance to be Maintained; Insurance Consultant.

(a) Subject to the further provisions of this section 7.7, the Obligated Group covenants that it shall provide or cause to be provided and to maintain continuously, or cause to be maintained continuously during the term of this Indenture, the following types and amounts of insurance, subject to the provision in subsection (b) below:

(1) Insurance against loss and/or damage to the Facilities under a policy or policies in form and amount covering such risks as are ordinarily insured against by similar facilities, including without limiting the generality of the foregoing, fire, wind, and lightning and uniform standard extended coverage endorsements, limited only as may be provided in the standard form of extended coverage endorsements at the time in use in the Commonwealth of Pennsylvania, and with a standard mortgagee endorsement in favor of the Master Trustee. Such insurance shall be for an amount at least equal to the least of (i) 90% of the replacement cost, (ii) the full insurable value of the Obligated Group's Property and (iii) the principal of the Outstanding Obligations. No

policy of insurance shall be so written that the proceeds thereof will produce less than the minimum coverage required by the preceding sentence, by reason of co-insurance provisions or otherwise, without the prior consent thereto in writing by the Master Trustee, except that each policy of insurance required hereunder may contain a loss deductible clause specifying such sum or sums as the Obligated Group may determine and as are acceptable to the Insurance Consultant as the sum or sums to be deducted from the amount of loss resulting from particular perils. The Master Trustee shall consent to such co-insurance or other like reductions upon approval thereof by the Insurance Consultant.

(2) Business interruption insurance, protecting the Obligated Group and the Master Trustee, covering the Obligated Group's payments due under this Indenture, the salaries and expenses of key personnel and other minimum operating expenses required for the operation of the Obligated Group's Property during such period or periods not less than twelve (12) months following damage or destruction of the Obligated Group's Property by one of the hazards insured against by the insurance provided for in paragraph (a)(1) above; plus additional insurance sufficient to pay the cost of providing alternative living and/or healthcare arrangements for existing residents.

(3) Public liability insurance (insuring the interests of the Obligated Group) and automobile liability insurance, in an occurrence form, in the minimum amount of \$1,000,000 bodily injury and property damage combined single limit and aggregate where applicable.

(4) Fidelity bonds or employee dishonesty coverage on all officers and employees of the Obligated Group who collect or have custody of or access to revenues, receipts or income from the Obligated Group's Property, or any funds of the Obligated Group, such bonds to be in such amounts as are customarily carried by like organizations engaged in like activities of comparable size and having comparable income and not unsatisfactory to the Insurance Consultant.

(5) Worker's compensation and employer's liability insurance meeting the Obligated Group's statutory obligations; provided, however, that if the Obligated Group, on its own or through an affiliate, becomes an approved self-insured, employer's liability coverage in the amount of at least \$100,000 shall be purchased.

(6) Boiler and machinery coverage (direct use and occupancy) on a replacement cost basis, which shall name the Master Trustee as mortgagee/loss payee.

(7) Excess liability coverage in the amount of at least either straight excess or umbrella excess, covering excess of paragraphs (3) and (8) to be maintained in force so that the total coverage available under each of the aforementioned paragraphs, including this subsection, is not less than \$5,000,000 per occurrence and in the aggregate, where applicable, as excess of employer's liability, general liability, professional liability and automobile liability coverage.

(8) Professional liability insuring the Obligated Group against liability for death, injury, loss or damage resulting from the rendering of or failure to render professional medical services, including the examination, diagnosis, treatment or care of any user of the Obligated Group's health care facilities, in the minimum amount of \$1,000,000 per occurrence and \$3,000,000 annual aggregate.

(9) In connection with any construction of Capital Additions with a cost in excess of \$5,000,000, (A) builders risk (or equivalent coverage) insurance upon any work done or materials furnished under Construction Contracts except excavations, foundations and any other structures not customarily covered by such insurance, such policies to be written in completed value form for 100% of the insurable value of the contract; and (B) surety bonds covering performance of work under construction contracts, including coverage for correction of defects developing within one year after completion and acceptance, and payment for labor and materials relating thereto, which surety bonds shall name the Master Trustee as an obligee and shall be in amounts, in the aggregate, equal to not less than 100% of the fixed contract prices of the several subcontractors relating to the construction and renovation components of such Capital Addition, including increases caused by change orders, provided that any surety bonds (or portions of bonds) covering defects may be limited to 10% of such contract prices.

(b) The Obligated Group shall retain each year during the term of this Indenture an Insurance Consultant. All policies of insurance and bonds required by this Section 7.7 shall be in such amounts and shall contain such provisions as comply with the foregoing requirements (or, if an Insurance Consultant recommends a higher amount, in such higher amount), and in every applicable case shall contain standard mortgagee clauses; provided, however, that the Obligated Group shall not be required to provide insurance coverage which, in the opinion of such Insurance Consultant, is for risks not normally covered or is in excess of standard requirements, if any, for facilities similar in size, location and nature to the Obligated Group's Property. All policies and bonds shall provide, so far as the same may be obtainable without the payment of additional premium, that coverage shall not be cancelled without thirty (30) days' prior written notice to the Master Trustee.

(c) The Obligated Group covenants to furnish to the Master Trustee at least sixty (60) days prior to the beginning of every second Fiscal year, an Insurance Consultant's certificate, setting forth amounts and types of insurance then in force with respect to the Facilities and the operation thereof, stating whether in the opinion of such Insurance Consultant, such insurance then in force is in compliance with such Insurance Consultant's recommendations made in fulfillment of the requirements of this Section 7.7. The Corporation covenants to maintain such amounts and types of insurance as recommended by the Insurance Consultant.

(d) All policies of insurance and bonds shall be issued by responsible insurance or bonding companies, acceptable to the Obligated Group and the Insurance Consultant, qualified to do business in the Commonwealth of Pennsylvania and qualified under the laws of the Commonwealth of Pennsylvania to assume risks covered by such policy or policies or bond or bonds and shall be non-assessable.

(e) All policies of insurance required under paragraphs (a)(1), (2), (6) and (9) above shall be for the benefit of the Obligated Group and the Master Trustee, as their respective interests may appear, shall name the Master Trustee as additional insured, loss payee and, as applicable, mortgagee, and shall be made payable to the Master Trustee. The Master Trustee shall have the exclusive right after obtaining the advice and consent of the Obligated Group Representative, which shall not be unreasonably withheld (and after the occurrence of an Event of Default, without notice to or consent of the Obligated Group Representative) to receive the proceeds from such insurance and settle and receipt for claims thereunder. Policies evidencing the insurance required by paragraphs (a) (3), (5), (7) and (8) above shall be for the benefit of the Obligated Group. Fidelity bonds required by paragraph (a)(4) above shall be for the benefit of the Obligated Group and the Master Trustee, as their respective interests may appear. The Obligated Group shall have the right to receive payments due and to receipt for claims under policies of insurance and fidelity bonds required by subparagraph (a) (3), (4), (5), (7) and (8) above. The original or a copy of each policy or bond or a certificate that the same has been issued and is currently in effect shall be delivered to the Master Trustee.

(f) In the event that any insurance required by this Section 7.7 is commercially unavailable at a reasonable cost or has been otherwise provided, as evidenced by a certificate of the Insurance Consultant, the Master Trustee shall accept such substitute coverage, if any, as is recommended by the Insurance Consultant.

(g) The Obligated Group may become a self-insurer or form a captive insurance company for liability insurance upon delivery of an Insurance Consultant's report showing that the reserves established by the Obligated Group, or the capitalization of the captive insurance company, are adequate in light of the risks insured against, in light of the Obligated Group's claims experience.

(h) In the event that the Obligated Group fails to maintain, or cause to be maintained, any insurance as provided in this Section 7.7, the Master Trustee may (but shall be under no obligation to), upon such notice to the Obligated Group Representative as is reasonable under the circumstances, procure and maintain such insurance, and any amounts so advanced therefor by the Master Trustee shall become an additional obligation of the Obligated Group secured by this Indenture, which amounts, together with interest thereon at two (2) percent above the prime rate of the Master Trustee from the date thereof, the Obligated Group agrees and covenants to pay, and such payments and interest shall be considered to be additional payments hereunder.

Section 7.8 Proceeds of Hazard Insurance.

(a) Immediately after occurrence of loss or damage covered by insurance required under Section 7.7 (a) (1) or (6), the Obligated Group Representative shall notify the Architect and the Master Trustee thereof. The Architect promptly shall determine and advise the Master Trustee and the Obligated Group, in writing, whether it is practicable to repair, reconstruct or replace such damaged or destroyed or condemned or lost property and, if so, the estimated time and funds required for such repair, reconstruction or replacement; provided that the advice of the Architect shall not be

required if the estimated cost of repair, reconstruction or replacement, as set forth in reasonable detail in an Officer's Certificate delivered to the Master Trustee is less than \$1,000,000. The proceeds of insurance required by Sections 7.7(a)(1) and (6) shall be applied as provided in subsections (b), (c) and (d) below.

(b) If the Architect shall advise that such reconstruction or replacement is practicable, and if, within ninety (90) days from the receipt of the Architect's report (or such later date as may be reasonably acceptable to the Master Trustee), the Obligated Group delivers to the Master Trustee:

(1) a written report of the Obligated Group Representative stating that, in the signer's opinion, based upon information provided by and following consultation with, the Insurance Consultant, or, if unavailable, based upon the Obligated Group's best judgment of the net insurance proceeds anticipated, the Obligated Group will have sufficient funds from net proceeds of insurance (including business interruption insurance and other available funds) to make the payments required of the Obligated Group under this Indenture, to pay the cost of repairing, restoring or replacing the portion of the Property affected by such loss or damage, and to pay all operating expenses until completion of the repair, reconstruction or replacement of such part of the Property which is affected by such loss or damage and for the first full Fiscal Year after such completion,

(2) an executed construction contract for such work at a guaranteed maximum price or fixed price,

(3) cash or an irrevocable letter of credit in an amount at least equal to the excess, if any, of the funds necessary for payment of the amounts due under such construction contract, over the available net insurance proceeds, and

(4) with respect to restoration or replacement in an amount of \$5,000,000 or more, the items described in Section 7.7(a)(9), then the Obligated Group shall promptly proceed to repair, reconstruct and replace such part of the Property, including all fixtures, furniture, equipment and affects, to its original condition insofar as possible.

The moneys required for such repair, reconstruction and replacement shall be paid: (x) from the net proceeds of insurance (other than proceeds of business interruption insurance which shall be applied as provided in paragraph (e) below) received by reason of such occurrence, and (y) to the extent that such Net Insurance Proceeds are not sufficient, from moneys to be provided by the Obligated Group. Notwithstanding the foregoing, if the estimated cost of such repair, reconstruction or replacement is less than \$1,000,000, the Obligated Group shall not be required to deliver the items referred to in clauses (1) through (4) above, the Net Insurance proceeds shall be paid to the Obligated Group and the Obligated Group shall promptly proceed with such repair, reconstruction or replacement. Any Net Insurance Proceeds remaining after the completion of such repair, replacement or reconstruction shall be applied either (i) to the purchase of Obligations in the open market for the purpose of cancellation at prices not exceeding the current or first applicable optional redemption price (including premium) at which Obligations may be redeemed plus accrued interest thereon to the date of payment therefor, or (ii) to the redemption of Obligations in accordance with Section 5.1 hereof, or (iii) to pay the principal of or interest on

the Obligations at maturity, or (iv) a combination of any or all of the foregoing as is provided in such direction; provided that before any funds are applied to pay interest on Tax-Exempt Obligations, the Master Trustee shall have received an Opinion of Bond Counsel or a ruling of the Internal Revenue Service that such payment will not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid on the Tax-Exempt Obligations.

(c) Notwithstanding the foregoing, if a Consultant advises that (i) the Property can continue to operate effectively with less than full repair, reconstruction and replacement thereof and (ii) the Obligated Group can continue to maintain the required Debt Service Coverage Ratio for a period of two Fiscal Years following the date of loss or damage, then any Net Insurance Proceeds remaining after the completion of partial repair, reconstruction or replacement shall promptly be applied in accordance with the last sentence of subparagraph (b) above.

(d) If the Architect advises that such repair, reconstruction or replacement is not practicable, or if the Architect's report or the Consultant's report and the other documents described in subsection (b) above are not delivered within the required time period, then the parties hereto agree that all respective Net Insurance Proceeds shall be applied to the redemption of Obligations, in proportion with the respective principal amounts of each series Outstanding, or to the redemption of a particular series of Tax-Exempt Obligations if Bond Counsel advises that such application is required to maintain the exclusion from gross income under Section 103 of the Code of interest paid on the Tax-Exempt Obligations.

(e) The proceeds of business interruption insurance required by Section 7.7(a)(2) shall be applied to the making of the payments due under Section 7.1 and to the payment of salaries of key employees; provided, however, that if the Facilities are not to be repaired, reconstructed or replaced as provided in this Section 7.8, then the proceeds of such business interruption insurance shall be applied to the payment of the principal of and interest on Obligations.

Section 7.9 Condemnation Awards

(a) Immediately after the commencement of any condemnation or similar proceedings by a third party in the exercise of a power of eminent domain, or a power in the nature of eminent domain, affecting the Property of an Obligated Issuer, such Obligated Issuer shall notify the Master Trustee, the Architect and the Obligated Group Representative in writing. The proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power (after deducting any costs or expenses incurred by the Master Trustee or the Obligated Issuer in collecting the same, the "Net Condemnation Proceeds") shall be applied as provided in subsections (b), (c), (d) and (e) below.

(b) Notwithstanding subparagraph (c) below, if the estimated cost of replacing or restoring the portion of the Property affected by such taking or conveyance is less than \$1,000,000, the Obligated Group shall not be required to deliver the items referred to in subparagraph (c) below, the Net Condemnation Proceeds shall be paid to the

Obligated Group Representative and the Obligated Group shall promptly proceed to replace or restore such portion of the Property.

(c) If, within ninety (90) days of receipt of such condemnation award (or by such later date as may be reasonably acceptable to the Master Trustee), or other compensation which is greater than \$1,000,000, the Obligated Issuer delivers to the Master Trustee (i) a written report of the Architect stating such Architect's estimate of the cost of replacing or restoring the portion of the Property affected by such taking or conveyance and (ii) a report of the Obligated Group Representative stating that, in the signer's opinion, based upon information provided by and following consultation with, the Insurance Consultant, the Obligated Group will have sufficient funds from the Net Condemnation Proceeds (and from proceeds of use and occupancy insurance and other available funds) to make the payments required of the Obligated Group under this Indenture, to pay the cost of replacing or restoring the portion of the Property affected by such taking or conveyance, and to pay all operating expenses until completion of the replacement or restoration of such portion of the Property which is affected by such taking or conveyance and for the first full Fiscal Year after such completion, then:

(1) The Obligated Issuer may elect to replace or restore the portion of the Property affected by such taking or conveyance, in which event the Obligated Issuer shall promptly proceed to replace or restore such portion of the Property, including any fixtures, furniture, equipment and effects, to its original usefulness and condition insofar as possible, provided that the Obligated Issuer has delivered to the Master Trustee (i) an executed construction contract for such work at a price not greater than the amount stated in such Architect's report and (ii) cash or an irrevocable letter of credit in an amount equal to the funds, if any, required by such Architect's report in excess of the available Net Condemnation Proceeds, and (iii) with respect to restoration or replacement in an amount of \$5,000,000 or more, the items described in Section 7.7(a)(9). The moneys required for such replacement or restoration shall be paid: (x) from the Net Condemnation Proceeds; and (y) to the extent that such proceeds are not sufficient, from moneys to be provided by the Obligated Group; or

(2) The Obligated Group may elect to apply all or part of such Net Condemnation Proceeds to the redemption of Outstanding Obligations; or

(3) If the reports of the Architect and the Obligated Group Representative required by this subparagraph (c) are not delivered within the required time period, then the Net Condemnation Proceeds shall be applied to the redemption of Obligations.

(d) Any Net Condemnation Proceeds remaining after the completion of such replacement or reconstruction shall promptly be applied either (i) to the purchase of Obligations in the open market for the purpose of cancellation at prices not exceeding the current or first applicable optional redemption price (including premium) at which Obligations may be redeemed plus accrued interest thereon to the date of payment therefor, or (ii) to the redemption of Obligations in accordance with Section 5.1 hereof, or (iii) to pay the principal of or interest on the Obligations at maturity, or (iv) a combination of any or all of the foregoing as is provided in such direction; provided that before any funds are applied to pay interest on Tax-Exempt Obligations, the Master Trustee shall have received

an Opinion of Bond Counsel or a ruling of the Internal Revenue Service that such payment will not adversely affect the exclusion from gross income under Section 103 of the Code of interest paid on the Tax-Exempt Obligations.

(e) Notwithstanding the foregoing, if the Consultant advises that (i) the Property can continue to operate effectively with less than full replacement or restoration of the portion of the Property affected by such taking or conveyance, and (ii) the Obligated Group can continue to maintain the Debt Service Coverage Ratio, required under Section 7.4(a) for a period of two Fiscal Years, then any Net Condemnation Proceeds shall be applied in accordance with subparagraph (d) above.

Section 7.10 Permitted Encumbrances. No Obligated Issuer will create or suffer to be created or exist upon any Property, Gross Revenues or Current Assets now owned or hereafter acquired by it any Lien other than Permitted Encumbrances. For the purposes hereof, Permitted Encumbrances shall include the following:

(a) Any lien or encumbrance, other than a mortgage on real property, created or incurred in the ordinary course of business which does not secure, directly or indirectly, the repayment of borrowed money or the payment of installment sales contracts or capital leases, and which does not materially impair the value or the utility of the property subject to such lien or encumbrance.

(b) Liens arising by reason of good faith deposits with an Obligated Issuer in connection with tenders, leases of real estate, bid or contracts (other than contracts for the payment of money), deposits by an Obligated Issuer to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges.

(c) Statutory rights of the United States of America to recover against an Obligated Issuer by reason of any Federal loan, grant, reimbursement, payment or subsidy made available to or on behalf of such Obligated Issuer and similar rights under state statutes.

(d) Any lien arising by reason of deposits to enable an Obligated Issuer 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, pension or profit-sharing plans, or other social security, or to share in the privileges or benefits required for companies participating in such arrangements.

(e) Any judgment lien against an Obligated Issuer so long as such judgment is being contested and execution thereon is stayed and so long as such judgment lien will not materially interfere with or impair the operations conducted on any property.

(f) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any property, (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or

materials furnished in connection with such Property, which are not due and payable or which are being contested and execution thereon is stayed or which have been due for less than ninety (90) days, and (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances and irregularities in the title of any Property that do not materially impair the use of such Property in any manner.

(g) Any lien on the property of an Obligated Issuer that is existing on the date of execution of this Indenture, provided that no lien so described may be extended, renewed or replaced by another lien, nor may it be modified to apply to any Property of an Obligated Issuer not subject to such lien on the date of execution, unless the lien otherwise qualifies as a Permitted Encumbrance; and provided further that no additional indebtedness may be incurred that is secured by such lien unless the foregoing conditions are met.

(h) Any liens on pledges or grants or gifts which secure payment of Indebtedness.

(i) Liens to which Property of an entity is subject at the time (the "Effective Date") either (a) such entity is merged into or consolidated with an Obligated Issuer or (b) all or substantially all of its assets are sold or otherwise conveyed to an Obligated Issuer, provided that: (1) no lien so described may be extended or renewed, nor may it be modified, to apply to any Property not subject to such lien on the Effective Date, unless the lien as so extended, renewed or modified, or the replacement lien, otherwise qualifies as a Permitted Encumbrance; (2) no additional indebtedness may be thereafter incurred that is secured by such lien; (3) no lien so described was created in order to avoid the limitations contained herein on the impositions of liens on the Property of an Obligated Issuer; and (4) such indebtedness does not become part of the indebtedness of an Obligated Issuer.

(j) Any lease and leaseback, lien, security interest or similar arrangements entered into by an Obligated Issuer with an authority, to the extent that such arrangement is required by law in connection with the issuance by such authority of bonded indebtedness to be secured by an Obligation under this Indenture.

(k) Any lien with respect to Property acquired after the date of execution of this Indenture, which lien either secures the purchase price of such property or is a lien to which such property is subject at the time of its acquisition, provided that the Indebtedness secured by such lien constitutes permitted Indebtedness of the Obligated Group.

(l) Any lien imposed by the grantor, expressed or implied, on Property received as a gift, grant or bequest, pursuant to the terms thereof or any lien on pledges, gifts or grants to be received in the future, including any income derived from the investment thereof, and liens on or in property given, bequeathed or devised to the owner thereof existing at the time of such gift, bequest or devise, provided that (i) such liens attach solely to the Property which is the subject of such gift, bequest or devise, and (ii) the indebtedness secured by such liens is not assumed by an Obligated Issuer.

(m) Liens on moneys deposited by residents, patients or others with an Obligated Issuer as security for, or as prepayment for, the cost of residency or patient care; or any rights of residents of life care or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

(n) Operating leases or ground leases entered into on an arms-length basis for fair market value whereunder an Obligated Issuer is the lessor; or any license or other use agreement made with respect to Property where revenues generated inure to the benefit of a member of the Obligated Group.

(o) Any lien on money (or the investment made with such money) held in any depreciation reserve, debt service reserve, construction, debt service or similar fund and granted by an Obligated Issuer to secure payment of indebtedness (including any commitment indebtedness, whether or not then drawn upon); and any lien on money (or the investment made with such money) held in any escrow or similar fund to defease indebtedness.

(p) Any lien on Property (other than real estate) in the nature of a purchase money security interest resulting from installment sale agreements or borrowings, financing leases, or similar agreements relating to the acquisition of Property; or liens of a lessor or a vendor on the Property being leased or sold under a lease, installment sale or similar agreement, provided that the Indebtedness secured by such Property meets the requirements of Section 4.2 hereof.

(q) Such minor defects and irregularities of title as normally exist with respect to Property similar in character to the Property involved, and which do not materially adversely affect the value of or materially impair the Property affected thereby.

(r) Any lien securing all Obligations on a parity basis and other liens, charges, encumbrances and security interests securing Indebtedness as permitted in Section 4.5 of this Indenture.

(s) Any Lien securing Short-Term Debt provided such Short-Term Debt is incurred in accordance with Section 4.2(b) hereof.

(t) Notice or precautionary filings by a lessor relating to property being leased by an Obligated Issuer under operating leases.

(u) Rights of residents of Facilities under residency agreements and liens arising under the Continuing Care Provider Registration and Disclosure Act of Pennsylvania or any other statute, regulation, rule, contract or binding interpretation of any Regulatory Body governing continuing care retirement community, nursing home or assisted living providers or other health care facilities operators, or otherwise relating to patient care or service reimbursement requirements, conditions, procedures or restrictions.

(v) Any Lien on Current Assets, upon delivery to the Trustee of a certificate of the Obligated Group Representative stating that, based on the most recent audited or unaudited statement of financial position of the Obligated Group, the Reserve

Ratio, calculated after subtracting from the numerator of such ratio the Current Assets which are subject to any Lien, would be not less than 0.40.

Section 7.11 Sale, Lease or Other Disposition of Assets.

(a) Each Obligated Issuer shall be permitted to sell, convey, lease or otherwise transfer assets to other Obligated Issuers without limitation hereunder, but may not transfer assets to any other Person, unless:

(1) the transfer is permitted under Section 7.12 hereof;

(2) the book value of the Property subject to such transfer, together with any other Property transferred pursuant to this paragraph (2) during the then-current Fiscal Year, does not exceed five percent (5%) of the net property, plant and equipment of the Obligated Group as shown on the audited financial statements for the preceding Fiscal Year; or

(3) if the transfer of Property, together with any transfers made pursuant to paragraph (2) above, is in excess of five percent (5%) of the net property, plant and equipment of the Obligated Group as shown on the audited financial statements for the preceding Fiscal Year, the Master Trustee receives: an Officer's Certificate (i) showing that the Obligated Group has met the requirements of the Debt Service Coverage Ratio covenant and the Reserve Ratio covenant contained in Section 7.4 hereof for the most recent Fiscal Year as shown on the audited financial statements required pursuant to Section 7.14 hereof and (ii) stating that such transfer will not impair the use, operation or value of the Property remaining after such transfer, together with either:

(A) an Officer's Certificate demonstrating and concluding that if the transfer had been made at the beginning of the last Fiscal Year for which audited financial statements are available, the Debt Service Coverage Ratio would have been at least 85% of the actual Debt Service Coverage Ratio for such Fiscal Year and not less than 1.30; or

(B) a Consultant's forecast demonstrating and concluding that the Debt Service Coverage Ratio for the two Fiscal Years immediately following such transfer is forecasted to be at least 85% of the actual Debt Service Coverage Ratio for the last Fiscal Year for which audited financial statements are available, and not less than 1.30.

(b) Notwithstanding the foregoing, an Obligated Issuer shall be permitted to transfer a Facility without delivering the documents described in paragraphs (3)(A) or (B) above, upon delivery to the Master Trustee of an Officer's Certificate demonstrating and concluding that (i) the Debt Service Coverage Ratio for such Facility for the most recent Fiscal Year was less than 1.00, and (ii) if the proposed transfer had been made on the first day of the immediately preceding Fiscal Year, and after giving effect to the prepayment of any Indebtedness to be retired in connection with the proposed transfer, (A) the Debt Service Coverage Ratio for such Fiscal Year would have been at least equal to the actual Debt Service Coverage Ratio for such Fiscal Year and (B) after giving effect to

the proposed transfer, the Reserve Ratio would be at least equal to the actual Reserve Ratio for such Fiscal Year.

(c) Cash and investments may not be transferred outside the Obligated Group, except that (i) current assets (i.e. cash and cash equivalents, investment securities, accounts receivable, accrued interest or other investment income, funds permitted to be designated by the governing bodies of the Obligated Issuers for any specific purpose and any other tangible or intangible assets of the Obligated Group ordinarily considered to be current assets under generally accepted accounting principles) may be transferred and used in payment for property or services, for capital expenditures or as an investment of funds, in each case in an arm's length transaction, and (ii) the Obligated Group may, from time to time, grant, lend, sell or otherwise dispose of current assets if the Reserve Ratio, following such disposition, will not be less than 0.30.

Section 7.12 Consolidation, Merger, Sale or Conveyance.

(a) No Obligated Issuer will merge or consolidate with or sell or convey all or substantially all of its assets to any Person not a member of the Obligated Group unless:

(1) the successor corporation (if other than the Obligated Issuer) shall be a corporation organized and existing under the laws of the United States of America or a state thereof and shall expressly assume the due and punctual payment of the principal of, premium, if any, interest on and all other amounts payable in respect of all outstanding Obligations and other indebtedness incurred or permitted to be incurred hereunder, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Indenture to be performed or observed by the Obligated Issuer;

(2) the Master Trustee shall have received (A) an opinion of Counsel stating that the merger, consolidation, sale or conveyance will not adversely affect the tax exempt status, if any, of the Obligated Issuer or successor corporation or of any other member of the Obligated Group under the income tax laws of the United States of America or any jurisdiction or jurisdictions within which it is organized or conducts business and (B) an opinion of Bond Counsel stating that the merger, consolidation, sale or conveyance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax Exempt Obligations;

(3) the Obligated Group, the Obligated Issuer or such successor corporation, as the case may be, immediately after such merger or consolidation, or such sale or conveyance, would not be in default in the performance or observance of any covenant or condition hereunder; and

(4) the Master Trustee shall have received either:

(A) an Officer's Certificate demonstrating and concluding that if such merger, consolidation, sale or conveyance had taken place on the first day of the last Fiscal Year for which audited financial statements are available, (1) the

Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the actual Debt Service Coverage Ratio for such Fiscal Year and at least 1.30 and (2) the Reserve Ratio at the end of such Fiscal Year would have been at least 80% of the actual Reserve Ratio at the end of such Fiscal Year and at least 0.25, or

(B) a Feasibility Report showing that for the first two Fiscal Years succeeding merger, consolidation, sale or conveyance (1) the Debt Service Coverage Ratio for such Fiscal Years is forecasted to be at least 80% of the actual Debt Service Coverage Ratio for the preceding Fiscal Year and at least 1.30 and (2) the Reserve Ratio at the end of each of such Fiscal Years is forecasted to be at least 80% of the actual Reserve Ratio at the end of the preceding Fiscal Year and at least 0.25;

provided however, that an Obligated Issuer may merge or consolidate with another Person without delivering the documents referred to in (A) and (B) above, if the Master Trustee shall have received an Officer's Certificate demonstrating and concluding that if such transaction had taken place at the beginning of its most recent Fiscal Year for which audited financial statements are available (i) the Debt Service Coverage Ratio for the Obligated Group (calculated by assuming that any new Indebtedness which is proposed to be incurred in connection with the proposed transaction had been incurred and any Indebtedness proposed to be retired or paid in connection with such transaction had been discharged) would have been at least equal to the actual Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year, and (ii) after giving effect to the proposed transaction, the Reserve Ratio would be at least equal to the actual Reserve Ratio at the end of such Fiscal Year.

(b) Any corporation which succeeds to and assumes the obligations of an Obligated Issuer pursuant to subsection (a) above shall be required to execute and deliver to the Master Trustee such documents and instruments as are, in the opinion of Counsel, necessary or appropriate for the purpose of effectuating such succession and assumption. Thereafter, the successor corporation shall be deemed an Obligated Issuer for all purposes hereunder.

(c) The Obligated Group covenants that it will not take any action regarding consolidation, merger, sale or conveyance of all or substantially all of its assets that would adversely affect the tax status of any Tax-Exempt Obligations.

Section 7.13 Corporate Reorganization. Any Obligated Issuer 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 this Indenture and all Obligations issued hereunder, and shall be jointly and severally liable with other members of the Obligated Group with respect thereto, and any such division which becomes separately incorporated shall execute and deliver an instrument confirming its obligations under this Indenture and meeting the requirements of Section 11.1(a) hereof; provided, however, that prior to effecting any such reorganization, such member 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 of the Obligated Group under this Indenture and all Obligations issued hereunder and (ii) an opinion of Bond Counsel to the effect that such reorganization will not affect the validity of any bonds, notes or other obligations secured by this Indenture or, with respect to any Tax-Exempt Obligations, the exclusion from gross income under Section 103 of the Code of interest paid on such Tax-Exempt Obligations. Such reorganizing Obligated Issuer shall preserve all its rights and licenses to the extent necessary or desirable in the operation of its business affairs, provided that such member shall not be obligated to retain or preserve any rights or licenses no longer used or, in the judgment of its governing body, useful in the conduct of its business.

Section 7.14 Financial Statements, Certificate of No Default, Other Information.

Each Obligated Issuer covenants to keep accurate records and books of account with respect to its financial condition and operations and to keep books and records with respect to its operation of its Facilities. Each Obligated Issuer further covenants to have its financial statements examined annually by an Accountant. The Obligated Group Representative shall provide the Master Trustee, each Credit Facility Issuer and each Interested Bondholder with copies of the following items; provided that such reports need not be physically delivered so long as they are available on the Corporation's website:

(a) Within 120 days after the end of each Fiscal Year either (i) combined or consolidated audited financial statements of PHI and its consolidated affiliates for such Fiscal Year, prepared in accordance with generally accepted accounting principles and examined and reported on by an Accountant, which shall include consolidating schedules showing the statement of financial position, statement of activities and statement of cash flows of the Obligated Group, or (ii) special purpose audited financial statements of the Obligated Group, reported on by an Accountant, but which need not be in accordance with generally accepted accounting principles by reason of omitting the financial results of entities required to be consolidated with the Obligated Group, which shall include, in either case a statement of financial position, a statement of activities and a statement of cash flows, including consolidating schedules showing the financial results for each Obligated Issuer and be accompanied by (1) a calculation by the Accountant of the Debt Service Coverage Ratio and the Reserve Ratio and (2) the statement of Obligated Group Representative that no default exists under the Indenture, or if that is not the case, specifying such default;

(b) within 45 days after the close of each fiscal quarter, quarterly consolidated statements of the Obligated Group's operations, including (1) a statement of financial position, a statement of activities and a statement of cash flows setting forth actual cash flow for the most recent quarter and year-to-date for the current fiscal year, and comparing budgeted to actual operations, including consolidating schedules showing the financial results for each Member of the Obligated Group; and (2) a calculation of the Debt Service Coverage Ratio and the Reserve Ratio;

(c) annual budgets for its operations for each fiscal year, prepared and delivered at least 30 days following the start of such Fiscal Year, and amendments thereof within 30 days after board approval;

(d) within 30 days of the end of each quarter, marketing and occupancy reports indicating the actual occupancy of the Facilities as a percentage of capacity;

(e) within 45 days of the end of each fiscal quarter, a Corporation Certificate certifying compliance with its covenants, agreements and obligations hereunder (which need not be filed with each NRMSIR); and

(f) a copy of any notice of audit from the Internal Revenue Service promptly upon receipt thereof.

Section 7.15 Construction and Renovation of Facilities. Each Obligated Issuer covenants that construction of any Facility or Capital Addition will comply, in all material respects, with all laws and other requirements of all Regulatory Bodies having jurisdiction. Each Obligated Issuer shall comply, or cause the compliance, in all material respects, with all applicable laws, acts, rules, regulations, orders and requirements lawfully made relating to such construction work and shall obtain all certificates of need, permits and licenses necessary for such construction.

Section 7.16 Compliance with Related Financing Documents. Nothing herein contained shall be construed as relieving any Obligated Issuer of any of its obligations under the terms of any Related Financing Documents. Without limiting the generality of the foregoing, the Obligated Issuers shall not take or cause or permit to be taken any action permitted pursuant to the terms hereof except upon compliance with such additional requirements as may be applicable thereto under the terms of such Related Financing Documents.

Section 7.17 Architect, Consultant, and Insurance Consultant. Each Obligated Issuer covenants and agrees that whenever the service of an Architect, a Consultant or an Insurance Consultant are required to carry out the provisions of this Indenture, it will retain or cause to be retained an Architect, a Consultant or an Insurance Consultant. If a Consultant, Architect or an Insurance Consultant has not been retained on or before any date specified herein for such appointment or, if no such date is specified herein, within thirty (30) days following receipt of a written request from the Master Trustee, the Master Trustee may (but shall be under no obligation to) make such an appointment on behalf of the Obligated Issuer. In any event, the Obligated Issuer agrees that it shall cooperate fully with the appointee of the Master Trustee and shall pay such fees and expenses of the appointee as shall have been agreed to by the Master Trustee.

ARTICLE EIGHT

REMEDIES OF THE MASTER TRUSTEE AND NOTEHOLDERS IN EVENT OF DEFAULT

Section 8.1 Events of Default.

(a) "Event of Default", as used herein, shall mean any of the following events, whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in

compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(1) if any Obligated Issuer shall fail to make any payment of principal, redemption price or interest when due under the terms of any Obligation and such failure has not been cured by such Obligated Issuer or on its behalf by any other Obligated Issuer prior to the expiration of any applicable grace period; or

(2) if any Obligated Issuer shall fail to observe or perform any covenant or agreement contained in this Indenture for a period of thirty (30) days after written notice of such failure, requiring the same to be remedied, shall have been given by the Master Trustee to the members of the Obligated Group, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by a Credit Facility Issuer or the Holders of at least 25% in aggregate principal amount of all Outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Obligated Issuer shall commence such observance or performance within such 30-day period and shall diligently and continuously prosecute the same to completion; or

(3) if any Obligated Issuer shall default in the payment of any Indebtedness in an aggregate principal amount in excess of \$1,000,000 (other than Notes or Guaranties issued and Outstanding hereunder), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any Related Financing Documents under which any Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default shall result in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; provided, however, that such default shall not constitute an Event of Default if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the indebtedness under the laws governing such proceeding (A) the members of the Obligated Group in good faith commence proceedings to contest the existence or payment of such indebtedness, and (B) sufficient moneys are escrowed with a bank or trust company for the payment of such indebtedness; or

(4) if a decree or order by a court having jurisdiction shall have been entered adjudging any Obligated Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Obligated Issuer or of its property, or for the winding-up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of ninety (90) days; or

(5) if any Obligated Issuer shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by any Obligated Issuer in furtherance of any of the aforesaid purposes; or

(6) if the Obligated Group shall fail to maintain a Debt Service Coverage Ratio of at least 1.0 for any Fiscal Year.

(b) Upon the occurrence of an Event of Default, then and in each and every such case, the Master Trustee may, by notice in writing to the members of the Obligated Group declare the principal of all (but not less than all) Outstanding Obligations to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in such Outstanding Obligations contained to the contrary notwithstanding; provided that the Master Trustee shall be required to make such a declaration if the Master Trustee is requested to make such a declaration by (i) the Holders of not less than 15% in aggregate principal amount of all Outstanding Obligations, in the case of an Event of Default under Section 8.1(a)(1), or (ii) the Holders of not less than 25% in aggregate principal amount of all Outstanding Obligations, in the case of any other Event of Default.

(c) Any declaration pursuant to subsection (b) above shall be subject to the condition that if, at any time after the principal of all Outstanding Obligations shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided: (1) the members of the Obligated Group shall deposit with the Master Trustee a sum sufficient to pay (A) all matured installments of interest upon all Notes and the principal and premium, if any, of all such Notes that shall have become due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due on any such Guaranty other than by reason of acceleration and (C) the expenses and fees of the Master Trustee; and (2) any and all Events of Default under this Indenture, other than the nonpayment of principal of and accrued interest on Outstanding Obligations that shall have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee may and, if requested by the Holders of a majority in aggregate principal amount of all Obligations then Outstanding, shall waive all Events of Default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default.

Section 8.2 Payment of Obligations on Default. Upon the occurrence of an Event of Default as described in Section 8.1 hereof and upon demand of the Master Trustee, the Obligated Group will pay to the Master Trustee, for the benefit of the Holders of all Obligations then Outstanding, (a) the whole amount that then shall have become due and payable on all such Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest upon the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as provided in the applicable Supplemental Indenture, and (b) such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

Section 8.3 Remedies. In case the Obligated Group shall fail forthwith to pay the amounts due under Section 8.2 hereof upon such demand, the Master Trustee may exercise any or all of the following remedies:

(a) The Master Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against each Obligated Issuer, and collect in the manner provided by law out of the property of the Obligated Group wherever situated the moneys adjudged or decreed to be payable;

(b) The Master Trustee shall have all rights and remedies of a secured party under the Uniform Commercial Code with respect to the Gross Revenues, including without limiting the generality of the foregoing, to the extent permitted by law and subject to any intercreditor agreement into which the Master Trustee shall have entered: (i) to enter the Facilities and take possession of the financial books and records of the Obligated Group relating to the Gross Revenues and all checks or other orders for payment of money and cash in the possession of the Obligated Group representing Gross Revenues or proceeds thereof; (ii) to notify account debtors obligated on any Gross Revenues to make payment directly to the order of the Master Trustee; (iii) to collect, compromise, settle, compound or extend Gross Revenues which are in the form of accounts receivable or contract rights from the Obligated Group's account debtors by suit or other means and give a full acquittance therefor and receipt therefor in the name of the Obligated Issuers whether or not the full amount of any such account receivable or contract right owing shall be paid to the Master Trustee; (iv) to require the Obligated Group to deposit all cash, money and checks or other orders for the payment of money which represents Gross Revenues within two (2) Business Days after receipt of written notice of such requirement, and thereafter as received, into a fund or account to be established for such purpose by the Master Trustee; (v) to forbid the Obligated Issuers to extend, compromise, compound or settle any accounts receivable or contract rights which represent Gross Revenues, or release, wholly or partly, any person liable for the payment thereof (except upon receipt of the full amount due) or allow any credit or discount thereon; and (vi) to endorse as attorney-in-fact in the name of the Obligated Issuers any checks or other orders for the payment of money representing Gross Revenues or the proceeds thereof; and for the purpose of this subsection (b) and subsection

(a) above, notice in accordance with Section 14.4 hereof, mailed to an Obligated Issuer at least ten (10) days before an event shall constitute reasonable notification of such Obligated Issuer of such event under the Uniform Commercial Code;

(c) If an Obligated Issuer commits a breach or threatens to commit a breach of any of the provisions of this Indenture, the Master Trustee shall have the right, without posting bond or other security to seek injunctive relief or specific performance, it being acknowledged and agreed that any such breach, or threatened breach, will cause irreparable injury to the Issuer and the Master Trustee and that money damages will not provide an adequate remedy.

(d) Mortgage Remedies. If an Event of Default has occurred and is continuing, subject to the provisions of Sections 8.1(c) and 9.1(c) hereof, the Master Trustee may and shall, at the direction of the holders of a majority in aggregate principal amount of the Obligations outstanding (and with at least ten day's prior written notice to each Credit Facility Issuer which has issued a Credit Facility in support of at least 25% in aggregate principal amount of all Outstanding Obligations), take such other action to protect and enforce its rights hereunder and the lien and security interests created by the Mortgages as it deems advisable, including, without limitation:

(1) The foreclosure of one or more of the Mortgages with respect to all or any portion of the Mortgaged Facilities, subject, at the option of the Master Trustee or as provided by law, to the rights of any lessees of the Obligated Issuers or other Persons occupying the Mortgaged Facilities or any portion thereof, and in any such foreclosure proceeding, no Obligated Issuer shall assert as a defense that the Master Trustee failed to foreclose any such rights adversely affecting the value of the Mortgaged Facilities;

(2) The sale of the Mortgaged Facilities in a foreclosure proceeding, in one or several parcels, at the option of the Master Trustee and without obligation to have the Mortgaged Facilities marshalled; and

(3) The sale or other disposition of any personal property or fixtures included in the Mortgaged Facilities or any portion thereof, either as a whole or in parcels, at public or private proceedings separate from the sale of the real property, in accordance with applicable state laws, and may, with respect to such personal property or fixtures, exercise any other rights of a secured party under such applicable law; and in such case the Master Trustee shall have no obligation to marshal.

Any such sale or other disposition of the Mortgaged Facilities shall forever bar the Obligated Issuers and all Persons claiming under them from all right and interest in the property so disposed of whether at law or in equity.

(e) Receivership. Upon application to a court of competent jurisdiction, the Master Trustee shall be entitled, without regard to the adequacy of the security for the Obligations secured hereby and by the Mortgages, or the solvency of any Obligated Issuer, to the appointment of a receiver to take possession of and to operate all or any portion of the Mortgaged Facilities and to collect rents, profits, revenues, income and other moneys

received from such operation. Upon demand, each Obligated Issuer shall pay to the Master Trustee all expenses, including receiver's and attorneys' fees, costs and agents compensation, incurred pursuant to the provisions of this subsection (e).

Section 8.4 Proceedings in Bankruptcy. In case there shall be pending proceedings for the bankruptcy or for the reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other applicable law, or in case a receiver or trustee shall have been appointed for its property, the Master Trustee, irrespective of whether the principal of Notes of any series shall then be due and payable as therein expressed or any amount in respect of any Guaranty is then payable or by declaration or otherwise and irrespective of whether the Master Trustee shall have made any demand pursuant to the provisions of Section 8.2 hereof, shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount of principal, premium, if any, interest and any other amounts owing and unpaid in respect of Notes of all series and amounts owing and unpaid in respect of Guaranties, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Master Trustee and of the Holders of the Obligations allowed in such judicial proceedings relative to such Obligated Issuer, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized by each of such Holders to make such payments to the Master Trustee, and, in the event that the Master Trustee shall consent to the making of such payments directly to such Holders, to pay to the Master Trustee any amount due it for compensation and expenses, including Counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and Counsel fees and expenses out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of the Obligations may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Section 8.5 Suit by Master Trustee. All rights of action and rights to assert claims under any Obligation may be enforced by the Master Trustee without the possession of such Obligation on any trial or other proceedings instituted by the Master Trustee. In any proceedings brought by the Master Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Master Trustee shall be a party) the Master Trustee shall be held to represent all the Holders of Obligations, and it shall not be necessary to make any Holders of Obligations parties to such proceedings.

