

NEW ISSUE-BOOK ENTRY ONLY

Rating: Fitch BBB-
(See "Rating" herein)



In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, based upon existing laws, regulations and rulings, and assuming, among other matters, the accuracy of certain representations and compliance by the Authority and the Borrower with certain covenants to comply with provisions of the Internal Revenue Code of 1986, as amended (the "Code") and all regulations applicable thereunder, interest on the Series 2021 Bonds is not includable in gross income of the holders of the Series 2021 Bonds under Section 103(a) of the Code. In the further opinion of Bond Counsel, interest on the Series 2021 Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes on individuals; also see "TAX MATTERS" herein for a brief description of some of the other provisions of the Code affecting the purchasers and holders of the Series 2021 Bonds. Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds.

Under the laws of the Commonwealth of Pennsylvania, the Series 2021 Bonds and interest on the Series 2021 Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Series 2021 Bonds or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Series 2021 Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania. See the information contained herein under the caption "TAX MATTERS."

\$52,215,000*



**LANCASTER INDUSTRIAL DEVELOPMENT AUTHORITY
HEALTH CENTER REVENUE REFUNDING BONDS, SERIES OF 2021
(LANDIS HOMES RETIREMENT COMMUNITY PROJECT)**

Dated: Date of Delivery

Due: July 1, 20__, as shown on inside cover

Interest Payable: January 1 and July 1

First Interest Payment: January 1, 2022

The Lancaster Industrial Development Authority Health Center Revenue Refunding Bonds, Series of 2021 (Landis Homes Retirement Community Project) (the "Series 2021 Bonds") will be issued under and secured by a Trust Indenture, dated as of September 1, 2021 (the "Bond Indenture") between the Lancaster Industrial Development Authority (the "Authority") and Manufacturers and Traders Trust Company, Harrisburg, Pennsylvania, as trustee (the "Bond Trustee"). The Series 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 Series 2021 Bonds. Purchases of Series 2021 Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See "THE SERIES 2021 BONDS — Book Entry Only System" herein.

The principal or redemption price of the Series 2021 Bonds will be payable upon presentation and surrender thereof at the office of the Bond Trustee in Harrisburg, Pennsylvania. Interest on the Series 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 Series 2021 Bonds, payments of the principal or redemption price of, and interest on, the Series 2021 Bonds will be made to DTC.

The Series 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 September 1, 2021 (the "Loan Agreement") between the Authority and Landis Homes Retirement Community (the "Borrower") and the Series 2021 Master Note (as defined herein), issued by the Borrower under the Master Trust Indenture dated as of October 1, 2015, as supplemented (the "Master Indenture"), between the Borrower and Landis Homes Retirement Community and Landis Place on King LLC (collectively, the "Obligated Group"), and Manufacturers and Traders Trust Company, as master trustee. Performance of the Obligated Group's obligations under all Obligations (as defined in the Master Indenture), including, without limitation, the Series 2021 Master Note is secured by a pledge of the Gross Receipts of the Obligated Group and by a mortgage of certain real property of the Obligated Group.

There are risks associated with an investment in the Series 2021 Bonds, some of which are outlined under the "CERTAIN BONDHOLDERS' RISKS" herein.

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

The Series 2021 Bonds are 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 City of Lancaster, Lancaster County, the Commonwealth of Pennsylvania or any political subdivision thereof is pledged for the payment of the Series 2021 Bonds, nor will the Series 2021 Bonds be, or be deemed to be, an obligation of the City of Lancaster, Lancaster County, the Commonwealth of Pennsylvania, or any political subdivision thereof. The Authority has no taxing power.

The Series 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 Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Blakinger Thomas, PC, Lancaster, Pennsylvania; for the Borrower by its counsel, Latsha Davis & Marshall, P.C., Mechanicsburg, Pennsylvania; and for the Underwriter by its counsel, Harris Beach PLLC, Rochester, New York. It is expected that the Series 2021 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about September __, 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: September __, 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$52,215,000*
LANCASTER INDUSTRIAL DEVELOPMENT AUTHORITY
HEALTH CENTER REVENUE REFUNDING BONDS, SERIES OF 2021
(LANDIS HOMES RETIREMENT COMMUNITY PROJECT)

MATURITY SCHEDULE

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† (____)

\$ _____ * ____% Term Bonds due July 1, 20__, priced to yield __%, CUSIP _____

\$ _____ * ____% Term Bonds due July 1, 20__, priced to yield __%, CUSIP _____

\$ _____ * ____% Term Bonds due July 1, 20__, priced to yield __%, CUSIP _____

* Preliminary, subject to change.

† CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the Borrower or the Underwriter and are included solely for the convenience of the holders of the Series 2021 Bonds. None of the Authority, the Borrower or the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2021 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2021 Bonds.



Hybrid Style Home



Crossings Apartments



Courtyard



Cottage – South Campus

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PRELIMINARY NOTICES

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

In making an investment decision, investors must rely on their own examination of the Series 2021 Bonds, the Borrower and the terms of the offering, including the merits and risks involved. **The Series 2021 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, no such commission or regulatory authority has confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.**

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information contained in this Official Statement has been furnished by the Borrower, the Authority, DTC and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

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 SERIES 2021 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND INDENTURE AND MASTER INDENTURE HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE UNDERWRITER MAY DISCONTINUE ANY SUCH STABILIZING AT ANY TIME.

Cautionary Statements Regarding Forward-Looking Statements

This Official Statement contains statements which should be considered "forward-looking statements," within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "anticipate," "believe," "budget," "estimate," "expect," "intend," "plan," "forecast," or similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS

DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE BORROWER DOES NOT EXPECT OR INTEND 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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\$52,215,000*
Lancaster Industrial Development Authority
Health Center Revenue Refunding Bonds, Series of 2021
(Landis Homes Retirement Community Project)

INTRODUCTION

The purpose of this Official Statement (which includes the cover page and the Appendices) of the Lancaster Industrial Development Authority (the "Authority") is to furnish certain information with respect to the Authority, Landis Homes Retirement Community (the "Borrower") and the Obligated Group described below (the "Obligated Group") and the Authority's \$52,215,000* aggregate principal amount of Health Center Revenue Refunding Bonds, Series of 2021 (Landis Homes Retirement Community Project) (the "Series 2021 Bonds") issued under a Trust Indenture dated as of September 1, 2021 (the "Bond Indenture") entered into by and between the Authority and Manufacturers and Traders Trust Company, having a corporate trust office in Harrisburg, Pennsylvania, as trustee (the "Bond Trustee").

The Authority

The Authority is a body politic and corporate incorporated by the City Council of the City of Lancaster, Pennsylvania (the "City") pursuant to the Pennsylvania Economic Development Financing Law, being the Act of August 23, 1967, P.L. 251, as amended (the "Act"). Under the Act, the Authority may, among other things, finance projects which it is empowered to undertake by its Articles of Incorporation. The Authority is authorized by the Act to enter into agreements providing for the construction and financing of, among other things, "commercial facilities" in order to effectuate the declared public policy of the Commonwealth of Pennsylvania (the "Commonwealth") of creating and preserving employment and business opportunities and general welfare of the people thereof. The Series 2021 