Section 8.6 Application of Moneys Collected. Any amounts collected by the Master Trustee pursuant to Sections 8.2, 8.3 and 8.4 hereof shall be applied, subject to any intercreditor agreement into which the Master Trustee shall have entered, for the equal and ratable benefit of the Holders of Obligations in the order following, at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

- (a) to the payment of costs and expenses of collection, including fees and expenses of Counsel and reasonable compensation to the Master Trustee; and
- (b) whether or not the principal of all Outstanding Notes and amounts under all Guaranties shall have become or have been declared due and payable:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on any Obligations in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due on such date, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal installments which shall have become due, whether at maturity or by call for redemption, and on any Obligations in order of their due dates and, if the amounts available shall not be sufficient to pay in full all principal installments due on the same date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, without any discrimination or preference; and

THIRD: To the payment to the Persons entitled thereto of any additional amounts due and unpaid in respect of Obligations, in the order of the due dates of such amounts, and if the moneys available therefor shall not be sufficient to pay in full any such additional amounts due on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference;

provided that for the purpose of determining the amount of unpaid principal in respect of any such Obligation, there shall be deducted the amount, if any, which has been realized by the Holder by exercise of any rights it may have to collateral securing its Obligation other than the security provided under this Indenture or which is on deposit in any fund established pursuant to any Related Financing Documents for such Obligation (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligation) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified in writing to the Master Trustee by the Holder; and

(c) to the payment of the remainder, if any, to the members of the Obligated Group, their successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Section 8.7 Actions by Holders.

(a) No Holder of an Obligation shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture or for the appointment of a receiver or trustee, or any other remedy hereunder, unless the Holders of not less than 25% in aggregate principal amount of Obligations then Outstanding shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee hereunder and shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Master Trustee, for thirty (30) days after its receipt of such request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee pursuant to Section 8.8 hereof; it being understood and intended, and being expressly covenanted by the Holder of an Obligation and the Master Trustee, that no

one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of the provisions of this Section 8.7, each and every Holder of an Obligation and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

(b) The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions of this Section 8.7 shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its attorneys.

(c) Notwithstanding any other provision of this Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Note or Guaranty and any other amounts payable thereunder, on or after the respective due dates expressed in such Note or Guaranty, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 8.8 Direction of Proceedings by Holders. The Holders of a majority in aggregate principal amount of Obligations then Outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, subject to Section 9.2 hereof, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or require the Master Trustee to expend or risk its own funds or otherwise incur personal financial liability, and provided further that nothing in this Indenture shall impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

Section 8.9 Delay or Omission of Master Trustee. No delay or omission of the Master Trustee, or of any Holder of an Obligation, to exercise any right or power accruing upon an Event of Default, occurring and continuing as aforesaid, shall impair any such right or power, or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, nor shall the action of the Master Trustee or of the Holders of Obligations in case of any Event of Default, or in case of any Event of Default and subsequent waiver of such Event of Default, affect or impair the rights of the Master Trustee or of such Holders in respect of any subsequent Event of Default or impair any right resulting therefrom; and every power and remedy given by this Indenture to the Master Trustee or to such Holders may be exercised from time to time and as often as may be deemed expedient by it or by them.

Section 8.10 Remedies Cumulative. No remedy herein conferred upon or reserved to the Master Trustee or the Holders of Obligations entitled to the benefits hereof is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute; and the employment of any remedy hereunder, or otherwise, shall not prevent the concurrent employment of any other appropriate remedy or remedies.

Section 8.11 Notice of Default. The Master Trustee shall not be deemed to have notice of any Event of Default, other than an Event of Default described in subsections (a)(1) or (a)(6) of Section 8.1 hereof, unless the Master Trustee shall have actual knowledge thereof or shall have received written notice of an Event of Default by an Obligated Issuer, a Credit Facility Issuer, or the holders of 25% in aggregate principal amount of the Obligations Outstanding. The Master Trustee shall, within ten (10) days after the occurrence of an Event of Default of which the Master Trustee shall have notice as described above, mail to all Holders of Obligations, as the names and addresses of such Holders appear upon the books maintained pursuant to Articles Two and Three hereof, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the cases of (i) a default in the payment of the principal of or premium, if any, or interest on or other amounts payable under any of the Notes or Guaranties; (ii) the Events of Default specified in subsections (a)(4) and (a)(5) of Section 8.1 hereof, the Master Trustee shall be protected in withholding such notice if and so long as the Master Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of the Obligations.

ARTICLE NINE

CONCERNING THE MASTER TRUSTEE

Section 9.1 Duties and Liabilities of Master Trustee.

(a) The Master Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case such an Event of Default has occurred (which has not been cured or waived) the Master Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) No provision of this Indenture shall be construed to relieve the Master Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct; provided, however, that:

(1) the Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Master Trustee, unless it shall be proved that the Master Trustee was grossly negligent in ascertaining the pertinent facts (other than facts which the Master Trustee is not required to investigate pursuant to Sections 9.2 and 9.6 hereof); and

(2) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of Obligations then Outstanding or a Credit Facility Issuer which has issued a Credit Facility with respect to at least 25% in aggregate principal amount of all Outstanding Obligations, relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Indenture.

(c) None of the provisions contained in this Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 9.2 Reliance on Documents, Indemnification, Etc. Subject to the standard of care set forth in Section 9.1(a) hereof:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture or other paper or document (including any statement by or on behalf of any Holder relating to the amount of principal outstanding or interest due on any Obligation) reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction, order or demand of any Obligated Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of any Obligated Issuer may be evidenced to the Master Trustee by a copy thereof certified by the Secretary or an Assistant Secretary of such Obligated Issuer.

(c) The Master Trustee may consult with Counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice.

(d) Prior to the occurrence of an Event of Default hereunder and after the curing of all Events of Default, the Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, note, bond, debenture, or other paper or document, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of Obligations then Outstanding; provided, however, that if the payment within a reasonable time to the Master Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Master Trustee, not reasonably assured to the Master Trustee by the security afforded to it by the terms of this Indenture, the Master Trustee may require indemnity, reasonably satisfactory to the Master Trustee, with respect to such additional compensation as the Master Trustee may require for complying with such request and against such costs, expenses (including, without limitation, fees and expenses of Counsel) or liabilities as a condition to so proceeding. The reasonable expense of every such examination shall be paid by the members of the Obligated Group or, if paid by the Master Trustee, shall be repaid by the members of the Obligated Group upon demand.

(e) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

(f) The Master Trustee shall be under no responsibility for the approval by it in good faith of any expert or other skilled person for any of the purposes expressed in this Indenture.

Section 9.3 Responsibility for Recitals, Validity of Indenture, Proceeds of Notes. The recitals contained in this Indenture and in the Notes and Guaranties (other than the certificate of authentication on such Notes and Guaranties) shall be taken as the statements of the Obligated Issuers and the Master Trustee assumes no responsibility for the correctness of the same. The Master Trustee makes no representations as to the validity or sufficiency of this Indenture or the liens or security created hereby or of the Notes and Guaranties. The Master Trustee shall not be accountable for the use or application by any Obligated Issuer of any of the Notes or Guaranties or of the proceeds of such Notes or Guaranties, or for the use or application of any moneys paid over by the Master Trustee in accordance with any provision of this Indenture, or for use or application of any moneys received by any paying agent other than the Master Trustee.

Section 9.4 Master Trustee May Own Notes. The Master Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not Master Trustee hereunder. Any provision to the contrary herein notwithstanding, no provision of this Indenture shall prohibit the Master Trustee from serving as trustee under any Related Financing Documents or from maintaining a banking relationship with any Obligated Issuer.

Section 9.5 Compensation and Expenses of Master Trustee. The Obligated Group shall pay to the Master Trustee from time to time, and the Master Trustee shall be entitled to, reasonable compensation, and the Obligated Group shall pay or reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee in connection with the acceptance or administration of its trusts under this Indenture (including the reasonable compensation and the expenses and disbursement of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its gross negligence or bad faith. The Obligated Group shall indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Master Trustee and arising out of or in connection with the acceptance or administration of such trusts, including the costs and expenses (including, without limitation, reasonable fees and expenses of its Counsel) of defending itself against any claim of liability in the premises. The obligations of the Obligated Group under this Section 9.5 to compensate the Master Trustee, to pay or reimburse the Master Trustee for expenses, disbursements and advances and to indemnify and hold harmless the Master Trustee shall survive the satisfaction and discharge of this Indenture.

Section 9.6 Officer's Certificate as Evidence. Except as otherwise provided in Section 9.1(a) hereof, whenever in the administration of the provisions of this Indenture the Master Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, if no Event of Default then exists, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Master Trustee. In the absence of bad faith on the part of the Master Trustee, any such Officer's Certificate shall be full warrant to the Master Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof, and the Master Trustee shall not be obligated to make any investigation into the facts stated therein.

Section 9.7 Resignation, Removal and Succession of Master Trustee. The Master Trustee may resign at any time without cause by giving at least thirty (30) days' prior written notice by mail to the Obligated Issuers and each Holder of an Obligation then Outstanding, as the names and addresses of such Holders appear on the registers maintained pursuant to Articles Two and Three hereof, such resignation to be effective upon the acceptance of such Master Trusteeship by a successor. In addition, the Master Trustee may be removed with cause (a) at the direction of the Holders of not less than 50% in aggregate principal amount of Obligations then Outstanding, delivered to the Obligated Issuers and the Master Trustee, or (b) at the direction of the Obligated Group if no Event of Default then exists hereunder, such direction to be evidenced by a certificate of the Obligated Group Representative specifying the cause for such removal and delivered to the Master Trustee, any such removal to be effective upon the acceptance of the Master Trusteeship by a successor. The Master Trustee shall promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then Outstanding as provided above. In the case of the resignation of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group, as evidenced by an Officer's Certificate designating the successor. In the case of the removal of the Master Trustee, such successor may be appointed at the direction of the Holders of not less than 50% in aggregate principal amount of Obligations then Outstanding. If a successor Master Trustee shall not have been appointed within thirty (30) days after such notice of resignation or removal, the Master Trustee, any Obligated Issuer or any Holder of an Obligation then Outstanding may apply to any court of competent jurisdiction to appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided.

Section 9.8 Acceptance by Successor Master Trustee. Any successor Master Trustee, however appointed, shall execute and deliver to its predecessor and to the members of the Obligated Group an instrument accepting such appointment, and thereupon such successor, without further act, shall become vested with all the estates, properties, rights, powers and duties of its predecessor hereunder in the trusts under this Indenture applicable to it with like effect as if originally named the Master Trustee; but, nevertheless, upon the written request of such successor Master Trustee, its predecessor shall execute and deliver an instrument transferring to such successor Master Trustee, upon the trusts herein expressed applicable to it, all the estates, properties, rights and powers of such predecessor under this Indenture, and such predecessor shall duly assign, transfer, deliver and pay over to such successor Master Trustee all moneys or other property then held by such predecessor under this Indenture.

Section 9.9 Qualifications of Successor Master Trustee. Any successor Master Trustee, however appointed, shall be a bank or trust company having a combined capital and surplus of at least \$50,000,000, if there be such an institution willing, able and legally qualified to perform the duties of the Master Trustee hereunder upon reasonable or customary terms.

Section 9.10 Successor by Merger. Any corporation or association into which the Master Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Master Trustee shall be a party, or any corporation or association to which substantially all the corporate trust business of the Master Trustee may be transferred, shall, subject to the terms of Section 9.9 hereof, be the Master Trustee under this Indenture without further act.

Section 9.11 Co-Master Trustees.

(a) At any time, for the purpose of meeting the legal requirements of any applicable jurisdiction, the Master Trustee shall have power to appoint one or more Persons not unsatisfactory to the Obligated Issuers to act as Co-Master Trustee under this Indenture, with such powers as may be provided in the instrument of appointment, and to vest in such person or persons any property, title, right or power deemed necessary or desirable, subject to the provisions of this Section 9.11.

(b) Each Co-Master Trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

(1) The rights, powers, duties and obligations conferred or imposed upon any such Co-Master Trustee shall not be greater than those conferred or imposed upon the Master Trustee, and such rights and powers shall be exercisable only jointly with the Master Trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights and powers shall be exercised by such Co-Master Trustee subject to the provisions of paragraph 4 below.

(2) The Master Trustee may at any time, by an instrument in writing executed by it, accept the resignation of or remove any Co-Master Trustee appointed under this Section 9.11.

(3) No Co-Master Trustee under this Indenture shall be liable by reason of any act or omission of the Master Trustee or any other Co-Master Trustee appointed under this Indenture.

(4) No power given to such Co-Master Trustee shall be separately exercised hereunder by such Co-Master Trustee except with the consent in writing of the Master Trustee, anything herein contained to the contrary notwithstanding.

ARTICLE TEN

SUPPLEMENTS AND AMENDMENTS

Section 10.1 Supplemental Indentures without Consent of Holders.

(a) Each Obligated Issuer, when authorized by a resolution of its Board, and the Master Trustee may from time to time and at any time enter into an indenture or indentures supplemental or amendatory hereto for one or more of the following purposes:

- (1) to provide for the issuance of any Notes or Guaranties hereunder;
- (2) to evidence the addition of an Obligated Issuer or the succession of another corporation to any Obligated Issuer, or successive successions, and the assumption by the new Obligated Issuer or successor corporation of the covenants, agreements and obligations of an Obligated Issuer pursuant to this Indenture;
- (3) to add to the covenants of any Obligated Issuer such further covenants, restrictions or conditions as its Board and the Master Trustee shall consider to be for the protection of the Holders of Obligations issued hereunder, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Master Trustee upon such default;
- (4) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture or any supplemental indenture as shall not impair the security of this Indenture or adversely affect the interests of the Holders of any particular Notes or series of Notes or of any Guaranty issued hereunder;
- (5) to modify or supplement this Indenture in such manner as may be necessary or appropriate to qualify this Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal statute hereafter enacted, including provisions whereby the Master Trustee accepts such powers, duties, conditions and restrictions hereunder and each Obligated Issuer undertakes such covenants, conditions or restrictions additional to those contained in this Indenture as would be necessary or appropriate so to qualify this Indenture;
- (6) to provide for the establishment of additional funds and accounts hereunder and for the proper administration of and transfers of moneys between any such

funds and accounts, provided that, except as otherwise provided in Section 6.2 and Article Twelve hereof, all such funds and accounts shall be established for the equal and ratable benefit of the Holders of all Outstanding Obligations; and

(7) to permit the issuance of Obligations in a form other than Notes and Guaranties, if appropriate, to evidence or secure an Obligated Issuer's payment obligations in respect of any indebtedness, provided that such Obligations are equally and ratably secured with all other Obligations issued hereunder (except as otherwise provided herein).

(b) The Master Trustee is hereby authorized to join with each Obligated Issuer in the execution of any such Supplemental Indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, mortgage, pledge or assignment of any Property thereunder, but the Master Trustee shall not be obligated to enter into any such Supplemental Indenture that affects the Master Trustee's rights, duties or immunities under this Indenture or otherwise.

(c) Any Supplemental Indenture authorized by the provisions of this Section 10.1 may, without the consent of the Holders of then Outstanding Obligations issued hereunder, be executed by each Obligated Issuer and the Master Trustee.

Section 10.2 Modification of Indenture with Consent of Holders.

(a) With the consent of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, each Obligated Issuer, when authorized by resolution of its Board, and the Master Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any Supplemental Indenture or of modifying in any manner the rights of the Holders of Obligations; provided, however, that without the consent of the Holders of all Obligations then Outstanding affected thereby, no such supplemental indenture shall (i) effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Note or any Guaranty or a reduction in the principal amount or redemption price of any Note or the rate of interest thereon, (ii) reduce the aforesaid percentage of Obligations, the Holders of which are required to consent to any such supplemental indenture, (iii) permit the preference or priority of any Note or Notes or Guaranty over any other Note or Notes or Guaranty, or (iv) except in compliance with the terms of this Indenture or the Mortgages, release any collateral in favor of the Trustee.

(b) Anything herein to the contrary notwithstanding, a Credit Facility Issuer shall be entitled to consent to any amendment to this Indenture on behalf of the Note or Notes or Guaranty with respect to which such Credit Facility was issued, including any Note or Notes or Guaranty issued to secure Tax-Exempt Obligations which are secured by such Credit Facility.

(c) Upon the request of each Obligated Issuer, accompanied by a copy of a resolution of its Board certified by the Secretary or an Assistant Secretary of such

Obligated Issuer authorizing the execution of any such supplemental indenture, and upon the filing with the Master Trustee of evidence of the consent of Holders and Credit Facility Issuers as aforesaid, the Master Trustee shall join with each Obligated Issuer in the execution of such Supplemental Indenture unless such Supplemental Indenture affects the Master Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Master Trustee may in its discretion, but shall not be obligated, to enter into such Supplemental Indenture.

(d) It shall not be necessary for the consent of the Holders under this Section 10.2 to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 10.3 Effect of Supplemental Indenture.

(a) Upon the execution of any Supplemental Indenture pursuant to the provisions of this Article Ten, this Indenture shall, with respect to each series of Notes and each Guaranty issued hereunder, be and be deemed to be modified and amended in accordance therewith and the respective rights, limitation of rights, obligations, duties and immunities under this Indenture of the Master Trustee, each Obligated Issuer and the Holders of Obligations issued hereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture.

(b) The Master Trustee, subject to the provisions of Sections 10.1 and 10.2 hereof, may receive and rely on an opinion of Counsel as conclusive evidence that any such supplemental indenture complies with the provisions of this Article Ten.

Section 10.4 Obligations May Bear Notation of Changes. Obligations authenticated and delivered after the execution of any Supplemental Indenture pursuant to the provisions of this Article Ten may bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplemental Indenture. If the Obligated Issuer of any Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform, in the opinion of the Master Trustee and the Board of such Obligated Issuer, to any modification of this Indenture contained in any such Supplemental Indenture may be executed by such Obligated Issuer, authenticated by the Master Trustee and delivered in exchange for Obligations of the same series then Outstanding.

ARTICLE ELEVEN

PERSONS BECOMING OBLIGATED ISSUERS

Section 11.1 Persons Becoming Obligated Issuers.

(a) If at any time the then existing Obligated Issuers and any other Person shall determine that such Person should become an Obligated Issuer under this

Indenture, the existing Obligated Issuers and such new Obligated Issuer may execute and deliver to the Master Trustee an appropriate instrument, reasonably satisfactory to the Master Trustee, containing the agreement of such new Obligated Issuer (1) to become an Obligated Issuer under this Indenture and thereby subject to compliance with all provisions of this Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and obligations of an Obligated Issuer hereunder and (2) to be jointly and severally liable for the payment of all Obligations in accordance with the terms thereof and of this Indenture, when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with Section 11.1(a) hereof shall be accompanied by:

(1) an opinion of Counsel to the effect that (A) each such instrument has been duly authorized, executed and delivered by the existing Obligated Issuers and such new Obligated Issuer and constitutes a valid and binding obligation enforceable in accordance with its terms, except as limited by applicable fraudulent conveyance statutes (the potential effects of which shall be set forth in reasonable detail) bankruptcy laws, insolvency laws and other similar laws and equitable principles affecting creditors' rights generally, and (B) such authorization, execution and delivery of instruments by the new Obligated Issuer will not adversely affect the tax exempt status, if any, of any Obligated Issuer (including the new Obligated Issuer) under the income tax laws of the United States of America or the jurisdiction or jurisdictions within which it is organized or conducts business; and

(2) unless the new Obligated Issuer is an organization described in Section 501(c)(3) of the Code which is exempt from federal income taxes under Section 501(a) of the Code, an opinion of Bond Counsel to the effect of that the authorization, execution and delivery of such instruments by the Obligated Issuers will not adversely affect the exclusion from gross income on any Tax Exempt Obligations.

(c) It shall be a condition precedent to the consummation of any transaction involving an instrument to be executed and delivered by the Master Trustee in accordance with Section 11.1(a) that the Master Trustee shall have received an opinion of Counsel to the effect that the admission of the new Obligated Issuer will not adversely affect its tax-exempt status and either:

(1) an Officer's Certificate demonstrating and concluding that if the new Obligated Issuer had joined the Obligated Group on the first day of the last Fiscal Year for which audited financial statements are available, (A) the Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the actual Debt Service Coverage Ratio for such Fiscal Year and at least 1.30 and (2) the Reserve Ratio at the end of such Fiscal Year would have been at least 80% of the actual Reserve Ratio at the end of such Fiscal Year and at least 0.25, or

(2) a Feasibility Report showing that for the first two Fiscal Years succeeding the new Obligated Issuer's joining the Obligated Group, (A) the Debt Service Coverage Ratio for such Fiscal Years is forecasted to be at least 80% of the actual Debt

Service Coverage Ratio for the preceding Fiscal Year and at least 1.30 and (B) the Reserve Ratio at the end of each of such Fiscal Years is forecasted to be at least 80% of the actual Reserve Ratio at the end of the preceding Fiscal Year and at least 0.25;

provided however, that a Person may become an Obligated Issuer without delivering the documents referred to in (1) and (2) above, if the Master Trustee shall have received an Officer's Certificate demonstrating and concluding that if such Person had been an Obligated Issuer at the beginning of the most recent Fiscal Year for which audited financial statements are available (i) the Debt Service Coverage Ratio for the Obligated Group (calculated by assuming that such Person had incurred an amount of indebtedness equal to the amount of any additional Indebtedness to be incurred by the Obligated Group in connection with the proposed admission of such Person to the Obligated Group and that such Person had been discharged of any obligation to make payments under any lease or other financing arrangement which is proposed to be terminated or paid following the admission of such Person to the Obligated Group) would have been at least equal to the actual Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year, and (ii) the Reserve Ratio would have been at least equal to the actual Reserve Ratio at the end of such Fiscal Year.

Section 11.2 Effects of Becoming an Obligated Issuer. Upon any Person becoming an Obligated Issuer pursuant to Section 11.1 hereof:

(a) such Obligated Issuer may execute and deliver Obligations thereafter issued and any Supplemental Indenture thereafter entered into;

(b) the computations required by any provision of this Indenture shall be made on a consolidated or combined basis, and shall include the new Obligated Issuer in accordance with generally accepted accounting principles consistently applied, with the elimination of material intercompany balances and transactions; and

(c) any covenant contained herein obligating any Obligated Issuer to perform any matter with respect to its Property or its operations shall be deemed to obligate such Obligated Issuer to perform such matter with respect to Property owned by it or its operations.

ARTICLE TWELVE

SATISFACTION AND DISCHARGE OF INDENTURE; RELEASE OF OBLIGATED ISSUERS; UNCLAIMED MONEYS

Section 12.1 Satisfaction and Discharge of Indenture.

(a) If the Master Trustee receives:

(1) an amount which is (A) in the form of cash, Government Obligations, or obligations described in subparagraph (b) of the definition of Investment Securities and (B) as stated in a report of an Accountant, in a principal amount sufficient, together with the interest thereon (without reinvestment) and any funds on deposit hereunder and available for such purpose, to provide for the payment of the principal of

and premium, if any, and interest on all Outstanding Obligations to and including the maturity date or prior redemption or prepayment date thereof;

(2) irrevocable instructions to redeem all Obligations to be redeemed prior to maturity and to notify the Holders of each such redemption; and

(3) an amount sufficient to pay or provide for the payment of all other sums payable hereunder by the members of the Obligated Group or any thereof,

then this Indenture shall cease to be of further effect, and the Master Trustee, on demand of the members of the Obligated Group or any thereof, and at the cost and expense of the members of the Obligated Group or any thereof, shall execute all such instruments acknowledging satisfaction of and discharging this Indenture as may be requested by the members of the Obligated Group; provided that the lien of this Indenture shall not be deemed discharged with respect to any Obligation evidencing or serving a Tax Exempt Obligation unless the holders of such Obligation delivers to the Master Trustee evidence that the lien of the Related Financing Documents has also been discharged. Each Obligated Issuer hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Indenture.

(b) In like manner, the Obligated Issuer of any particular Obligation may provide for the payment thereof (or of a portion thereof) at or prior to maturity and the Obligation (or portion thereof) so provided for shall thereupon cease to be Outstanding hereunder.

(c) In lieu of the foregoing, the Obligated Issuer of any particular Obligation may deliver to the Holder thereof the amount required under the Related Financing Documents to provide for the payment of the principal, premium, if any, and interest due or to become due in respect of such Obligation and such Obligation shall, upon surrender to the Master Trustee for cancellation, no longer be deemed Outstanding hereunder.

Section 12.2 Release of Obligated Issuers. Any Obligated Issuer other than the Corporation and PHSC may withdraw from the Obligated Group and be released from its obligations hereunder, provided that:

(a) such Obligated Issuer has either (1) paid the principal of and premium, if any, and interest on all Obligations (or portions thereof) issued by or on behalf of such Obligated Issuer or (ii) provided for such payment in accordance with Section 12.1 hereof and paid or provided for the payment of all related costs and expenses of the Master Trustee;

(b) the Master Trustee shall have received an Officer's Certificate stating that immediately upon such withdrawal, no Event of Default shall exist hereunder; and

(c) the Master Trustee shall have received either:

(1) an Officer's Certificate demonstrating and concluding that if such withdrawal had taken place on the first day of the last fiscal year for which audited financial statements are available, the Debt Service Coverage Ratio for such Fiscal Year would have been at least 80% of the actual Debt Service Coverage Ratio for such Fiscal Year and at least 1.30 and the Reserve Ratio would have been at least 80% of the actual Reserve Ratio at the end of such fiscal year and at least 0.25; or

(2) a Consultant's report showing that for the next two fiscal years, the Debt Service Coverage Ratio is forecasted to be at least 80% of the actual Debt Service Coverage Ratio for the preceding Fiscal Year and at least 1.30, and the Reserve Ratio is forecasted to be at least 80% of the actual Reserve Ratio for the preceding Fiscal Year and at least 0.25 at the end of each of such Fiscal Years;

provided however, that an Obligated Issuer may withdraw from the Obligated Group without delivering the documents referred to in subparagraphs (1) and (2) above, if the Master Trustee receives an Officer's Certificate showing that either (i) the Debt Service Coverage Ratio for such Obligated Issuer for the preceding Fiscal Year (calculated by eliminating all financial transactions with other members of the Obligated Group) would have been less than 1.00, or (ii) if such Obligated Issuer had withdrawn on the first day of the last Fiscal Year for which audited financial statements are available, (A) the Debt Service Coverage Ratio for the Obligated Group for such Fiscal Year, calculated assuming that any indebtedness which is proposed to be retired or paid following such withdrawal had been discharged, would have been at least equal to the actual Debt Service Coverage Ratio of the Obligated Group for such Fiscal Year, and (B) the Reserve Ratio would have been at least equal to the actual Reserve Ratio at the end of such Fiscal Year.

Section 12.3 Application of Funds Deposited for Payment of Obligations. All moneys deposited with the Master Trustee pursuant to Section 12.1 or 12.2 hereof shall be held in trust and applied by it to the payment to the Holders of the Notes and Guaranties for the payment or redemption of which such moneys have been deposited with the Master Trustee, of all sums due and to become due thereon for principal and interest and any other amounts.

Section 12.4 Repayment of Moneys Held by Master Trustee. Any moneys deposited with the Master Trustee for the payment of the principal of or interest on Notes or Guaranties and not applied but remaining unclaimed by the Holders of such Obligations for four (4) years after the date upon which such payment shall have become due, shall, to the extent permitted by applicable law, be repaid to the appropriate members of the Obligated Group or any thereof by the Master Trustee on written demand; and, upon such repayment, the Holder of any of such Obligations entitled to receive such payment shall look only to the members of the Obligated Group for the payment thereof; provided that, before being required to make any such repayment, the Master Trustee shall notify the Holders of such unpaid Obligations that said moneys have not been so applied and that after a date named therein any unclaimed balance of said moneys then remaining will be returned to the members of the Obligated Group or any thereof. Any such notice shall be given in such manner as may be specified in the applicable Supplemental Indenture and the cost thereof shall be paid by the Obligated Group.

ARTICLE THIRTEEN

MISCELLANEOUS PROVISIONS

Section 13.1 Incorporators, Members, Officers and Members of the Board Exempt from Individual Liability. No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Notes or Guaranties issued hereunder, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, member, officer or member of the Board, as such, past, present or future, of any Obligated Issuer or of any successor corporation, either directly or through such Obligated Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Obligations issued hereunder are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, members, officers or members of the Board, as such, of any Obligated Issuer or any successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any Obligations issued hereunder or implied therefrom; and that any and all such personal liability of every name and nature, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, member, officer or trustee, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any Obligations issued hereunder or implied therefrom are hereby expressly waived and released as a condition of, and as consideration for, the execution of this Indenture and the issuance of such Obligations.

Section 13.2 Successors and Assigns of Obligated Issuers Bound by Indenture. All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of

any Obligated Issuer or the Master Trustee shall inure to the benefit of and shall bind their respective successors and assigns, whether so expressed or not.

Section 13.3 Official Acts by Successor Corporation. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of any Obligated Issuer shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful sole successor of the Obligated Issuer.

Section 13.4 Notice or Demand Served by Mail. With respect to each series of Notes, and with respect to each Guaranty, unless otherwise expressly specified or permitted by the terms of this Indenture or the applicable Supplemental Indenture, all notices shall be in writing, mailed by first-class mail, postage prepaid, as Follows:

Obligated Issuers: c/o Presbyterian Homes, Inc.,
as Obligated Group Representative
1217 Slate Hill Road
Camp Hill, PA 17011
Attention: Chief Financial Officer
Telephone: (717) 737-9700
Fax: (717) 763-7617

Master Trustee: The Bank of New York
385 Rifle Camp Road
West Paterson, NJ 07424
Attention: Corporate Trust Administration
Fax: (973) 357-7840

Section 13.5 Obligated Group Representative. Each of the Obligated Issuers hereby authorizes and empowers the Master Trustee to recognize and act upon notices, requests or communications (whether written, oral, electronic or in any other form) provided for hereunder, or otherwise relating to this Indenture, made or delivered by the Obligated Group Representative without necessity or further inquiry or investigation of the Obligated Group Representative's authority to provide such notice, request or communication and without further notice to any of the other Obligated Issuers. Further, each of the Obligated Issuers hereby irrevocably appoints the Obligated Group Representative as its agent for the receipt of all notices from the Master Trustee hereunder or otherwise relating to this Indenture or any of the Obligations, and agrees that the provision by the Master Trustee of notice to the Obligated Group Representative on behalf of the Obligated Group as set forth in this Section at the Obligated Group Representative's address, and in the manner, set forth in Section 14.4 shall constitute good, effective and legally sufficient notice to all Obligated Issuers, or any of them, for all purposes of this Indenture. Each Obligated Issuer hereby releases, indemnifies and holds harmless the Master Trustee and its directors, officers, employees, agents and Affiliates from all liabilities, debts, damages, verdicts, actions, suits or other claims of any nature whatsoever, whether foreseeable or unforeseeable, including those resulting from the negligence of the Master Trustee, arising or resulting from, or directly or indirectly related to, the Master Trustee's exercise of its authority and rights under this Section 14.5.

Section 13.6 Governing Law. This Indenture, any Supplemental Indenture and the Obligations issued hereunder shall be deemed to be contracts made under the laws of The Commonwealth of Pennsylvania, and for all purposes shall be construed in accordance with the laws of said Commonwealth.

Section 13.7 Legal Holidays. Except to the extent a Supplemental Indenture or Obligation provides otherwise, in any case where the date on which any principal, premium, interest or other payment is required to be paid shall be on a day on which banking institutions at the place of payment are authorized by law to remain closed, then payment of such amounts need not be made on such date but may be made on the next succeeding day which is not a day on which banking institutions at such place of payment are authorized by law to remain closed, with the same force and effect as if made on the date otherwise due and, in the case of such payment, no interest shall accrue for the period from and after such date.

Section 13.8 Benefits of Provisions of Indenture and Obligations. Nothing in this Indenture or in the Obligations issued hereunder, expressed or implied, shall give or be construed to give any person, firm or corporation, other than each Obligated Issuer, the Master Trustee, each Credit Facility Issuer and the Holders of Obligations, any legal or equitable right, remedy or claim under or in respect of this Indenture, or under any covenant, condition and provision herein contained; all its covenants, conditions and provisions being for the sole benefit of each Obligated Issuer, the Master Trustee, each Credit Facility Issuer and of the Holders of such Obligations.

Section 13.9 Consent, etc. by Credit Facility Issuer.

(a) Anything in this Indenture to the contrary notwithstanding, a Credit Facility Issuer shall be entitled to give any direction or grant any consent permitted or required to be given or granted under this Indenture by the Holders of the Obligations which are supported by the Credit Facility issued by such Credit Facility Issuer, and any such direction or consent given or granted by such Credit Facility Issuer shall have the same effect under this Indenture as if given or granted by the Holders of such Obligations; provided that in the case of any conflict between any such direction or consent given by Holders of the Obligations and such Credit Facility Issuer, the action of the Credit Facility Issuer shall govern. In the case where more than one Credit Facility has been issued with respect to the same Obligation, the direction or consent given with respect to such Obligation shall be given as agreed by the respective Credit Facility Issuers for such Obligation, and such Credit Facilities shall not be counted more than once for the purpose of determining the percentage of Obligations for which a direction or consent has been given hereunder.

(b) Anything in this Indenture to the contrary notwithstanding, any provision of this Indenture permitting or requiring any consent or direction by a Credit Facility Issuer shall be deemed of no further force and effect if such Credit Facility Issuer shall have failed to honor its payment obligations under its Credit Facility.

Section 13.10 Execution in Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together

constitute but one and the same instrument.

Section 13.11 Effective Date. This Indenture shall become effective as of the day and year first written above upon execution hereof by the Corporation and the Master Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGTON

By: *Donna Casner*
(Senior) Vice President

PRESBYTERIAN HOMES, INC.

By: *Donna Casner*
(Senior) Vice President

QUINCY RETIREMENT COMMUNITY

By: *Donna Casner*
(Senior) Vice President

PRESBYTERIAN HOUSING AND
SERVICES CORPORATION

By: *Donna Casner*
(Senior) Vice President

PRESBYTERIAN INVESTMENT
MANAGEMENT SERVICES, INC.

By: *Donna Casner*
(Senior) Vice President

THE BANK OF NEW YORK, as
Master Trustee

By: *Andree Harris*
Authorized Officer

THIRTY-FOURTH SUPPLEMENTAL INDENTURE

THIRTY-FOURTH SUPPLEMENTAL INDENTURE

Between

PRESBYTERIAN HOMES, INC.,

PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON,

QUINCY RETIREMENT COMMUNITY,

PHI INVESTMENT MANAGEMENT SERVICES, INC.,

THE LONG HOME,

THE LONG COMMUNITY, INC.,

CATHEDRAL VILLAGE

as the Obligated Group

and

THE BANK OF NEW YORK MELLON,

as Master Trustee

Dated as of July 1, 2021

THIS THIRTY-FOURTH SUPPLEMENTAL INDENTURE dated as of July 1, 2021 (the “Thirty-Fourth Supplement”) by and among PRESBYTERIAN HOMES, INC. (“Presbyterian Homes”), PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON (“PHPH”), QUINCY RETIREMENT COMMUNITY (“Quincy”), PHI INVESTMENT MANAGEMENT SERVICES, INC. (“PIMS”), THE LONG COMMUNITY, INC. (“TLC”), CATHEDRAL VILLAGE (“CV”), each of which is a not-for-profit corporation duly organized and validly existing under the laws of the Commonwealth of Pennsylvania, THE LONG HOME, a Pennsylvania testamentary trust (“Long Home”) and THE BANK OF NEW YORK MELLON (formerly The Bank of New York), a New York state banking corporation, as master trustee (the “Master Trustee”).

W I T N E S S E T H:

WHEREAS, Presbyterian Homes, PHPH, Quincy, PIMS, Presbyterian Housing and Services Corporation (“PHSC”) and the Master Trustee entered into a Master Trust Indenture dated as of June 1, 2008, as amended and supplemented by a First Supplemental Indenture, dated as of June 1, 2008, a Second Supplemental Indenture, dated as of November 1, 2008 (the “Second Supplement”), a Third Supplemental Indenture, dated as of November 15, 2009, a Fourth Supplemental Indenture, dated as of February 1, 2010, a Fifth Supplemental Indenture, dated as of February 15, 2010, a Sixth Supplemental Indenture, dated as of September 1, 2010, a Seventh Supplemental Indenture, dated as of November 15, 2010, an Eighth Supplemental Indenture, dated as of November 22, 2010 (the “Eighth Supplement”), a Ninth Supplemental Indenture, dated as of March 31, 2011, a Tenth Supplemental Indenture, dated as of June 30, 2011, an Eleventh Supplemental Indenture, dated as of November 1, 2011, a Twelfth Supplemental Indenture, dated as of December 1, 2011, a Thirteenth Supplemental Indenture, dated as of December 15, 2011 (the “Thirteenth Supplement”), a Fourteenth Supplemental Indenture, dated as of May 1, 2012, a Fifteenth Supplemental Indenture, dated as of August 1, 2012 (the “Fifteenth Supplement”), a Sixteenth Supplemental Indenture, dated as of September 1, 2012, a Seventeenth Supplemental Indenture, dated as of October 1, 2012, an Eighteenth Supplemental Indenture, dated as of June 10, 2013, a Nineteenth Supplemental Indenture, dated as of June 15, 2013 (the “Nineteenth Supplement”), a Twentieth Supplemental Indenture, dated as of June 18, 2013, a Twenty-First Supplemental Indenture, dated as of November 15, 2013, a Twenty-Second Supplemental Indenture, dated as of June 1, 2014 (the “Twenty-Second Supplement”), a Twenty-Third Supplemental Indenture, dated as of December 12, 2014, a Twenty-Fourth Supplemental Indenture, dated as of April 21, 2015, a Twenty-Fifth Supplemental Indenture, dated as of May 1, 2015, a Twenty-Sixth Supplemental Indenture (the “Twenty-Sixth Supplement”), dated as of June 1, 2015, a Twenty-Seventh Supplemental Indenture, dated as of July 15, 2015, a Twenty-Eighth Supplemental Indenture, dated as of October 1, 2015 (the “Twenty-Eighth Supplement”), a Twenty-Ninth Supplemental Indenture, dated as of May 1, 2016, a Thirtieth Supplemental Indenture, dated as of April 1, 2018, a Thirty-First Supplemental Indenture, dated as of December 28, 2018, a Thirty-Second Supplemental Indenture, dated as of November 1, 2019 and a Thirty-Third Supplemental Indenture, dated as of June 1, 2020 (collectively, the “Existing Master Indenture”), which provides for the issuance from time to time of Obligations (as such term, together with certain other terms used herein, are defined in Section 1.1 of the Master Indenture, hereinafter defined) in connection with the lawful and proper corporate purposes of Presbyterian

Homes, PHPH, Quincy, PIMS, TLC, CV, Long Home and all other Obligated Issuers (collectively, the “Obligated Group,” “Members of the Obligated Group” or “Members”); and

WHEREAS, Grace Senior Community Living Corporation (“Grace Manor”) had previously joined in and become a Member of the Obligated Group (as defined in the Master Indenture) pursuant to the Second Supplement; and

WHEREAS, effective December 31, 2009, Grace Manor was merged into Presbyterian Homes, as permitted by the Existing Master Indenture; and

WHEREAS, TLC and Long Home have joined in and become Members of the Obligated Group pursuant to that Joinder Agreement dated and effective as of September 30, 2009; and

WHEREAS, effective September 21, 2008, PHSC was merged into Presbyterian Homes, as permitted by the Existing Master Indenture; and

WHEREAS, PHI Bloomsburg Senior Care, Inc. (“PBSC”) had previously joined in and become a Member of the Obligated Group pursuant to the Eighth Supplement; and

WHEREAS, effective October 24, 2011, PBSC was merged into Presbyterian Homes, as permitted by the Existing Master Indenture; and

WHEREAS, CV has joined in and become a Member of the Obligated Group pursuant to the Twenty-Sixth Supplement; and

WHEREAS, Presbyterian Homes owns and operates the following continuing care retirement community and related facilities: (i) Ware Presbyterian Village located at 7 East Locust Street, Oxford, Chester County, Pennsylvania (the “Ware Facility”); and (ii) Kirkland Village located at 1 Kirkland Village Circle, Bethlehem, Northampton County, Pennsylvania (the “Kirkland Facility”); and

WHEREAS, CV owns and operates that continuing care retirement community and related facilities located in the City of Philadelphia, Philadelphia County, Pennsylvania and having a mailing address at 600 East Cathedral Road, Philadelphia, PA 19128 (the “CV Facility”); and

WHEREAS, Presbyterian Homes contemplates the undertaking of a capital project or projects consisting of renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for the Ware Facility and the medical and health care support facilities related thereto, including, without limitation, the construction, upgrade, expansion and improvement of the Vista Ridge (Phase 3) project and related and other capital acquisitions, improvements and projects as may be approved by the Presbyterian Homes Board in connection with the Ware Facility (collectively, the “Ware Capital Project”), all in order to preserve, develop, and improve the Ware Facility; and

WHEREAS, Presbyterian Homes contemplates the undertaking of a capital project or projects consisting of renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for the Kirkland Facility and the medical and health care support facilities related thereto, including, without limitation, the upgrade and renovation of dining and health center facilities and the acquisition of land adjacent to Kirkland Facility and the construction and expansion thereon of health and senior care facilities and related or other capital acquisitions, improvements and projects as may be approved by the Presbyterian Homes Board in connection with the Kirkland Facility (collectively, the “Kirkland Capital Project” and together with the Ware Capital Project, the “Presbyterian Homes Capital Projects”), all in order to preserve, develop, and improve the Kirkland Facility; and

WHEREAS, CV contemplates the undertaking of a capital project or projects consisting of renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for the CV Facility and the medical and health care support facilities related thereto, including, without limitation, the construction, upgrade and improvement of the covered walk way (Phases 3 and 4) and related and other capital acquisitions, improvements and projects as may be approved by the CV Board (collectively, the “CV Capital Project,” and together with the Presbyterian Homes Capital Projects, the “Capital Projects”), all in order to preserve, develop, and improve the CV Facility; and

WHEREAS, there are currently outstanding for the benefit of Presbyterian Homes the following revenue bonds (collectively the “Refunded Presbyterian Homes Bonds”): (i) \$9,000,000 original par amount Cumberland County Municipal Authority Variable Rate Revenue Bonds, Series B of 2003 (Presbyterian Homes, Inc. Project), converted to Bank Purchase Mode on January 2, 2014 (the “Series 2003B Bonds”); and (ii) \$10,000,000 original par amount Uwchlan Township Industrial Development Authority Revenue Note, Series of 2012 (Ware Presbyterian Village Project); and

WHEREAS, there is currently outstanding for the benefit of PHPH that \$3,800,000 original par amount College Township Industrial Development Authority Mortgage Revenue Note (Presbyterian Homes in the Presbytery of Huntingdon – Windy Hill), Series of 2005 (the “Refunded PHPH Bond”); and

WHEREAS, there are currently outstanding for the joint benefit of Presbyterian Homes and PHPH the following revenue bonds (collectively, the “Refunded Presbyterian Homes/PHPH Bonds”): (i) \$6,563,290.25 original par amount Cumberland County Municipal Authority Revenue Bond, Series A of 2013 (Presbyterian Homes Obligated Group Project); and (ii) \$5,032,136.34 original par amount Cumberland County Municipal Authority Revenue Bond, Series B of 2013 (Presbyterian Homes Obligated Group Project); and

WHEREAS, there are currently outstanding for the benefit of CV those \$9,175,000 original par amount Philadelphia Authority for Industrial Development Revenue Bonds (Cathedral Village Project), Series 2013, having the following outstanding maturities: (i) approximately \$565,000 in outstanding principal amount of 4% term bonds due April 1, 2023; (ii) \$3,755,000 in

outstanding principal amount of 5% term bonds due April 1, 2033; and (iii) \$3,635,000 in outstanding principal amount of 5% term bonds due April 1, 2039 (collectively the “Refunded CV Bonds”); and

WHEREAS, there are currently outstanding for the benefit of Presbyterian Homes, CV and PHPH that \$10,000,000 original par amount Abington Township Industrial and Commercial Development Authority Revenue Bond, Series of 2015 (Presbyterian Homes Obligated Group Project) (the “Refunded Presbyterian Homes/PHPH/CV Bond, and together with the Refunded Presbyterian Homes Bonds, the Refunded PHPH Bond, the Refunded Presbyterian Homes/PHPH Bonds and the Refunded CV Bonds, the “Refunded Bonds” ”); and

WHEREAS, (i) Presbyterian Homes desires to currently refund all of the outstanding Refunded Presbyterian Homes Bonds, (ii) PHPH desires to currently refund the Refunded PHPH Bond, (iii) Presbyterian Homes and PHPH desire to currently refund all of the Refunded Presbyterian Homes/PHPH Bonds, (iv) CV desires to advance refund all outstanding maturities of the Refunded CV Bonds (the “CV Bonds Refunding Project”), and (v) Presbyterian Homes, PHPH and CV desire to currently refund the outstanding Refunded Presbyterian Homes/PHPH/CV Bond, all on such dates and according to such structures, terms and conditions to be determined by the Obligated Group Representative and the Authorized Officers (collectively, the “Refunding Projects”); and

WHEREAS, the Capital Projects and the Refunding Projects other than (i) the CV Bonds Refunding Project and (ii) \$ _____ in aggregate principal amount of outstanding Series 2003B Bonds and \$ _____ in aggregate principal amount of outstanding Refunded Presbyterian Homes/PHPH Bonds (jointly, the “Taxable Refunding Portion”) will be financed through those \$ _____ par amount Revenue Bonds (Presbyterian Senior Living Project), Series 2021 (the “2021 Bonds”) to be issued for the benefit of Presbyterian Homes, PHPH and CV (collectively, the “Borrowers”) as applicable, by the Pennsylvania Economic Development Financing Authority (“PEDFA”) pursuant to that Bond Trust Indenture to be dated as of July 1, 2021 (the “Bond Indenture”) between PEDFA and [The Bank of New York Mellon Trust Company, N.A., as trustee] (the “Bond Trustee”); and

WHEREAS, the proceeds of the 2021 Bonds will be loaned by PEDFA to the Borrowers pursuant to that Loan Agreement between PEDFA and the Borrowers to be dated as of July 1, 2021, which will be assigned by PEDFA to the Bond Trustee as security for payment of the 2021 Bonds (as the same may amended, supplemented, modified, renewed, substituted or restated from time to time, the “Bonds Loan Agreement”); and

WHEREAS, the CV Bonds Refunding Project and the refunding of the Taxable Refunding Portion of the Refunding Projects will be effected by financing provided under a taxable note of CV and/or the other Borrowers or other Members of the Obligated Group in the original principal amount of \$ _____ (the “Taxable Note”) issued to Bank of America, N.A. (the “Bank”) pursuant to a Loan Agreement to be dated as of [July 14] 2021 between the Bank and the Borrowers or other Members of the Obligated Group, as applicable (as the same may amended, supplemented, modified, renewed, substituted or restated from time to time, the “Bank Loan Agreement”); and

WHEREAS, the Borrowers and the other Members of the Obligated Group have determined to secure the obligations of the Borrowers and/or other Members of the Obligated Group under the Bonds Loan Agreement with respect to payment of debt service on the 2021 Bonds with a Note (the “Series 2021-1 Master Note”) issued pursuant to the Existing Master Indenture, as amended and supplemented by this Thirty-Fourth Supplement (the “Master Indenture”); and

WHEREAS, CV and the other Members of the Obligated Group have determined to secure the obligations of CV and/or the other Members of the Obligated Group under the Bank Loan Agreement with respect to payment of debt service on the Taxable Note with a Note (the “Series 2021-2 Master Note,” and together with the Series 2021-1 Master Note, the “Series 2021 Master Notes”) issued pursuant to the Master Indenture; and

WHEREAS, the Series 2021-1 Master Note shall be issued as an Obligation of the Borrowers and the other Members of the Obligated Group and all other Obligated Issuers pursuant to, and secured by, the Master Indenture; and

WHEREAS, the Series 2021-2 Master Note shall be issued as an Obligation of CV and the other Members of the Obligated Group and all other Obligated Issuers pursuant to, and secured by, the Master Indenture.

NOW THEREFORE, in consideration of the premises and intending to be legally bound, Presbyterian Homes, PHPH, Quincy, PIMS, TLC, CV, Long Home and the Master Trustee hereby agree as follows:

ARTICLE I

Purpose and Definitions

SECTION 1.01. Supplemental Indenture. This Thirty-Fourth Supplement is executed and delivered for the purpose of authorizing the issuance of the following Series 2021 Master Notes:

(a) Master Indenture Promissory Note, Series 2021-1 in the principal amount of \$ _____, to be issued by the Borrowers and the other Members of the Obligated Group to PEDFA, and assigned by PEDFA to the Bond Trustee as registered Holder thereof, to evidence and secure the payment obligations with respect to the 2021 Bonds under the Bonds Loan Agreement; and

(b) Master Indenture Promissory Note, Series 2021-2 in the principal amount of \$ _____, to be issued by CV and the other Members of the Obligated Group to the Bank as registered Holder thereof, to evidence and secure the payment obligations with respect to the Taxable Note under the Bank Loan Agreement.

SECTION 1.02. Purposes. The Indebtedness represented by the Series 2021 Master Notes is being incurred to provide funds for purposes of financing or refinancing the costs of acquiring, constructing, reconstructing, renovating, improving or equipping Facilities of the Obligated Group or Capital Additions thereto, is a permitted purpose under Section 2.1 of the

Master Indenture for the issuance of master notes and is being incurred pursuant to Sections 4.2(a) and 4.2(d) of the Master Indenture.

SECTION 1.03. Definitions. All terms which are used and not otherwise defined herein shall have the meanings set forth in the Master Indenture.

ARTICLE II

Terms and Conditions of the Series 2021 Master Notes; Amendments to Existing Master Indenture

SECTION 2.01. Authorization. The Series 2021 Master Notes are authorized by the Master Indenture and this Thirty-Fourth Supplement, including pursuant to Sections 2.1 and 4.2(d) of the Master Indenture. The Series 2021-1 Master Note shall be issued in the principal amount set forth in Section 1.01 hereof, in fully registered form, and in substantially the form attached as Exhibit A. The Series 2021-2 Master Note shall be issued in the principal amount set forth in Section 1.01 hereof, in fully registered form, and in substantially the form attached as Exhibit B.

The terms and provisions of the Series 2021 Master Notes shall be deemed a part hereof as if fully set forth herein, and by acceptance of the Series 2021 Master Notes, the Holders thereof shall be bound by all of the terms, provisions and conditions thereof. The Series 2021 Master Notes shall be entitled to the benefits and security of the Master Indenture and this Thirty-Fourth Supplement. Pursuant to Section 2.3 of the Master Indenture, the Obligated Issuers hereby direct the Master Trustee to authenticate and deliver the Series 2021 Master Notes to the Obligated Group Representative for delivery to (i) in the case of the Series 2021-1 Master Note, the Bond Trustee as assignee of PEDFA, and (ii) in the case of the Series 2021-2 Master Note, the Bank as lender under the Bank Loan Agreement, in each as registered Holder of each of the Series 2021 Master Notes.

SECTION 2.02. Payments under Series 2021 Master Notes; Revenue Fund Deposits. All payments under the Series 2021 Master Notes shall be made on the dates and in the amounts therein set forth. Such payments shall be made by the Obligated Issuers directly to the Holders of the Series 2021 Master Notes; subject, however, to the provisions of Section 6.2 of the Master Indenture. Notwithstanding any other provision of this Thirty-Fourth Supplement or the Series 2021 Master Notes, the Obligated Issuers shall receive a credit against amounts due on the Series 2021 Master Notes, as applicable, on any required payment dates equal to the amounts paid as principal or redemption price of, or interest on the 2021 Bonds and Related Financing Documents and the Taxable Note and Related Financing Documents, as applicable, on such payment dates.

SECTION 2.03. Transfers of Series 2021 Master Notes. Ownership of the Series 2021-1 Master Note shall be registered in the name of the Bond Trustee as the registered Holder thereof on the note registration books to be maintained by the Master Trustee at its principal corporate trust office pursuant to Section 2.4 of the Master Indenture. Ownership of the Series 2021-2 Master Note shall be registered in the name of the Bank as the registered Holder thereof on the note registration books to be maintained by the Master Trustee at its principal corporate trust office pursuant to Section 2.4 of the Master Indenture. The Series 2021 Master Notes shall

be transferable only upon said register at the said office by the registered Holder thereof or by its duly authorized attorney in connection with the sale and transfer by the Holder of the Related Financing Documents, upon presentation to the Master Trustee at its principal corporate trust office of a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Master Trustee and the Obligated Group Representative, subject to such reasonable regulations as the Master Trustee or the Obligated Group Representative may prescribe, and upon payment by the Holder or transferee of any taxes, fees, charges and other expenses incident to such transfer. The Persons in whose names Series 2021 Master Notes are registered shall be deemed the Holder and owner thereof for all purposes, and none of the Master Trustee, any of the Borrowers or the other Members of the Obligated Group shall be affected by any notice to the contrary.

ARTICLE III

Term of Thirty-Fourth Supplemental Indenture

SECTION 3.01. Term of Thirty-Fourth Supplemental Indenture. Except as otherwise provided herein, this Thirty-Fourth Supplement, as the same may be amended from time to time hereafter, shall remain in full force and effect for so long as either of the Series 2021 Master Notes remains Outstanding under the Master Indenture.

ARTICLE IV

Miscellaneous

SECTION 4.01. Confirmation of Master Indenture. Except as expressly amended by this Thirty-Fourth Supplement, the Existing Master Indenture is hereby confirmed in all respects.

SECTION 4.02. Counterparts. This Thirty-Fourth Supplement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same instrument.

SECTION 4.03. Severability. If any provision of this Thirty-Fourth Supplemental Indenture is determined by a court to be invalid or unenforceable, such determination shall not affect any other provision hereof, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. Such invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision shall be deemed to be effective, operative and entered into in the manner and to the full extent permitted by applicable law.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Thirty-Fourth Supplement to be duly executed by persons thereunto duly authorized, as of the day and year first written above.

PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGDON

PRESBYTERIAN HOMES, INC.

By: _____
Senior Vice President & CFO

By: _____
Senior Vice President & CFO

QUINCY RETIREMENT COMMUNITY

PHI INVESTMENT MANAGEMENT
SERVICES, INC.

By: _____
Senior Vice President & CFO

By: _____
Senior Vice President & CFO

THE LONG HOME

THE LONG COMMUNITY, INC.

By: _____
Authorized Trustee

By: _____
Senior Vice President & CFO

CATHEDRAL VILLAGE

By: _____
Senior Vice President & CFO

THE BANK OF NEW YORK MELLON, as
Master Trustee

By: _____
Authorized Officer

EXHIBIT A

\$ _____

**PRESBYTERIAN HOMES, INC.
PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON
QUINCY RETIREMENT COMMUNITY
PHI INVESTMENT MANAGEMENT SERVICES, INC.,
THE LONG HOME,
THE LONG COMMUNITY, INC.
CATHEDRAL VILLAGE**

MASTER INDENTURE PROMISSORY NOTE

Series 2021-1

Presbyterian Homes, Inc. ("Presbyterian Homes"), Presbyterian Homes in the Presbytery of Huntingdon ("PHPH"), Quincy Retirement Community ("Quincy"), Cathedral Village ("CV"), PHI Investment Management Services, Inc., The Long Community, Inc. ("TLC"), and The Long Home (jointly, the "Obligated Issuers" and each, an "Obligated Issuer"), for value received, hereby jointly and severally promise to pay to THE BANK OF NEW YORK MELLON, TRUST COMPANY, N.A. (the "Bond Trustee"), and its duly registered transferees, the principal sum of _____ DOLLARS (\$ _____) in installments on the dates, in the amounts and in the manner hereinafter described, subject to prepayment as set forth herein.

This Note is the duly authorized note of the Obligated Issuers issued in the principal amount of \$ _____ and designated as the "Master Indenture Promissory Note, Series 2021-1" (the "Note"), issued as an "Obligation" pursuant to a Master Trust Indenture dated as of June 1, 2008, as previously amended and supplemented and as further amended and supplemented by a Thirty-Fourth Supplemental Indenture (the "Thirty-Fourth Supplement") dated as of July 1, 2021 (collectively, the "Master Indenture") among the Obligated Issuers and The Bank of New York Mellon, as master trustee (the "Master Trustee"). All Obligations issued and from time to time and outstanding under the provisions of the Master Indenture are equally and ratably secured by the Master Indenture. Certain capitalized words and terms used in this Note and not defined herein shall have the respective meanings given such words and terms in the Master Indenture.

This Note evidences the indebtedness of the Borrowers and the other Obligated Issuers to the Bond Trustee, as assignee of the PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY ("PEDFA"), arising under and pursuant to that Loan Agreement dated as of July 1, 2021 (as the same may be amended, modified, supplemented, extended, renewed or restated from time to time, the "Bonds Loan Agreement") by and between PEDFA and the Borrowers relating to those \$ _____ aggregate par amount Revenue Bonds

(Presbyterian Senior Living Project), Series 2021 (the “2021 Bonds”) issued for the benefit of the Borrowers by PEDFA pursuant to that Bond Trust Indenture dated as of July 1, 2021 between PEDFA and the Bond Trustee (the “Indenture”) in order to finance the projects set forth in the Indenture and the Bonds Loan Agreement. In order to provide a source of payment for and to secure the 2021 Bonds, PEDFA has assigned to the Bond Trustee all of its right, title and interest in this Note and substantially all of its rights under the Bonds Loan Agreement; accordingly, all interest and principal payments due hereunder shall be paid in lawful money of the United States of America to the Bond Trustee, as the assignee of PEDFA and registered Holder of this Note.

Interest on this Note shall be determined, adjusted and paid in the same manner and at the same times as interest is to be determined, adjusted and paid on the Series 2021 Bonds. Principal is payable on this Note in the same amounts and at the same times as it is payable on the 2021 Bonds.

Late payments hereunder shall be subject to the same penalties as are provided for late payments under the 2021 Bonds, if any.

This Note may be prepaid in whole or in part at any time and from time to time under and subject to the same provisions as are provided for prepayment of the 2021 Bonds under the Indenture and Bonds Loan Agreement, and this Note shall further be (i) subject to redemption prior to maturity to the extent and with respect to the corresponding redemption of the 2021 Bonds in accordance with the terms of the Indenture and Bonds Loan Agreement, (ii) subject to credit against payments as set forth in Section 2.02 of the Thirty-Fourth Supplement and (iii) subject to defeasance in accordance with the terms of the Master Indenture.

Notwithstanding anything contained herein to the contrary, payments under this Note shall in all events be sufficient to make all payments, in the amounts and at the times due, under the 2021 Bonds.

A copy of the Master Indenture is on file at the corporate trust office of the Master Trustee in Pittsburgh, Pennsylvania, and reference is hereby made to the Master Indenture for the provisions, among others, relating to the nature and extent of the rights of the Holders of Obligations issued under the Master Indenture, the terms and conditions on which and the purposes for which Obligations may be issued, the security for the Obligations and the rights, duties and obligations of the Obligated Issuers and the Master Trustee under the Master Indenture, to all of which the Holder, by acceptance of this Note, assents. All Obligations issued under the Master Indenture are joint and several obligations of each Obligated Issuer.

In the event that any payment hereunder is not made when due or upon the occurrence and continuation of an event of default under the Bonds Loan Agreement that would permit the acceleration of the indebtedness thereunder, the unpaid principal of this Note may be declared by the Holder hereof, and thereupon shall become, immediately due and payable in accordance with the terms of the Master Indenture. The Holder hereof may notify the Master Trustee of any payment default on this Note, and this Note is subject to enforcement in accordance with the terms of the Master Indenture. The unpaid principal of this Note may also be declared immediately due and payable by the Master Trustee upon the occurrence of certain “Events of Default” (as described in the Master Indenture).

This Note is issuable only as a registered Note without coupons.

Ownership of this Note shall be registered on the register to be maintained for that purpose at the designated corporate trust office of the Master Trustee and may be transferred in the manner set forth in the Master Indenture.

Each Obligated Issuer hereby waives presentment, demand of payment, protest and notice of non-payment and of protest and any and all other notices and demand whatsoever.

All amounts payable under the terms of this Note shall be payable with expenses of collection, including attorneys' fees, and without relief from valuation and appraisal laws.

All payments on account of this Note shall be applied first to expenses of collection, next to interest which is due and payable, and only after satisfaction of all such expenses and interest, to principal.

This Note shall be governed by the laws of the Commonwealth of Pennsylvania.

This Note shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, EACH OF THE OBLIGATED ISSUERS has caused this Note to be executed in its name and on its behalf, all as of July [14], 2021.

PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGDON

PRESBYTERIAN HOMES, INC.

By: _____
Senior Vice President & CFO

By: _____
Senior Vice President & CFO

QUINCY RETIREMENT COMMUNITY

PHI INVESTMENT MANAGEMENT
SERVICES, INC.

By: _____
Senior Vice President & CFO

By: _____
Senior Vice President & CFO

THE LONG HOME

THE LONG COMMUNITY, INC.

By: _____
Authorized Trustee

By: _____
Senior Vice President & CFO

CATHEDRAL VILLAGE

By: _____
Senior Vice President & CFO

CERTIFICATE OF AUTHENTICATION

This Note is one of the Master Notes described in the within-mentioned Master Indenture and constitutes an “Obligation” issued under the Master Indenture.

THE BANK OF NEW YORK MELLON, as Master
Trustee

By: _____
Authorized Officer

Date of Authentication: July [14], 2021

Assignment

PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY (the “Authority”), a body corporate and politic organized and existing under laws of the Commonwealth of Pennsylvania, does hereby assign, transfer and set over, without recourse and without warranty, to THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the “Bond Trustee”), as trustee for the 2021 Bonds under the Indenture and assignee of the Authority’s rights and interests in the Bonds Loan Agreement (as those terms are described and defined in the foregoing Note), all of the Authority’s right, title and interest in and to the foregoing Note. Such assignment is made in connection with the issuance by the Authority of the 2021 Bonds and in connection with the Bonds Loan Agreement.

This instrument is executed and delivered as of the [14th] day of July, 2021.

PENNSYLVANIA ECONOMIC
DEVELOPMENT FINANCING
AUTHORITY

[SEAL]

Attest: _____
Title: (Assistant) Secretary

By: _____
Title:

EXHIBIT B

\$ _____

**PRESBYTERIAN HOMES, INC.
PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON
QUINCY RETIREMENT COMMUNITY
PHI INVESTMENT MANAGEMENT SERVICES, INC.,
THE LONG HOME,
THE LONG COMMUNITY, INC.
CATHEDRAL VILLAGE**

MASTER INDENTURE PROMISSORY NOTE

Series 2021-2

Presbyterian Homes, Inc. (“Presbyterian Homes”), Presbyterian Homes in the Presbytery of Huntingdon (“PHPH”), Quincy Retirement Community (“Quincy”), Cathedral Village (“CV”), PHI Investment Management Services, Inc., The Long Community, Inc. (“TLC”), and The Long Home (jointly, the “Obligated Issuers” and each, an “Obligated Issuer”), for value received, hereby jointly and severally promise to pay to BANK OF AMERICA, N.A. (the “Bank”), and its duly registered transferees, the principal sum of _____ DOLLARS (\$ _____) in installments on the dates, in the amounts and in the manner hereinafter described, subject to prepayment as set forth herein.

This Note is the duly authorized note of the Obligated Issuers issued in the principal amount of \$ _____ and designated as the “Master Indenture Promissory Note, Series 2021-2” (the “Note”), issued as an “Obligation” pursuant to a Master Trust Indenture dated as of June 1, 2008, as previously amended and supplemented and as further amended and supplemented by a Thirty-Fourth Supplemental Indenture (the “Thirty-Fourth Supplement”) dated as of July 1, 2021 (collectively, the “Master Indenture”) among the Obligated Issuers and The Bank of New York Mellon, as master trustee (the “Master Trustee”). All Obligations issued and from time to time and outstanding under the provisions of the Master Indenture are equally and ratably secured by the Master Indenture. Certain capitalized words and terms used in this Note and not defined herein shall have the respective meanings given such words and terms in the Master Indenture.

This Note evidences the indebtedness of CV and the other Obligated Issuers to the Bank, arising under and pursuant to that Loan Agreement dated as of July [14], 2021 (as the same may be amended, modified, supplemented, extended, renewed or restated from time to time, the “Financing Agreement”) by and among the Bank, CV [and the other Members of the Obligated Group, pursuant to which the Bank has extended to CV and the Obligated Group a loan in the original principal amount of \$ _____ (the “Bank Loan”) to finance the Project as set forth in the Financing Agreement.

Interest on this Note shall be determined, adjusted and paid in the same manner and at the same times as interest is to be determined, adjusted and paid on the Bank Loan pursuant to the Financing Agreement. Principal is payable on this Note in the same amounts and at the same times as it is payable on the Bank Loan pursuant to the Financing Agreement.

Late payments hereunder shall be subject to the same penalties as are provided for late payments under the Financing Agreement, if any.

This Note may be prepaid in whole or in part at any time and from time to time under and subject to the same provisions as are provided for prepayment under the Financing Agreement, and this Note shall further be (i) subject to prepayment prior to maturity to the extent and with respect to the corresponding prepayment of the Bank Loan in accordance with the terms of the Financing Agreement, (ii) subject to credit against payments as set forth in Section 2.02 of the Thirty-Fourth Supplement and (iii) subject to defeasance in accordance with the terms of the Master Indenture.

Notwithstanding anything contained herein to the contrary, payments under this Note shall in all events be sufficient to make all payments, in the amounts and at the times due, under the Bank Loan and the Financing Agreement.

A copy of the Master Indenture is on file at the corporate trust office of the Master Trustee in Pittsburgh, Pennsylvania, and reference is hereby made to the Master Indenture for the provisions, among others, relating to the nature and extent of the rights of the Holders of Obligations issued under the Master Indenture, the terms and conditions on which and the purposes for which Obligations may be issued, the security for the Obligations and the rights, duties and obligations of the Obligated Issuers and the Master Trustee under the Master Indenture, to all of which the Holder, by acceptance of this Note, assents. All Obligations issued under the Master Indenture are joint and several obligations of each Obligated Issuer.

In the event that any payment hereunder is not made when due or upon the occurrence and continuation of an event of default under the Financing Agreement that would permit the acceleration of the indebtedness thereunder, the unpaid principal of this Note may be declared by the Holder hereof, and thereupon shall become, immediately due and payable in accordance with the terms of the Master Indenture. The Holder hereof may notify the Master Trustee of any payment default on this Note, and this Note is subject to enforcement in accordance with the terms of the Master Indenture. The unpaid principal of this Note may also be declared immediately due and payable by the Master Trustee upon the occurrence of certain "Events of Default" (as described in the Master Indenture).

This Note is issuable only as a registered Note without coupons.

Ownership of this Note shall be registered on the register to be maintained for that purpose at the designated corporate trust office of the Master Trustee and may be transferred in the manner set forth in the Master Indenture.

Each Obligated Issuer hereby waives presentment, demand of payment, protest and notice of non-payment and of protest and any and all other notices and demand whatsoever.

All amounts payable under the terms of this Note shall be payable with expenses of collection, including attorneys' fees, and without relief from valuation and appraisal laws.

All payments on account of this Note shall be applied first to expenses of collection, next to interest which is due and payable, and only after satisfaction of all such expenses and interest, to principal.

This Note shall be governed by the laws of the Commonwealth of Pennsylvania.

This Note shall not be entitled to any benefit under the Master Indenture, or be valid or become obligatory for any purpose, until this Note shall have been authenticated by execution by the Master Trustee of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, EACH OF THE OBLIGATED ISSUERS has caused this Note to be executed in its name and on its behalf, all as of July [14], 2021.

PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGDON

PRESBYTERIAN HOMES, INC.

By: _____
Senior Vice President & CFO

By: _____
Senior Vice President & CFO

QUINCY RETIREMENT COMMUNITY

PHI INVESTMENT MANAGEMENT
SERVICES, INC.

By: _____
Senior Vice President & CFO

By: _____
Senior Vice President & CFO

THE LONG HOME

THE LONG COMMUNITY, INC.

By: _____
Authorized Trustee

By: _____
Senior Vice President & CFO

CATHEDRAL VILLAGE

By: _____
Senior Vice President & CFO

CERTIFICATE OF AUTHENTICATION

This Note is one of the Master Notes described in the within-mentioned Master Indenture and constitutes an “Obligation” issued under the Master Indenture.

THE BANK OF NEW YORK MELLON, as Master
Trustee

By: _____
Authorized Officer

Date of Authentication: July [14], 2021

PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY

And

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

BOND TRUST INDENTURE

Dated as of July 1, 2021

Relating to:

Pennsylvania Economic Development Financing Authority

\$65,515,000 Revenue Bonds

(Presbyterian Senior Living Project), Series 2021

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EXHIBIT A – FORM OF SERIES 2021 BONDS
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BOND TRUST INDENTURE

THIS BOND TRUST INDENTURE, made and entered into as of July 1, 2021 (this “Bond Indenture”), between **PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY**, a body corporate and politic duly organized and validly existing under the laws of the Commonwealth (which capitalized term and all other capitalized terms and phrases used in this Indenture, including the following recitals and granting clauses, shall have the meanings set forth in **Error! Reference source not found.** of this document) (the “Issuer”), and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly authorized and empowered to accept and execute trusts of the character herein set out, as trustee (the “Bond Trustee”);

WITNESSETH:

WHEREAS, the Issuer has been created pursuant to the Act, with all necessary power and authority to issue limited obligation revenue bonds and to use the proceeds thereof to make loans to finance qualified projects (as defined in the Act), including the Financed Projects, if authorized and approved by local industrial and commercial development authorities or local industrial development agencies for financing by this Financing Authority; and

WHEREAS, CREDC is a nonprofit corporation organized and existing under the Pennsylvania Nonprofit Corporation Law of 1988, Act of May, 1933, P.L. 289, as amended (15 Pa.C.S. §5901 *et seq.*) of the Commonwealth and qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, for the purposes of economic development and job creation purposes which include assisting state and local government in economic development and job creation in the area served by the Harrisburg Regional Chamber; and

WHEREAS, CREDC has been certified as an “industrial development agency” by the Pennsylvania Industrial Development Authority as required by the Act and has approved the Financed Projects for financing as required by the Act and has filed an application for such financing to this Financing Authority; and

WHEREAS, each of the Obligated Group Members (other than The Long Home, which is a testamentary charitable trust), including each of the Borrowers, is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania; and

WHEREAS, at the request of the Borrowers, the Issuer has determined to issue Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Series 2021 (the “Series 2021 Bonds”), and to lend the proceeds thereof to the Borrowers for the purpose of (i) the Refunding Projects; (ii) the Capital Projects; (iii) paying capitalized interest on the Series 2021 Bonds; and (iv) paying all or a portion of the costs associated with the issuance of the Series 2021 Bonds (the “Financed Projects”); and

WHEREAS, the Issuer and the Borrowers have entered into a Loan Agreement, of even date herewith (the “Agreement”), pursuant to which (i) the Issuer will loan the proceeds of the Series 2021 Bonds to the Borrowers for the purposes described above and (ii) the Borrowers agree to repay such loan at such times and in such amounts as will be sufficient to pay the principal of, premium, if any, and interest on the Series 2021 Bonds to be issued, as and when the same become due; and

WHEREAS, the Issuer may from time to time issue Additional Bonds (as defined herein and, together with the Series 2021 Bonds, the “Bonds”), in accordance with the provisions hereof and of the Agreement; and

WHEREAS, the Issuer is entering into this Indenture for the purpose of issuing the Bonds and securing the payment thereof; and

WHEREAS, THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, AND THE BONDS AND THIS INDENTURE DO NOT PLEDGE THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE COMMONWEALTH NOR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH SHALL BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

WHEREAS, the Obligated Group has entered into the Master Indenture, pursuant to the terms of which they will issue Obligations under the Master Indenture to evidence and secure Indebtedness of the Obligated Group; and

WHEREAS, to evidence the obligation of the Obligated Group to make payments sufficient to pay the principal of, premium, if any, and interest on the Series 2021 Bonds, the Obligated Group will execute and cause the Master Trustee to authenticate and deliver to the Issuer a Master Note dated the date of issuance of the Series 2021 Bonds in the aggregate principal amounts of the Series 2021 Bonds (the “Series 2021-1 Master Note”), which Series 2021-1 Master Note will be endorsed by the Issuer to the Bond Trustee as security for the Series 2021 Bonds; and

WHEREAS, it is a condition precedent to the delivery of the Series 2021 Bonds that, *inter alia*, the Master Indenture, including the Supplemental Master Indenture, are each duly executed and delivered, and that the Series 2021-1 Master Note be issued under the Master Indenture to secure the Series 2021 Bonds; and

WHEREAS, the Issuer hereby finds and determines that financing of the Financed Projects in the manner described above will further the purposes and policies of the Act; and

WHEREAS, the execution and delivery of this Bond Indenture, the Agreement, and the assignment and endorsement of the Agreement and the Series 2021-1 Master Note (except for the

Reserved Rights) to the order of the Bond Trustee were authorized by a Resolution of the Issuer which was duly adopted and approved; and

WHEREAS, the execution and delivery of the Mortgage to the Master Trustee was duly authorized and approved by the Obligated Group; and

WHEREAS, the Series 2021 Bonds to be issued and the Bond Trustee’s Certificate of Authentication to be endorsed on the Series 2021 Bonds are to be in substantially the forms attached hereto as Exhibit A; and;

WHEREAS, all things necessary to make the Series 2021 Bonds, when executed by the Issuer and when authenticated by the Bond Trustee and issued as in this Bond Indenture provided, the valid, binding and legal obligations of the Issuer according to the import thereof, to constitute this Bond Indenture a valid lien on the interests in property hereby conveyed, a valid grant of a security interest in the interests in property hereby made, and a valid assignment and pledge of the revenues and receipts hereby made to secure the payment of the principal of, premium, if any, and interest on the Series 2021 Bonds, and to constitute this Bond Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms have been done and performed, and the creation, execution and delivery of this Bond Indenture and the creation, execution and issuance of the Series 2021 Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, BY THESE PRESENTS, THIS TRUST INDENTURE WITNESSETH:

That the Issuer, in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof and of the sum of One Dollar to it duly paid by the Bond Trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds at any time Outstanding under this Bond Indenture, all according to their tenor and effect, and to secure the performance and observance of all the covenants and conditions in the Bonds and herein contained, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has executed and delivered this Bond Indenture and does hereby, subject to the terms and provisions of the Agreement, grant, bargain, sell, transfer, convey, mortgage, pledge and assign, without recourse and irrevocably in trust, unto the Bond Trustee and unto its successors in trust, and to its assigns forever, and does hereby grant a continuing security interest in (to the extent permitted by law) the property, real and personal, tangible or intangible, which property is more particularly described below:

GRANTING CLAUSE FIRST

All the right, title and interest of the Issuer in and to (a) the Agreement (except for the Reserved Rights), and (b) the Series 2021-1 Master Note (except for the Reserved Rights), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive, and make receipt for payments and other sums of money payable, receivable, or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things which the Issuer is or may become entitled to do under the foregoing.

GRANTING CLAUSE SECOND

All the right, title and interest of the Issuer in and to all cash proceeds and receipts arising out of or in connection with the sale of the Bonds and all money and investments held by the Bond Trustee in the funds and accounts created under this Bond Indenture (except the Rebate Fund), or held by the Bond Trustee as special trust funds derived from payments on contractor's performance or payment bonds or other surety bonds, or any other source.

GRANTING CLAUSE THIRD

All the right, title and interest of the Issuer in and to all money and securities and interest earnings thereon from time to time delivered to and held by the Bond Trustee under the terms of this Bond Indenture (except the Rebate Fund) and all other rights of every name and nature and any and all other property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Issuer or by anyone on its behalf or with its written consent to the Bond Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

GRANTING CLAUSE FOURTH

All the right, title and interest of the Issuer in and to all proceeds (cash and noncash) of any or all of the foregoing, including, without limiting the generality of the foregoing, all inventory, accounts, chattel paper, documents, equipment, instruments, farm products, consumer goods and general intangibles constituting proceeds acquired with cash proceeds of any or all of the foregoing.

IN EACH CASE, whether now owned or hereafter acquired by the Issuer and howsoever its interest therein may arise or appear (whether by ownership, security interest, claim or otherwise) and whether due or to become due and whether or not earned by performance;

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby pledged, conveyed and assigned, or agreed or intended to be, to the Bond Trustee and its successors in such trusts and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security and protection of all Owners of the Bonds issued under and secured by this Bond Indenture, in all cases without privilege, priority or distinction as to the lien or otherwise of any Bonds over any other Bonds;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall pay, or cause to be paid, the principal of the Bonds and the premium, if any, and the interest due or to become due thereon, at the times and in the manner stipulated in the Bonds according to the true intent and meaning thereof, and shall cause the payments to be made into the Bond Fund as hereinafter required or shall provide, as permitted hereby, for the payment thereof by depositing with the Bond Trustee the entire amount due or to become due hereon, or certain securities as herein permitted and shall keep, perform and observe all the covenants and conditions pursuant to the terms of this Bond Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Bond Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Bond Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Bond Indenture to be and remain in full force and effect.

THIS BOND INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said rights hereby pledged and assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Bond Trustee and with the respective Owners from time to time of the Bonds as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. Certain words and terms used in this Bond Indenture have the meaning given them in Article I of the Agreement which by this reference is incorporated herein. When used herein, such words and terms will have the meanings given to them by the language employed in Article I of the Agreement defining such words and terms, unless the context or use clearly indicates otherwise.

Section 1.02. Recital Incorporation. The recitals set forth in the beginning of this Bond Indenture are hereby incorporated herein.

Section 1.03. Construction of Certain Terms. For all purposes of this Bond Indenture, except as otherwise expressly provided or unless the context otherwise requires, the following rules of construction will apply:

(1) The use of the masculine, feminine or neuter gender is for convenience only and will be deemed and construed to include correlative words of the masculine, feminine or neuter gender, as appropriate.

(2) “This Bond Indenture” means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

(3) All references in this instrument to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument. The words “herein,” “hereof,” “hereto,” “hereby” and “hereunder” and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or other subdivision.

(4) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP.

Section 1.04. Table of Contents: Titles and Headings.

The table of contents, the titles of the articles and the headings of the sections of this Bond Indenture are solely for convenience of reference, are not a part of this Bond Indenture and will not be deemed to affect the meaning, construction or effect of any of its provisions.

Section 1.05. Contents of Certificates or Opinions.

Any certificate or opinion made or given by an officer of the Issuer or an officer of the Obligated Group may be based, insofar as it relates to legal or accounting matters, upon a certificate or an opinion of Independent Counsel or an Accountant, which certificate or opinion has been given only after due inquiry of the relevant facts and circumstances, unless such officer knows that the certificate or opinion with respect to the matters upon which his certificate or opinion may be based as aforesaid is erroneous or in the exercise of reasonable care should have known that the same was erroneous. Any such certificate or opinion made or given by Independent Counsel or an Accountant may be based (insofar as it relates to factual matters with respect to information which is in the possession of an officer of the Issuer or an officer of the Obligated Group or any third party) upon the certificate or opinion of or representations by an officer of the Issuer or an officer of the Obligated Group or any third party on whom Independent Counsel or an Accountant could reasonably rely unless such Independent Counsel or such Accountant knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous or in the exercise of reasonable care should have known that the same were erroneous. The same officer of the Issuer or officer of the Obligated Group, or the same Independent Counsel or Accountant, as the case may be, need not certify or opine to all of the matters required to be certified or opined under any provision of this Agreement, but different officers, Independent Counsel or Accountants may certify or opine to different matters, respectively.

[End of Article I]

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION AND ISSUANCE OF BONDS

Section 2.01. Authorized Amount of Series 2021 Bonds. No Bonds may be issued under this Bond Indenture except in accordance with this Article. The total original principal amount of Series 2021 Bonds that may be issued hereunder is hereby expressly limited to \$65,515,000.

Section 2.02. All Bonds Secured; Bonds Not an Obligation of Issuer. All Series 2021 Bonds issued under this Bond Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority, or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Series 2021 Bonds, so that all Series 2021 Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Bond Indenture and shall all be equally and ratably secured hereby.

Additional Bonds may be secured on a parity or subordinate basis with the Series 2021 Bonds as determined at the time of issuance thereof in accordance with Section 2.09 below.

The Bonds shall be payable solely out of the revenues and other security pledged hereby. The Bonds, together with interest and any premium thereon, will be limited obligations of the Issuer payable solely from the Trust Estate and will be a valid claim of the respective Owners thereof only against the Trust Estate.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, NOR SHALL THE BONDS BE OR BE DEEMED GENERAL OBLIGATIONS OF THE ISSUER OR OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

Section 2.03. Authorization of Series 2021 Bonds.

(a) There is hereby authorized to be issued hereunder and secured hereby an issue of bonds designated as "Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project), Series 2021." The Series 2021 Bonds shall be numbered consecutively upward from R-1.

(b) The Series 2021 Bonds shall bear interest from the most recent interest payment date to which interest has been paid or provided for, or, if no interest has been paid, from the

Delivery Date of the Series 2021 Bonds. The Series 2021 Bonds shall bear interest on the basis of a 360-day year composed of twelve 30-day months payable each January 1 and each July 1, beginning January 1, 2022, at the rates per annum and shall mature on the date and in the principal amounts set for the Exhibit B hereto.

(c) The principal of, premium, if any, and interest on the Series 2021 Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Bond Trustee, or at the designated corporate trust office of its successor, and if such Series 2021 Bonds are not then registered in the name of DTC or its nominee, upon presentation and surrender of the Series 2021 Bonds. Payment of interest on any Series 2021 Bond shall be made to the person who is the registered owner thereof at the close of business on the Regular Record Date for such Interest Payment Date by check mailed by the Bond Trustee on such Interest Payment Date to such registered owner at his or her address as it appears on the registration records kept by the Bond Trustee or by wire transfer of same day funds upon receipt by the Bond Trustee prior to the Regular Record Date of a written request by a registered owner of \$1,000,000 or more in aggregate principal amount of Series 2021 Bonds at the time such initial request is made. The CUSIP number and appropriate dollar amounts for each CUSIP number shall accompany all payments of principal, premium, if any, and interest on the Series 2021 Bonds. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner of such Series 2021 Bond at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Bond Trustee whenever money become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the Series 2021 Bonds not less than ten days prior thereto by first class postage prepaid mail or sent electronically pursuant to Applicable Procedures to each such registered owner as shown on the registration records, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed upon between the owners of any Series 2021 Bonds and the Bond Trustee. All such payments shall be made in lawful money of the United States of America.

Notwithstanding the foregoing, payments of the principal of and interest on any Series 2021 Bonds that are subject to the book entry system as provided in ARTICLE II of this Bond Indenture shall be made in accordance with the rules, regulations and procedures established by the securities depository in connection with the book entry system.

Section 2.04. Execution of Bonds, Signatures. The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Executive Director, and the official seal of the Issuer shall be impressed or reproduced thereon and attested by the manual or facsimile signature of the Secretary of the Issuer. The reproduction of the seal of the Issuer on the Bonds will have the same force and effect as if the seal of the Issuer had been impressed on the Bonds.

In case any officer who shall have signed any of the Bonds shall cease to hold such office and any of such Bonds shall have been authenticated by the Bond Trustee or delivered or sold, such Bonds with the signatures thereto affixed may, nevertheless, be authenticated by the Bond Trustee, and delivered, and may be sold by the Issuer, as though the person or persons who signed such Bonds had remained in office.

Section 2.05. Registration and Exchange of Bonds; Persons Treated as Owners. The Bond Trustee is hereby appointed the bond registrar of the Issuer for the Bonds and shall cause books for the registration and for the transfer of the Bonds as provided in this Bond Indenture to be kept. Upon surrender for transfer of any fully registered Bond at the Corporate Trust Office of the Bond Trustee, duly endorsed for transfer or accomplished by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Issuer shall execute and the Bond Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same series for a like principal amount and maturity.

The Issuer shall execute and the Bond Trustee shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously Outstanding. The execution by the Issuer of any fully registered Bond of any denomination shall constitute full and due authorization of such denomination and the Bond Trustee shall thereby be authorized to authenticate and deliver such Bond.

The Bond Trustee shall not be required to transfer or exchange any Bond after notice calling such Bond or any portion thereof for redemption has been given as herein provided, nor during the period beginning at the opening of business fifteen days before the day the Bond Trustee gives notice of redemption and ending at the close of business on the day such notice is given.

As to any Bond, the Person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of or interest on any Bond shall be made only to or upon the written order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

The Bond Trustee shall require the payment by any Bondholder requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Section 2.06. Lost, Stolen, Destroyed and Mutilated Bonds. Upon receipt by the Bond Trustee of evidence satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to it, and upon surrender and cancellation of the Bond if mutilated, (i) the Issuer shall

execute, and the Bond Trustee shall authenticate and deliver, a new Bond of the same series, date and maturity as the lost, stolen, destroyed or mutilated Bond in lieu of such lost, stolen, destroyed or mutilated Bond or (ii) if such lost, stolen, destroyed or mutilated Bond shall have matured or shall have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the Issuer may pay such Bond. Any such new Bond shall bear a number not contemporaneously Outstanding. The applicant for any such new Bond may be required to pay all expenses and charges of the Issuer and of the Bond Trustee in connection with the issue of such new Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities. If, after the delivery of such new Bond, a *bona fide* purchaser of the original Bond in lieu of which such duplicate Bond was issued presents for payment such original Bond, the Borrowers or the Bond Trustee shall be entitled to recover upon such new Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Borrowers or the Bond Trustee in connection therewith.

Section 2.07. Delivery of Series 2021 Bonds. Upon the execution and delivery of this Bond Indenture, the Issuer shall execute and deliver to the Bond Trustee and the Bond Trustee shall authenticate the Series 2021 Bonds and deliver them to the initial purchasers thereof as directed by the Issuer and as hereinafter in this Section provided.

Prior to the delivery by the Bond Trustee of any of the Series 2021 Bonds there shall be filed with and delivered to the Bond Trustee the following:

- (a) A Certified Resolution of the Issuer authorizing the execution and delivery of the Agreement and this Bond Indenture and the issuance of the Series 2021 Bonds.
- (b) Original executed counterparts of the Agreement duly assigned (excluding the Reserved Rights) to the Bond Trustee, this Bond Indenture, and copies of the fully executed Master Trust Indenture, the Supplemental Master Indenture, and the Mortgage.
- (c) The Series 2021-1 Master Note, duly executed and authenticated and assigned to the Bond Trustee.
- (d) A written request and authorization to the Bond Trustee on behalf of the Issuer and signed by an Issuer Representative to authenticate and deliver the Series 2021 Bonds to the purchasers therein identified upon payment to the Bond Trustee, but for the account of the Issuer, of a sum specified in such request and authorization, together with instructions as to the disposition of the proceeds of the Series 2021 Bonds pursuant to Section 3.01.

(e) An Opinion of Bond Counsel substantially to the effect that the Series 2021 Bonds have been duly and validly authorized, issued, and delivered and constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, and that each of the instruments to which the Issuer is a party has been duly and validly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to customary qualifications on enforceability.

(f) An Opinion of Bond Counsel substantially to the effect that the interest payable on the Series 2021 Bonds is excludable from gross income for federal income tax purposes.

(g) Copies of the Uniform Commercial Code financing statements filed pursuant to Section 4.03 with evidence of filing.

(h) An Opinion of Counsel to the Obligated Group, an Opinion of Counsel to the Issuer, and such other documents as the Bond Trustee may reasonably request.

Section 2.08. Bond Trustee's Certificate of Authentication. The Bond Trustee's certificate of authentication upon the Series 2021 Bonds shall be substantially in the form and tenor set forth in Exhibit A hereto. No Bond shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless the certificate of authentication, substantially in such form, has been duly executed by the Bond Trustee; and such certificate of the Bond Trustee upon any Bond shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered hereunder. The Bond Trustee's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized signatory of the Bond Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

Section 2.09. Issuance of Additional Bonds. Additional Bonds are hereby authorized to be issued hereunder for the purposes set forth in Section 4.1 of the Agreement. If the Borrowers request the issuance of any Additional Bonds, they shall file with the Issuer and the Bond Trustee a certificate specifying the amount of Additional Bonds to be issued and the purpose for such issuance.

The Issuer agrees to consider the authorization of the issuance of Additional Bonds upon the terms and conditions provided herein and in Section 2.09 and Section 2.10. Additional Bonds may be issued for any purpose authorized by the Act. In the event of the issuance of Additional Bonds for any such purposes, the amount of Additional Bonds issued may include the costs of the issuance and sale of the Additional Bonds, capitalized interest for such period allowed by law, reserve funds and such other costs reasonably related to the financing as shall be agreed upon by the Borrowers and the Issuer and are permissible under the Act.

If the Borrowers are not in default hereunder, the Issuer agrees, on request of the Borrowers, from time to time, subject to satisfying the requirements of the Act, to consider issuing the amount of Additional Bonds specified by the Borrowers; provided that the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved in writing by the Borrowers, and provided further that (i) the Borrowers and the Issuer shall have entered into an amendment to this Bond Indenture to provide, among other things, that the Financed Projects shall include the facilities, if any, being financed by the Additional Bonds, for additional loan payments in an amount at least sufficient to pay principal of, premium, if any, and interest on the Additional Bonds when due, and (ii) the Obligated Group and the Master Trustee shall have entered into a supplement to the Master Indenture whereby the Obligated Group issues a Master Obligation securing payment of the principal of, premium, if any, and interest on the Additional Bonds. The issuance of Additional Bonds shall be subject to Sections 2.09 and 2.10.

Thereupon, the Issuer may request the authentication and delivery of such Additional Bonds; provided that the Borrowers and the Issuer shall have entered into an amendment to the Agreement to provide, among other things, that the Financed Projects shall include the additional facilities, if any, being financed by the Additional Bonds, for delivery of Master Obligations entitled to the benefit and security of the Master Indenture in an amount at least sufficient to pay the principal of, premium, if any, and interest on the Additional Bonds when due, and for such additional covenants and conditions as the Issuer and the Borrowers deem desirable. All Additional Bonds shall be secured hereunder with the Bonds then Outstanding on either a parity or subordinate basis as determined at the time of issuance thereof, and shall bear such date or dates, bear such interest rate or rates, have such maturity dates, redemption dates, options and premiums, and be issued at such prices as shall be approved in writing by the Issuer and the Borrowers. Upon the execution and delivery of appropriate supplements to this Bond Indenture and the Master Indenture and amendments to the Agreement, the Issuer may execute and deliver to the Bond Trustee, and the Bond Trustee shall authenticate, such Additional Bonds and deliver them to the initial purchasers thereof as directed by the Issuer.

Section 2.10. Requirements for Authentication and Delivery of Additional Bonds. Whenever requesting the authentication and delivery under this ARTICLE II of any Additional Bonds, the Borrowers shall furnish the Bond Trustee the following:

(a) **Borrowers' Certificate.** A certificate of the Borrowers stating (i) that no default exists under the Agreement, the Master Indenture or this Bond Indenture, (ii) that the Borrowers approve the issuance and delivery of such Additional Bonds, (iii) that all conditions precedent to the incurrence of additional indebtedness evidenced by such Additional Bonds under the Master Indenture have been satisfied, and (iv) any other matters to be approved by the Borrowers pursuant to Section 4.1 of the Agreement and this Section 2.10.

(b) **Certified Resolution.** A Certified Resolution of the Issuer authorizing the issuance of the Additional Bonds and the execution and delivery of the amendment to the Agreement and a supplement to this Bond Indenture.

(c) **Amendment to the Agreement.** An original executed counterpart of the amendment to the Agreement.

(d) **Supplemental Bond Indenture.** An indenture supplemental hereto, designating the new series to be created and prescribing expressly or by reference with respect to the Bonds of such series:

- (i) the principal amount of the Bonds of such series,
- (ii) the text of the Bonds of such series,
- (iii) whether such Bonds are on a parity with, or subordinate to, any Bonds previously issued under and pursuant to this Bond Indenture,
- (iv) the maturity date or dates thereof,
- (v) the place or places where principal, premium, if any, and interest are to be paid and where the Bonds are to be registerable, transferable or exchangeable,
- (vi) the rate or rates of interest and the date from which, and the date or dates on which, interest is payable,
- (vii) provisions as to redemption,
- (viii) provisions (if any) as to exchangeability,
- (ix) any other provisions necessary to describe and define such series within the provisions and limitations of this Bond Indenture, and
- (x) any other provisions and agreements in respect thereof provided, or not prohibited, by this Bond Indenture.

(e) **Supplement to Master Indenture.** Original executed counterparts of a supplement to the Master Indenture authorizing the execution and delivery of an additional Obligation or Master Obligations.

(f) **Additional Master Obligations.** A Master Obligation or Master Obligations executed by the Obligated Group which shall:

(i) require payment or payments of principal of, premium, if any, and interest in amounts and at times sufficient, together with any other funds available therefor, to permit the payments of principal of, premium, if any, and interest on the Additional Bonds, taking into account any mandatory sinking fund requirements (pursuant to this Bond Indenture) which are required in respect of the related bonds, and

(ii) require each payment on the Obligation to be made on the due date for the corresponding payment to be made on the related bonds of the Issuer.

(g) **Opinions.**

(i) An Opinion of Counsel substantially to the effect that such Additional Bonds have been duly and validly authorized, issued and delivered and constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, and that each of the instruments to which the Issuer is a party has been duly and validly authorized, executed and delivered by the Issuer and constitutes the legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, subject to customary qualifications on enforceability.

(ii) Such Opinions of Counsel as are delivered pursuant to ARTICLE X hereof or Section 4.2(a) of the Master Indenture, if applicable.

Section 2.11. Cancellation and Destruction of Bonds By the Bond Trustee. Whenever any Outstanding Bonds shall be delivered to the Bond Trustee for the cancellation thereof pursuant to this Bond Indenture, upon payment of the principal amount or interest represented thereby or for replacement pursuant to Section 2.06 hereof, such Bonds shall be promptly cancelled and treated in accordance with the Bond Trustee's standard retention policies. In the event of destruction of the Bonds by the Bond Trustee, a certificate of destruction evidencing such destruction shall be furnished by the Bond Trustee to the Issuer and the Borrowers upon written request.

Section 2.12. Book-Entry Only System. The Series 2021 Bonds shall be initially issued in the form of a single fully registered Series 2021 Bond for each maturity of each series and sub-series of the Series 2021 Bonds registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 2.13 hereof, all of the outstanding Series 2021 Bonds shall be registered in the name of Cede & Co., as nominee of DTC. The Bond Trustee in each of its capacities is hereby authorized to act in accordance with such letter and the Applicable Procedures.

Additional Bonds shall initially be issued in such form as may be provided in the Supplemental Bond Indenture applicable thereto.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Bond Trustee shall have no responsibility or obligation to any participant in DTC (a “DTC Participant”) or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Bond Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the registration books, of any notice with respect to the Bonds, including but not limited to any notice of redemption, or (c) the payment to any DTC Participant or any other person, other than a Bondholder as shown in the registration books, of any amount with respect to principal of, premium, if any, or interest on, the Bonds. Notwithstanding any other provision of this Bond Indenture to the contrary, the Issuer and the Bond Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the registration books as the absolute and sole owner of such Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Bond, for the purpose of giving notices and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Bond Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the registration books as provided in this Bond Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer’s obligations with respect to payment of principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest, pursuant to this Bond Indenture. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Bond Indenture with respect to payment of interest to the registered owner at the close of business on the Record Date, the word “Cede & Co.” in this Bond Indenture shall refer to such new nominee of DTC.

Section 2.13. Successor Securities Depository; Transfers Outside Book-Entry Only System.

(a) In the event that the Borrowers determine that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC (the “DTC Letter”), or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer, at the direction of the Borrowers, shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, notify DTC and DTC Participants, identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, identified by DTC, of the

availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants, identified by DTC, having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the registration books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Bond Indenture.

(b) Upon the written consent of 100% of the beneficial owners of the Bonds of any series or sub-series, the Bond Trustee, in accordance with the DTC Letter, shall withdraw the Bonds of such series or sub-series from DTC, and authenticate and deliver Bonds of such series fully registered to the assignees of DTC or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the Persons requesting such withdrawal, authentication and delivery.

Section 2.14. Payments to Cede & Co. Notwithstanding any other provision of this Bond Indenture to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on, such Bond and all notices, transfers and deliveries with respect to such Bond shall be made and given, respectively, in the manner provided in the DTC Letter.

Section 2.15. CUSIP Numbers. The Issuer in issuing the Bonds may use “CUSIP” numbers (if then generally in use), and, if so, the Bond Trustee may use “CUSIP” numbers in notices as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice and that reliance may be placed only on the other identification numbers printed on the Bonds, and any such notice shall not be affected by any defect in or omission of such numbers. The Borrowers shall promptly notify the Bond Trustee of any change in the “CUSIP” numbers.

Section 2.16. Special Obligations. The Bonds shall be special obligations of the Issuer payable solely from the Trust Estate which shall, except as may be otherwise expressly authorized in this Indenture, be used for no other purpose than to pay the principal of, premium, if any and interest on the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, NOR SHALL THE BONDS BE OR BE DEEMED GENERAL OBLIGATIONS OF THE ISSUER

**OR OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY
POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.**

No covenant, stipulation, obligation or agreement of the Issuer in this Bond Indenture, the Bonds or any other Series 2021 Bond Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the Issuer in his or her individual capacity. Neither the members of Issuer nor any person executing the Bonds or any agreement entered into by the Issuer under the Authorizing Resolution, nor any member of the Issuer, official, officer, employee or agent of the Issuer shall be liable personally on the Bonds or agreement or be subject to any personal liability or accountability by reason of the issuance, execution and delivery thereof.

[End of ARTICLE II]

**ARTICLE III
REVENUES AND FUNDS**

Section 3.01. Application of Proceeds of Series 2021 Bonds.

(a) The Issuer will sell and cause to be delivered to the Underwriters the Series 2021 Bonds and will deliver the proceeds thereof to the Bond Trustee for disbursement as follows:

(i) For transfer to or to the order of the Issuer the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d) for the current refunding of the Refunded Obligations.

(ii) For deposit into the Costs of Issuance Fund the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d); and

(iii) For deposit into the Construction Fund the amount specified in the request and authorization to the Bond Trustee described in Section 2.07(d).

Section 3.02. Creation of the Bond Fund. There is hereby created by the Issuer and ordered established with the Bond Trustee a trust fund to be designated as "Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Bond Fund" (the "Bond Fund"). There are hereby created by the Issuer and ordered established with the Bond Trustee separate accounts within the Bond Fund to be designated as the Principal Account and the Interest Account. Money on deposit in the Principal Account shall be used to pay the principal of, and premium, if any, on, the Series 2021 Bonds, when due and payable. Money on deposit in the Interest Account shall be used to pay the interest on the Series 2021 Bonds when due and payable.

Section 3.03. Payments into the Bond Fund. There shall be deposited into the Principal Account or the Interest Account, as and when received, (i) all payments on the Series 2021-1 Master Note, (ii) all other money required to be deposited therein pursuant to the Agreement or the Master Indenture, and (iii) all other money received by the Bond Trustee when accompanied by directions that such money is to be paid into the Principal Account or the Interest Account. There also shall be retained or deposited in the Principal Account or the Interest Account all interest and other income received on investments or money required to be transferred thereto in accordance with Section 6.02 hereof.

Section 3.04. Custody of the Bond Fund. The Bond Fund shall be in the custody of the Bond Trustee but in the name of the Issuer, and the Issuer hereby authorizes and directs the Bond Trustee to withdraw sufficient funds from the Principal Account or the Interest Account of the

Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same come due and payable, which authorization and direction the Bond Trustee hereby accepts.

Section 3.05. Construction Fund.

(a) There is hereby created and established with the Bond Trustee a trust fund designated as “Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Construction Fund” (the “Construction Fund”). Money in the Construction Fund shall be used to pay Costs of constructing the Capital Projects or as hereinafter provided. Under no circumstances shall money in the Construction Fund be used to pay Costs of Issuance.

(b) The Bond Trustee shall disburse money in the Construction Fund as provided in Section 4.6 of the Agreement. Subject to Section 3.05(d) hereof, all Surplus Construction Fund money remaining in the Construction Fund after a Completion Certificate is filed with the Bond Trustee and payment of all other costs then due and payable shall be transferred to the Principal Account and shall be used to redeem Bonds in accordance with **Error! Reference source not found.** hereof.

(c) Payments from the Construction Fund shall be made in accordance with this Article III and Article IV of the Agreement. Upon receipt of the required certificates, the Bond Trustee shall pay the amount requested to or upon the order of the Borrowers.

(d) If an Event of Default occurs under this Bond Indenture, and the principal of all Bonds and the interest accrued thereon are declared due and payable, except as otherwise provided herein, no money may be paid out of the Construction Fund by the Bond Trustee during the continuance of such an Event of Default; *provided, however*, that if such an Event of Default shall be waived and such declaration shall be rescinded pursuant to the terms of this Bond Indenture, the full amount of any such remaining money in the Construction Fund may again be requisitioned by the Borrowers and disbursed by the Bond Trustee in accordance with the provisions of the Agreement and this Bond Indenture.

Section 3.06. Completion Certificate. The Borrowers shall provide the Bond Trustee the Completion Certificate required to be delivered under Section 4.2(b) of the Agreement.

Section 3.07. Costs of Issuance Fund. There is hereby created and established with the Bond Trustee a trust fund designated as “Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Costs of Issuance Fund” (the “Costs of Issuance Fund”). The Bond Trustee shall disburse money in the Costs of Issuance Fund as provided in Article IV of the Agreement. Money in the Costs of Issuance Fund may be used only for payment of the Costs of Issuance. Within six months of the date of issuance of the Series

2021 Bonds, any money remaining in the Costs of Issuance Fund shall be transferred to the Construction Fund.

Section 3.08. Nonpresentment of Bonds. In the event that any Bonds shall not be presented for payment when the principal thereof or interest thereon becomes due, either at maturity, the date fixed for redemption thereof or otherwise, if funds sufficient for the payment thereof shall have been deposited into the Bond Fund or otherwise made available to the Bond Trustee for deposit therein as provided in Section 3.03 hereof, all liability of the Issuer to the owner or owners thereof for the payment of such Bonds shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Bond Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner or Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his or their part under this Bond Indenture or on, or with respect to, said Bonds, and all such funds shall remain uninvested. If any Bonds shall not be presented for payment within the period of two years following the date of final maturity of such Bonds, the Bond Trustee shall, to the extent required by law, transfer such funds to the state treasury of the Commonwealth of Pennsylvania, in which case the Owner or Owners of such Bonds shall look only to such state for payment, or, in the alternative, to the extent permitted by law, the Bond Trustee shall, upon request in writing by the Borrowers, return such funds to the Borrowers free of any trust or lien and such Bonds shall, subject to the defense of any applicable statute of limitation, thereafter be unsecured obligations of the Borrowers. In either event, the Bond Trustee shall have no further responsibility with respect to such money or payment of such Bonds. Thereafter, the Bondholders shall be entitled to look only to the Borrowers for payment, and then only to the extent of the amount so repaid by the Bond Trustee. The Borrowers shall not be liable for any interest on any sums paid to it.

Section 3.09. Bond Trustee’s and Paying Agents’ Fees, Charges and Expenses. Pursuant to the provisions of the Agreement, the Borrowers have agreed to pay to the Bond Trustee and to each Paying Agent, commencing with the effective date of the Agreement and continuing until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of this Bond Indenture, the reasonable and necessary fees and expenses (including attorneys’ fees) of the Bond Trustee and each Paying Agent, as and when the same become due, upon the submission by the Bond Trustee and each Paying Agent of a statement therefor.

Section 3.10. Money to be Held in Trust. All money required to be deposited with or paid to the Bond Trustee under any provision of this Bond Indenture (except money in the Rebate Fund) shall be held by the Bond Trustee in trust for the purposes specified in this Bond Indenture and, except for money deposited with or paid to the Bond Trustee for the redemption of Bonds for which the notice of redemption has been duly given, shall, while held by the Bond Trustee, constitute part of the Trust Estate and be subject to the lien hereof.

Section 3.11. Repayment to the Borrowers from the Funds. Any amounts remaining in the Bond Fund or the Construction Fund after payment in full of the Bonds (or after making provision for such payment), the fees and expenses of the Bond Trustee and the Paying Agents (including attorneys' fees, if any), the Administration Expenses and all other amounts required to be paid hereunder and under the Agreement shall be paid to the Borrower upon the termination of the Agreement.

Section 3.12. Rebate Fund.

(a) There is hereby created and established with the Bond Trustee a trust fund designated as "Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Rebate Fund" (the "Rebate Fund"). The Rebate Fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation the Bondholders. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Regulations. The money deposited in the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section. The Rebate Fund is not a portion of the Trust Estate and is not subject to the lien of this Bond Indenture. Notwithstanding the foregoing, the Bond Trustee with respect to the Rebate Fund is afforded all the rights, protections and immunities otherwise accorded to it hereunder.

(b) Within 60 days after the close of each fifth Bond Year, the Borrowers' Representative shall deliver to the Bond Trustee a computation in the form of a certificate of an officer of the Borrowers' Representative of the amount of "Excess Earnings," if any, for the period beginning on the date of delivery of the Tax Exempt Bonds and ending at the close of such Bond Year, and the Borrowers shall pay to the Bond Trustee for deposit into the Rebate Fund an amount equal to the difference, if any, between the amount then in the Rebate Fund and the Excess Earnings so computed. If, at the close of any Bond Year, the amount in the Rebate Fund exceeds the amount that would be required to be paid to the United States of America under paragraph (d) below if the Tax Exempt Bonds had been paid in full, such excess may, at the request of the Borrowers' Representative, be transferred from funds available in the Rebate Fund and paid to the Borrowers.

(c) In general, "Excess Earnings" for any period of time means the sum of

(i) the excess of --

(A) the aggregate amount earned during such period of time on all "Nonpurpose Investments" (including gains on the disposition of such obligations) in which "Gross Proceeds" of the issue are invested (other than amounts attributable to an excess described in this subparagraph (c)(i)), over

(B) the amount that would have been earned during such period of time if the "Yield" on such Nonpurpose Investments (other than amounts attributable to an excess described in this subparagraph (c)(i)) had been equal to the yield on the issue, plus

(ii) any income during such period of time attributable to the excess described in subparagraph (c)(i) above.

The terms Nonpurpose Investments, Gross Proceeds, Issue Date and Yield shall have the meanings given to such terms in Section 148 of the Code and the Regulations promulgated pursuant to such section.

(d) The Bond Trustee shall, as directed in writing by the Borrowers' Representative, pay to the United States of America at least once every five years, to the extent that funds are available in the Rebate Fund or otherwise provided by the Borrowers, an amount that ensures that at least 90 percent of the Excess Earnings from the date of delivery of the Tax Exempt Bonds to the close of the period for which the payment is being made will have been paid. The Bond Trustee shall pay to the United States of America not later than 60 days after the Tax Exempt Bonds have been paid in full as directed by the Borrowers' Representative in writing, to the extent that funds are available in the Rebate Fund or otherwise provided by the Borrowers, 100 percent of the amount then required to be paid under Section 148(f) of the Code as a result of Excess Earnings.

(e) The amounts to be computed, paid, deposited or disbursed under this Section shall be determined by the Borrowers' Representative acting on behalf of the Issuer not less frequently than within thirty days after each fifth Bond Year after the date of issuance of each issue or series of Tax Exempt Bonds, but in any event in accordance with Section 148 of the Code and the Regulations. By such date, the Borrowers' Representative shall also notify, in writing, the Bond Trustee and the Issuer of the determinations the Borrowers' Representative has made and the payment to be made pursuant to the provisions of this Section. Upon written request of any registered owner of Tax Exempt Bonds, the Borrowers' Representative shall furnish to such registered owner of Tax Exempt Bonds a certificate (supported by reasonable documentation, which may include calculation by Bond Counsel or by some other service organization) showing compliance with this Section and other applicable provisions of Section 148 of the Code.

(f) The Bond Trustee shall maintain a record of the periodic determinations by the Borrowers' Representative of the Excess Earnings for a period beginning on the first anniversary date of the issuance of the Tax Exempt Bonds and ending on the date six years after the final retirement of the Tax Exempt Bonds. Such records shall state each such anniversary date and summarize the manner in which the Excess Earnings, if any, was determined.

(g) If the Bond Trustee shall declare the principal of the Tax Exempt Bonds and the interest accrued thereon immediately due and payable as the result of an Event of Default specified in this Bond Indenture, or if the Tax Exempt Bonds are optionally or mandatorily prepaid or redeemed prior to maturity as a whole in accordance with their terms, any amount remaining in any of the trust funds hereunder shall be transferred to the Rebate Fund to the extent that the amount therein is less than the Excess Earnings computed by the Borrowers' Representative as of the date of such acceleration or redemption, and the balance of such amount shall be used by the Bond Trustee for the purpose of paying principal of, redemption premium, if any, and interest on the Tax Exempt Bonds when due. In furtherance of such intention, the Issuer hereby authorizes and directs the Issuer Representative, at the request of the Borrowers' Representative or the Bond Trustee, to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Tax Exempt Bonds.

(h) The requirements contained in this Section relating to the computation and payment of Excess Earnings shall not be applicable if the Borrowers' Representative delivers to the Issuer and the Bond Trustee an Officer's Certificate stating that available exemptions apply or applicable exceptions are satisfied under Section 148 of the Code and the Regulations thereunder.

(i) Notwithstanding any of the provisions of this Section, the Bond Trustee shall have no duty or responsibility with respect to the Rebate Fund except to follow the specific written instructions of the Borrowers' Representative and in no event shall the Bond Trustee have any obligation to fund any amounts payable under this Section 3.12.

[End of Article III]

ARTICLE IV COVENANTS OF THE ISSUER

Section 4.01. Performance of Covenants; Issuer's Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Bond Indenture, in any and every Bond and in all proceedings of the Issuer pertaining hereto; provided, however, that except for the covenant of the Issuer set forth in Section 4.02 hereof relating to payment of the Bonds, the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrowers' Representative or by the Bond Trustee, or shall have received the instrument to be executed, such action or instrument shall not be adverse to the interests of the Issuer and at the option of the Issuer shall have received from the party requesting such execution assurance satisfactory to the Issuer that the Issuer shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with taking such action or executing such instrument or such expenses shall be paid in behalf of the Issuer. The Issuer covenants that it is duly authorized under the Act, to issue the Series 2021 Bonds, to execute this Bond Indenture, to pledge the revenues and receipts hereby pledged, and to assign its rights under and pursuant to the Agreement and the Series 2021-1 Master Note in the manner and to the extent herein set forth, that all action on its part, to the extent herein set forth, for the issuance of the Series 2021 Bonds and the execution and delivery of this Bond Indenture has been duly and effectively taken and will be duly taken as provided herein, and that the Series 2021 Bonds in the hands of the Owners thereof are and will be valid and enforceable limited obligations of the Issuer according to the import hereof, except as enforcement thereof and hereof may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting the rights of creditors and by the application of general principles of equity, if such remedies are pursued.

Section 4.02. Payments of Principal, Premium, If Any, and Interest. The Issuer will promptly pay or cause to be paid the principal of, premium, if any, and interest on all Bonds issued hereunder according to the terms hereof; provided that the principal, premium, if any, and interest payments on the Series 2021 Bonds are payable solely from revenues and other amounts derived from the Agreement, the Series 2021-1 Master Note, and from the other security pledged hereby, which revenues and security are hereby specifically pledged to the payment thereof in the manner and to the extent herein specified. Nothing in the Bonds or in this Bond Indenture shall be considered or construed as pledging any funds or assets of the Issuer other than those pledged hereby or requiring or obligating the Issuer to pay the Bonds from any source other than the pledged revenues and security as provided herein.

Section 4.03. Financing Statements. The Issuer will execute and deliver all security instruments and financing statements required as closing, to be filed in each office required by law in order to perfect and maintain the liens created by this Bond Indenture and the Agreement.

Section 4.04. Lien of Bond Indenture. The Issuer hereby agrees not to create any lien having priority or preference over the lien of this Bond Indenture upon the Trust Estate or any part thereof, other than the security interest granted by it to the Bond Trustee, except as otherwise specifically provided in Article VIII hereof. The Issuer agrees that no obligations the payment of which are secured by payments or other money or amounts derived from the Agreement and the other sources provided herein will be issued by it except in accordance with Sections 2.09 and 2.10 of this Bond Indenture.

Section 4.05. Rights under the Agreement. The Issuer will observe all of the obligations, terms and conditions required on its part to be observed or performed under the Agreement.

The Issuer agrees that the Bond Trustee as assignee of the Agreement may enforce, in its name or in the name of the Issuer, all rights of the Issuer (except for the Reserved Rights) and all obligations of the Borrowers under and pursuant to the Agreement for and on behalf of the Bondholders, whether or not the Issuer is in default hereunder.

Section 4.06. Tax Covenants.

(a) The Issuer covenants and agrees that until the final maturity of the Tax Exempt Bonds, based upon the Borrowers' covenants in Section 4.9 of the Agreement, it will not, to the extent within its control, knowingly take any action, use any money on deposit in any fund or account maintained in connection with the Tax Exempt Bonds, whether or not such money was derived from the proceeds of the sale of the Tax Exempt Bonds or from any other source, in a manner that would cause the Tax Exempt Bonds to be arbitrage bonds, within the meaning of Section 148 of the Code. In the event the Borrowers' Representative determines that it is necessary to restrict or limit the yield on the investment of money held by the Bond Trustee pursuant to this Bond Indenture or to use such money in any certain manner to avoid the Tax Exempt Bonds being considered arbitrage bonds, the Borrowers' Representative (and, if necessary, the Issuer at the written direction and expense of the Borrowers' Representative) shall deliver to the Bond Trustee appropriate written instructions of the Issuer, in which event the Bond Trustee shall take such action as instructed to restrict or limit the yield on such investment or to use such money in accordance with such instructions.

(b) The Issuer shall not knowingly use any proceeds of Tax Exempt Bonds or any other funds of the Issuer, directly or indirectly, in any manner, and shall not knowingly take any other action or actions, that would result in any of the Tax Exempt Bonds being treated other than as an obligation described in Section 103(a) of the Code.

(c) The Issuer will not knowingly use any portion of the proceeds of the Tax Exempt Bonds, including any investment income earned on such proceeds, directly or indirectly, to make or finance loans to Persons who are not Exempt Persons. For purposes of the preceding sentence,

a loan to an organization described in Section 501(c)(3) of the Code for use with respect to an unrelated trade or business, determined according to Section 513(a) of the Code, constitutes a loan to a Person who is not an Exempt Person.

(d) The Issuer will not knowingly take any action that would result in all or any portion of the Tax Exempt Bonds being treated as federally guaranteed within the meaning of Section 149(b)(2) of the Code.

(e) For purposes of this Section, the Issuer's compliance shall be based solely on acts or omissions by the Issuer, and no acts, omissions or directions of the Borrowers, the Bond Trustee or any other Persons shall be attributable to the Issuer.

Section 4.07. Change in Law. To the extent that published rulings of the Internal Revenue Service or amendments to the Code or the Regulations modify the covenants of the Issuer that are set forth in this Bond Indenture or that are necessary for interest on any issue of Tax Exempt Bonds to be excludable from gross income for federal income tax purposes, the Issuer, upon receiving the written Opinion of Bond Counsel to such effect, will comply, at the expense of the Obligated Group, with such modifications and direct the Bond Trustee to take such action as may be required to comply with such modifications to the extent such compliance is not prohibited under applicable law.

[End of ARTICLE IV]

ARTICLE V **REDEMPTION OF BONDS**

Section 5.01. Optional Redemption of Series 2021 Bonds.

The Series 2021 Bonds maturing on and after July 1, 20__, are subject to optional redemption prior to maturity at the direction of the Borrowers' Representative in whole or in part on the dates set forth below, at a redemption price set forth below, together with accrued interest to the date of redemption:

Redemption Date	Redemption Price (% of principal amount of the Series 2021 Bonds to be redeemed)*
July 1, 20__, to June 30, 20__	%
July 1, 20__, to June 30, 20__	%
July 1, 20__, to June 30, 20__	%
July 1, 20__, and thereafter	%

* The Series 2021 Bonds maturing prior to July 1, 20__, will not be subject to any redemption premium if paid on their stated maturity date.

Section 5.02. Sinking Fund Redemption.

(a) The Series 2021 Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on January 1 in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
20__	
20__	
20__	
20__	
20__‡	

‡ Maturity

(b) The Series 2021 Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on January 1 in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
20__	
20__	
20__	
20__	
20__‡	

‡ Maturity

(c) The Series 2021 Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on January 1 in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
20__	
20__	
20__	
20__	
20__‡	

‡ Maturity

(d) The Series 2021 Bonds maturing on July 1, 20__, are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on January 1 in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
20__	
20__	
20__	
20__	
20__‡	

‡ Maturity

(e) The Series 2021 Bonds maturing on July 1, 2046, are subject to mandatory sinking fund redemption from amounts deposited to the Principal Account of the Bond Fund established pursuant to the Bond Indenture, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption, on January 1 in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
20__	
20__	
20__	
20__	
20__‡	

‡ Maturity

(f) On or before the thirtieth day prior to each sinking fund payment date, the Bond Trustee shall proceed to select for redemption (by lot in such manner as the Bond Trustee may determine and subject to Applicable Procedures) from all Series 2021 Bonds Outstanding subject to mandatory sinking fund redemption in accordance with the foregoing, as the case may be, a principal amount of such Series 2021 Bonds equal to the Aggregate Principal Amount of such Series 2021 Bonds redeemable with the required sinking fund payment and shall call such Series 2021 Bonds or portions thereof (\$5,000 or any integral multiple thereof) for redemption from the sinking fund on the next July 1 and give notice of such redemption in accordance with the terms hereof. At the option of the Borrowers to be exercised by delivery of an Officer's Certificate of the Borrowers' Representative to the Bond Trustee on or before the forty-fifth day next preceding any sinking fund redemption date, it may (i) deliver to the Bond Trustee for cancellation Series 2021

Bonds or portions thereof subject to mandatory sinking fund redemption, as the case may be, in an Aggregate Principal Amount desired by the Obligated Group or (ii) specify a principal amount of Series 2021 Bonds or portions thereof subject to mandatory sinking fund redemption, as the case may be, which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Bond Trustee at the request of the Issuer and not theretofore applied as a credit against any sinking fund redemption obligation. Any such Series 2021 Bonds are required to be credited against the next succeeding or any other sinking fund redemption date designated in writing by the Borrowers' Representative.

Section 5.03. Extraordinary Optional Redemption. The Bonds shall be subject to optional redemption by the Borrowers prior to their scheduled maturities, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date on any date following the occurrence of any of the following events:

(a) in case of damage or destruction to, or condemnation of, any of the Borrowers' Facilities, to the extent that the net proceeds of insurance or a condemnation award exceed the Threshold Amount and the Borrowers have determined not to use such net proceeds or award to repair, rebuild or replace such Property; or

(b) as a result of any changes in the Constitution or laws of the Commonwealth of Pennsylvania, the Issuer or the United States of America or of any legislative, executive or administrative action (whether state or federal) or of any final decree, judgment or order of any court or administrative body (whether state or federal), the obligations of the Borrowers under the Agreement have become, as established by an Opinion of Counsel, void or unenforceable in each case in any material respect in accordance with the intent and purpose of the parties as expressed in the Agreement; or

(c) in whole or in part on any date following delivery of an Officer's Certificate of the Borrowers' Representative establishing the Completion Date at a redemption price equal to the aggregate principal amount of the Series 2021 Bonds to be redeemed plus accrued interest to the redemption date, without premium, to the extent Surplus Construction Fund money is transferred to the Principal Account of the Bond Fund.

Section 5.04. Mandatory Redemption of Series 2021 Bonds upon Determination of Taxability. The Series 2021 Bonds are subject to mandatory redemption in whole at a redemption price equal to (i) 103% of the principal amount of the Bonds to be redeemed, if the Determination of Taxability was the result of any action or inaction on the part of the Borrowers, or (ii) 100% of the principal amount of the Bonds to be redeemed, if the Determination of Taxability was not the result of any action or inaction on the part of the Borrowers, in either case, plus accrued interest thereon to, but not including, the redemption date on any Business Day within forty-five (45) days

after the occurrence of a Determination of Taxability; provided, however, if, in the Opinion of Bond Counsel, a mandatory redemption on account of a Determination of Taxability of less than all of the Series 2021 Bonds would result in the interest on the Series 2021 Bonds Outstanding following such mandatory redemption not being includable in the gross income of the holders of such Outstanding Series 2021 Bonds, then, unless otherwise specified in such Opinion, the Series 2021 Bonds are subject to mandatory redemption upon the occurrence of a Determination of Taxability in Authorized Denominations on a pro rata basis among all of the Series 2021 Bonds then Outstanding. “Determination of Taxability” means: (a) the issuance of a statutory notice of deficiency by the Internal Revenue Service (the “IRS”) which in effect holds that an Event of Taxability (as defined below) has occurred; (b) the issuance of a proposed written adverse determination by the IRS to the Borrowers or the Issuer, which in effect holds that an Event of Taxability has occurred; provided that no Determination of Taxability will be deemed to occur if the Borrowers or the Issuer has initiated an administrative appeal of such determination or has begun negotiating a closing agreement with the IRS, until the earliest of (i) abandonment of the appeals process by the Borrowers, (ii) the date on which such appeals process has been concluded adversely to the Borrowers or the Issuer and no further appeal is permitted or (iii) twelve (12) months after the receipt by the Borrowers or the Issuer of the proposed adverse determination, unless otherwise approved by the Owners of at least a majority in aggregate principal amount of the Series 2021 Bonds then Outstanding; (c) the deposit by the Borrowers with the Bond Trustee of a certificate to the effect that an Event of Taxability has occurred or will occur and setting forth the date of taxability (i.e. the date on which the interest on the Series 2021 Bonds is declared taxable for federal income tax purposes); the Borrowers will be obligated to deliver promptly to the Bond Trustee such a certificate upon the occurrence of an Event of Taxability; (d) the rendering of a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction to the effect that an Event of Taxability has occurred; or (e) the delivery to the Bond Trustee of an unqualified opinion of Bond Counsel to the effect that an Event of Taxability has occurred or a written statement by Bond Counsel delivered to the Bond Trustee that Bond Counsel is unable to render an opinion to the effect that interest on the Series 2021 Bonds is excluded from gross income for purposes of federal income taxation.

“Event of Taxability” means any conditions or circumstances that cause the interest on any of the Series 2021 Bonds to become includable in the gross income of the Owners thereof for purposes of federal income tax.

Section 5.05. Method of Selection of Series 2021 Bonds in Case of Partial Redemption.

(a) In the event that less than all of the Series 2021 Bonds of a series are to be redeemed, the Borrowers may select particular maturities of such series to be redeemed. If less than all Series 2021 Bonds or portions thereof of a single maturity are to be redeemed, they shall be selected by the Securities Depository in accordance with the Applicable Procedures or if the

Series 2021 Bonds or portions thereof to be redeemed are not held by the Securities Depository in a book-entry system by lot or in such other manner as the Bond Trustee may determine.

(b) If a Series 2021 Bond is of a denomination larger than the minimum Authorized Denomination, a portion of such Series 2021 Bond may be redeemed, but Series 2021 Bonds shall be redeemed only in the principal amount of an Authorized Denomination and no Series 2021 Bond may be redeemed in part if the principal amount to be Outstanding following such partial redemption is not an Authorized Denomination.

Section 5.06. Notice of Redemption of Series 2021 Bonds. Series 2021 Bonds shall be called for redemption by the Bond Trustee as herein provided upon receipt by the Bond Trustee at least 45 days prior to the redemption date (or such shorter period as may be acceptable to the Bond Trustee) of an Officer’s Certificate of the Borrowers specifying the principal amount of Series 2021 Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of this Bond Indenture pursuant to which such Series 2021 Bonds are to be called for redemption. The provisions of the preceding sentence shall not apply to the redemption of Series 2021 Bonds pursuant to the sinking fund redemption provided in Section 5.02 hereof, and such Series 2021 Bonds shall be called for redemption pursuant to Section 5.02 or Section 5.09 by the Bond Trustee without the necessity of any action by the Borrowers or the Issuer. In case of every redemption, the Bond Trustee shall cause notice of such redemption to be given by mailing by first class mail, postage prepaid, or sending electronically pursuant to the Applicable Procedures, a copy of the redemption notice to the owners of the Series 2021 Bonds designated for redemption in whole or in part, at their addresses as the same shall last appear upon the registration books, in each case not more than 60 nor less than 30 days prior to the redemption date. In addition, notice of redemption shall be sent by first class or registered mail, return receipt requested, or by overnight delivery service (a) contemporaneously with such mailing: (i) to any owner of \$1,000,000 or more in principal amount of Series 2021 Bonds and (ii) to the Municipal Securities Rulemaking Board’s Electronic Municipal Marketplace Access website; and (b) to any securities depository registered as such pursuant to the Securities Exchange Act of 1934, as amended, that is an owner of Series 2021 Bonds to be redeemed so that such notice is received at least two days prior to such mailing date. An additional notice of redemption shall be given by certified mail, postage prepaid, mailed not less than 60 nor more than 90 days after the redemption date to any owner of Series 2021 Bonds selected for redemption that has not surrendered the Series 2021 Bonds called for redemption, at the address as the same shall last appear upon the registration books.

Notwithstanding the foregoing, if so stated in the Officer’s Certificate of the Borrowers, the notice of redemption for optional redemption pursuant to Section 5.01 hereof shall contain a statement to the effect that the redemption of the Series 2021 Bonds is conditioned upon the receipt by the Bond Trustee, prior to the date fixed for such redemption, of amounts equal to the redemption price of the Series 2021 Bonds to be redeemed. If any such condition will not be

satisfied, the Borrowers will provide notice to the Bond Trustee not less than two Business Days prior to the redemption date that such condition will not be satisfied, the notice of redemption shall be rescinded and the redemption subject to the satisfaction of such condition shall not occur. The Bond Trustee shall promptly send a copy of such notice to the Holders of the Bonds.

All notices of redemption shall state:

- (a) the redemption date,
- (b) the redemption price,
- (c) the identification, including complete designation (including series) and issue date of the Series 2021 Bonds and the CUSIP number, provided that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Bonds (and in the case of partial redemption if the Bonds are not held by DTC in a book-entry only system, the certificate number and the respective principal amounts, interest rates and maturity dates) of the Series 2021 Bonds to be redeemed,
- (d) that on the redemption date the redemption price will become due and payable upon such Series 2021 Bonds, and that except in case of default or the redemption is rescinded interest thereon shall cease to accrue from and after said date,
- (e) the name and address of the Bond Trustee and any paying agent for such Series 2021 Bonds, including the place where such Series 2021 Bonds are to be surrendered for payment of the redemption price and the name and phone number of a contact person at such address, and
- (f) whether the redemption is conditional;

provided, however, that failure to give any such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Series 2021 Bonds.

Section 5.07. Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue. On or before the Business Day prior to the redemption date specified in any notice of optional redemption, an amount of money sufficient to redeem all Series 2021 Bonds called for redemption at the appropriate redemption price, including accrued interest to the date fixed for redemption, shall be deposited with the Bond Trustee, unless the redemption is conditional and has been rescinded. On the redemption date, the principal amount of each Series 2021 Bond to be redeemed, together with the accrued interest thereon to such date and redemption premium, if any, shall become due and payable; and from and after such date, notice having been given and deposit having been made in accordance with the provisions of this Article V, then, notwithstanding that

any Series 2021 Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any such Series 2021 Bonds. From and after such date of redemption (such notice having been given and such deposit having been made), the Series 2021 Bonds to be redeemed shall not be deemed to be Outstanding hereunder, and the Issuer shall be under no further liability in respect thereof.

Section 5.08. Cancellation. All Bonds which have been redeemed shall be cancelled by the Bond Trustee and treated as provided in Section 2.11 hereof.

Section 5.09. Partial Redemption of Fully Registered Bonds. Upon surrender of any fully registered Bond for redemption in part only, the Issuer shall execute and the Bond Trustee shall authenticate and deliver to the Owner thereof, or transfer by book entry, at the expense of the Borrowers, a new Bond or Bonds of the same series and of the same maturity of Authorized Denominations in an Aggregate Principal Amount equal to the unredeemed portion of the Bond surrendered.

Section 5.10. Purchase in Lieu of Redemption. If any Bond is called for optional redemption in whole or in part, the Borrowers may elect to purchase such Bond in lieu of redemption.

Purchase in lieu of redemption shall be available to all Bonds called for optional redemption or for such lesser portion of such Bonds as constitute Authorized Denominations. If the Borrowers shall elect to purchase all or such lesser portion of the Bonds so called for redemption, it shall notify the Bond Trustee in writing, state either that all the Bonds called for redemption are to be purchased or, if less than all of the Bonds called for redemption are to be purchased, identify those Bonds to be purchased by maturity date, series and outstanding principal amount in Authorized Denominations, comply with Applicable Procedures and DTC requirements and be received by the Bond Trustee no later than two Business Days prior to the scheduled redemption date thereof.

Any of the Bonds called for redemption that are not purchased in lieu of redemption shall be redeemed as otherwise required by the Bond Indenture on such redemption date.

On or prior to the close of business two Business Days prior to the scheduled redemption date, any notice of purchase given to the Bond Trustee shall, at the direction of the Borrowers by written notice to the Bond Trustee, be withdrawn. Subject generally to this Bond Indenture, should a purchase be withdrawn or rescinded, the scheduled redemption of such Bonds shall occur.

Settlement of the purchase shall be made by the Bond Trustee for the account of the Borrowers or its designee.

The purchase price of the Bonds shall be equal to the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, which would have been payable on such Bonds on the scheduled redemption date for such redemption. The Borrowers shall provide written direction to the Bond Trustee to pay the purchase price of such Bonds. The Bond Trustee may use (a) such funds deposited by the Borrowers with the Bond Trustee for such purpose and (b) funds, if any, held under the Bond Indenture that the Bond Trustee would have used to pay the outstanding principal of, accrued and unpaid interest on and the redemption premium, if any, that would have been payable on the redemption of such Bonds on the scheduled redemption date. The Bonds shall not be purchased pursuant to the above provisions if, by no later than two Business Days prior to the redemption date, sufficient money has not been deposited with the Bond Trustee, or such money are deposited but are not available.

No notice of the purchase in lieu of redemption shall be required to be given to the Bondholders (other than the notice of redemption otherwise required under the Bonds).

[End of ARTICLE V]

ARTICLE VI INVESTMENTS

Section 6.01. Investment of Bond Fund, Construction Fund and Costs of Issuance Fund Money. Any money held as part of the Bond Fund, Construction Fund or Costs of Issuance Fund shall be invested or reinvested by the Bond Trustee at the written request and direction of the Borrowers (upon which the Bond Trustee is entitled to rely) in Permitted Investments. All Permitted Investments shall be either subject to redemption at any time at a fixed value at the option of the owner thereof or shall mature or be marketable not later than the Business Day prior to the date on which the proceeds are expected to be expended. For the purpose of any investment or replacement under this Section 6.01, the Permitted Investments shall be deemed to mature at the earliest date on which the issuer of such investment is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligation. The Bond Trustee may make any and all investments permitted by the provisions of this Section through its trust department or other investment operations. In order to comply with the directions of the Borrowers, the Bond Trustee may sell, at the best price obtainable, or present for redemption, or may otherwise cause liquidation prior to their maturities, any of the obligations in which funds have been invested, and the Bond Trustee shall not be liable for any loss or penalty of any nature resulting therefrom. In order to avoid loss in the event of any need for funds, the Borrowers may instruct the Bond Trustee, in lieu of a liquidation or redemption of investments in the fund or account needing funds, to exchange such investment for investments in another fund or account that may be liquidated at no, or at reduced, loss. The Bond Trustee shall be under no liability for interest on any money received hereunder.

Section 6.02. Allocation and Transfers of Investment Income. Any investments in any Fund shall be held by or under the control of the Bond Trustee and shall be deemed at all times a part of the Fund from which the investment was made. Any loss resulting from such investments shall be charged to such Fund. The Bond Trustee shall not be liable for any loss or penalty resulting from any such investment made in accordance with any direction by the Borrowers or for the Bonds becoming "arbitrage bonds" by reason of any such investment. Any interest or other gain from any fund from any investment or reinvestment pursuant to Section 6.01 hereof shall be allocated and transferred as follows:

(a) Any interest or other gain realized as a result of any investments or reinvestments of money in the Costs of Issuance Fund or the Construction Fund shall be credited to the Construction Fund.

(b) Any interest or other gain realized as a result of any investments or reinvestments of money in the Construction Fund shall be credited at least semiannually on each Interest Payment Date to such Account.

(c) Any interest or other gain realized as a result of any investments or reinvestments of money in the Principal Account and the Interest Account of the Bond Fund shall be credited at least semiannually on each Interest Payment Date to the Interest Account.

The Bond Trustee shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in any Fund is insufficient for the purposes of such Fund.

Section 6.03. Valuation of Permitted Investments. Accounting and valuation of Permitted Investments in any Fund or Account will be performed as follows:

(a) On a monthly basis the Bond Trustee shall furnish or make available to the Borrowers a full and complete statement of all receipts and disbursements and Permitted Investments in any Fund and Account covering such period.

(b) The Bond Trustee shall also furnish on or before January 1 and July 1 of each year a statement of the assets contained in each Fund and Account. Assets will be valued at market value as of January 31 and July 30, respectively, by the Bond Trustee in such statement in accordance with the normal valuation procedures of the Bond Trustee. A separate delivery of the information will not be required if the information is displayed in the information delivered pursuant to Section 6.03(a) above.

On a monthly basis the Bond Trustee shall furnish to the Borrowers a full and complete statement of all receipts of the interest earned on Permitted Investments in any Fund and Account covering such period. A separate delivery of the information will not be required if the information is displayed in the information delivered pursuant to Section 6.03(a) above.

Section 6.04. Brokerage Confirmations. The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive individual confirmations of security transactions at no additional cost, as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish the Issuer and the Borrowers periodic cash transaction statements that include detail for all investment transactions made by the Bond Trustee hereunder. A separate delivery of the information will not be required if the information is displayed in the information delivered pursuant to Section 6.03(a) above.

[End of ARTICLE VI]

ARTICLE VII DISCHARGE OF BOND INDENTURE

Section 7.01. Discharge of the Bond Indenture. If, when the Bonds secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Bond Indenture and the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable hereunder (including but not limited to the fees and expenses of the Bond Trustee and any Paying Agent, in accordance with Section 3.09 hereof and any amounts due pursuant to the Agreement), then the right, title and interest of the Bond Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the written request of the Issuer or of the Borrowers, and upon receipt of an Opinion of Counsel to the effect that all conditions precedent herein provided relating to the satisfaction and discharge of this Bond Indenture have been complied with, the Bond Trustee shall execute such documents as may be reasonably required by the Issuer and shall turn over to the Borrowers any surplus in the Bond Fund and the Construction Fund.

All Outstanding Bonds of any one or more series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Borrowers shall have given to the Bond Trustee in form satisfactory to it irrevocable written instructions to give on a date in accordance with the provisions of Section 5.04 hereof notice of redemption of such Bonds on said redemption date, such notice to be given in accordance with the provisions of Section 5.04 hereof, (b) there shall have been deposited with the Bond Trustee (or another Paying Agent) either money in an amount which shall be sufficient, or Government Obligations which shall not contain provisions permitting the redemption thereof at the option of the issuer thereof, or any other Person other than the holder thereof, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Bond Trustee or any Paying Agent at the same time (including the Bond Fund), shall be sufficient, in the opinion of an independent certified public accountant, to pay when due the principal of, premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event that said Bonds are not by their terms subject to redemption within the next 45 days, the Borrowers shall have given the Bond Trustee in form satisfactory to it irrevocable written instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to Section 5.04 hereof, a notice to the Owners of such Bonds that the deposit required by clause (b) above has been made with the Bond Trustee (or another depository) and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which money are to be available for the payment of the principal

of, premium, if any, and interest on said Bonds. Neither the Government Obligations nor money deposited with the Bond Trustee pursuant to this Section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Bonds; provided any such cash received from such principal or interest payments on such Government Obligations deposited with the Bond Trustee, if not then needed for such purpose, shall, at the written direction of the Borrowers accompanied by an Opinion of Bond Counsel and a verification report showing the adequacy of such other funds to pay principal of, premium, if any, and interest on such Bonds, either (i) be reinvested, to the extent practicable, in Government Obligations of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, or (ii) be used to pay principal or interest on the Bonds. At such time as any Bond shall be deemed paid as aforesaid, it shall no longer be secured by or entitled to the benefits of this Bond Indenture, except for the purpose of any payment from such money or Government Obligations deposited with the Bond Trustee and the purpose of transfer and exchange pursuant to Section 2.05 hereof.

The release of the obligations of the Issuer under this Section shall be without prejudice to the rights of the Bond Trustee to be paid reasonable compensation by the Borrowers for all services rendered by it hereunder and all its reasonable and necessary expenses, charges and other disbursements incurred on or about the administration of the trust hereby created and the performance of its powers and duties hereunder.

[End of ARTICLE VII]

ARTICLE VIII DEFAULTS AND REMEDIES

Section 8.01. Events of Default. If any of the following events occur, it is hereby defined as and shall be deemed an “Event of Default”:

- (a) Default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the stated maturity thereof, upon proceedings for redemption, as required by the sinking fund provisions hereof or otherwise.
- (b) Default in the payment of any installment of interest on any Bond when the same shall become due and payable.
- (c) Declaration by the Master Trustee pursuant to Section 8.1(b) of the Master Indenture that the principal of, and accrued interest on, Master Obligation issued thereunder is immediately due and payable.
- (d) Failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, which failure shall continue for a period of 60 days after written notice specifying such failure and requesting that it be remedied is given to the Issuer and the Borrowers by the Bond Trustee or to the Issuer, the Borrowers and the Bond Trustee by the Holders of not less than 25% in Aggregate Principal Amount of the Bonds Outstanding.
- (e) The occurrence and continuation of an Event of Default (as defined in the Agreement) under the Agreement.

Section 8.02. Remedies on Events of Default. Upon the occurrence of an Event of Default, (i) if so directed by the Holders of at least 25% in Aggregate Principal Amount of Bonds then Outstanding, the Bond Trustee shall notify the Master Trustee (A) pursuant to Section 8.1(3) of the Master Indenture, that an Event of Default has occurred under this Bond Indenture, or (B) if applicable, pursuant to Section 8.1(a) or (b) of the Master Indenture, that a default has occurred in the payment of the principal of, premium, if any, or interest on the related Master Obligation, and (ii) the Bond Trustee also shall have the following rights and remedies:

- (a) In the event that the payment of the principal of and accrued interest on Master Obligations has been declared due and payable immediately by the Master Trustee pursuant to Section 8.1(b) of the Master Indenture, the principal amount of all Bonds then Outstanding and the interest accrued thereon shall be immediately due and payable. If any other Event of Default occurs and is continuing, the Bond Trustee or the Holders of at least 25% in Aggregate Principal Amount of Bonds then Outstanding may declare the Bonds to be due and payable immediately by

a notice in writing to the Issuer and the Borrowers (and to the Bond Trustee if given by Holders). Upon any declaration of acceleration hereunder, the Bonds shall become due and payable immediately.

The provisions of the preceding paragraph, however, are subject to the condition that if, after the principal of, and accrued interest on, the Master Obligations and the Bonds have been declared due and payable immediately, the declaration of the acceleration of the Master Obligations shall be annulled in accordance with the provisions of the Master Indenture, then the declaration of the acceleration of the Bonds shall be automatically annulled, provided that the expenses of the Bond Trustee, the Issuer and the Holders of such Bonds, including attorneys' fees actually paid or incurred, have been paid or otherwise provided for; and the Bond Trustee upon receipt of notice of such annulments shall promptly give a copy of such notice to the Issuer and the Borrowers and notice to Bondholders; but no such annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(b) The Bond Trustee may, by mandamus or other suit, action or proceeding at law or in equity, enforce the rights of the Bondholders and require the Issuer or the Borrowers or both of them to carry out the agreements with or for the benefit of the Bondholders and to perform its or their duties under the Act, the Agreement and this Bond Indenture.

(c) The Bond Trustee may, by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Bondholders but any such judgment against the Issuer shall be enforceable only against the funds and accounts hereunder on deposit with the Bond Trustee.

(d) The Bond Trustee may, by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(e) The Bond Trustee may, upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receivers of the Trust Estate upon a showing of good cause with such powers as the court making such appointment may confer.

(f) Upon the occurrence of an Event of Default, the Bond Trustee, in its own name and as trustee of an express trust, or in the name of the Issuer without the necessity of joining the Issuer, will be entitled to institute any action or proceedings at law or in equity and may prosecute any such action or proceedings to judgment or final decree and may enforce any such judgment or final decree against any Borrowers thereon and collect in the manner provided by law, but limited as provided in this Bond Indenture, the Master Indenture, or the Mortgage, out of the property of any Borrowers thereon wherever situated the money adjudged or decreed to be payable for the benefit of the Bondholders, or on behalf of the Issuer.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Subject to the provisions of subsection (a) above and Section 8.03 hereof, if any Event of Default shall have occurred and if requested by the Holders of at least 25% in Aggregate Principal Amount of Bonds then Outstanding and indemnified as provided in Section 9.01(n) hereof, the Bond Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as it, being advised by counsel, shall deem most expedient in the interests of such Bondholders. In the event the Bond Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Holders of Outstanding Bonds, each representing less than a majority of the aggregate principal amount of the Outstanding Bonds, the Bond Trustee, in its sole discretion, may determine what action, if any, shall be taken.

Section 8.03. Majority of Bondholders May Control Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Owners of at least a majority in Aggregate Principal Amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, 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 this Bond Indenture or for the appointment of a receiver and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with applicable law and the provisions hereof and shall not be unduly prejudicial to the rights of those Owners not joining in such direction (it being understood that the Bond Trustee does not have an affirmative duty to ascertain whether or not any such directions are unduly prejudicial to such Owners). The Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction. The Bond Trustee shall not be required to act on any direction given to it pursuant to this Section until indemnity as set forth in Section 9.01(n) hereof is provided to it by such Bondholders.

Section 8.04. Rights and Remedies of Bondholders. 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 this Bond Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other applicable remedy hereunder, unless a default has occurred of which the Bond Trustee has been notified as provided in Section 9.01 hereof, or of which by said Section it is deemed to have notice, nor unless such default shall have become an Event of Default and the owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding shall have made written request to the Bond Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in their own names, nor unless they have also offered to the Bond Trustee indemnity as provided in Section 9.01(n) hereof, nor unless the Bond Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name for a period of

60 days; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of this Bond Indenture and to any action or cause of action for the enforcement of this Bond Indenture or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more owners of the Bonds shall have the right in any manner whatsoever to affect, disturb or prejudice the lien of this Bond Indenture by his, her, its or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the owners of all Bonds then Outstanding. Nothing in this Bond Indenture contained shall, however, affect or impair the right of any Owner of Bonds to enforce the payment of the principal of, premium, if any, or interest on any Bond at and after the maturity thereof or the obligation of the Issuer to pay the principal of, premium, if any, and interest on each of the Bonds to the respective Owners of the Bonds at the time and place, from the source and in the manner herein and in the Bonds expressed.

Section 8.05. Application of Money.

(a) Subject to the provisions of subparagraph (c) below, upon an Event of Default and if money held by the Bond Trustee are insufficient to pay the principal of, premium, if any, and interest on the Bonds, all money or properties received and held by the Bond Trustee pursuant to this Bond Indenture (except for the Rebate Fund) and all money or properties received by the Bond Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and the reasonable expenses, liabilities and advances incurred or made by the Bond Trustee, be deposited into the Bond Fund, and all money so deposited into the Bond Fund and all money held in or deposited into the Bond Fund during the continuance of an Event of Default and available for payment of the Bonds under the provisions of Section 3.04 hereof shall (after payment of all amounts due the Bond Trustee and the Issuer) be applied as follows:

(i) Unless the principal of all of the Bonds shall have become or shall have been declared due and payable, all such money shall be applied:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called

for redemption for the payment of which money is held pursuant to the provisions of this Bond Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due at the rate of interest borne by such Bonds and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege.

(ii) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid upon all of the Bonds (together with interest on overdue installments of principal at the rate of interest borne by each Bond), without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, of any Bond over any other Bond, or of any series of Bonds over any other series of Bonds ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or privilege.

(iii) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then, subject to the provisions of paragraph (ii) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the money shall be applied in accordance with the provisions of the foregoing paragraph (i) of this Section.

(b) Whenever money is to be applied pursuant to the provisions of this Section, such money shall be applied at such times, and from time to time, as the Bond Trustee shall determine, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Bond Trustee shall apply such money, 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 Bond Trustee shall give such notice as it may deem appropriate of the deposit of any such money and of the fixing of any such date and shall not be required to make payment to the Owner of any unpaid Bond until such unpaid Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all of the Bonds and interest thereon have been paid under the provisions of this Section and all expenses and fees of the Bond Trustee and the Paying Agents and all Administration Expenses have been paid, any balance remaining in any funds shall be paid to the Borrowers as provided in Section 3.11 hereof.

Section 8.06. Bond Trustee May Enforce Rights Without Bonds. All rights of action and claims under this Bond Indenture or any of the Bonds Outstanding hereunder may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Bond Trustee shall be brought in its name as Bond Trustee, without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the ratable benefit of the owners of the Bonds, subject to the provisions of this Bond Indenture.

Section 8.07. Bond Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Borrowers, the Bond Trustee shall, to the extent permitted by law, be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Bond Trustee and of the Bondholders allowed in such proceedings for the entire amount due and payable by the Issuer under the Bond Indenture or by the Borrowers at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Bondholder to file a claim in his, her or its own behalf. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and any other amounts due the Bond Trustee hereunder or under the Agreement out of the estate in any such proceeding shall be unpaid for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise.

No provision of this Bond Indenture empowers the Bond Trustee to authorize, consent to, accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting any of the rights of any Bondholders or authorizes the Bond Trustee to vote in respect of the claim in any proceeding described in this Section. The Bond Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' committee or other similar committee.

In the event the Bond Trustee incurs expenses or renders services in any proceedings affecting the Borrowers and described in this Section, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 8.08. Delay or Omission No Waiver. No delay or omission of the Bond Trustee or of any Bondholder to exercise any right or power accruing upon any default or Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every power and remedy given by this Bond Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 8.09. Discontinuance of Proceedings on Default, Position of Parties Restored. In case the Bond Trustee shall have proceeded to enforce any right under this Bond Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee, then and in every such case the Issuer and the Bond Trustee shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Bond Trustee shall continue as if no such proceedings had been taken.

Section 8.10. Enforcement of Rights. The Bond Trustee, as pledgee and assignee for security purposes of all the right, title and interest of the Issuer in and to the Agreement (except the Reserved Rights) and the Series 2021-1 Master Note, shall, upon compliance with applicable requirements of law and except as otherwise set forth in this Article VIII, be the sole real party in interest in respect of, and shall have standing, exclusive of owners of Bonds, to enforce each and every right granted to the Issuer under the Agreement and under the Master Obligations. The Issuer may take any action available at law or in equity to enforce the Reserved Rights. The Issuer and the Bond Trustee hereby agree, without in any way limiting the effect and scope thereof, that the pledge and assignment hereunder to the Bond Trustee of any and all rights of the Issuer in and to the Series 2021-1 Master Note and the Agreement shall constitute an agency appointment coupled with an interest on the part of the Bond Trustee which, for all purposes of this Bond Indenture, shall be irrevocable and shall survive and continue in full force and effect notwithstanding the bankruptcy or insolvency of the Issuer or its default hereunder or on the Bonds.

Section 8.11. Undertaking for Costs. All parties to this Bond Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Bond Indenture, or in any suit against the Bond Trustee for any action taken or omitted by it as Bond Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Bond Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding in aggregate more than 10% in principal amount of the Outstanding Bonds, or to any suit instituted by a Bondholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the respective maturities thereof expressed in such Bond (or, in the case of redemption, on or after the redemption date).

Section 8.12. Waiver of Events of Default. The Owners of a majority in aggregate principal amount of the Bonds then Outstanding by written notice to the Bond Trustee may waive any Event of Default hereunder and its consequences; provided, however, that no Event of Default described in Section 8.01(a) hereof may be waived without the written consent of the registered owners of all Bonds then Outstanding; and provided, further, that notwithstanding anything to the

contrary in this Bond Indenture, the Issuer shall have the sole ability to waive any Event of Default in connection with the Reserved Rights.

[End of ARTICLE VIII]

ARTICLE IX CONCERNING THE BOND TRUSTEE AND PAYING AGENTS

Section 9.01. Duties of the Bond Trustee. The Bond Trustee hereby accepts the trust imposed upon it by this Bond Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee:

(a) The Bond Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Bond Indenture and no others, and no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. In the absence of bad faith on its part, the Bond Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bond Trustee and conforming to the requirements of this Bond Indenture. However, the Bond Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Bond Indenture (but need not confirm or investigate the accuracy of any mathematical calculations or other facts stated therein). Whether or not therein expressly so provided, every provision of this Bond Indenture that in any way relates to the Bond Trustee is subject to paragraphs (a), (b) and (h) of this Section 9.01.

(b) In case an Event of Default has occurred (which has not been cured or waived), the Bond Trustee shall exercise such of the rights and powers vested in it by this Bond Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) The Bond Trustee may execute any of the trusts or powers hereof and perform any of its duties hereunder, either directly or by or through attorneys, agents, receivers, other professionals or employees, and the Bond Trustee shall not be responsible for any misconduct or negligence on the part of any receiver, agent or attorney appointed with due care by it hereunder, shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers, other professionals and employees as may reasonably be employed in connection with the trust hereof. The Bond Trustee may rely or act upon an Opinion of Counsel, an Opinion of Bond Counsel or the advice of other professionals and shall not be responsible for any loss or damage resulting from any action or inaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel or the advice of other professionals.

(d) The Bond Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of authentication by the Bond Trustee endorsed on the Bonds). Notwithstanding the effective date of any Series 2021 Bond Document, the Bond Trustee shall

have no liability or responsibility for any act or event relating to the Series 2021 Bond Documents which occurs prior to the date the Bond Trustee formally executes this Bond Indenture or any other Series 2021 Bond Document and commences acting as Bond Trustee hereunder or thereunder. The Bond Trustee shall not be responsible for and makes no representation as to the tax exempt status of any Bond.

(e) The Bond Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder or the proceeds thereof or for any money disbursed by the Bond Trustee in accordance with this Bond Indenture or any other Series 2021 Bond Document. The Bond Trustee makes no representations as to the validity or sufficiency of this Bond Indenture, the Bonds, any other Series 2021 Bond Document, the Trust Estate or the Financed Projects. The Bond Trustee is not a party to, is not responsible for and makes no representations with respect to matters set forth in any official statement or similar document prepared and distributed in connection with the sale of the Bonds. The Bond Trustee may become the owner of the Bonds and may have relationships with the Borrowers and the Obligated Group Members with the same rights which it would have if not Bond Trustee. The Bond Trustee shall not be responsible for and makes no representation as to the Issuer's or the Borrowers' right, title or ownership in any of the Trust Estate and shall have no obligation for any defects therein or to inquire or investigate the same in any manner. The Bond Trustee shall not be responsible for and makes no representation as to the existence or sufficiency of the Trust Estate, the creation, perfection, priority, sufficiency or protection of any liens securing the Bonds and this Bond Indenture, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any lien or Series 2021 Bond Document. The Bond Trustee shall not be responsible for and makes no representation as to the compliance by the Issuer or the Borrowers with any covenant or statutory or regulatory requirement related to the Trust Estate. The Bond Trustee makes no representation as to, and shall not be responsible for, the recording or re-recording, filing or re-filing, or filing or re-filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any Lien or security interest in the Trust Estate except as expressly provided in Section 9.06. The Bond Trustee shall not be liable or responsible for the failure of the Issuer or the Borrowers to maintain insurance on the Trust Estate as provided in any Series 2021 Bond Document, nor shall it be responsible for any loss due to the insufficiency of such insurance or by reason of the failure of any insurer to pay the full amount of any loss against which it may have insured to the Issuer, the Borrowers, the Bond Trustee or any other Person. The Bond Trustee shall have no duty hereunder with respect to any complaint, claim, demand, notice or other document it may receive or which may be alleged to have been delivered to or served upon it by third parties as a consequence of the filing or recordation of any portion of the Trust Estate; provided, however, that the Bond Trustee shall use commercially reasonable efforts to deliver to the Issuer and the Borrowers a copy of any such complaint, claim, demand, notice or other document which is delivered to the Corporate Trust Office and contains sufficient

information to enable the Bond Trustee to identify such complaint, claim, demand, notice or other document as pertaining to the Series 2021 Bond Documents.

(f) The Bond Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, teletransmission or other paper or document (whether in original or facsimile form) reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any request or direction of the Issuer or the Borrowers mentioned herein shall be sufficiently evidenced by an Officer's Certificate, written request, order or consent signed in the name of the Issuer or the Borrowers, by the Issuer Representative or the Borrowers' Representative, as the case may be. Any action taken by the Bond Trustee pursuant to this Bond Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.

(g) As to the existence or nonexistence of any fact or matter or as to the sufficiency or validity of any instrument, paper or proceeding, the Bond Trustee shall be entitled to rely and shall be protected in acting or refraining to act upon an Officer's Certificate or other certificate signed on behalf of the Issuer or the Borrowers by the Issuer Representative or the Borrowers' Representative or such other person as may be designated for such purpose by Certified Resolution as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Bond Trustee has been notified as provided in subsection (i) of this Section, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(h) The permissive right of the Bond Trustee to do things enumerated in this Bond Indenture shall not be construed as a duty, and the Bond Trustee shall not be answerable for other than its own negligence or willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (a) of this Section 9.01;

(ii) the Bond Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bond Trustee was negligent in ascertaining the pertinent facts;

(iii) the Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bondholders pursuant to Section 8.02 hereof or the direction of at least a majority in Aggregate Principal Amount of the Outstanding Bonds relating to the time, method and place of conducting

any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee, under this Bond Indenture; and

(iv) the Bond Trustee shall not be liable if the Bond Trustee reasonably relies in good faith upon an Officer's Certificate delivered pursuant to this Bond Indenture or an Opinion of Counsel, an Opinion of Bond Counsel or the advice of its counsel.

(i) The Bond Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder except failure by the Issuer to cause to be made any of the payments to the Bond Trustee required to be made by Article III hereof unless the Bond Trustee shall be specifically notified in writing of such default or Event of Default by the Issuer, the Borrowers or the Owners of at least a majority in Aggregate Principal Amount of Bonds then Outstanding; all notices or other instruments required by this Bond Indenture to be delivered to the Bond Trustee must, in order to be effective, be delivered to a Responsible Officer at the designated corporate trust office of the Bond Trustee, and in the absence of such notice so delivered, the Bond Trustee may conclusively assume there is no default or Event of Default except as aforesaid.

(j) All money received by the Bond Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received, but need not be segregated from other funds except to the extent required by or law.

(k) At any and all reasonable times, the Bond Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect any Project, including all books, papers and records of the Issuer and the Borrowers pertaining to any Project and the Bonds.

(l) The Bond Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises, and no provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have grounds for believing that repayment of such funds or indemnity satisfactory against such risk or liability is not assured to it.

(m) Notwithstanding anything in this Bond Indenture contained, the Bond Trustee shall have the right, but shall not be required, to demand in respect of the authentication of any Bonds, the withdrawal of any cash or any action whatsoever within the purview of this Bond Indenture, any showings, certificates, opinion, appraisals or other information or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Bond Trustee deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Bond Trustee.

(n) Before taking any action under this Section 9.01 or ARTICLE VIII hereof, the Bond Trustee may require that security or indemnity satisfactory to it be furnished to it for the reimbursement of its fees, costs, liabilities and all expenses (including attorneys' fees) which it may incur and to protect it against all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken. The Bond Trustee shall have no duty to advance its own funds for any reason or to take any action for which it has not been adequately indemnified or which might be contrary to applicable law. The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request or direction of any of the Bondholders pursuant to the provisions of the Series 2021 Bond Documents, unless such Holders shall have provided to the Bond Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in connection with such request or direction.

(o) Except as provided in Section 9.01(a) above, it shall not be the duty of the Bond Trustee, except as expressly provided herein, to see that any duties or obligations imposed herein or in the Agreement or any other Series 2021 Bond Document upon the Issuer, the Borrowers or other Persons are performed. The Bond Trustee shall not be liable or responsible because of the failure of the Issuer, the Borrowers or other Persons to perform any act required of them pursuant to the terms of this Bond Indenture or any other Series 2021 Bond Document.

(p) In acting or omitting to act pursuant to the provisions of the Agreement or any other related agreement, the Bond Trustee shall be entitled to and be protected by the rights and immunities accorded to it by the terms of this Bond Indenture.

(q) In the event the Bond Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, the Bond Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(r) The Bond Trustee's immunities and protections from liability in connection with the performance of its duties under this Bond Indenture shall extend to the Bond Trustee's officers, directors, agents and employees. Such immunities and protections, together with the Bond Trustee's right to compensation, reimbursement and indemnity, shall survive the Bond Trustee's resignation or removal and final payment of the Bonds.

(s) In no event shall the Bond Trustee be responsible or liable for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Bond Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(t) The Bond Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Bond Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God, earthquakes, fire, flood, hurricanes or other storms, wars, terrorism, similar military disturbances, sabotage, epidemic, pandemic, riots, interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services, accidents, labor disputes or acts of civil or military authority or governmental action, it being understood that the Bond Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(u) The Bond Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Bond Indenture.

(v) The Bond Trustee may request that the Issuer and the Borrowers deliver an Officer's Certificate setting forth the names of individuals or titles of officers authorized at such time to furnish the Bond Trustee with Officer's Certificates, Requests, directions, notices and any other matters or directions pursuant to the Series 2021 Bond Documents.

(w) Notwithstanding anything contained herein or in the Mortgage to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action or any action which may subject the Bond Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Bond Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action and the Bond Trustee shall not be required to take such foreclosure or similar action if it reasonably determines that the approval of a governmental regulator that cannot be obtained is necessary for such foreclosure or similar action.

Section 9.02. Fees and Expenses of Bond Trustee and Paying Agent. The Issuer agrees, but solely from any funds received from the Borrowers pursuant to the Agreement for such purpose,

(a) to pay to the Bond Trustee, each Paying Agent and all other agents their reasonable and necessary fees for services rendered hereunder as and when the same become due and all expenses (including attorneys' fees) reasonably and necessarily made or incurred by the Bond Trustee, such Paying Agent or such other agent in connection with such services as and when the same become due as provided in Section 3.09 hereof; and

(b) to reimburse the Bond Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bond Trustee in accordance with any provisions of this Bond Indenture (including the reasonable compensation, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the negligence or bad faith of the Bond Trustee. The foregoing shall not affect the prescribed application of money after an Event of Default set forth in Section 8.05 hereof.

As security for the performance of the obligations of the Issuer under this Section 9.02, the Bond Trustee shall be secured under this Bond Indenture by a lien subject and subordinate to the Bonds, in the case of money held for the credit of the Construction Fund, and otherwise prior to the Bonds, and for the payment of the expenses and reimbursements due hereunder, the Bond Trustee shall have the right to use and apply any trust funds held by it hereunder, unless held or required to be held in the Construction Fund.

Section 9.03. Resignation or Replacement of Bond Trustee. The present or any future Bond Trustee may resign by giving to the Issuer, the Borrowers and each Bondholder thirty days' notice of such resignation. Such resignation shall not be effective until such time as a successor Bond Trustee shall have accepted its appointment. The present or any future Bond Trustee may be removed (a) at any time by an instrument in writing executed by the Owners of at least a majority in Aggregate Principal Amount of Bonds Outstanding or (b) if an Event of Default hereunder has not occurred and is continuing, by an instrument in writing executed by the Borrowers. Pursuant to the Agreement and this Bond Indenture, the Borrowers shall make such payments directly to the Bond Trustee.

In case the present or any future Bond Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding by an instrument or concurrent instruments signed by such Bondholders or their attorneys in fact duly appointed; provided that the Issuer may, by an instrument executed by order of the Board of Directors, appoint a successor until a new successor shall be appointed by the Bondholders as herein authorized. The Issuer upon making such appointment shall forthwith give notice thereof to each Bondholder and to the Borrowers, which notice may be given concurrently with the notice of resignation given by any resigning Bond Trustee. Any successor so appointed by the Issuer shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of at least a majority in Aggregate Principal Amount of the Bonds Outstanding. In the event that the Issuer does not so act within thirty days after notice of resignation, the Bond Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor Bond Trustee.

Every successor Bond Trustee shall always be a bank, banking corporation or trust company with trust powers in good standing, qualified to act hereunder, and having a combined capital and surplus of not less than \$50,000,000. Any successor appointed hereunder shall execute,

acknowledge and deliver to the Issuer and the predecessor Bond Trustee an instrument accepting such appointment hereunder and thereupon such successor shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Bond Trustee herein; but the Bond Trustee retiring shall (except as provided in Section 9.04 hereof), nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor, except for the predecessor's rights to any indemnity provided to it. The predecessor Bond Trustee shall, upon payment of the expenses, charges and other disbursements which are due and owing to it pursuant to Section 3.09 and Section 9.02 hereof, duly assign, transfer and deliver to the successor all properties and money held by it under this Bond Indenture. Should any instrument in writing from the Issuer be required by any successor for more fully and certainly vesting in and confirming to it all of such estates, properties, rights, powers and trusts, the Issuer shall, on request of such successor, make, execute, acknowledge and deliver the deeds, conveyances and necessary instruments in writing.

The notices herein provided for shall be given by mailing a copy thereof to the Borrowers and the registered owners of the Bonds at their addresses as the same shall last appear on the registration books. The instruments evidencing the resignation or removal of the Bond Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section, shall be filed or recorded by the successor Bond Trustee in each recording office where this Bond Indenture shall have been filed or recorded.

Section 9.04. Conversion, Consolidation or Merger of Bond Trustee. Any bank, banking corporation or trust company into which the Bond Trustee merges or is consolidated, or to which it (or a receiver on its behalf) may sell or transfer its corporate trust business as a whole, or substantially as a whole, shall be the successor of the Bond Trustee under this Bond Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In case any of the Bonds to be issued hereunder shall have been authenticated, but not delivered, any successor Bond Trustee may adopt the certificate of any predecessor Bond Trustee and deliver the same as authenticated; and in case any of such Bonds shall not have been authenticated, any successor Bond Trustee may authenticate such Bonds in the name of such successor Bond Trustee.

Section 9.05. Designation and Succession of Paying Agent. The Bond Trustee and any other banks or trust companies, if any, designated as Paying Agent or Paying Agents in any Supplemental Bond Indenture providing for the issuance of Additional Bonds shall be the Paying Agent or Paying Agents for the applicable series of Bonds.

Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Bond Indenture. If the position of Paying Agent shall become vacant for any reason, the Issuer shall, within thirty days thereafter, appoint such bank or trust company as shall be specified by the Borrowers to fill such vacancy; provided, however, that if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Trustee shall make such appointment.

The Paying Agents, if any, shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in Section 9.01 hereof with respect to the Bond Trustee insofar as such provisions may be applicable.

Section 9.06. Filing of Financing Statements. The Obligated Group shall file or record or cause to be filed or recorded at closing all financing statements that are required in order fully to protect and preserve the security interests in the Trust Estate granted to the Bond Trustee herein and the priority thereof and the rights and powers of the Bond Trustee in connection therewith. The Bond Trustee shall file or record or cause to be filed or recorded all continuation statements for the purpose of continuing without lapse the effectiveness of (a) those financing statements which shall have been filed at or prior to the issuance of the Series 2021 Bonds in connection with the security for the Series 2021 Bonds and delivered to it pursuant to Section 2.07 and (b) any previously filed continuation statements to those financing statements delivered to it pursuant to Section 2.07 that shall have been filed as required pursuant to this Section 9.06.

[End of ARTICLE IX]

**ARTICLE X
SUPPLEMENTAL BOND INDENTURES AND AMENDMENTS TO THE
AGREEMENT**

Section 10.01. Supplemental Bond Indentures Not Requiring Consent of Bondholders.
The Issuer and the Bond Trustee may, without the consent of, or notice to, the Bondholders, enter into such Supplemental Bond Indentures (which Supplemental Bond Indentures shall thereafter form a part hereof) for any one or more or all of the following purposes:

First: To add to the covenants and agreements in this Bond Indenture contained other covenants and agreements thereafter to be observed for the protection or benefit of the Bondholders.

Second: To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this Bond Indenture, or to make any provisions with respect to matters arising under this Bond Indenture or for any other purpose if such provisions are necessary or desirable and do not, in the judgment of the Bond Trustee, adversely affect the interests of the owners of Bonds.

Third: To subject to this Bond Indenture additional revenues, properties or collateral.

Fourth: To qualify this Bond Indenture under the Trust Indenture Act of 1939, if such is hereafter required in the Opinion of Counsel.

Fifth: To set forth the terms and conditions of Additional Bonds issued pursuant to Sections 2.09 and 2.10 hereof.

Sixth: To satisfy any requirements imposed by a Rating Agency if necessary to maintain the then current rating on the Bonds.

Seventh: To maintain the extent to which the interest on any Bond is not includable in the gross income of the recipient thereof, if in the opinion of Bond Counsel such Supplemental Bond Indenture is necessary.

Section 10.02. Supplemental Bond Indentures Requiring Consent of Bondholders.
Exclusive of Supplemental Bond Indentures covered by Section 10.01 hereof, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected thereby shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Bond Trustee of such indenture or indentures as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular,

any of the terms or provisions contained in this Bond Indenture; provided, however, that without the consent of the Owners of all the Bonds at the time Outstanding nothing herein contained shall permit or be construed as permitting any of the following:

(a) An extension of the maturity of, or a reduction of the principal amount of, or a reduction of the rate of, or extension of the time of payment of interest on, or a reduction of a premium payable upon any redemption of, any Bond, without the consent of the Owner of such Bond.

(b) The deprivation of the Owner of any Bond then Outstanding of the lien created by this Bond Indenture and the Master Indenture (other than as originally permitted hereby or by the terms of the Master Indenture).

(c) A privilege or priority of any Bond or Bonds over any other Bond.

(d) A reduction in the aggregate principal amount of the Bonds required for consent to any Supplemental Bond Indentures.

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 clauses (a) and (c) above may be made with respect to an Outstanding Bond of a series with the consent of the Holders of at least eighty percent (80%) in aggregate principal amount of all Outstanding Bonds of such series; provided, however, any such amendment shall not result in a change in preference or priority of Bonds over any other Bonds and no such amendment described in clauses (a) and (c) above shall result in a disproportionate change, reduction or modification with respect to any Bonds.

Upon the execution of any Supplemental Bond Indenture pursuant to the provisions of this Section, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the Issuer, the Bond Trustee and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

If at any time the Borrowers or the Issuer shall request the Bond Trustee to enter into such Supplemental Bond Indenture for any of the purposes of this Section, the Bond Trustee shall, upon being satisfactorily indemnified by the Borrowers with respect to costs, fees and expenses (including attorneys' fees), cause notice prepared by the Issuer or the Borrowers of the proposed execution of such Supplemental Bond Indenture to be mailed to the registered owners of the Bonds at their addresses as the same last appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Bond Indenture and shall state that copies thereof are on file at the designated office of the Bond Trustee for inspection by all Bondholders. If, within sixty days or such longer period as shall be prescribed by the Issuer or the Borrowers following

the giving of such notice, 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 Bond Indenture shall have consented to and approved the execution thereof as herein 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.

Section 10.03. Execution of Supplemental Bond Indenture. The Bond Trustee is authorized to join with the Issuer in the execution of any such Supplemental Bond Indenture and to make further agreements and stipulations which may be contained therein, but the Bond Trustee shall not be obligated to enter into any such Supplemental Bond Indenture which affects its rights, duties or immunities under this Bond Indenture. The Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Bond Counsel or an Opinion of Counsel stating that the execution and delivery of a Supplemental Bond Indenture is authorized or permitted by this Bond Indenture and has been effected in compliance with the provisions hereof, and that the execution, delivery and performance of such Supplemental Bond Indenture will not adversely affect the tax-exempt status of the Tax Exempt Bonds. In connection with a Supplemental Bond Indenture entered into pursuant to clause Second of Section 10.01 hereof, the Bond Trustee may in its discretion determine whether or not in accordance with such provision the Bondholders would be adversely affected by modification or amendment of this Bond Indenture, and any such determination shall be binding and conclusive upon the Issuer, the Borrowers and the Bondholders. The Bond Trustee may receive an Opinion of Counsel or an Opinion of Bond Counsel as conclusive evidence as to whether the Bondholders would be so adversely affected by any such modification or amendment to this Bond Indenture.

Any Supplemental Bond Indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Bond Indenture; and all the terms and conditions contained in any such Supplemental Bond Indenture as to any provision authorized to be contained therein shall be deemed to be part of this Bond Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Bond Indenture, express reference may be made thereto in the text of the Bonds issued thereafter, if any, if deemed necessary or desirable by the Bond Trustee.

Section 10.04. Consent of Obligated Group. Anything herein to the contrary notwithstanding, a Supplemental Bond Indenture under this Article shall not become effective unless and until the Borrowers shall have consented in writing to the execution and delivery of such Supplemental Bond Indenture.

Section 10.05. Amendments, Etc. of the Agreement Not Requiring Consent of Bondholders. The Issuer (to the extent its rights, duties and immunities are not adversely affected

and subject to the provisions of this Bond Indenture relating to the issuance of Additional Bonds) and the Bond Trustee shall, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Agreement as may be required (a) by the provisions of the Agreement and this Bond Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Bonds as herein provided, (d) to satisfy any requirements imposed by a Rating Agency if necessary to maintain the then current rating on the Bonds, (e) to maintain the extent to which the interest on the Bonds is not includable in the gross income of the recipients thereof, if in the opinion of Bond Counsel such amendment is necessary, and (f) in connection with any other change therein which does not adversely affect the Bond Trustee or the owners of the Bonds.

Section 10.06. Amendments Etc. of the Agreement Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 10.05 hereof, neither the Issuer nor the Bond Trustee shall consent to any other amendment, change or modification of the Agreement without the giving of notice to and the written approval or consent of the Owners of the Bonds at the time Outstanding, given and procured as provided in Section 10.02 hereof. If at any time the Issuer and the Borrowers shall request the consent of the Bond Trustee to any such proposed amendment, change or modification of the Agreement, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification prepared by the Issuer or the Borrowers to be given in the same manner as provided in Section 10.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the designated office of the Bond Trustee for inspection by all Bondholders.

In executing any amendment, change or modification of the Agreement, the Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution and delivery of such amendment, change or modification of the Agreement is authorized or permitted by this Bond Indenture and the Agreement and has been effected in compliance with the provisions of this Bond Indenture and the Agreement. The Bond Trustee may, but shall not be obligated to, enter into any such amendment, change or modification which affects the Bond Trustee's own rights, duties or immunities. In connection with any amendment, change or modification in connection with Section 10.05(f), the Bond Trustee may in its discretion determine whether or not in accordance with such provision the Bond Trustee or the Bondholders would be prejudiced by such amendment, change or modification. Any such determination shall be binding and conclusive on the Issuer, the Borrowers and the Bondholders. The Bond Trustee may receive an Opinion of Counsel as conclusive evidence as to whether the Bondholders would be so affected by any such amendment, change or modification of the Agreement.

[End of ARTICLE X]

**ARTICLE XI
MISCELLANEOUS**

Section 11.01. Evidence of Signature of Bondholders and Ownership of Bonds. Any request, consent or other instrument which the Bond Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney or of the ownership of Bonds shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Bond Trustee may, nevertheless, in its discretion, require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public.

(b) The ownership of any fully registered Bond and the amount and numbers of such Bonds and the date of holding the same shall be proved by the registration books of the Issuer kept by the Bond Trustee. Any request or consent of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Issuer or the Bond Trustee in accordance therewith.

Section 11.02. No Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer in this Bond Indenture, the Bonds or any other Series 2021 Bond Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the Issuer in his or her individual capacity. Neither the members of Issuer nor any person executing the Bonds or any agreement entered into by the Issuer under the Authorizing Resolution, nor any official, officer, employee or agent of the Issuer shall be liable personally on the Bonds or the Agreement or be subject to any personal liability or accountability by reason of the issuance, execution and delivery thereof.

Section 11.03. Limited Obligation. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE SOURCES REFERRED TO HEREIN. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS, NOR SHALL THE BONDS BE OR BE DEEMED GENERAL OBLIGATIONS OF THE ISSUER OR OBLIGATIONS OF THE COMMONWEALTH OF

PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

Notwithstanding anything to the contrary in this Bond Indenture, the Issuer shall have no obligation to and instead the Bond Trustee may, without further direction from the Issuer, take any and all steps, actions and proceedings to enforce any or all rights of the Issuer (except for the Reserved Rights) under this Bond Indenture or the Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Borrowers under the Agreement.

Section 11.04. Issuer's Rights to Payment of Costs. Any provision hereof to the contrary notwithstanding, all beneficiaries of the Financing Authority's participation in the financing of the Financed Project, including third party beneficiaries, shall be deemed to have consented to payment of all reasonable direct costs, fees, or expenses incurred by or on behalf of the Issuer.

Section 11.05. Parties Interested Herein. With the exception of rights herein expressly conferred on the Borrowers, nothing in this Bond Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Issuer, the Bond Trustee, the Paying Agents and the Owners of the Bonds any right, remedy or claim under or by reason of this Bond Indenture, and any covenants, stipulations, promises and agreements in this Bond Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Bond Trustee, the Paying Agents and the Owners of the Bonds.

Section 11.06. Titles, Headings Etc. The titles and headings of the articles, sections and subdivisions of this Bond Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 11.07. Severability. In the event any provision of this Bond Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.08. Governing Law. This Bond Indenture shall be governed and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the conflict of law principles.

Section 11.09. Execution of Counterparts. This Bond Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The exchange of copies of this Bond Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Bond Indenture as to the parties hereto and may be used in lieu of the original Bond Indenture for all

purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 11.10. Notices. Any notice, request or other communication under this Agreement shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

- (a) The date of notice by telefax, telecopy, or similar telecommunications, which is confirmed promptly in writing;
- (b) Three Business Days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail;
- (c) The date of the receipt thereof by such other party if not given pursuant to (a) or (b) above.

The address for notice for each of the parties shall be as follows:

If to the Issuer:	Pennsylvania Economic Development Financing Authority Commonwealth Keystone Building 400 North Street, 4 th Floor Harrisburg, Pennsylvania 17201 Attention: Executive Director Telephone Number: (717) 783-1100
with a copy to:	Eckert Seamans Cherin & Mellott LLC 213 Market Street Harrisburg, Pennsylvania 17101 Attention: David O. Twaddell, Esq. Electronic Mail: dtwaddell@eckertseamans.com
If to the Borrowers:	Presbyterian Senior Living One Trinity Drive East, Suite 201 Dillsburg, Pennsylvania 17019 Attention: Chief Financial Officer Electronic Mail: dmcalister@psl.org

With a copy to:	McNees Wallace & Nurick, LLC P.O Box 1166 100 Pine Street Harrisburg, Pennsylvania 17108 Attention: Timothy Horstmann. Electronic Mail: thorstmann@mcneeslaw.com
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If to the Bond Trustee:	The Bank of New York Mellon Trust Company, N.A. AIM 154-1270 500 Ross Street, 12 th Floor Pittsburgh, Pennsylvania 15262 Attn: Corporate Trust Administration Electronic Mail: kerry.zombeck@bnymellon.com
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Notwithstanding the foregoing, notices to the Bond Trustee shall be effective only upon receipt.

Section 11.11. Electronic Means. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.); provided, however, that the Issuer and/or the Borrowers, as applicable, shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Issuer and/or the Borrowers, as applicable, whenever a person is to be added or deleted from the listing. If the Issuer and/or the Borrowers, as applicable, elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Issuer and the Borrowers understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Issuer and the Borrowers shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Issuer, the Borrowers and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Issuer and/or the Borrowers, as applicable. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such

Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Issuer and the Borrowers agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Issuer and/or the Borrowers, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 11.12. Payments Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Bond Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding day that is a Business Day with the same force and effect as if done on the nominal date provided in this Bond Indenture.

[End of Article XI]

IN WITNESS WHEREOF, the Issuer and the Bond Trustee have caused this Bond Indenture to be executed and sealed by their duly authorized officers as of the day and year first above written.

ATTEST:

**PENNSYLVANIA ECONOMIC
DEVELOPMENT FINANCING
AUTHORITY**

By: _____
Assistant Secretary

By: _____
Executive Director

[SEAL]

[Signatures and Seals Continued]

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Bond
Trustee

By: _____
Authorized Officer

[SEAL]

EXHIBIT A

(FORM OF SERIES 2021 BOND)

**UNITED STATES OF AMERICA
PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY
REVENUE BONDS
(PRESBYTERIAN SENIOR LIVING PROJECT)
SERIES 2021**

No. R-_____ \$ _____

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	July 1, 20__	June __, 2021	_____

Registered Owner: CEDE & CO.

Principal Amount: _____ DOLLARS

PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY (the “Issuer”), for value received, promises to pay, from the sources described herein, to the Registered Owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above (unless this Series 2021 Bond shall have been called for prior redemption) and to pay, from such sources, interest on said sum on January 1 and July 1 of each year, commencing January 1, 2022, at the interest rate specified above, until payment of the principal hereof has been made or provided for. This Series 2021 Bond will bear interest from the most recent interest payment date to which interest has been paid or provided for, or, if no interest has been paid, from the Dated Date set forth above. Capitalized terms used in this Series 2021 Bond and not defined herein shall have the meanings given to such terms in the Agreement identified herein.

This Series 2021 Bond is issued pursuant to the laws of the Commonwealth of Pennsylvania, including particularly the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended (together with all future acts supplemental thereto

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[TRUSTEE'S SIGNATURE PAGE TO BOND TRUST INDENTURE]

or amendatory thereof, the “Act”). The Issuer and Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, and Cathedral Village, each a Pennsylvania nonprofit corporation qualified under Section 501(c)(3) of the United States of America Internal Revenue Code (together, the “Borrowers”) have entered into a Loan Agreement, dated as of July 1, 2021 (as amended and supplemented from time to time in accordance with the terms thereof, the “Agreement”), pursuant to the terms of which the Borrowers must pay to the Issuer certain loan payments which are committed and will be fully sufficient to pay the principal of and the interest on the Series 2021 Bonds as the same become due. As security for the payment of the Series 2021 Bonds and all other Bonds issued under the Bond Indenture, all right, title and interest of the Issuer in the payments, revenues and earnings to be received under the terms of the Agreement have been assigned and pledged to The Bank of New York Mellon Trust Company, N.A., as trustee (the “Bond Trustee”), for the benefit of the Registered Owner of the Bonds.

THIS BOND IS A LIMITED OBLIGATION OF THE ISSUER AND IS PAYABLE SOLELY FROM THE TRUST ESTATE PLEDGED PURSUANT TO THE BOND INDENTURE REFERRED TO HEREIN. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR THE TAXING POWER OF THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THIS BOND, NOR SHALL THIS BOND BE OR BE DEEMED A GENERAL OBLIGATION OF THE ISSUER OR THE COMMONWEALTH OF PENNSYLVANIA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE ISSUER HAS NO TAXING POWER.

Reference to the Bond Trust Indenture dated as of July 1, 2021 (the “Bond Indenture”) by and between the Issuer and the Bond Trustee is hereby made for a description of the aforesaid Trust Estate, the nature and extent of the security, rights, duties and obligations of the Issuer, the Borrowers, the Paying Agent, the bond registrar and the Bond Trustee, the rights of the Registered Owners of the Series 2021 Bonds, the terms and conditions under and upon the occurrence of which the Bond Indenture and Agreement may be modified, and the terms and conditions under and upon the occurrence of which the lien of the Bond Indenture may be defeased as to this Series 2021 Bond prior to maturity or the redemption date hereof, to all of the provisions of which the Registered Owner hereof, by the acceptance of this Series 2021 Bond, assents.

This Series 2021 Bond shall initially be issued pursuant to a book entry system administered by The Depository Trust Company (together with any successor thereto, the “Securities Depository”). The book entry system will evidence beneficial ownership of the Series 2021 Bonds with transfers of ownership effected on the register held by the Securities Depository pursuant to rules and procedures established by the Securities Depository. So long as the book entry system is in effect, transfer of principal, interest and premium payments, and provision of notices or other communications, to beneficial owners of the Series 2021 Bonds will be the responsibility of the Securities Depository as set forth in the Bond Indenture.

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This Series 2021 Bond is one of a duly authorized issue of bonds of the Issuer known as “Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Series 2021” (the “Series 2021 Bonds”) and issued in an Aggregate Principal Amount (as defined in the Agreement) of \$65,515,000 for the purpose of (i) financing and refinancing the acquisition, construction and renovation of certain facilities of the Borrowers, (ii) currently refunding certain outstanding indebtedness of the Borrowers; (iii) funding capitalized interest on the Series 2021 Bonds; and (iv) paying all or a portion of the costs associated with the issuance of the Series 2021 Bonds.

The Series 2021 Bonds are secured by a Master Obligation issued by the Borrowers and other members of an obligated group (the “Obligated Group”) (the “Series 2021 Master Obligation”) pursuant to a Master Trust Indenture dated as of June 1, 2008, between the Obligated Group and The Bank of New York Mellon, as master trustee (the “Master Trustee”), and the Supplemental Master Indenture, dated as of July 1, 2021, between the Obligated Group and the Master Trustee (collectively, the “Master Indenture”). To secure their obligations pursuant to the Master Indenture, the Obligated Group (a) have pledged and granted a security interest in the Gross Revenues to the Master Trustee, and (b) have executed and delivered the Mortgage in favor of the Master Trustee.

Additional obligations on parity with or subordinate to the Series 2021 Master Obligation may be issued pursuant to the Master Indenture subject to the conditions and terms contained therein and the payments on such additional Master Obligations will also be secured by the Mortgage and pledge of the Gross Revenues and other amounts pledged under the Master Indenture.

No covenant, stipulation, obligation, or agreement of the Issuer in this Series 2021 Bond or any other Series 2021 Bond Documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any present or future appointed official, officer, employee or agent of the Issuer in his or her individual capacity. Neither the members of the Issuer nor any person executing this Series 2021 Bond or any agreement entered into by the Issuer under the Authorizing Resolution, shall be liable personally on the Series 2021 Bonds or under the Series 2021 Bond Documents or be subject to any personal liability or accountability by reason of the issuance, execution and delivery hereof or thereof.

Additional series of Bonds may be issued by the Issuer in accordance with the limitations and conditions of the Bond Indenture.

The Series 2021 Bonds are subject to redemption and purchase in lieu of redemption prior to maturity as set forth in the Bond Indenture.

The Series 2021 Bonds are issuable as fully registered Bonds in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof.

Series 2021 Bonds are exchangeable and transferable as provided in the Bond Indenture.

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The Issuer and the Bond Trustee may deem and treat the person in whose name this Series 2021 Bond is registered as the absolute owner hereof for the purpose of making payment (except to the extent otherwise provided hereinabove and in the Bond Indenture with respect to Regular and Special Record Dates for the payment of interest) and for all other purposes, and neither the Issuer nor the Bond Trustee shall be affected by any notice to the contrary. The principal of, premium, if any, and interest on this Series 2021 Bond shall be paid free from and without regard to any equities between the Borrowers and the original or any intermediate owner hereof or any setoffs or counterclaims.

The owner of this Series 2021 Bond shall have no right to enforce the provisions of the Bond Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Bond Indenture. In case an event of default under the Bond Indenture shall occur, the principal of all of the Series 2021 Bonds at any such time Outstanding under the Bond Indenture may be declared or may become due and payable, upon the conditions and in the manner and with the effect provided in the Bond Indenture. The Bond Indenture provides that such declaration may in certain events be waived by the Bond Trustee or the owners of a requisite principal amount of the Bonds Outstanding under the Bond Indenture.

To the extent permitted by, and as provided in, the Bond Indenture, modifications or amendments of the Bond Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Issuer and of the owners of the Bonds, may be made with the consent of the Issuer and the Bond Trustee and, in certain instances, of not less than a majority in principal amount of the Bonds of all series then Outstanding allowed hereby or 80% in aggregate principal amount of all Bonds then Outstanding. Any such consent by the owner of this Series 2021 Bond shall be conclusive and binding upon such owner and upon all future owners of this Series 2021 Bond and of any Bond issued upon the transfer or exchange of this Series 2021 Bond whether or not notation of such consent is made upon this Series 2021 Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Bond Indenture and issuance of this Series 2021 Bond do exist, have happened and have been performed in due time, form and manner as required by law.

THIS SERIES 2021 BOND shall not be entitled to any benefit under the Bond Indenture, or any indenture supplemental thereto, or become valid or obligatory for any purpose until the Bond Trustee shall have manually signed the certificate of authentication hereon.

[Signature page follows.]

IN WITNESS WHEREOF, the Issuer has caused this Series 2021 Bond to be executed by the signature of its Executive Director, and its official seal to be impressed or reproduced hereon and attested by the signature of the Assistant Secretary of the Issuer, all as of the Dated Date set forth above.

ATTEST:

PENNSYLVANIA ECONOMIC
DEVELOPMENT FINANCING AUTHORITY

Assistant Secretary

By: _____
Executive Director

[SEAL]

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This is one of the Series 2021 Bonds referred to in the within mentioned Bond Indenture.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Bond Trustee

Date of Authentication:

By: _____
Authorized Signatory

(END OF FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

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[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Bond on the books kept for registration and transfer of the within Bond, with full power of substitution in the premises.

Date:

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without enlargement or alteration or any change whatsoever.

Signature Guaranteed By:

Authorized Signatory

NOTE: The signature to this Assignment must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

* * * [END OF SERIES 2021 BOND FORM] * * *

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EXHIBIT B
MATURITY SCHEDULE

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PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY
AND
PRESBYTERIAN HOMES, INC.
PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON

CATHEDRAL VILLAGE

LOAN AGREEMENT

DATED AS OF JULY 1, 2021

Relating to:

Pennsylvania Economic Development Financing Authority

\$65,515,000 Revenue Bonds

(Presbyterian Senior Living Project), Series 2021

THE INTEREST OF THE ISSUER IN THIS LOAN AGREEMENT AND THE REVENUES AND RECEIPTS DERIVED THEREFROM, EXCEPT FOR ITS RESERVED RIGHTS, AS DEFINED HEREIN, HAVE BEEN ASSIGNED AND ARE THE SUBJECT OF A GRANT OF A SECURITY INTEREST TO THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE, UNDER A BOND TRUST INDENTURE DATED AS OF JULY 1, 2021.

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EXHIBIT A – Form of Request for Costs of Issuance Disbursement

EXHIBIT B – Form of Request for Construction Fund Disbursement

EXHIBIT C – Right to Know Law

LOAN AGREEMENT

THIS LOAN AGREEMENT dated as of July 1, 2021, between **PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY**, a body corporate and politic existing organized and existing under laws of the Commonwealth of Pennsylvania (the “Issuer”), and **PRESBYTERIAN HOMES, INC.** (“Presbyterian Homes”), **PRESBYTERIAN HOMES IN THE PRESBYTERY OF HUNTINGDON** (“PHPH”) and **CATHEDRAL VILLAGE** (“Cathedral”), jointly and severally, each a corporation not-for-profit existing under laws of the Commonwealth (each, a “Borrower” and collectively, the “Borrowers”).

WITNESSETH:

WHEREAS, the Issuer is authorized under the Economic Development Financing Law of the Commonwealth of Pennsylvania (as amended, the “Act”) to issue its revenue bonds, as its limited obligations, from time to time, payable solely from the revenues and funds pledged under the Bond Indenture (hereinafter defined); and

WHEREAS, each of the Borrowers is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania which owns and operates, among others, the following senior living facilities (the “Existing Communities”): (i) Ware Presbyterian Village located at 7 East Locust Street, Oxford, Chester County, Pennsylvania (the “Ware Facility”), owned and operated by Presbyterian Homes; ; (ii) Kirkland Village located at 1 Kirkland Village Circle, Bethlehem, Northampton County, Pennsylvania (the “Kirkland Facility”), owned and operated by Presbyterian Homes; (iii) Cathedral Village located in the City of Philadelphia, Philadelphia County, Pennsylvania and having a mailing address at 600 East Cathedral Road, Philadelphia, PA 19128 (the “CV Facility”), owned and operated by Cathedral; and

WHEREAS, the Borrowers have determined to refinance existing indebtedness at various of their respective facilities and to finance new capital projects at the Existing Communities and have requested the Issuer to issue its revenue bonds for the purposes of (i) financing the Capital Projects; (ii) currently refunding [the] [\$_____ in principal amount of the outstanding] Refunded Presbyterian Homes Bonds (hereinafter defined), currently refunding the Refunded PHPH Bond (hereinafter defined), currently refunding [the] [\$_____ in principal amount of the outstanding] Refunded Presbyterian Homes/PHPH Bonds (hereinafter defined), and currently refunding the Refunded Presbyterian Homes/PHPH/CV Bonds (hereinafter defined) (collectively, the “Refunded Obligations”); (iii) paying capitalized interest on the Series 2021 Bonds; and (iv) paying all or a portion of the costs associated with the issuance of the Series 2021 Bonds; and

WHEREAS, the Issuer has authorized the issuance of Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Series 2021 (the “Series 2021 Bonds”) and the loan of the proceeds thereof to the Borrowers for such purposes;

WHEREAS, the Issuer and the Borrowers have agreed to enter into this Loan Agreement to specify the terms and conditions of a loan by the Issuer to the Borrowers of the proceeds of the

Series 2021 Bonds and of the payment by the Borrowers to the Issuer of the amounts required for the payment of the principal of, and interest on, the Bonds and certain related expenses;

WHEREAS, to evidence the obligation of the Borrowers to make payments sufficient to pay the principal of, premium, if any, and interest on the Series 2021 Bonds, the Borrowers will cause the Obligated Group to execute and deliver to the Issuer the Master Indenture Promissory Note, Series 2021-1 dated the date of issuance of the Series 2021 Bonds in the principal amounts of the Series 2021 Bonds (the “Series 2021-1 Master Note”), which the Issuer shall simultaneously assign to the Bond Trustee as security for the Series 2021 Bonds; and

WHEREAS, the Issuer may from time to time issue Additional Bonds (as defined herein and, together with the Series 2021 Bonds, the “Bonds”), in accordance with the provisions hereof and the Bond Indenture; and

WHEREAS, the Issuer and the Borrowers have each duly authorized the execution, delivery and performance of this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF the respective representations and agreements hereinafter contained, the parties hereto agree as follows, provided, that in the performance of the agreements of the Issuer herein contained, any obligation the Issuer may thereby incur for the payment of money will not be a debt or charge against the general credit or taxing powers of the Issuer within the meaning of any constitutional or charter provision or statutory limitation and may not give rise to any pecuniary liability of the Issuer, but will be a limited obligation of the Issuer payable solely from the revenues, receipts, and other payments derived from this Agreement, the Bond Indenture, the Series 2021-1 Master Note and the sale of the Series 2021 Bonds referred to herein and insurance proceeds, foreclosure proceeds, proceeds from released property and condemnation awards as herein provided:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. The following terms, except where the context indicates otherwise, shall have the respective meanings set forth below.

“Account” means any account established within a Fund.

“Accountant” means a certified public accountant, or a firm of certified public accountants, who or which is “independent” as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accountants, of recognized standing, who or which does not devote his or its full time to the Borrowers or its Affiliates (but who or which may be regularly retained by the Borrowers or its Affiliates).

“Act” means the Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended.

“Additional Bonds” means the one or more series of additional bonds authorized to be issued by the Issuer pursuant to Sections 2.09 and 2.10 of the Bond Indenture.

“Administration Expenses” shall mean (i) all costs, charges and expenses incurred by the Issuer with respect to the implementation and administration of the Series 2021 Bond Documents and any transaction or event to be effected by the Series 2021 Bond Documents, including reasonable attorneys’ fees, and (ii) the compensation of, reimbursement of expenses to, the reasonable attorneys’ fees of, and advances payable to, the Trustee, the Paying Agent, the Authenticating Agent and the Registrar, including, but not limited to, the amounts described in Section 5.6 hereof.

“Affiliate” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“Aggregate Principal Amount” means the outstanding principal amount plus, in the case of a security sold at a discount to the purchaser thereof the accreted value of such discount calculated in accordance with the documents authorizing such security, or if not so defined, generally accepted accounting principles.

“Agreement” or “Loan Agreement” means this Loan Agreement and any amendments and supplements hereto made in conformity herewith and with the Bond Indenture.

“Applicable Procedures” means, with respect to any payment, tender, redemption, transfer or exchange of or for beneficial interests in any book-entry Bond, the rules and procedures of DTC that apply to such payment, tender, redemption, transfer or exchange.

“Architect” means an independent architect or engineer or firm of architects or engineers which may be appointed by the Borrowers for the purpose of passing on questions relating to the design and construction of a Capital Project or any Capital Addition, has all licenses and certifications necessary for the performance of such services, has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature.

“Authorized Denominations” means (a) with respect to the Series 2021 Bonds, the denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof, and (b) with respect to any series of Additional Bonds, as provided in the Supplemental Bond Indenture creating such series of Additional Bonds.

“Authorizing Resolution” means the enabling resolution adopted by Pennsylvania Economic Development Financing Authority on April 21, 2021.

“Bond Counsel” means Eckert Seamans Cherin & Mellott, LLC, as bond counsel in connection with the Series 2021 Bonds, or such other nationally recognized bond counsel as may be selected by the Borrowers and, if serving in connection with issuance of Additional Bonds by the Issuer, not unacceptable to the Issuer.

“Bond Fund” means the Bond Fund created in Section 3.02 of the Bond Indenture.

“Bond Indenture” means the Bond Trust Indenture of even date herewith relating to the Bonds between the Issuer and the Bond Trustee, including any indentures supplemental thereto made in conformity therewith.

“Bond Trustee” means The Bank of New York Mellon Trust Company, N.A., being the registrar, a paying agent, and the trustee under the Bond Indenture, until a successor replaces it and thereafter any successor corporate trustee appointed and serving as such under the Bond Indenture.

“Bond Year” means with respect to the Series 2021 Bonds each one-year period ending on June 30 (or, in the case of the last Bond the short period ending on the final maturity date) or such other period as may be elected by the Borrowers in accordance with the Regulations and notice of which election has been given to the Bond Trustee.

“Bondholder” or “owner” of the Bonds means the Registered Owner of any fully registered Bond.

“Bond Purchase Agreement” means the Bond Purchase Agreement by and among the Issuer, the Borrowers, and the Underwriter

“Bonds” means the Series 2021 Bonds and any Additional Bonds issued pursuant to the Bond Indenture.

“Borrowers’ Representative” means, initially, Presbyterian Homes, Inc., and from time to time the Person designated in writing to the Issuer and the Bond Trustee as the representative and agent of each of the Borrowers in connection with all matters arising under, or related to, the

undertakings described in this Agreement, the Bond Indenture or Supplemental Bond Indenture with respect to Additional Bonds, or any other of the Borrowers' Documents.

"Borrowers" means, with respect to the Series 2021 Bonds, the Borrowers as set forth in the Preamble to this Agreement and with respect to any Additional Bonds, the members of the Obligated Group which are the beneficiaries of the net proceeds of such Additional Bonds.

"Borrowers' Documents" means, with respect to the Series 2021 Bonds, collectively, this Agreement, the Series 2021-1 Master Note, the Master Indenture, the Supplemental Master Indenture, the Mortgage, the Tax Agreement, the Bond Purchase Agreement, and the Continuing Disclosure Certificate.

"Business Day" means any day other than (i) a Saturday, a Sunday or, in the City of New York, New York or in Harrisburg, Pennsylvania (or, if different, in the city in which the designated corporate trust office of the Bond Trustee is located), a day on which banking institutions are authorized or required by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

"Capital Additions" means all property or interests in property, real, personal and mixed (a) which constitute additions, improvements or extraordinary repairs to or replacements of all or any part of the property and facilities of the Obligated Group, and (b) the cost of which is properly capitalized under GAAP (as defined in the Master Indenture).

"Capital Projects" means, collectively, the Ware Capital Project, the Kirkland Capital Project, and the CV Capital Project.

"Certified Resolution" means a resolution duly adopted by the Governing Body, certified by an authorized signatory.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commonwealth" means the Commonwealth of Pennsylvania.

"Completion Certificate" means a certificate of the Borrowers delivered pursuant to Section 4.2(b) hereof.

"Completion Date" means the date specified in the Completion Certificate as the date of completion or termination of the Project.

"Construction Fund" means the construction fund created under Section 3.05 of the Bond Indenture and any construction fund created in connection with an issue of Additional Bonds under Section 2.09 of the Bond Indenture.

"Corporate Trust Office" of the Bond Trustee shall be the office of the Bond Trustee at which the Bond Indenture shall be principally administered, which at the date hereof is The Bank of New York Mellon Trust Company, N.A., 500 Ross Street, 12th Floor, Pittsburgh, Pennsylvania, 15262 Attn: Corporate Trust Administration, or such other address as to which the Bond Trustee may give notice to the Issuer and the Borrowers.

"Cost" or "Costs" as applied to a Capital Project means and includes any and all costs of such Capital Project, subject to the limits of the Act and, in each instance, subject to the limitations or restrictions set forth in the Tax Agreement, and, without limiting the generality of the foregoing, shall include the following:

(a) the cost of the acquisition of all land, rights of way, options to purchase land, easements, leasehold estates in land and interests of all kinds in land related to such Capital Project;

(b) the cost of the acquisition, construction, development, repair, renovation, remodeling or improvement of all buildings and structures to be used as or in conjunction with such Capital Project, including all acquisition, construction and installation costs required to provide utility services or other similar facilities and all labor costs relating thereto;

(c) the cost of site preparation, including the cost of demolishing or removing any buildings or structures the removal of which is necessary or incident to providing such Capital Project;

(d) the cost of architectural, consulting, engineering, legal, accounting and related services; the cost of the preparation of plans, specifications, studies, surveys and estimates of cost and of revenue; and all other expenses necessary or incident to planning, providing or determining the feasibility and practicability of such Capital Project;

(e) the cost of all machinery, equipment, furnishings and facilities necessary or incident to the equipping of such Capital Project so that it may be placed in operation;

(f) the cost of financing charges and interest prior to and during construction and for a maximum of two years after completion of construction and the startup costs of such Capital Project during construction and for a maximum of two years after completion of construction;

(g) any and all costs paid or incurred in connection with the financing of such Capital Project, including, without limitation, the cost of financing, legal, accounting, financial advisory and appraisal fees, expenses and disbursements; the cost of any policy or policies of title insurance; the cost of printing, engraving and reproduction services; and the cost of the initial or acceptance fee of any trustee or paying agent;

(h) all direct and indirect costs of the Issuer incurred in connection with providing such Capital Project;

(i) the cost of financing, establishing and funding a reserve fund or reserve funds for a program of self-insurance or risk management and further including, without limitation, the cost of the preparation of studies, surveys and estimates of cost, revenue, risk and liability and all other costs and expenses necessary or incident to the planning, providing or determining the feasibility and practicability and the continuing program and operating costs of such program of self-insurance or risk management;

(j) the cost of working capital during construction and fill up of the Capital Project; and

(k) payment to the Borrowers of such amounts, if any, as should be necessary to reimburse the Borrowers in full for all advances of payments made by it for any of the items set forth in (a) through (j) above.

“Costs of Issuance” means all costs and expenses incurred by the Issuer or the Borrowers in connection with the issuance and sale of the Bonds, including without limitation (a) reasonable fees and expenses of accountants, attorneys, engineers and financial advisors, (b) materials, supplies and printing and engraving costs, (c) recording and filing fees, and (d) rating agency fees.

“Costs of Issuance Fund” means the costs of issuance fund created under Section 3.13 of the Bond Indenture.

“CV Capital Project:” means renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for the CV Facility and the medical and health care support facilities related thereto, including, without limitation, the construction, upgrade and improvement of the covered walk way (Phase III) and related and other capital acquisitions, improvements and projects as may be approved by the Cathedral Board.

“Delivery Date” means the date the Series 2021 Bonds are delivered to the initial purchasers against payment therefor.

“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords, or authentication keys issued by the Bond Trustee, or another method or system specified by the Bond Trustee as available for use in connection with its services hereunder.

“Environmental Regulations” means any federal, state, or local law, statute, code, ordinance, regulation, requirement, or rule relating to dangerous, toxic, or hazardous pollutants, Hazardous Substances, chemical waste, materials, or substances.

“Event of Default” with respect to the Bond Indenture means those defaults specified in Section 8.01 of the Bond Indenture, and with respect to this Agreement, means the events set forth in Section 9.1 hereof.

“Expansion” means such additions, improvements, extensions, alterations, relocations, enlargements, expansions, modifications, or changes in, on or to any Project permitted under the Act as the Borrowers deems necessary or desirable, provided such Expansion does not materially impair the effective use of such Capital Project.

“Existing Communities” shall have the meaning given such term in the recitals of this Agreement.

“Facilities” means the Existing Communities, as expanded, modified and improved by the Capital Projects, and as the same may be further expanded, modified or improved.

“Fitch” means Fitch Ratings, or any successor thereto maintaining a rating on the Bonds.

“Funds” means the Bond Fund, the Construction Fund, the Rebate Fund, and the Costs of Issuance Fund.

“Governing Body” means, with respect to the Issuer, the Board of Directors of the Issuer and, with respect to the Borrowers, the Board of Directors of each of the Borrowers.

“Government Obligations” means direct obligations of, or obligations the full and timely principal of and interest on which are guaranteed by, the United States of America.

“Governmental Unit” shall have the meaning set forth in Section 150 of the Code.

“Hazardous Substances” means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Premises or the Facilities or to persons on or about the Premises or the Facilities or (ii) cause the Premises or the Facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste” or “toxic substances” or words of similar import under any Environmental Regulation including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; and any applicable State environmental statutes, rules and regulations; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Premises or the Facilities or the owners or occupants of property adjacent to or surrounding the Premises or the Facilities, or any other person coming upon the Premises or the Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“Holder” or “holder” or “Owner” or “owner” means the registered owner of any Bond.

“Interest Account” means the account of such name in the Bond Fund created in Section 3.02 of the Bond Indenture.

“Interest Payment Date” means (a) as to the Series 2021 Bonds, each January 1 and July 1, commencing January 1, 2022; and (b) as to Additional Bonds, the periods specified in the applicable Supplemental Bond Indenture on which interest on such Additional Bonds is to be paid.

“Issuer” means Pennsylvania Economic Development Financing Authority and its successors and assigns.

“Issuer Representative” means the Chairman or Vice Chairman of the Issuer, the Executive Director of the Issuer or such other person or persons designated by the Chairman of the Issuer to act on behalf of the Issuer and identified by written certificate of the Issuer furnished to the Borrowers and the Bond Trustee containing the specimen signature of such person and signed on

behalf of the Issuer by the President of the Issuer. Such certificate may designate an alternate or alternates.

“Issuer’s Fees and Expenses” means those 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 Bond Indenture and this Agreement and all taxes and assessments of any type or character charged to the Issuer affecting the amount available to the Issuer from payments to be received under the Bond Indenture or this Agreement or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments).

“Kirkland Capital Project” means the renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for the Kirkland Facilities and the medical and health care support facilities related thereto, including, without limitation, the acquisition of land adjacent to such facilities and the construction and expansion thereon of health and senior care facilities and related or other capital acquisitions, improvements and projects as may be approved by the Presbyterian Homes Board in connection with the Kirkland Facility

“Master Indenture” means the Master Trust Indenture dated as of June 1, 2008, between the Obligated Group, including the Borrowers and the Master Trustee, as amended and supplemented to date, including, without limitation, by the Supplemental Master Indenture, including any further supplements or amendments thereto and modifications thereof.

“Master Obligations” means any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Group Member which is authenticated and delivered pursuant to the Master Indenture and which is entitled to the benefits of the Master Indenture, including, without limitation, the Series 2021-1 Master Note.

“Master Trustee” means The Bank of New York Mellon., as trustee under the Master Indenture, until it is replaced and thereafter its successors as master trustee thereunder.

“Moody’s” shall mean Moody’s Investors Service, or any successor thereto maintaining a rating on the Bonds.

“Mortgage” means, collectively, those Master Open-End Mortgage and Security Agreement, dated as of June 4, 2008, but effective June 5, 2008, a Master Open-End Mortgage and Security Agreement, dated as of November 16, 2010, but effective as of November 22, 2010, and a Master Open-End Mortgage and Security Agreement, dated as of May 18, 2015 but effective as of June 1, 2015, each securing Obligations issued under the Master Indenture up to \$300,000,000 in principal amount, previously granted, executed, and delivered by various Obligor, including the Borrowers, to the Master Trustee for the benefit of Holders of Master Obligations under the Master Indenture on certain Mortgaged Facilities identified in the Mortgage, as the same may be amended, supplemented, or restated.

“Mortgaged Property” means the Existing Communities and all other real property and personal property of the Members of the Obligated Group which is subject to the Mortgage, all as more specifically set forth and defined in the Mortgage.

“Obligors” or “Obligated Group Members” has the same meaning as “Obligated Issuers” as defined in the Master Indenture.

“Officer’s Certificate” means a certificate signed, in the case of a certificate delivered by the Borrowers, by the Chief Executive Officer, President, Vice President-Finance, the Treasurer, or the Chief Financial Officer of the Borrowers’ Representative or in the case of a certificate delivered by any other corporation, by the President, the Vice President, the Chief Operating Officer, the Chief Financial Officer, the Vice President-Finance or any other officer or agent authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by Bond Counsel.

“Opinion of Counsel” means an opinion in writing signed by an attorney or firm of attorneys who may be counsel to the Borrowers or other counsel acceptable to the Bond Trustee.

“Outstanding” means, as of any particular time, all Bonds which have been duly authenticated and delivered by the Bond Trustee under the Bond Indenture, except:

(a) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds (or Government Obligations to the extent permitted in Section 7.01 of the Bond Indenture) shall have been theretofore deposited with the Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Bond Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Bond Trustee shall have been filed with the Bond Trustee; and provided further that prior to such payment or redemption, the Bonds to be paid or redeemed shall be deemed to be Outstanding for the purpose of transfers and exchanges under Section 2.05 of the Bond Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06 of the Bond Indenture.

“Paying Agent” means any bank or trust company, including the Bond Trustee, designated pursuant to the Bond Indenture to serve as a paying agency or place of payment for the Bonds, and any successor designated pursuant to the Bond Indenture.

“Payment Office” with respect to the Bond Trustee or other Paying Agent means the office maintained by the Bond Trustee or any affiliate of the Bond Trustee or of another Paying Agent for the payment of interest and principal on the Bonds.

“Permitted Investments” means dollar denominated investments, to the extent permitted by law, in any of the following:

- (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 by any Rating Agency in one of the three highest categories assigned by such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise);
- (c) any bond, debenture, note, participation certificate or other similar obligation which is either (i) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank Association, 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 with domestic commercial banks, including the Bond Trustee or its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” by Standard & Poor’s, “F-1” by Fitch or “P-1” by Moody’s, and which matures not more than 360 days after the date of purchase;
- (e) commercial paper which is rated at the time of purchase within the classification or higher, “A-1” by Standard & Poor’s, “F-1” by Fitch or “P-1” by Moody’s, and which matures not more than 270 days after the date of purchase;
- (f) bonds, notes, debentures or other evidences of indebtedness 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 such agreement is executed are rated by any Rating Agency in one of the three highest rating categories assigned by such Rating Agency (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) or investment agreements with non-bank financial institutions which, (1) all of the unsecured, direct long-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency at the time such agreement is executed in one of the three 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 such non-bank financial institutions have no outstanding long-term debt that is rated, all of the short-term debt of either the non-banking financial institution or the related guarantor of such non-bank financial institution is rated by any Rating Agency in the highest rating category (without regard to any refinement or gradation of the rating category by numerical modifier or otherwise) assigned to short term indebtedness by such Rating Agency; provided that if at any time after purchase the provider of the investment agreement drops below the three highest rating categories assigned by such Rating Agency, the provider of the investment agreement must immediately notify the Bond Trustee and the investment agreement must, within 30 days, either

(1) be assigned to a provider rated in one of the three highest rating categories or (2) be secured by the provider with collateral securities the fair market value of which, in relation to the amount of the investment agreement including principal and interest, is equal to at least 102%; investment agreements with banks or non-bank financial institutions shall not be permitted if no rating is available with respect to debt of the investment agreement provider or the related guarantor of such provider;

(h) repurchase agreements with respect to and secured by Government Obligations or by obligations described in clause (b) and (c) above, which agreements may be entered into with a bank (including without limitation the Bond Trustee), a trust company, financial services firm or a broker dealer, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is, to the knowledge of the Bond Trustee, 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 weekly, 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) such obligations must be held in the custody of the Bond Trustee’s agent; and

(i) shares of a money market mutual 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, having assets of at least \$100,000,000 and having a rating AAAM or AAAm-G by a Rating Agency, including money market mutual funds from which the Bond Trustee or its affiliates derive a fee for investment advisory or other services to the fund.

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. To the extent such investment is no longer a Permitted Investment, the Borrowers’ Representative shall promptly provide the Bond Trustee written notice of such status and the Bond Trustee shall proceed to invest such amounts pursuant to alternative written request and direction of the Borrowers consistent with Section 6.01 of the Bond Indenture.

“Person” means an individual, association, unincorporated organization, corporation, limited liability company, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof or any other entity.

“Plans and Specifications” means the plans and specifications for a Capital Project prepared by an Architect or other design professional, if any.

“Premises” means the real estate described in Exhibit A attached to the Mortgage, as may be amended from time to time.

“Principal Account” means the account of such name in the Bond Fund created in Section 3.02 of the Bond Indenture.

“Project” means, together, the Capital Projects and the Refunding Projects and any Capital Addition to be financed by Additional Bonds. References to “a Project” or “such Project” shall be deemed to refer to the components of the Project being financed from proceeds of the Bonds.

“Rating Agency” means Fitch, Moody’s, or Standard & Poor’s, and any successor thereto.

“Rebate Fund” means that fund established in the name of the Issuer with the Bond Trustee pursuant to Section 3.12 of the Bond Indenture.

“Refunded Obligations” has the meaning set forth in the recitals hereto.

“Refunded PHPH Bond” means the College Township Industrial Development Authority’s Mortgage Revenue Note (Presbyterian Homes in the Presbytery of Huntingdon – Windy Hill), Series of 2005.

“Refunded Presbyterian Homes Bonds” means the Cumberland County Municipal Authority Variable Rate Revenue Bonds, Series B of 2003 (Presbyterian Homes, Inc. Project), converted to the Bank Purchase Mode on January 2, 2014, and the Uwchlan Township Industrial Development Authority Revenue Note, Series of 2012 (Ware Presbyterian Village Project).

“Refunded Presbyterian Homes/PHPH Bonds” means the Cumberland County Municipal Authority Revenue Bond, Series A of 2013 (Presbyterian Homes Obligated Group Project), the Cumberland County Municipal Authority Revenue Bond, Series B of 2013 (Presbyterian Homes Obligated Group Project).

“Refunded Presbyterian Homes/PHPH/CV Bonds” means the Abington Township Industrial and Commercial Development Authority Revenue Bond, Series 2015 (Presbyterian Homes Obligated Group Project).

“Refunding Projects” means the current refunding and redemption of the Refunded Obligations as described the recitals hereto, including the costs thereof and the allocable costs of the Series 2021 Bonds.

“Registered Owner” or “Owners” means the person or persons in whose name or names a Bond shall be registered on books of the Issuer kept by the Bond Trustee for that purpose in accordance with the terms of the Bond Indenture.

“Regular Record Date” means (a) for the Series 2021 Bonds, the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, and (b) for Additional Bonds, the day established by the supplement to the Bond Indenture relating to such Additional Bonds.

“Regulations” means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Reserved Rights” the rights of the Issuer pursuant to Sections 5.2 (Repayment of Loan), 5.6 (Payment of Administration Expenses), 7.5 (Release and Indemnification), 7.9 (Fees and Expenses), 9.4 (No Remedy Exclusive) and 9.6 (Waivers) of this Agreement, the rights of the Issuer pursuant to the Tax Agreement and the rights of the Issuer pursuant to the Series 2021 Bond Documents providing for indemnification of the Issuer, the Issuer’s rights to receive certain notices, reports and other statements required to be given to the Issuer, and the Issuer’s rights to approve or consent to specified actions or requests.

“Responsible Officer” when used with respect to the Bond Trustee means an officer in the Corporate Trust Department of the Bond Trustee having direct responsibility for administration of the Bond Indenture and any other officer of the Bond Trustee to whom such matter is referred because of such person’s knowledge of and familiarity with the particular subject.

“Securities Depository” means The Depository Trust Company, New York, New York, and any successor thereto as permitted by the Bond Indenture.

“Series 2021 Bonds” means, Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) Series 2021, issued pursuant to the Bond Indenture.

“Series 2021-1 Master Note” means the master obligation created by the Supplemental Master Indenture in favor of the Issuer and assigned to the Bond Trustee in the principal amount of the Series 2021 Bonds, to provide payment for, and secure the payment, pursuant to this Agreement, of the Series 2021 Bonds.

“Series 2021 Bond Documents” means, collectively, the Master Indenture, the Supplemental Master Indenture, the Bond Indenture and the Borrowers’ Documents.

“Special Record Date” means a special date fixed to determine the names and addresses of owners of Series 2021 Bonds for purposes of paying defaulted interest on a special interest payment date, all as further provided in Section 2.03 of the Bond Indenture and for Additional Bonds shall be the day established by the supplement to the Bond Indenture relating to such Additional Bonds.

“Standard & Poor’s” shall mean S&P Global Ratings, a business unit of Standard & Poor’s Ratings Services, or any successor thereto maintaining a rating on the Bonds.

“Supplemental Bond Indenture” means any indenture amending or supplementing the Bond Indenture which may be entered into in accordance with the provisions of the Bond Indenture.

“Supplemental Master Indenture” means the Thirty-Fourth Supplemental Indenture, dated as of July 1, 2021, between the Obligated Group and the Master Trustee, supplemental to the Master Indenture, providing for, *inter alia*, the issuance of the Series 2021-1 Master Note and certain other obligations, including any supplements or amendments thereto and modifications thereof.

“Surplus Construction Fund Money” means all money (including money earned pursuant to the provisions of Article VI of the Bond Indenture) remaining in the Construction Fund after completion of a Project (as evidenced by a Completion Certificate) and payment of all other costs then due and payable from the Construction Fund.

“Tax Agreement” means the Tax Certificate and Compliance Agreement dated the Delivery Date, by and between the Borrowers and the Issuer.

“Tax Exempt Bonds” means the Series 2021 Bonds and any Additional Bonds the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes.

“Tax Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and which is exempt from federal income taxes under Section 501(a) of the Code or corresponding provisions of federal income tax laws from time to time in effect.

“Trust Estate” means the property pledged and assigned to the Bond Trustee pursuant to the granting clauses of the Bond Indenture.

“Underwriter” means Herbert J. Sims & Co., Inc., as the underwriter of the Series 2021 Bonds.

“Ware Capital Project” means renovations, restorations, expansions, upgrades, alterations, repairs, capital equipment and furnishing acquisitions and construction of general capital improvements to or for the Ware Facility and the medical and health care support facilities related thereto, including, without limitation, the construction, upgrade, expansion and improvement of the Vista Ridge (Phase 3) project and related and other capital acquisitions, improvements and projects as may be approved by the Presbyterian Homes Board in connection with the Ware Facility.

[End of Article I]

ARTICLE II REPRESENTATIONS

Section 2.1. Representations by the Issuer. The Issuer represents that:

The Issuer hereby finds and determines that:

(a) The Issuer is a body corporate and politic and a public instrumentality of the Commonwealth of Pennsylvania, duly incorporated and validly existing under the Act;

(b) The Issuer is authorized under the Act to issue the Series 2021 Bonds and loan the proceeds thereof to the Borrowers, and the Issuer is duly authorized to enter into this Agreement, the Bond Indenture and the Series 2021 Bonds and the transactions contemplated hereby and thereby and to perform all of its obligations hereunder and thereunder;

(c) The Issuer has duly authorized the issuance of the Series 2021 Bonds and the execution and delivery of this Agreement and the Bond Indenture under the terms and provisions of a resolution of the Issuer. The Issuer has taken all necessary action and has complied with all provisions of the Act, including, but not limited to, the making of the findings required by the Act, required to make the Series 2021 Bonds, this Agreement and the Bond Indenture, valid and binding obligations of the Issuer, except to the extent limited by bankruptcy, reorganization, or other laws of general application relating to or affecting the enforcement of creditors' rights;

(d) None of the Bond Indenture, this Agreement, the Series 2021 Bonds, or any payments to be received by the Issuer under the Bond Indenture, this Agreement, the Series 2021-1 Master Note or the Series 2021 Bonds has been mortgaged, pledged or hypothecated by the Issuer in any manner or for any purpose or has been the subject of a grant of a security interest by the Issuer other than as provided in the Bond Indenture as security for the payment of the Bonds; and

(e) All acts, conditions and things required to exist, happen and be performed by the Issuer precedent to and in the execution and delivery by the Issuer of the Series 2021 Bonds do exist, have happened and have been performed in due time, form and manner as required by law; the issuance of the Series 2021 Bonds, together with all other obligations of the Issuer, do not exceed or violate any constitutional or statutory limitation.

Section 2.2. Representations by the Borrowers. Each of the Borrowers represents and warrants to the Issuer that, as of the date of execution of this Agreement and as of the date of delivery of the Series 2021 Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Series 2021 Bonds or any investigations by or on behalf of the Issuer or the results thereof):

(a) Each of the Borrowers is a non-profit corporation organized and existing under the laws of the Commonwealth of Pennsylvania, is qualified to conduct business in the Commonwealth of Pennsylvania, has full legal right, power and authority to enter into the Borrowers' Documents, and to carry out and consummate all transactions contemplated hereby and by the other Borrowers' Documents, and by proper corporate action has duly authorized the execution, delivery and performance of the Borrowers' Documents.

(b) The officers of each of the Borrowers executing the Borrowers' Documents are duly and properly in office and fully authorized to execute the same.

(c) The Borrowers' Documents have been duly authorized, executed and delivered by the Borrowers.

(d) The Borrowers' Documents, when assigned to or issued to the Bond Trustee, as applicable, pursuant to the Bond Indenture, will constitute the legal, valid and binding agreements of the Borrowers enforceable against the Borrowers by the Bond Trustee in accordance with their terms for the benefit of the Owners of the Series 2021 Bonds, and any rights of the Issuer and obligations of the Borrowers not so assigned to the Bond Trustee constitute the legal, valid, and binding agreements of the Borrowers enforceable against the Borrowers by the Issuer in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of the Borrowers' Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Borrowers, their bylaws, any applicable law or administrative rule or regulation, any applicable court or administrative decree or order or any indenture, mortgage, loan agreement, lease, contract or other agreement or instrument to which any of the Borrowers is a party or by which any Borrower or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of any of the Borrowers, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrowers' Documents or the financial condition, assets, properties or operations of the Borrowers.

(f) No consent or approval of any trustee or holder of any indebtedness of the Borrowers or any guarantor of indebtedness of or other provider of credit or liquidity of any of the Borrowers, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws or filings with the Internal Revenue Service to effect the tax-exempt status of the Bonds) is necessary in connection with the execution and delivery of the Borrowers' Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal, or other governmental authority, pending, or to the knowledge of the Borrowers, after reasonable investigation, threatened, against or affecting any of the Borrowers or the assets, properties or operations of any of the Borrowers which, if determined adversely to any of the Borrowers or its interests, would, as far as the Borrowers can reasonably foresee, have a material adverse effect upon the consummation of the transactions contemplated by, or the validity

of, the Borrowers' Documents, or upon the financial condition, assets, properties or operations of the Obligated Group, and none of the Borrowers is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal, or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrowers' Documents or the financial condition, assets, properties or operations of any of the Borrowers. All tax returns (federal, state and local) required to be filed by or on behalf of each of the Borrowers have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by any of the Borrowers in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein.

(h) Neither the preliminary official statement nor the final official statement with respect to the Series 2021 Bonds and no representations or statements of fact set forth in any of the Borrowers' Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) As of the date of this Agreement, (i) each of the Borrowers is a Tax Exempt Organization, for federal income tax purposes, (ii) all of the Borrowers have received a determination letter from the Internal Revenue Service to the effect that each is a Tax Exempt Organization or is listed as a subordinate organization on the group exemption of PHI, (iii) each of the Borrowers is in full compliance with all terms, conditions and limitations, if any, contained in such determination letter, (iv) such status as a Tax Exempt Organization has not been adversely modified, limited or revoked, (v) the facts and circumstances which formed the basis for the status of each of the Borrowers, as represented to the Internal Revenue Service in the Borrower's application for a determination letter, either substantially exist for each of the Borrowers or differ in a manner consistent with the requirements of Section 501(c)(3) of the Code, and (vi) the financing, ownership and operation of the Project as contemplated by the Bond Indenture and this Agreement do not adversely affect the status of any of the Borrowers as a Tax Exempt Organization.

(j) Each of the Borrowers has good and marketable title to their respective portion of the Premises and the Facilities free and clear from all encumbrances other than Permitted Encumbrances as defined in the Master Indenture.

(k) Each of the Borrowers complies and covenants to comply in all material respects with all applicable Environmental Regulations.

(l) None of the Borrowers nor the Project is the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment.

(m) None of the Borrowers has any material contingent liability in connection with any release of any Hazardous Substances into the environment.

(n) The representations, warranties and covenants of the Borrowers set forth in the Tax Agreement are incorporated herein and made a part hereof by this reference thereto, as if fully set forth herein.

[End of Article II]

ARTICLE III TERM OF AGREEMENT

Section 3.1. Term of this Agreement. Subject to Section 11.12 herein and those obligations that survive by their terms, this Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the Bonds shall have been fully paid or provision made for such payment pursuant to the Bond Indenture and all reasonable and necessary fees and expenses of the Bond Trustee and the Issuer accrued and to accrue through final payment of the Bonds and all liabilities of the Borrowers with respect to the Bonds accrued and to accrue through final payment of the Bonds have been paid.

[End of Article III]

**ARTICLE IV
ISSUANCE OF THE BONDS;
CONSTRUCTION OF THE PROJECT; DISBURSEMENTS**

Section 4.1. Agreement to Issue Bonds.

(a) In order to provide funds to pay Costs of the Project, pay Costs of Issuance the Issuer agrees that it will issue, sell and deliver to the Underwriter, the Series 2021 Bonds in the aggregate principal amount of \$65,515,000. The proceeds of the Series 2021 Bonds shall be deposited as provided in Section 3.01 of the Bond Indenture.

(b) Additional Bonds may be issued upon the terms and conditions provided herein and in Sections 2.09 and 2.10 of the Bond Indenture. Additional Bonds may be issued to provide funds for any valid purpose of the Act. In the event of the issuance of Additional Bonds for any such purposes, the amount of Additional Bonds issued may include the costs of the issuance and sale of the Additional Bonds, capitalized interest for such period allowed by law, reserve funds and such other costs reasonably related to the financing as shall be agreed upon by the Borrowers and the Issuer.

(c) If no Event of Default has occurred and is then continuing, the Issuer agrees, on request of the Borrowers, from time to time, to consider issuing the amount of Additional Bonds specified by the Borrowers, provided that the decision to issue or not issue such Additional Bonds shall be in the sole discretion of the Issuer, and provided further that the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved in writing by the Borrowers, and provided further that (i) the Borrowers and the Issuer shall have entered into an amendment to this Agreement to provide, among other things, that the Project shall include the facilities, if any, being financed by the Additional Bonds, for additional loan payments in an amount at least sufficient to pay principal of, premium, if any, and interest on the Additional Bonds when due, and (ii) the Obligated Group Members and the Master Trustee shall have entered into a supplement to the Master Indenture whereby the Obligated Group Members issue a Master Obligation securing payment of the principal of, premium, if any, and interest on the Additional Bonds. The Issuer agrees to comply with Sections 2.09 and 2.10 of the Bond Indenture with respect to the issuance of Additional Bonds.

Section 4.2. Agreement to Construct Project; Completion Certificate.

(a) The Borrowers shall cause the Project to be acquired, constructed, and improved with due diligence and pursuant to the requirements of the applicable laws of the Commonwealth in all material respects.

(b) The Borrowers shall deliver to the Bond Trustee within 90 days after the final completion of the Capital Projects a certificate (the "Completion Certificate") of the Borrowers to the effect that:

(i) The Capital Projects have been completed substantially in accordance with the Plans and Specifications, as then amended, and the date of completion;

(ii) The Cost of the Capital Projects has been fully paid for and no claim or claims exist against the Borrowers or against the Existing Communities out of which a lien based on furnishing labor or material exists or might ripen; provided, however, there may be excepted from the foregoing statement any claim or claims out of which a lien exists or might ripen in the event that the Borrowers intend to contest such claim or claims in accordance with this Agreement, in which event such claim or claims shall be described; provided, further, that it shall be stated that money is on deposit in the Construction Fund, or the Borrowers possess other funds, sufficient to make payment of the full amount that might in any event be payable in order to satisfy such claim or claims; provided, further, that there may also be excepted from the foregoing statement any claim that has been insured over pursuant to an endorsement to any title insurance; and

(iii) All permits, certificates and licenses necessary for the occupancy and use of the Capital Projects, as applicable, have been obtained and are in full force and effect.

Section 4.3. Cost of Construction. Each of the Borrowers represents and warrants that it will use its best efforts to construct or cause the construction of each Capital Project at a price which will permit completion of each Capital Project within the amount of the funds to be deposited in the Construction Fund and within the amount of other available funds of the Borrowers. The Borrowers will not permit any mechanic's or materialman's or other liens to be filed or remain against any improvements for labor or materials furnished in connection with the construction and installation of any improvements, provided it will not constitute an Event of Default hereunder upon such lien being filed, if one or more of the Borrowers promptly notify the Bond Trustee of any such liens and such Borrower(s) in good faith contests such liens in accordance with Section 4.7 hereof; and in such event the Borrowers may permit the liens so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom.

Section 4.4. Plans; Modifications of a Capital Project. The Borrowers hereby covenant and agree that no changes or modifications, substitutions, deletions or additions shall be made with respect to a Capital Project if such change, modification, substitution, deletion or addition disqualifies such Capital Project under the Act or otherwise under the laws of the Issuer.

Section 4.5. Compliance with Regulatory Requirements.

(a) Each of the Borrowers agrees that each Capital Project shall be constructed in material compliance with all applicable ordinances and statutes and in accordance with the requirements of all regulatory authorities in all material respects and any rating or inspection organization, bureau, association or office having jurisdiction, and it will, upon request, furnish to the Issuer all information necessary for the Issuer to comply with all of the foregoing and all laws, regulations, orders and other governmental requirements.

(b) The Borrowers shall, at no expense to the Issuer, promptly comply in all material respects or cause compliance in all material respects with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Borrowers or to their facilities and operations.

Section 4.6. Requests for Disbursements.

(a) The Borrowers shall be entitled to disbursements of money in the Construction Fund to pay the Costs related to the Capital Projects. Disbursements from the Construction Fund shall be made only (i) upon the Bond Trustee's receipt of a requisition (in the form of Exhibit B hereto) executed by the Borrowers Representative and (ii) so long as an Event of Default under this Agreement or any of the other Series 2021 Bond Documents shall not have occurred and be continuing unless such Event of Default shall have been waived pursuant to the terms hereof. The Bond Trustee shall keep a record of all requisitions submitted by the Borrower.

(b) The Borrowers shall be entitled to disbursement of money in the Costs of Issuance Fund to pay the Costs of Issuance. The Borrowers Representative shall request disbursements from the Costs of Issuance Fund on the form attached hereto as Exhibit A to pay Costs of Issuance and to reimburse itself for Costs of Issuance paid by the Borrowers upon presentation to the Bond Trustee of a request for disbursement signed by the Borrowers Representative, but in no event more often than four times a month.

(c) Notwithstanding the foregoing, the Borrowers shall make no request for disbursement of money from any Account of the Construction Fund other than the Costs of Issuance Account for payment of Costs of Issuance.

Section 4.7. Contest of Liens. Section 4.3 of this Agreement permits the Borrowers to contest certain liens. In order to contest any such liens, the Borrowers will furnish evidence reasonably satisfactory to the Bond Trustee that the Borrowers possess sufficient funds to pay the amount of the lien in full, provided, however, that the Borrowers shall in no event permit execution proceedings to be commenced against any Premises on such lien.

Section 4.8. Modification of Disbursements. The making of any disbursement or any part of a disbursement shall not be deemed an approval or acceptance by the Bond Trustee of the work theretofore done. The Bond Trustee may deduct from any disbursement to be made under this Agreement any amount necessary for the payment of fees and expenses required to be paid to the Bond Trustee under this Agreement.

Section 4.9. Covenants Regarding Tax Exemption. The representations, warranties and covenants of the Borrowers and the Issuer set forth in the Tax Agreement are hereby incorporated herein and made a part hereof by this reference thereto, as if fully set forth herein. Without limiting the foregoing, the Borrowers covenant and agree to comply with any investment restrictions, including any yield restrictions, set forth in the Tax Agreement with respect to any funds held under any of the Series 2021 Bond Documents and to provide investment instructions or requests in connection therewith to the Bond Trustee as to funds held under the Bond Indenture.

Section 4.10. Tax Compliance. Each of the Borrowers hereby covenants and agrees to comply with all requirements of the Code compliance with which subsequent to the issuance of the Series 2021 Bonds is necessary for the Series 2021 Bonds to be, and to remain, Tax-Exempt Bonds and to not take any actions that would adversely affect the status of the Series 2021 Bonds as Tax-Exempt Bonds. Each of the Borrowers hereby further covenants and agrees that it will not take any action, or fail to take any action, if any such action or failure to take such action would

adversely affect the exclusion from gross income of interest on the Series 2021 Bonds under Section 103(a) of the Code.

Section 4.11. Allocation of, and Limitation on, Expenditures for the Project. The Borrowers covenant to account for the expenditure of sale proceeds and investment earnings to be used for the Cost of the Project on their books and records by allocating proceeds to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the Project is completed. The foregoing notwithstanding, the Borrowers shall not expend sale proceeds or investment earnings thereon more than sixty (60) days after the earlier of (iii) the fifth anniversary of the delivery of the Tax Exempt Bonds, or (iv) the date the Tax Exempt Bonds are retired, unless the Borrowers delivers an Opinion of Bond Counsel to the Issuer and the Bond Trustee stating that such expenditure will not adversely affect the Tax Exempt status of the Tax Exempt Bonds. For purposes hereof, the Borrowers shall not be obligated to comply with this covenant if they deliver an Opinion of Bond Counsel to the Issuer and the Bond Trustee that such failure to comply will not adversely affect the excludability of interest on the Tax Exempt Bonds.

Section 4.12. Representations and Warranties as to Tax Exempt Status of Borrowers. Each of the Borrowers hereby represents and warrants as follows:

(a) It is an organization exempt from federal income taxation under Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code;

(b) Its purposes, character, activities and methods of operation have not changed materially since its organization and are not materially different from the purposes, character, activities and methods of operation at the time of its receipt of a determination by the Internal Revenue Service that it is an organization described in Section 501(c)(3) of the Code (the "Determination");

(c) It has not diverted a substantial part of its corpus or income for a purpose or purposes other than the purpose or purposes for which it is organized or disclosed to the Internal Revenue Service in connection with its Determination;

(d) It has not operated since its organization in a manner that would result in it being classified as an "action" organization within the meaning of Section 1.501(c)(3)-1(c)(3) of the Regulations including, but not limited to, promoting or attempting to influence legislation by propaganda or otherwise as a substantial part of its activities;

(e) With the exception of the payment of compensation (and the payment or reimbursement of expenses) to any individual or individuals which is not excessive and is for personal services which are reasonable and necessary to carrying out its purposes, no person controlled by any such individual or individuals nor any person having a personal or private interest in its activities has acquired or received, directly or indirectly, any income or assets, regardless of form, from it during the current Fiscal Year and the period, if any, preceding the current Fiscal Year, other than as reported to the Internal Revenue Service by it;

(f) It will not be treated as a "private foundation" within the meaning of Section 509(a) of the Code or during any transition period as an "operating foundation" under Section 4943(j)(3) of the Code, which will exempt it from the tax on undistributed income;

(g) It has not received any indication or notice whatsoever to the effect that its exemption under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect;

(h) It has filed with the Internal Revenue Service all requests for determination, reports and returns required to be filed by it and such requests for determination, reports and returns have not omitted or misstated any material fact and have notified the Internal Revenue Service of any changes in its organization and operation since the date of its Determination;

(i) It has not devoted more than an insubstantial part of its activities in furtherance of a purpose other than an exempt purpose within the meaning of Section 501(c)(3) of the Code; and

(j) It has not taken any action, nor does it know of any action that any other person has taken, nor does it know of the existence of any condition, which would cause it to lose its exemption from taxation under Section 501(a) of the Code or cause the interest on the Tax Exempt Bonds to become taxable to the recipient thereof because such interest is not excludable from the gross income of such recipient for federal income tax purposes under Section 103(a) of the Code.

Section 4.13. Disposition of Project. Each of the Borrowers covenants that the property constituting the Project will not be sold or otherwise disposed of in a transaction resulting in the receipt by the it of cash or other compensation, unless it obtains an Opinion of Bond Counsel that such sale or other disposition will not adversely affect the Tax Exempt status of the Tax Exempt Bonds and provided that such disposition is in compliance with the provisions of the Master Indenture and the Mortgage.

Section 4.14. Borrowers Required to Pay Costs of the Capital Projects if Construction Fund Insufficient. If the money in the Construction Fund available for payment of the Costs of the Capital Projects is not sufficient to pay the costs thereof in full, the Borrowers agree to complete the acquisition, construction, renovation, equipping and installation of the Capital Projects and to pay all of that portion of Costs of the Capital Projects as may be in excess of the money available therefor in the Construction Fund. The Issuer does not make any warranty, either express or implied, that the money which will be paid into the Construction Fund and which, under the provisions of this Agreement, will be available for payment of the Costs of the Capital Projects will be sufficient to pay all the costs which will be incurred in that connection. Each of the Borrowers agrees that if, after exhaustion of the money in the Construction Fund, it pays any portion of the Costs of the Capital Projects pursuant to the provisions of this Section, it will not be entitled to any reimbursement therefor from the Issuer or from the Bond Trustee or from the owners of any of the Bonds, nor will it be entitled to any diminution of the loan payments payable under the Series 2021-1 Master Note. The obligation of the Borrowers to complete the construction of the Capital Project will survive any termination of this Agreement.

Section 4.15. Construction of the Capital Project.

(a) *Completion of the Capital Projects.* The Borrowers shall issue notices to proceed with the Capital Projects promptly upon or prior to the issuance of the Series 2021 Bonds. The Borrowers shall cause the Capital Projects to be substantially completed and a final Certificate of

Occupancy therefor, to the extent required by law, to be issued within thirty-eight (38) months after the date of issuance of the Series 2021 Bonds and shall cause any Capital Addition to be financed with the proceeds of Additional Bonds to be completed as promptly as feasible and shall at its expense do or cause to be done all things necessary or proper for such completion in accordance with applicable law and regulations.

(b) *Disbursements from Construction Fund.* Disbursements from the Construction Fund for costs of the Capital Projects shall be made pursuant to the terms and conditions of Section 4.6 of this Agreement.

(c) *Surety Bonds.* In connection with the construction of the Capital Projects, the Borrowers shall comply with the surety bond requirements of Section 7.7(a)(9)(B) of the Master Indenture.

(d) *Insurance During Construction.* In connection with construction of the Capital Projects, the Borrowers shall maintain the builder's risk insurance coverages required by Section 7.7 (a)(9)(A) of the Master Indenture. Proceeds of such policies shall be settled, paid and administered as set forth in Section 7.7(e) of the Master Indenture

Section 4.16. Borrowers to Pursue Remedies Against Contractors and Subcontractors and Their Sureties.

In the event of default of any contractor or subcontractor under any contract made by it for acquisition, construction or installation of any Capital Additions for which Additional Bonds have been issued, the Borrowers will take reasonable, appropriate measures, either separately or in conjunction with others, to exhaust the remedies of the Borrowers against the contractor or subcontractor so in default and against its surety (if any) for the performance of such contract. The Borrowers will advise the Bond Trustee by written notice of the steps it intends to take in connection with any such default.

Section 4.17. Obligations under Bond Indenture. Each of the Borrowers acknowledges that the Bond Indenture contains duties and obligations on its part to be performed and agrees to comply with the same.

[End of Article IV]

ARTICLE V
LOAN OF BOND PROCEEDS; MASTER OBLIGATIONS;
PROVISION FOR PAYMENT

Section 5.1. Loan of Bond Proceeds. The Issuer hereby agrees to loan to the Borrowers the proceeds of the Series 2021 Bonds to provide financing for the Costs of the Project. The Borrowers hereby agree to repay the loan pursuant to the conditions set forth in Section 5.2 hereof.

Section 5.2. Repayment of Loan. The Borrowers agree to pay to the Bond Trustee for the account of the Issuer all payments when due on the Series 2021-1 Master Note. If for any reason the amounts paid to the Bond Trustee on the Series 2021-1 Master Note, together with any other amounts available in the Bond Fund, are not sufficient to pay principal of, premium, if any, and interest on the Series 2021 Bonds when due, the Borrowers agree to pay the amount required to make up such deficiency..

Section 5.3. Credits. Any amount in any account of the Bond Fund at the close of business of the Bond Trustee on the day immediately preceding any payment date on the Series 2021 Bonds in excess of the aggregate amount then required to be contained in such account of the Bond Fund pursuant to Section 5.2 hereof shall be credited *pro rata* against the payments due by the Borrowers on such next succeeding principal or interest payment date on the Series 2021 Bonds.

Any amounts contained in the Bond Fund at the close of business of the Bond Trustee on the day immediately preceding such redemption date shall be credited against the payments due on the Series 2021-1 Master Note.

The principal amount of any purchased Series 2021 Bonds to be applied by the Bond Trustee as a credit against any sinking fund payment pursuant to Section 5.02 of the Bond Indenture shall be credited against the obligation of the Obligated Group Members with respect to payment of installments of principal of the Series 2021-1 Master Note as described in the Supplemental Master Indenture.

The cancellation by the Bond Trustee of any Series 2021 Bonds purchased by any of the Borrowers or of any Series 2021 Bonds redeemed by or on behalf of the Issuer through funds other than funds received on the Series 2021-1 Master Note shall constitute payment of a principal amount of the Series 2021-1 Master Note equal to the principal amount of the Series 2021 Bonds so cancelled. Upon receipt of written notice from the Bond Trustee of such cancellation, the Master Trustee shall at the request of the Borrowers Representative endorse on the Series 2021-1 Master Note such payment of such principal amount thereof.

Section 5.4. Master Obligations. Concurrently with the sale and delivery by the Issuer of the Series 2021 Bonds, the Obligated Group Members shall execute and deliver the Series 2021-1 Master Note substantially in the form set forth in the Supplemental Master Indenture. Concurrently with the sale and delivery by the Issuer of any Additional Bonds, the Master Indenture shall be supplemented to reflect the issuance of the additional Master Obligations referred to below, and to make any other changes, amendments or modifications which, in the opinion of the parties thereto, may be necessary or appropriate. Concurrently with the sale and

delivery by the Issuer of any Additional Bonds, the Obligated Group Members shall execute and deliver one or more additional Master Obligations payable to the Bond Trustee for the account of the Issuer in substantially the form set forth in the Master Indenture. The additional Master Obligations shall:

(a) Require payment or payments of principal, premium, if any, and interest in amounts and at times sufficient, together with any other funds available therefor, to permit the payments of principal, premium, if any, and interest on the related Additional Bonds, taking into account any mandatory sinking fund requirements (pursuant to the Supplemental Bond Indenture) which are required in respect of the related Additional Bonds, and

(b) Require each payment on the Master Obligations to be made on or before the due date for the corresponding payment to be made on the related Additional Bonds of the Issuer.

Section 5.5. Payment of Bond Trustee's and Paying Agent's Fees and Expenses. The Borrowers agree to pay the reasonable fees and expenses (including attorneys' fees) of the Bond Trustee and any Paying Agents as and when the same become due, upon submission by the Bond Trustee or any Paying Agent of a statement therefor.

Section 5.6. Payment of Administration Expenses. In addition to the payments on the loan from the Issuer, the Borrowers shall also pay to the Issuer or to the Bond Trustee, as the case may be, "Administration Expenses," as follows:

(a) 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 hereunder or in any way arising due to the transactions contemplated hereby (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 or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Borrowers shall have the right to protest any such taxes or assessments and to require the Issuer or the Bond Trustee, at the Borrowers' expense, to protest and contest any such taxes or assessments levied upon them, and the Borrowers shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Bond Trustee;

(b) All reasonable fees, charges and expenses of the Bond Trustee for services rendered under the Bond Indenture and all amounts referred to in Section 3.09 of the Bond Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Bond Trustee to prepare audits, financial statements, reports or opinions or provide such other services required under this Agreement or the Bond Indenture;

(d) The reasonable fees and expenses of the Issuer or any agent or attorney selected by the Issuer to act on its behalf in connection with this Agreement, the Bond Indenture, or any other Borrowers' Document, including, without limitation, any and all reasonable expenses incurred in

connection with the authorization, issuance, sale and delivery of any such Series 2021 Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving this Agreement, the Bond Indenture, or any other Borrowers' Document or any of the other documents contemplated thereby; and

(e) On or before the date of execution and delivery hereof, the Issuer's Fee.

Such Administrative Expenses shall be billed to the Borrowers 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 Borrowers within thirty (30) days after receipt of the bill by the Borrowers.

Section 5.7. Payees of Payments. The payments on the Series 2021-1 Master Note pursuant to Section 5.2 hereof shall be paid in funds immediately available at the Payment Office of the Bond Trustee, directly to the Bond Trustee for the account of the Issuer, and shall be deposited into the appropriate account of the Bond Fund. The payments to be made to the Bond Trustee and the Paying Agent under Section 5.5 hereof shall be paid directly to the Bond Trustee and the Paying Agent for their own use. The payments for Administration Expenses under Section 5.6 hereof shall be paid directly to the Issuer or to the Bond Trustee, as the case may be, for its own respective use.

Section 5.8. Obligations of Borrowers Hereunder Unconditional. The obligations of the Borrowers to make the payments required in Section 5.2 hereof and all other payments hereunder shall be absolute and unconditional. The Borrowers will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in Section 5.2 hereof and all other payments hereunder for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to any Project, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America, the Commonwealth of Pennsylvania, the Issuer or any political subdivision of any of them, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement, whether express or implied. Nothing contained in this Section shall be construed to release the Issuer from the performance of any agreements on its part herein contained; and in the event the Issuer shall fail to perform any such agreement, the Borrowers may institute such action against the Issuer as the Borrowers may deem necessary to compel performance, provided that no such action shall violate the agreements on the part of the Borrowers contained herein and the Issuer shall not be required to pay any costs, expenses, damages or amounts of whatever nature except for amounts received pursuant to this Agreement. Nothing herein shall be construed to impair the right of the Borrowers to institute an independent action for any claim that it may have against the Issuer, the Bond Trustee, any Bondholder or any other third party, subject to the limitations on liability of the Issuer provided for in this Agreement and the Act. The Borrowers may, however, at its own cost and expense and in its own name or in the name of the Issuer, prosecute or defend any action or proceedings or take any other action involving third persons which the Borrowers deems reasonably necessary in order to secure or protect this right of

possession, occupancy and use hereunder, and in such event the Issuer hereby agrees to cooperate fully with the Borrowers.

[End of Article V]

**ARTICLE VI
MAINTENANCE AND INSURANCE**

Section 6.1. Maintenance and Modifications of Projects by Borrowers. The Borrowers may, at its own expense, cause to be made from time to time any additions, modifications or improvements to any Project provided such additions, modifications or improvements do not impair the character of the Project under the Act or impair the extent of the exclusion of interest on the Tax Exempt Bonds from federal income taxation.

Section 6.2. Insurance. Throughout the term of this Agreement, the Borrowers will, at its own expense, provide or cause to be provided insurance against loss or damage to each Project in accordance with the terms of the Master Indenture and Section 4.15(c) hereof.

[End of Article VI]

**ARTICLE VII
SPECIAL COVENANTS**

Section 7.1. No Warranty of Merchantability, Condition or Suitability by the Issuer. The Issuer makes no warranty, either express or implied, as to the condition of any Project or that any Project will be suitable for the purposes or needs of the Borrowers. Without limiting the effect of the preceding sentence, it is expressly agreed that in connection with each sale or conveyance pursuant to this Agreement (a) the Issuer makes NO WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY, CONDITION OR WORKMANSHIP OF ANY PART OF THE FACILITIES OR THEIR SUITABILITY FOR THE PURPOSES OF THE BORROWERS OR THE EXTENT TO WHICH PROCEEDS DERIVED FROM THE SALE OF THE BONDS WILL PAY THE COST TO BE INCURRED IN CONNECTION THEREWITH, and (b) THERE ARE NO WARRANTIES WHICH EXTEND BEYOND THE DESCRIPTION CONTAINED HEREIN.

Section 7.2. Right of Access to each Project. The Borrowers agree that the Issuer, the Bond Trustee, and any of their duly authorized agents shall have the right at all reasonable times upon reasonable notice to the Borrowers to examine and inspect any Project to determine that the Borrowers is in compliance with the terms and conditions of this Agreement; provided that any such inspection will be conducted in a manner that will minimize any intrusion on the operations of any Project and preserve and protect the privacy rights of residents.

Section 7.3. Nonsectarian Use. The Borrowers agree that no proceeds of the Bonds will be used to refinance, construct, acquire, or install any portion of any Project which is intended to be used or which are being used for sectarian purposes.

Section 7.4. Further Assurances. The Issuer and the Borrowers agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of or facilitating the performance of this Agreement.

Section 7.5. Release and Indemnification.

(a) The Borrowers release the Issuer and its elected and appointed officials, officers, employees, and agents involved in the issuance, sale and delivery of the Series 2021 Bonds and the Bond Trustee and its officers, employees and agents from any and all liability for any loss or damage that may be caused to the persons or property of the Borrowers or any of their respective members, directors, trustees, employees, agents, or invitees due to any act arising out of the acquisition, operation, use, non-use, possession, occupation, condition, service, design, construction, maintenance or management of, or on, or in connection with the Facilities. Additionally, the Borrowers release the Issuer and its elected and appointed officials, officers, employees and agents and the Bond Trustee from any and all liability for any loss or damage that may be caused to the Borrowers or any of its members, directors, trustees, employees, agents, or invitees arising out of (i) the performance of or failure to perform any term, provision or covenant contained in any of the Borrowers' Documents or (ii) any of the transactions provided for in any of the Borrowers' Documents, provided, however, that nothing contained in this Agreement shall be construed to preclude in any way any action or proceeding against the Issuer, its elected or

appointed officials, officers, employees and agents involved in the issuance, sale and delivery of the Bonds, in any court or before any governmental body, agency or instrumentality to enforce the provisions of the Series 2021 Bond Documents.

(b) In the exercise of the powers of the Issuer and its elected and appointed officials, officers, employees and agents involved in the issuance, sale or delivery of the Series 2021 Bonds, including (without limiting the foregoing) the application of money, the investment of funds, and actions upon the occurrence of an Event of Default by the Borrowers, no such person shall be accountable to the Borrowers for any action taken or omitted in good faith and reasonably believed by it or them to be authorized or within the discretion or rights or powers conferred. The Issuer and any such person shall be protected in acting upon any paper or document believed to be genuine, and may conclusively rely upon the advice of counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the Borrowers for any claims based on this Agreement or on the Bond Indenture against the Issuer or any such person alleging personal liability unless such claims are based upon the willful misconduct and fraudulent conduct of any elected or appointed official, officer, employee or agent of the Issuer involved in the issuance, sale and delivery of the Series 2021 Bonds.

(c) The Borrowers indemnify and hold harmless the Issuer and its elected and appointed officials, officers, employees and agents and the Bond Trustee and its officers, employees and agents against any and all claims, losses, damages or liabilities, joint and several, to which any such person may become subject, insofar as such losses, claims, damages or liabilities (or actions in respect of such losses, claims, damages or liabilities) arise out of, or are based on: (i) the financing, refinancing or reimbursement of the Costs of the Project, including the issuance, sale and delivery of the Series 2021 Bonds, and to the extent provided in the Bond Indenture, the performance of the Issuer and the Bond Trustee under the Bond Indenture, (ii) any loss or damage to property or any injury to or death of any person that may occur due to any cause whatsoever pertaining to the use, non-use, operation, possession, occupation, maintenance or management of, or on, or in connection with the Project or any part thereof during the term of this Loan Agreement or (iii) any alleged act or omission by the Issuer or the Bond Trustee in connection with the Project unless the losses, claims, damages or liabilities arise from any gross negligence, willful misconduct and fraudulent act by any elected or appointed official, officer, employee or agent of such person.

(d) The Borrowers shall indemnify the Issuer and its elected and appointed officials, officers, employees and agents and the Bond Trustee and its officers, employees and agents, and hold them harmless against losses, claims, damages or liabilities to which the Issuer or the Trustee may become subject and which (i) arise out of or are based upon a breach by the Borrowers of any warranty or covenant contained in this Agreement or any certificate, document or instrument delivered in connection therewith, including, but not limited to, the Tax Agreement, as supplemented and amended as of the date hereof, filed with the Issuer (to the extent not superseded by the Series 2021 Bond Documents), and any other Borrowers' Document.

(e) The Borrowers shall pay the reasonable fees and expenses of the Issuer and the Bond Trustee in connection with any litigation which may at any time be instituted involving this Agreement, the Series 2021-1 Master Note, the Series 2021 Bonds or any other Borrowers' Document or in connection with the supervision or inspection of the Borrowers or the Project or otherwise in connection with the administration of this Loan Agreement. If the Issuer, the Bond

Trustee or any other person entitled to indemnification under this Section 7.5 ("Indemnitee") receives notice of any claim or action against the Indemnitee with respect to which indemnification is to be sought from the Borrowers under this Section 7.5, the Indemnitee will timely notify the Borrowers' Representative of the claim or action in writing; timely notice shall mean at such a time so as to enable the Borrowers to meaningfully participate in a defense against such a claim, and in the event of an untimely notice, the Borrowers' obligation hereunder shall abate only to the extent such untimeliness was the proximate cause of a loss as to which indemnity is sought hereunder. In the event any such claim is made or action brought against any Indemnitee concerning any matters described in this Section 7.5 and the Indemnitee is entitled to indemnification thereunder, the Indemnitee may direct the Borrowers to assume the defense of the claim and any action brought on the claim (with counsel reasonably satisfactory to the Indemnitee) and to pay all reasonable expenses incurred as a result of the claim; provided, however, that unless and until the Borrowers assume the defense of any such action at the request of such Indemnitee, the Borrowers shall have the right to participate at its own expense in the defense of any such action. If the Borrowers shall not have employed counsel to have charge of the defense of any such action (following the notice and direction specified above), or if the Borrowers and an Indemnitee shall have reasonably concluded that there may be defenses available to that Indemnitee which are different from or additional to those available to the Borrowers (in which case the Borrowers shall not have the right to direct the defense of such action on behalf of such Indemnitee), the reasonable legal and other expenses incurred by such Indemnitee shall be borne by the Borrowers. No party will be liable in respect of any settlement effected without its prior consent. The defense of any such claim or action shall include the taking of all actions necessary or appropriate to the defense. The Borrowers agree to reimburse any reasonable legal and other expenses reasonably incurred by any Indemnitee in connection with investigating or defending any such loss, claim, damage, liability or action of this Loan Agreement. The provisions of this Section 7.5 shall survive the termination of this Loan Agreement.

Section 7.6. Authority of Borrowers' Representative. Whenever under the provisions of this Agreement the approval of the Borrowers is required, or the Issuer or the Bond Trustee are required to take some action at the request of the Borrowers, such approval or such request shall be made by the Borrowers' Representative unless otherwise specified in this Agreement, and the Issuer or the Bond Trustee shall be authorized to act on any such approval or request, and the Borrowers shall have no complaint against the Issuer or the Bond Trustee as a result of any action taken.

Section 7.7. Authority of Issuer Representative. Whenever under the provisions of this Agreement the approval of the Issuer is required, or the Borrowers is required to take some action at the request of the Issuer, such approval or such request shall be made by the Issuer Representative unless otherwise specified in this Agreement, and the Borrowers or the Bond Trustee shall be authorized to act on any such approval or request, and the Issuer shall have no complaint against the Borrowers or the Bond Trustee as a result of any such action taken.

Section 7.8. Special Obligations. The Bonds shall be special obligations of the Issuer. The Bonds are without recourse to the Issuer. The Bonds shall not be a general obligation of the Issuer, shall not be a pledge of or involve the faith and credit or the taxing power of the Issuer, and shall not constitute a debt of the Issuer. The Bonds are payable solely from the Trust Estate which shall, except as may be otherwise expressly authorized in this Indenture, be used for no other

purpose than to pay the principal of, premium, if any and interest on the Bonds. The Bonds shall not give rise to any pecuniary liability of the Issuer and the Issuer shall have no obligation with respect to the purchase of the Bonds, upon the issuance, sale and delivery of the Bonds.

THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON, ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE REVENUES TO BE RECEIVED IN CONNECTION WITH THE FINANCING AND REFINANCING OF THE PROJECT OR OTHER MONEY MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. THE BONDS AND ANY PREMIUM AND INTEREST THEREON ARE NOT A DEBT OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COMMONWEALTH OF PENNSYLVANIA, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE COMMONWEALTH OF PENNSYLVANIA, THE ISSUER OR ANY OTHER PUBLIC BODY. THE BONDS ARE NOT A DEBT TO WHICH THE FAITH OR CREDIT OF THE COMMONWEALTH OF PENNSYLVANIA, THE ISSUER OR ANY OTHER PUBLIC BODY IS PLEDGED.

No covenant, stipulation, obligation or agreement of the Issuer in the Bond Indenture, the Bonds or any other Series 2021 Bond Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the Issuer in his or her individual capacity. Neither the members of Pennsylvania Economic Development Financing Authority nor any person executing the Bonds or any agreement entered into by the Issuer under the Authorizing Resolution, nor any member of Pennsylvania Economic Development Financing Authority, official, officer, employee or agent of the Issuer shall be liable personally on the Bonds or agreement or be subject to any personal liability or accountability by reason of the issuance, execution and delivery thereof. Each Bond on its face, shall plainly state that it has been issued under the provisions of the Authorizing Resolution and that it does not constitute an indebtedness to which the faith and credit of the Issuer is pledged.

Section 7.9. Prohibited Uses. No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building to be used (a) primarily for sectarian instruction or study or as a place for devotional activities or religious worship or (b) by a person that is not an organization described in Section 501(c)(3) of the Code or a Governmental Unit or by an organization described in Section 501(c)(3) of the Code (including the Borrowers) in an “unrelated trade or business” (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code.

Section 7.10. Continuing Disclosure. The Borrowers have caused the Obligated Group Members to execute a Continuing Disclosure Certificate. While this Continuing Disclosure Certificate is in effect, the Borrowers shall at all times remain party to the Continuing Disclosure Certificate, or if the Continuing Disclosure Certificate terminates, it shall enter into a similar agreement to provide for the dissemination of the financial statements and notices required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Borrowers agree that while

the Series 2021 Bonds are Outstanding, they will perform its obligations under the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the Borrowers to comply with the Continuing Disclosure Certificate shall not be an Event of Default.

Section 7.11. Environmental Matters. Without limiting any other provisions hereof, the Borrowers will indemnify and hold harmless the Issuer and the Bond Trustee from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any kind whatsoever (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any of the following (collectively, “Environmental Laws”): the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act of 1976, any so-called “Superfund” or “Superlien” law, or any other federal, state or local statute, law, ordinance, code, rule, regulations, order or decree, now or hereafter in force, regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Substances) paid, incurred, suffered by or asserted against the Issuer or the Bond Trustee as a direct or indirect result of any of the following, regardless of whether or not caused by, or within the control of, any of the Borrowers: (a) the presence of any Hazardous Substances on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or release of any Hazardous Substances from, the Project or any part thereof, (b) any liens against the Premises or the Facilities, or any part thereof, permitted or imposed by any Environmental Laws, or any actual or asserted liability or obligations of the Borrowers under any Environmental Laws, or (c) any actual or asserted liability or obligations of the Issuer or the Bond Trustee under any Environmental Law relating to the Premises or the Facilities. Notwithstanding any other provision of this Agreement, the covenants, indemnities and obligations provided for in this Section shall survive the payment and performance of the other obligations of the Borrowers under this Agreement and the termination of this Agreement.

Section 7.12. Membership in Obligated Group. Each of the Borrowers hereby covenants and agrees that while the Bonds are Outstanding, it will remain an Obligated Group Member, unless otherwise merged into another Obligated Group Member pursuant to the terms of the Master Indenture.

[End of Article VII]

**ARTICLE VIII
ASSIGNMENT AND LEASING**

Section 8.1. Assignment and Pledge by Issuer. The Issuer shall assign its interest in and pledge any money receivable under the Series 2021-1 Master Note and this Agreement (except in respect of Reserved Rights) to the Bond Trustee as security for payment of the principal of, premium, if any, and interest on the Bonds. The Borrowers consent to such assignment and pledge.

[End of Article VIII]

**ARTICLE IX
FAILURE TO PERFORM COVENANTS AND REMEDIES THEREFOR**

Section 9.1. Failure to Perform Covenants. Any failure of the Borrowers (a) to pay any deposit required by Section 5.2 when due or to make any payment on the Series 2021-1 Master Note when due, or (b) to pay any other payment required to be made under this Agreement or to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, and continuation of such failure to make such other payment or observe such covenant, condition agreement for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrowers by the Issuer or the Bond Trustee, shall constitute an "Event of Default" under this Agreement and shall have the remedies provided in Section 9.2 hereof.

Section 9.2. Remedies for Failure to Perform. Subject to the terms and provisions of the Master Indenture, upon the occurrence of an Event of Default under this Agreement as provided in Section 9.1 hereof, (i) if so directed by the Holders of at least 25% in Aggregate Principal Amount of Bonds then Outstanding, the Bond Trustee shall notify the Master Trustee (A) pursuant to Section 8.1(3) of the Master Indenture, that an Event of Default has occurred under this Agreement, or (B) if applicable, pursuant to Section 8.1(a) or (b) of the Master Indenture, that a default has occurred in the payment of the principal of, premium, if any, or interest on the Series 2021-1 Master Note, and (ii) the Bond Trustee, as assignee or successor of the Issuer, upon compliance with all applicable laws, in its discretion may and, at the direction of the Holders of at least 25% in Aggregate Principal Amount of Bonds then Outstanding, shall take any one or more of the following steps:

(a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Issuer and require the Borrowers to carry out any agreements with or for the benefit of the Bondholders and to enforce performance and observance of any duty, obligation, agreement or covenant of the Borrowers under the Act or this Agreement; or

(b) By action or suit in equity, require each of the Borrowers to account as if it were the trustee of an express trust for the Issuer; or

(c) By action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer; or

(d) Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and the Bondholders, have appointed a receiver or receivers of the Trust Estate upon a showing of good cause with such powers as the court making such appointment may confer.

Section 9.3. Discontinuance of Proceedings. In case any proceeding taken by the Issuer or the Bond Trustee on account of any failure to perform under Section 9.1 shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Issuer or the Bond Trustee, then and in every case the Issuer and the Bond Trustee shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Issuer and the Bond Trustee shall continue as though no such proceeding had been taken.

Section 9.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Bond Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Bond Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than notice required in Section 9.1 hereof. Such rights and remedies given the Issuer hereunder shall also extend to the Bond Trustee and the holders of the Bonds, subject to the Bond Indenture.

Section 9.5. Agreement to Pay Attorneys' Fees and Expenses. In the event the Issuer or the Bond Trustee employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrowers herein or in the Bond Indenture contained, the Borrowers agree, on demand therefor, to pay the Issuer or the Bond Trustee, as the case may be, the reasonable fees and expenses of such attorneys and such other reasonable expenses incurred by the Issuer or the Bond Trustee.

Section 9.6. Waivers. In the event any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Issuer's rights in and under this Agreement to the Bond Trustee under the Bond Indenture, the Issuer shall have no power to waive any failure to perform under Section 9.1 hereunder without the consent of the Bondholders in accordance with the Bond Indenture; provided that the Issuer may exercise any remedies available at law or in equity with regard to enforcement of the Reserved Rights without the consent of the Bond Trustee or the Bondholders.

[End of Article IX]

ARTICLE X PREPAYMENT

Section 10.1. Option to Prepay Series 2021-1 Master Note. (a) Subject to compliance with the applicable terms and provisions set forth in the Master Indenture, the Borrowers shall have and are hereby granted the option exercisable at any time to prepay all or any portion of their payments due or to become due on any or all of the Series 2021-1 Master Note and any or all notes relating to any Additional Bonds by depositing with the Bond Trustee for payment into the Bond Fund or any bond fund created with respect to any series of Additional Bonds an amount of money or Government Obligations the principal and interest on which, when due, will be equal to an amount sufficient to pay the principal of, premium, if any, and interest on any portion of the Bonds then Outstanding under the Bond Indenture, together with any premium or penalty payable under the Bond Indenture with respect to such Bonds. The exercise of the option granted by this Section shall not be cause for redemption of Bonds unless such redemption is permitted at that time under the provisions of the Bond Indenture and the Borrowers specify the date for such redemption.

(b) In the event the Borrowers prepay all payments due and to become due on all the Series 2021-1 Master Note and all notes relating to any Additional Bonds in compliance with the Bond Indenture by exercising the option granted by this Section and upon payment of all reasonable and necessary fees and expenses of the Bond Trustee, the Issuer and any Paying Agent accrued and to accrue through final payment of the Bonds called for redemption as a result of such prepayment and of all Administration Expenses through final payment of the Bonds called for redemption as a result of such prepayment, this Agreement shall terminate; provided that no such termination shall occur unless all of the Bonds are no longer Outstanding.

Section 10.2. Conditions to Exercise of Option. To exercise the option granted in Section 10.1(a) hereof, the Borrowers shall give written notice to the Issuer and the Bond Trustee which shall specify therein the date of such prepayment, which date shall be not less than 45 days from the date the notice is mailed or sent (or such shorter time as may be acceptable to the Bond Trustee) and such other matters as are necessary to comply with the Bond Indenture.

[End of Article X]

ARTICLE XI MISCELLANEOUS

Section 11.1. Notices. Any notice, request or other communication under this Agreement shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

(a) The date of notice by telefax, telecopy or similar telecommunications, which is confirmed promptly in writing;

(b) Three Business Days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail; or

(c) The date of the receipt thereof by such other party if not given pursuant to (a) or (b) above. The address for notice for each of the parties shall be as follows:

If to the Issuer: Pennsylvania Economic Development Financing Authority
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, Pennsylvania 17120
Attention: Executive Director
Telephone Number: (717) 783-1100

with a copy to: Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, Pennsylvania 17101
Attention: David O. Twaddell, Esq.
Electronic Mail: dtwaddell@eckertseamans.com

If to the Borrowers: Presbyterian Senior Living
One Trinity Drive East, Suite 201
Dillsburg, Pennsylvania 17019
Attention: Chief Financial Officer
Electronic Mail: dmcaster@psl.org

With a copy to: McNees Wallace & Nurick, LLC
100 Pine Street
Harrisburg, Pennsylvania 17108
Attention: Daniel Malpezzi, Esq.
Electronic Mail: dmalpezzi@mcneeslaw.com

The Bond Trustee: The Bank of New York Mellon Trust Company, N.A.
AIM 154-1270
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration
Electronic Mail: kerry.zombeck@bnymellon.com

Notwithstanding the foregoing, notices to the Bond Trustee shall be effective only upon receipt.

(d) The Bond Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Bond Indenture or any of the Borrowers' Documents and delivered using Electronic Means; provided, however, that the Issuer or the Borrowers, as applicable, shall provide to the Bond Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Issuer or the Borrowers, as applicable, whenever a person is to be added or deleted from the listing. If the Issuer or the Borrowers, as applicable, elects to give the Bond Trustee Instructions using Electronic Means and the Bond Trustee in its discretion elects to act upon such Instructions, the Bond Trustee's understanding of such Instructions shall be deemed controlling. The Issuer and the Borrowers understand and agree that the Bond Trustee cannot determine the identity of the actual sender of such Instructions and that the Bond Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Bond Trustee have been sent by such Authorized Officer. The Issuer and the Borrowers shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Bond Trustee and that the Issuer, the Borrowers and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords or authentication keys upon receipt by the Issuer or the Borrowers, as applicable. The Bond Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bond Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Issuer and the Borrowers agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Bond Trustee, including without limitation the risk of the Bond Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Bond Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Issuer or the Borrowers, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Bond Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. The rights and immunities afforded the Bond Trustee in this paragraph shall also apply equally to the Master Trustee, as if this provision also appeared in the Master Indenture.

Section 11.2. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrowers and their respective successors and assigns, subject, however, to the limitations contained in Sections 7.8, 8.1, 8.2, 11.9 and 11.12 hereof.

Section 11.3. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.4. Amounts Remaining in Funds. It is agreed by the parties hereto that any amounts remaining in the Bond Fund and the Construction Fund upon expiration or sooner

termination of this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Bond Indenture), the fees, charges and expenses of the Bond Trustee, the Issuer and the Paying Agent in accordance with the Bond Indenture, the Administration Expenses and all other amounts required to be paid under this Agreement and the Bond Indenture, shall belong to and be paid to the Borrowers by the Bond Trustee or the Issuer.

Section 11.5. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or in the Bond Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Bond Indenture), this Agreement may not be effectively amended, changed, modified, altered or terminated except as permitted by the Bond Indenture.

Section 11.6. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the original Agreement for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 11.7. Payment. At such time as the principal of, premium, if any, and interest on all Series 2021 Bonds Outstanding under the Bond Indenture shall have been paid, or shall be deemed to be paid, in accordance with the Bond Indenture, and all other sums payable by the Borrowers under this Agreement shall have been paid, the Series 2021-1 Master Note shall be deemed to be fully paid and shall be delivered by the Bond Trustee to the Master Trustee for cancellation pursuant to the Master Indenture.

Section 11.8. Governing Law. This Agreement shall be governed by and construed in accordance with the law of the Commonwealth of Pennsylvania, without giving effect to the conflict of law principles.

Section 11.9. No Pecuniary Liability of Issuer. The Bonds shall be special obligations of the Issuer. The Bonds are without recourse to the Issuer (except with respect to the Trust Estate pledged under the Bond Indenture). The Bonds are payable solely from the Trust Estate which shall, except as may be otherwise expressly authorized in the Bond Indenture, be used for no other purpose than to pay the principal of, premium, if any and interest on the Bonds. The Bonds shall not give rise to any pecuniary liability of the Issuer and the Issuer shall have no obligation with respect to the purchase of the Bonds, upon the issuance, sale and delivery of the Bonds.

THE BONDS AND THE PREMIUM, IF ANY, AND INTEREST THEREON, ARE LIMITED OBLIGATIONS OF THE ISSUER, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM THE REVENUES TO BE RECEIVED IN CONNECTION WITH THE FINANCING AND REFINANCING OF THE PROJECT OR OTHER MONEY MADE AVAILABLE TO THE ISSUER FOR SUCH PURPOSE. THE BONDS AND ANY PREMIUM AND INTEREST THEREON ARE NOT A DEBT OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF

THE COMMONWEALTH OF PENNSYLVANIA, THE ISSUER OR ANY OTHER PUBLIC BODY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND MAY NOT GIVE RISE TO ANY PECUNIARY LIABILITY OF THE COMMONWEALTH OF PENNSYLVANIA, THE ISSUER OR ANY OTHER PUBLIC BODY. THE BONDS ARE NOT A DEBT TO WHICH THE FAITH OR CREDIT OF THE COMMONWEALTH OF PENNSYLVANIA, THE ISSUER OR ANY OTHER PUBLIC BODY IS PLEDGED.

Section 11.10. Payments Due on Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in New York, New York, are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed with the same force and effect as if done on the nominal date provided in this Agreement.

Section 11.11. Waiver of Personal Liability. No covenant, stipulation, obligation or agreement of the Issuer in the Bond Indenture, the Bonds or any other Series 2021 Bond Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the Issuer in his or her individual capacity. Neither the members of Pennsylvania Economic Development Financing Authority nor any person executing the Bonds or any agreement entered into by the Issuer under the Authorizing Resolution, nor any member of Pennsylvania Economic Development Financing Authority, official, officer, employee or agent of the Issuer shall be liable personally on the Bonds or agreement or be subject to any personal liability or accountability by reason of the issuance, execution and delivery thereof. Each Bond on its face, shall plainly state that it does not constitute an indebtedness to which the faith and credit of the Issuer is pledged.

Section 11.12. Issuer's Performance. None of the provisions of this Agreement shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder. The Issuer, in its discretion, may determine to take any such action if assured that any costs relating thereto shall be payable from the amounts pledged under the Bond Indenture, or the Issuer shall first have been adequately indemnified to its satisfaction against the cost, expense and liability which may be incurred thereby. The Issuer shall not be under any obligation hereunder to perform any administrative service with respect to the Bonds and the Facilities (including, without limitation, record keeping and legal services), it being understood that such services shall be performed or provided by the Borrowers or may be performed by the Bond Trustee pursuant to the Series 2021 Bond Documents. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions on its part expressly contained in this Agreement, the Bond Indenture and any and every Bond executed, authenticated and delivered under the Bond Indenture; provided, however, that (a) the Issuer shall not be obligated to take any action or execute any instrument pursuant to any provision hereof until it shall have been requested to do so by the Borrowers or the Bond Trustee, (b) the Issuer shall have received the instrument to be executed and (c) the provisions of such instrument shall not be adverse to the Issuer.

Section 11.13. No Individual Liability. No covenant or agreement contained in this Agreement or the Bond Indenture shall be deemed to be the covenant or agreement of any member of the Board of Directors or the governing body of the Borrowers or the Bond Trustee or of any officer, director, member, official, employee, attorney or agent of the Issuer, the Bond Trustee or the Borrowers, in his or her individual capacity, and none of such persons shall be subject to any personal liability or accountability by reason of the execution hereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement or any assessment or penalty, or otherwise.

Section 11.14. Survival of Covenants. All covenants, agreements, representations and warranties made by the Borrowers in this Agreement, the Bond Indenture, the Series 2021-1 Master Note, and the Series 2021 Bonds, and in any certificates or other documents or instruments delivered pursuant hereto and thereto, shall survive the execution and delivery of this Agreement, the Bond Indenture, the Series 2021 Bonds, the Series 2021-1 Master Note and shall continue in full force and effect until all Bonds and all Master Obligations (and any other promissory notes) issued in connection with the Series 2021 Bonds and any Additional Bonds are paid in full and all of the Borrowers' other payment obligations (including, without limitation, the indemnification obligation under Section 7.5 and the obligations under Sections 5.5, 5.6 and 9.5 hereof) under this Agreement, the Bond Indenture, the Series 2021-1 Master Note, and all Master Obligations (and any other promissory notes) issued in connection with the Series 2021 Bonds and any Additional Bonds are satisfied; provided, that the foregoing shall not be construed to supersede the survival of those covenants that by their terms continue beyond the payment of the Series 2021-1 Master Note, and the Series 2021 Bonds. All such covenants, agreements, representations and warranties shall be binding upon any successor and assigns of the Borrowers.

Section 11.15. Assignments. This Agreement may not be assigned by either party without consent of the other except that the Issuer shall assign to the Bond Trustee its rights under this Agreement (except its Reserved Rights) and the Borrowers may assign its rights under this Agreement as provided by Section 8.1 hereof.

Section 11.16. Rights of Bond Trustee. The Bond Trustee shall have and be protected by all of the rights, powers, indemnities, privileges, immunities and other protections provided to the Bond Trustee under the Bond Indenture which are hereby incorporated herein by reference.

Section 11.17. Receipt of and Compliance with Bond Indenture. Each of the Borrowers acknowledges that it has received an executed copy of the Bond Indenture and accepts and agrees to the provisions thereof, including, without limitation, the provisions of Section 9.02 of the Bond Indenture with respect to compensation and indemnification of the Bond Trustee, and agrees that it will take all such actions as are required or contemplated of it under the Bond Indenture to preserve and protect the rights of the Bond Trustee, the Issuer and of the Holders thereunder and that it will not take any action which would cause an Event of Default thereunder. It is agreed by the Borrowers and the Issuer that redemptions of Bonds prior to maturity shall be effected as provided in the Bond Indenture. Each of the Borrowers hereby agrees that its rights hereunder are subject to and subordinated to the interest and rights of the Bond Trustee under the Bond Indenture and acknowledges that the Bond Trustee has entered into the Bond Indenture in reliance upon the assignment to the Bond Trustee of the Issuer's rights under this Agreement (except the Reserved Rights) and the Borrowers' provision of indemnity. Each of the Borrowers covenants that it will

perform all of the Issuer's obligations and covenants under the Bond Indenture to the extent that they can be performed by the Borrowers thereunder. The Borrowers further agree that they will pay or reimburse the Issuer for any expenses incurred by the Issuer in the administration of any of the foregoing agreements and this Agreement and will hold the Issuer harmless from any liabilities thereunder. The Borrowers further covenants that they will perform all of the duties and obligations of the Borrowers that are set forth in the Bond Indenture. The provisions of this Section 11.17 shall survive the termination or expiration of this Agreement.

Section 11.19. Non-Discrimination. Each Borrower agrees as to themselves and each tenant of the Project controlling, controlled by, or under common control with, a Borrower (each of the Borrowers and each such tenant, a "Contractor") as follows:

(a) In the hiring of any employee(s) for the manufacture of supplies, performance of work, or any other activity required under the contract or any subcontract, such Borrower, each subcontractor, or any person acting on behalf of such Borrower or subcontractor shall not discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the *Pennsylvania Human Relations Act* (PHRA) and applicable federal laws, against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.

(b) Neither such Borrower nor any subcontractor nor any person on their behalf shall in any manner discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the PHRA and applicable federal laws, against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the contract.

(c) Neither such Borrower nor any subcontractor nor any person on their behalf shall in any manner discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the PHRA and applicable federal laws, in the provision of services under the contract.

(d) Neither such Borrower nor any subcontractor nor any person on their behalf shall in any manner discriminate against employees by reason of participation in or decision to refrain from participating in labor activities protected under the *Public Employee Relations Act*, *Pennsylvania Labor Relations Act* or *National Labor Relations Act*, as applicable and to the extent determined by entities charged with such Acts' enforcement, and shall comply with any provision of law establishing organizations as employees' exclusive representatives.

(e) Such Borrower and each subcontractor shall establish and maintain a written nondiscrimination and sexual harassment policy and shall inform their employees in writing of the policy. The policy must contain a provision that sexual harassment will not be tolerated and employees who practice it will be disciplined. Posting this Nondiscrimination/Sexual Harassment Clause conspicuously in easily-accessible and well-lighted places customarily frequented by employees and at or near where the contracted services are performed shall satisfy this requirement for employees with an established work site.

(f) Such Borrower and each subcontractor shall not discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of PHRA and applicable federal laws, against any subcontractor or supplier who is qualified to perform the work to which the contract relates.

(g) Such Borrower and each subcontractor represents that it is presently in compliance with and will maintain compliance with all applicable federal, state, and local laws, regulations and policies relating to nondiscrimination and sexual harassment. Such Borrower and each subcontractor further represents that it has filed a Standard Form 100 Employer Information Report ("EEO-1") with the U.S. Equal Employment Opportunity Commission ("EEOC") and shall file an annual EEO-1 report with the EEOC as required for employers' subject to *Title VII* of the *Civil Rights Act of 1964*, as amended, that have 100 or more employees and employers that have federal government contracts or first-tier subcontracts and have 50 or more employees. Such Borrower and each subcontractor shall, upon request and within the time periods requested by the Commonwealth, furnish all necessary employment documents and records, including EEO-1 reports, and permit access to their books, records, and accounts by the contracting agency and the Bureau of Diversity, Inclusion and Small Business Opportunities for purpose of ascertaining compliance with provisions of this Nondiscrimination/Sexual Harassment Clause.

(h) Such Borrower shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that those provisions applicable to subcontractors will be binding upon each subcontractor.

(i) Such Borrower's and each subcontractor's obligations pursuant to these provisions are ongoing from and after the effective date of the contract through the termination date thereof. Accordingly, the Borrower and each subcontractor shall have an obligation to inform the Commonwealth if, at any time during the term of the contract, it becomes aware of any actions or occurrences that would result in violation of these provisions.

(j) The Commonwealth may cancel or terminate the contract and all money due or to become due under the contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place such Borrower in the Contractor Responsibility File.

Section 11.20. Patriot Act Notice. To help fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each Person who opens an account. For purposes of this Section 8.18, account shall be understood to include loan accounts.

Section 11.21. Right to Know. The Borrowers acknowledge that the Project is subject to the Right to Know Law as set forth in Exhibit C attached hereto.

[End of Article XI]

IN WITNESS WHEREOF, the Issuer and the Borrowers have caused this Agreement to be executed and sealed by their duly authorized officers, as of the date first written above.

ATTEST:

**PENNSYLVANIA ECONOMIC
DEVELOPMENT FINANCING
AUTHORITY**

By: _____
Assistant Secretary

By: _____
Executive Director

[SEAL]

**PRESBYTERIAN HOMES, INC.,
PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGDON, AND
CATHEDRAL VILLAGE**

By: _____
Name: Dyan McAlister
Title: Senior Vice President, Chief Financial
Officer and Treasurer

[Signature and Seals]

EXHIBIT A
FORM OF REQUEST FOR COSTS OF ISSUANCE DISBURSEMENT

No. ____

The Bank of New York Mellon Trust Company, N.A.
AIM 154-1270
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration

Re: Pennsylvania Economic Development Financing Authority Revenue Bonds
(Presbyterian Senior Living Project) Series 2021

Gentlemen:

This request for disbursement is submitted to you pursuant to Section 4.6 of the Loan Agreement (the "Loan Agreement") dated as of July 1, 2021, between Pennsylvania Economic Development Financing Authority and Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, and Cathedral Village (the "Borrowers") relating to the above-captioned Bonds. You are hereby requested to make the following disbursements from the Costs of Issuance Fund for the payment of Costs of Issuance referred to below, as defined and provided in the Loan Agreement:

1. (List payments to be made)
- 2.
- 3.

PRESBYTERIAN HOMES, INC, as Borrowers'
Representative

Date: _____ By: _____
Authorized Officer

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EXHIBIT B
FORM OF REQUEST FOR CONSTRUCTION FUND DISBURSEMENT

No. ____

The Bank of New York Mellon Trust Company, N.A.
AIM 154-1270
500 Ross Street, 12th Floor
Pittsburgh, Pennsylvania 15262
Attn: Corporate Trust Administration

Re: Pennsylvania Economic Development Financing Authority Economic
Development Revenue Bonds (Presbyterian Senior Living Project) Series 2021

Gentlemen:

This request for disbursement is submitted to you pursuant to Section 4.6 of the Loan Agreement (the "Loan Agreement") dated as of July 1, 2021, between Pennsylvania Economic Development Financing Authority and Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, and Cathedral Village (the "Borrowers") relating to the above-captioned Bonds. All capitalized terms used herein and not otherwise defined have the respective meanings ascribed to them in the Loan Agreement.

You are hereby requested to make the following disbursements from the Construction Fund for the payment of Costs of the Capital Projects referred to below:

1. (List payments to be made)
- 2.
- 3.

The Borrowers hereby certifies as follows:

1. None of the items for which funds are being requisitioned has formed the basis for any disbursement heretofore made from the Construction Fund.
2. Each item for which funds are being requisitioned is (i) a necessary and proper item to be paid from the Construction Fund, (ii) necessary in connection with the acquisition, renovation and equipping of a Capital Project, (iii) a Cost of a Capital Project, and (iv) presently due and payable or has been paid by the Borrowers and is properly reimbursable from the Construction Fund.
3. The payment will not result in (a) less than 95% of the net proceeds of the Series 2021 Bonds, expended or to be expended under the Indenture as having been used for the exempt purpose of the Borrowers (excluding use by any non-governmental entity in a trade or business or

B-1

any unrelated business income activity within the meaning of Section 513(a) of the Code), and (b) more than 2% of the net proceeds of the Series 2021 Bonds used to pay costs of issuance of the Series 2021 Bonds.

4. The amount currently on deposit in the Construction Fund, together with investment earnings expected to be received from the investment of amounts on deposit in the Construction Fund and other funds established by the Indenture, are expected to be sufficient to complete the acquisition, renovation and equipping of the Project.

5. No Event of Default has occurred and is continuing as of the date hereof.

6. With respect to any materials or equipment to be paid for from funds disbursed under this requisition, such materials or equipment are not subject to any lien or security interest or the funds requested under this requisition are to be used to satisfy any such lien or security interest.

7. _____ (check if applicable) This requisition represents the final construction draw from the Construction Fund. Attached hereto is a Completion Certificate substantially in the form required by the provisions of Section 4.2 of the Loan Agreement.

This Certificate is given without prejudice to any rights against third parties which exist at the date of this Certificate or which may subsequently come into being.

**PRESBYTERIAN HOMES, INC.,
as Borrowers Representative**

Date: _____

By: _____
Authorized Officer

EXHIBIT C

RIGHT-TO-KNOW LAW

- a. The Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, ("RTKL") applies to this Agreement. For the purpose of these provisions, the term "the Commonwealth" shall refer to the contracting Commonwealth agency.
- b. If the Commonwealth needs the Borrowers' assistance in any matter arising out of the RTKL related to this Agreement, it shall notify the Borrowers using the legal contact information provided in this Agreement. The Borrowers, at any time, may designate a different contact for such purpose upon reasonable prior notice to the Commonwealth.
- c. Upon written notification from the Commonwealth that it requires the Borrowers' assistance in responding to a request under the RTKL for information related to this Agreement that may be in the Borrowers' possession, constituting, or alleged to constitute, a public record in accordance with the RTKL ("Requested Information"), the shall:
 1. Provide the Commonwealth, within ten (10) calendar days after receipt of written notification, access to, and copies of, any document or information in the Borrowers' possession arising out of this Agreement that the Commonwealth reasonably believes is Requested Information and may be a public record under the RTKL; and
 2. Provide such other assistance as the Commonwealth may reasonably request, in order to comply with the RTKL with respect to this Agreement.
- d. If the Borrowers consider the Requested Information to include a request for a Trade Secret or Confidential Proprietary Information, as those terms are defined by the RTKL, or other information that the Borrowers consider exempt from production under the RTKL, the Borrowers must notify the Commonwealth and provide, within seven (7) calendar days of receiving the written notification, a written statement signed by a representative of the Borrowers explaining why the requested material is exempt from public disclosure under the RTKL.
- e. The Commonwealth will rely upon the written statement from the Borrowers in denying a RTKL request for the Requested Information unless the Commonwealth determines that the Requested Information is clearly not protected from disclosure under the RTKL. Should the Commonwealth determine that the Requested Information is clearly not exempt from disclosure, the Borrowers shall provide the Requested Information within five (5) business days of receipt of written notification of the Commonwealth's determination.
- f. If the Borrowers fail to provide the Requested Information within the time period required by these provisions, the Borrowers shall indemnify and hold the Commonwealth harmless for any damages, penalties, costs, detriment or harm that the Commonwealth may incur as a result of the Borrowers' failure, including any statutory damages assessed against the Commonwealth.
- g. The Commonwealth will reimburse the Borrowers for any costs associated with complying with these provisions only to the extent allowed under the fee schedule established by the Office of Open Records or as otherwise provided by the RTKL if the fee schedule is inapplicable.
- h. The Borrowers may file a legal challenge to any Commonwealth decision to release a record to the public with the Office of Open Records, or in the Pennsylvania Courts, however, the Borrowers shall indemnify the Commonwealth for any legal expenses incurred by the Commonwealth as a result of such a challenge and shall hold the Commonwealth harmless for any damages, penalties, costs, detriment or harm that the Commonwealth may incur as a result of the Borrowers' failure, including any statutory damages assessed against the Commonwealth, regardless of the outcome of such legal challenge. As

between the parties, the Borrowers agree to waive all rights or remedies that may be available to it as a result of the Commonwealth's disclosure of Requested Information pursuant to the RTKL.

i. The Borrowers' duties relating to the RTKL are continuing duties that survive the expiration of this Agreement and shall continue as long as the Borrowers have Requested Information in its possession.

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APPENDIX D

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

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July __, 2021

Re: Pennsylvania Economic Development Financing Authority
\$ _____ Aggregate Principal Amount
Revenue Bonds (Presbyterian Senior Living Project), Series 2021

To the Purchasers of the Within-Described Bonds:

We have served as Co-Bond Counsel in connection with the issuance by the Pennsylvania Economic Development Financing Authority (the “Issuer”) of its \$ _____ aggregate principal amount, Revenue Bonds (Presbyterian Senior Living Project), Series 2021 (the “Bonds”). The Bonds are being issued under the provisions of the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended and supplemented (73 P.S. §371 *et seq.*) (the “Act”), a resolution of the Issuer adopted on April 21, 2021 (the “Resolution”), and a Bond Trust Indenture, dated as of July 1, 2021 (the “Bond Indenture”), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Bond Trustee”).

The proceeds of the Bonds will be loaned by the Issuer to Presbyterian Homes, Inc. (“Presbyterian Homes”), Presbyterian Homes in the Presbytery of Huntingdon (“PHPH”), and Cathedral Village (“Village,” and together with Presbyterian Homes and PHPH, hereinafter called individually a “Borrower” and collectively, the “Borrowers”; each a non-profit organization, and exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or made applicable with respect thereto (the “Code”) as an exempt organization described in Section 501(c)(3) of the Code), pursuant to a Loan Agreement, dated as of July 1, 2021 (the “Loan Agreement”), between the Issuer and the Borrowers, to pay the costs of the Project (as defined in the Loan Agreement). The Issuer has assigned all of its right, title and interest in the Loan Agreement (except for the Reserved Rights, as defined in the Loan Agreement) to the Bond Trustee as security for the payment of the principal of, premium, if any, and interest on the Bonds.

The obligations of the Borrowers under the Loan Agreement will be secured pursuant to the terms and provisions of the Master Trust Indenture, dated as of June 1, 2008, as amended and supplemented (the “Original Master Indenture”), and as further amended and supplemented by the Thirty-Fourth Supplemental Master Indenture, dated as of July 1, 2021 (the “Thirty-Fourth Supplemental Master Indenture”; and together with the Original Master Trust Indenture, as amended and supplemented, the “Master Indenture”), between the Obligated Group (as defined in the Master Indenture) and The Bank of New York Mellon, as master trustee.

As the basis for this opinion we have examined such matters of law and such documents, certifications, instruments and records as we deemed necessary to enable us to render the opinion set forth below, including the Act, applicable provisions of the Code and original counterparts or certified copies of the Resolution, the Bond Indenture, the Loan Agreement, the certificates of certain Issuer officials having responsibility for issuing the Bonds given pursuant to the Code, certifications by the Borrowers as to certain matters under the Code, opinions as to various matters

delivered by the Issuer's counsel and counsel to the Obligated Group, and the other documents, certifications, instruments and records listed in the Closing Index in respect of the Bonds filed this date with the Bond Trustee. We have also examined the fully executed and authenticated Bonds or a true copy thereof. In rendering this opinion, we have relied on the opinions referred to above as to all matters of fact and law set forth therein, and on the genuineness, truthfulness and completeness of all documentation examined as referred to above.

Except with respect to paragraph 5 below, our opinion is given only with respect to the internal laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof.

Based on the foregoing, we are of the opinion that:

1. The Issuer is validly existing under the Act, and at all relevant times had and has full power and authority thereunder to adopt the Resolution, to execute the Bond Indenture and the Loan Agreement, to perform its obligations thereunder, and to issue the Bonds.
2. The Bond Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer, and the obligations of the Issuer thereunder are valid and binding and enforceable in accordance with the respective terms thereof, except as enforcement may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws or legal or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations").
3. The Bonds have been duly authorized, executed and issued by the Issuer, and are valid and binding special, limited obligations of the Issuer, payable solely from the sources described in the Bond Indenture, and enforceable in accordance with their terms, except as enforcement may be affected by Creditors' Rights Limitations, and the Bonds are entitled to the benefit and security of the Bond Indenture to the extent provided therein.
4. Under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Commonwealth of Pennsylvania taxes and local taxes within the Commonwealth of Pennsylvania.
5. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in the gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the Issuer and the Borrowers, respectively, with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals.

In rendering this opinion, we have assumed compliance by the Issuer and the Borrowers, respectively, with the covenants and representations contained in the Tax Certificate and Agreement executed on the date hereof, the Bond Indenture and the Loan Agreement, respectively, relating to actions to be taken by the Issuer and the Borrowers, respectively, after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of the interest on the Bonds for federal income tax purposes. These covenants and representations relate to, *inter alia*, the use of and investment of proceeds of the Bonds and rebate to the United States Department of Treasury of specified arbitrage earnings, if required. Failure to comply with such covenants could result in the interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

We call your attention to the fact that the Bonds are special, limited obligations of the Issuer, and neither the faith nor credit of the Commonwealth of Pennsylvania or of any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Issuer has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs herein. This opinion is rendered on the basis of federal law and the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof. This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in the law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention.

Very truly yours,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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\$_____,_____,_____
PENNSYLVANIA ECONOMIC DEVELOPMENT FINANCING AUTHORITY
REVENUE BONDS
(PRESBYTERIAN SENIOR LIVING PROJECT)
SERIES 2021

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon, Quincy Retirement Community, The Long Community, Inc., PHI Investment Management Services, Inc., The Long Home and Cathedral Village (collectively, the “Obligated Group”) and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) in connection with the issuance of \$_____,_____,_____ Pennsylvania Economic Development Financing Authority Revenue Bonds (Presbyterian Senior Living Project) , Series 2021 (the “2021 Bonds”).

The 2021 Bonds are being issued pursuant to a Bond Trust Indenture dated as of July 1, 2021 (the “Indenture”), between the Pennsylvania Economic Development Financing Authority (the “Authority”) and the Trustee. The proceeds of the 2021 Bonds are being loaned by the Authority to Presbyterian Homes, Inc., Presbyterian Homes in the Presbytery of Huntingdon and Cathedral Village (collectively, the “Borrowers”) pursuant to a Loan Agreement dated as of July 1, 2021, between the Authority and the Borrowers (the “Loan Agreement”). The Borrowers’ obligations under the Loan Agreement will be secured by a Master Indenture Promissory Note, Series 2021-1 dated the date hereof (the “Series 2021 Master Note”) issued under a Master Trust Indenture dated as of June 1, 2008, as previously supplemented and amended and as further supplemented by a Thirty-Fourth Supplemental Indenture dated as of July 1, 2021 (collectively, the “Master Trust Indenture”), among the Obligated Group and The Bank of New York Mellon, as master trustee (the “Master Trustee”). The parties hereto agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Obligated Group and any future person designated as a member of the Obligated Group under the Master Trust Indenture, the Dissemination Agent and the Trustee for the benefit of the Holders (as defined herein) and Beneficial Owners (as defined herein) of the 2021 Bonds and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein). The Obligated Group, the Dissemination Agent and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Beneficial Owner of the 2021 Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2021 Bonds (including persons

holding 2021 Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any 2021 Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Obligated Group, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Obligated Group and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule. Further, the term “Financial Obligation” shall be materially construed with reference to and in *pari materia* with the Rule and any applicable no-action letters, adopting releases and other authoritative interpretations of the Rule released by the Securities and Exchange Commission from time to time.

“Holder” shall mean a registered owner of a 2021 Bond.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15(B)(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor organization.

“Official Statement” shall mean the final Official Statement, dated _____, 2021, relating to the 2021 Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the 2021 Bonds required to comply with the Rule in connection with offering of the 2021 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports and Quarterly Reports.

(a) The Obligated Group shall, or shall cause the Dissemination Agent to, not later than 120 days after the end of the Obligated Group’s fiscal year (presently December 31), as the same may be changed from time to time, commencing with the report for the 2021 Fiscal Year, provide to the MSRB through EMMA, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Obligated Group shall, or shall cause the Dissemination Agent to, not later than 45 days after the end of the Obligated Group’s fiscal quarters, commencing with the report for the fiscal quarter ending [June 30, 2021], provide to the MSRB through EMMA quarterly unaudited financial statements (“Quarterly Reports”) which are consistent with the requirements of Section 4 of this Disclosure Agreement.

(b) In each case, the Annual Report and Quarterly Reports may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Obligated Group may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

If the fiscal year of the Obligated Group changes, the Obligated Group, shall give notice of such change in the same manner as for a Listed Event under Section 5(b) herein.

(c) Not later than two (2) Business Days prior to the date specified in subsection (a) for providing the Annual and Quarterly Reports to the MSRB, the Obligated Group shall provide its Annual or Quarterly Report, as applicable, to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Obligated Group's Annual or Quarterly Report, the Trustee shall contact the Obligated Group and the Dissemination Agent (if the Trustee is not the Dissemination Agent), to determine if the Obligated Group is in compliance with the first sentence of this subsection (c).

(d) If the Trustee is unable to verify that an Annual or Quarterly Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to that effect, in a timely manner, not in excess of ten (10) Business Days after the date required in subsection (a), to the MSRB through EMMA.

(e) All filings with the MSRB pursuant to this Disclosure Agreement: (i) shall be made in an electronic format as prescribed by the MSRB; and (ii) shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Content of Annual and Quarterly Reports.

(a) The Obligated Group's Annual Report shall contain or include by reference the following:

(i) The combined audited financial statements of the Obligated Group for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If audited financial statements of the Obligated Group are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) For the prior fiscal year, certain financial information and operating data of the Obligated Group including (1) a calculation of the Obligated Group's Debt Service Coverage Ratio and Reserve Ratio under the Master Indenture; and (2) the average occupancy of independent living units, assisted living units and nursing beds, expressed as a percentage, for the Mortgaged Facilities (as such term is defined in the Official Statement).

(b) The Obligated Group's Quarterly Report shall contain or include by reference the following:

(i) The combined unaudited financial statements of the Obligated Group for the applicable fiscal year to date as of the end of the fiscal quarter, prepared in accordance with generally accepted accounting principles (except for the exclusion of footnotes required under generally accepted accounting principles), including all adjustments necessary to present fairly the financial position and operating results of the Obligated Group for such fiscal year to date.

(ii) For such fiscal quarter, certain financial information and operating data of the Obligated Group including: (1) a calculation of the Obligated Group's Debt Service Coverage Ratio under the Master Indenture, and (2) the average occupancy of independent living units, assisted living units and nursing beds, expressed as a percentage, for the Mortgaged Facilities (as such term is defined in the Official Statement).

(iii) For each fiscal quarter ending June 30 and December 31 (or if the Obligated Group's Fiscal Year has changed from a December 31 end date, the end of the second and fourth quarters), a calculation of the Reserve Ratio under the Master Indenture.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Obligated Group is an "obligated person" (as defined by the Rule), which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Obligated Group shall clearly identify each such other document so included by reference. The Obligated Group reserves the right to modify from time to time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; provided, however, that any such modification will be done in a manner consistent with the Rule.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Obligated Group shall file, or cause the Dissemination Agent to file, in a timely manner not in excess of ten (10) business days after the occurrence of such event, with the MSRB, notice of the occurrence of any of the following events with respect to the 2021 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the 2021 Bonds;
- (7) modifications to rights of Holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the 2021 Bonds, if material;

- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Obligated Group;
- (13) the consummation of a merger, consolidation, or acquisition involving any member of the Obligated Group or the sale of all or substantially all of the assets of any member of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of any member of the Obligated Group, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of any member of the Obligated Group, any of which affect the holders of the 2021 Bonds, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of any member of the Obligated Group, any of which reflect financial difficulties.

(b) Whenever the Obligated Group obtains knowledge of the occurrence of a Listed Event, the Obligated Group shall or shall cause the Dissemination Agent to, file a notice of such occurrence, in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the MSRB, through EMMA. Notwithstanding the foregoing, notice of Listed Events described in clauses (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2021 Bonds pursuant to the Indenture.

(c) For the purpose of the Listed Event identified in clause (a)(15) of this Section, the Obligated Group shall provide an annual debt service schedule with respect to such Financial Obligation, in addition to any other information provided by the Obligated Group.

(d) For the purposes of the Listed Event identified in clause (a)(12) of this Section, the event is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for any member of the Obligated Group in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of any member of the Obligated Group, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of any member of the Obligated Group.

SECTION 6. Termination of Reporting Obligation. The obligations of the Obligated Group under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2021 Bonds. If the Obligated Group's, or any Member's, obligations under the Series 2021 Master Note are assumed in full by some other entity, such person shall be responsible for

compliance with this Disclosure Agreement in the same manner as if it were the Obligated Group or Member, as applicable, and the Obligated Group or such Member, as applicable, shall have no further responsibility hereunder. If the termination or substitution occurs prior to the final maturity of the 2021 Bonds, the Obligated Group shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The Obligated Group may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Obligated Group pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Obligated Group.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligated Group may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if 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, as well as any change in circumstances.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Obligated Group shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Obligated Group. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Obligated Group or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the 2021 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Group or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the 2021 Bonds, the Indenture, the

Loan Agreement or the Master Indenture or any documents executed in connection with the foregoing, and the sole remedy under this Disclosure Agreement in the event of any failure of the Obligated Group or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have no responsibility or liability for the Obligated Group's compliance with this Disclosure Agreement or in connection with the Obligated Group's obligations under this Disclosure Agreement, or for the compliance of this Disclosure Agreement or the contents of the Annual Report or Quarterly Report or notices provided hereunder with the requirements of the Rule. The Dissemination Agent shall have only those duties specifically set forth in this Disclosure Agreement and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, nor duty to inquire into the terms and provisions of any agreement or instructions, other than as outlined in the Disclosure Agreement. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper party or parties. The Dissemination Agent shall be under no duty to inquire into or investigate the validity, accuracy or content of any such document. The Dissemination Agent shall not be liable for any action taken or omitted by it in good faith unless a court of competent jurisdiction determines that the Dissemination Agent's own gross negligence or willful misconduct was the primary cause of any loss to the Obligated Group. The Dissemination Agent shall not incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the parties hereto. In the administration of this Disclosure Agreement, the Dissemination Agent may execute any of its powers and perform its duties hereunder directly or through agents or attorneys and may consult with counsel, accountants and other skilled persons to be selected and retained by it. The Dissemination Agent shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons. The Dissemination Agent may resign and be discharged of its duties and obligations hereunder by giving notice in writing of such resignation specifying a date when such resignation shall take effect. The Obligated Group agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (the "Indemnitees") harmless against any claim, loss, expense or liability (including reasonable attorneys' fees and expenses and the allocated costs and expenses of in-house counsel and legal staff) ("Losses") that may be imposed on, incurred by, or asserted against the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of this Disclosure Agreement. In addition to and not in limitation of the immediately preceding sentence, the Obligated Group also covenants and agrees to indemnify and hold the Indemnitees and each of them harmless from and against any and all Losses that may be imposed on, incurred by, or asserted against the Indemnitees or any of them in connection with or arising out of the Dissemination Agent's performance under this Disclosure Agreement, except to the extent such Losses resulted from the Dissemination Agent's own gross negligence or willful misconduct. The provisions of this Section 11 shall survive the termination of this Disclosure Agreement and the resignation or removal of the Dissemination Agent for any reason. Anything in this Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of such loss or damage and regardless of the form of action. Any corporation or association into which the Dissemination Agent in its individual capacity may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Dissemination Agent in its individual capacity shall be a party, or any corporation or association to which all or substantially all the corporate

trust business of the Dissemination Agent in its individual capacity may be sold or otherwise transferred, shall be the Dissemination Agent under this Disclosure Agreement without further act.

This Section 11 shall survive termination of this Disclosure Agreement and the resignation or removal of the Trustee for any reason.

SECTION 12. Indemnification of Authority. The Authority shall have no responsibility or liability for the Obligated Group's compliance with this Disclosure Agreement or in connection with the Obligated Group's obligations under this Disclosure Agreement, or for the compliance of this Disclosure Agreement or the contents of the Annual Report or Quarterly Report or notices provided hereunder with the requirements of the Rule. The Obligated Group agrees to indemnify and save the Authority, its members, officers, employees and agents, harmless against any claim, loss, expense (including reasonable attorneys' fees and expenses) or liability arising from or based upon (i) any breach by the Obligated Group of this Disclosure Agreement or (ii) any Annual Report or Quarterly Report or notices provided under this Disclosure Agreement or any omission therefrom.

This Section 12 shall survive termination of this Disclosure Agreement and the resignation or removal of the Trustee for any reason.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Obligated Group, the Trustee, the Dissemination Agent, the Participating Underwriter and Beneficial Owners from time to time of the 2021 Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Continuing Disclosure Agreement to be executed and delivered as of the date indicated below.

PRESBYTERIAN HOMES, INC.

By: _____
Senior Vice President and Chief
Financial Officer

THE LONG COMMUNITY, INC.

By: _____
Senior Vice President and Chief
Financial Officer

PHI INVESTMENT MANAGEMENT
SERVICES, INC.

By: _____
Senior Vice President and Chief
Financial Officer

PRESBYTERIAN HOMES IN THE
PRESBYTERY OF HUNTINGDON

By: _____
Senior Vice President and Chief
Financial Officer

QUINCY RETIREMENT COMMUNITY

By: _____
Senior Vice President and Chief
Financial Officer

THE LONG HOME

By: _____
Authorized Trustee

CATHEDRAL VILLAGE

By: _____
Senior Vice President and Chief
Financial Officer

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

Date: July __, 2021

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PRESBYTERIAN
SENIOR LIVING



Mixed Sources
Product group from well managed
forests, controlled sources and
recycled wood or fibres.

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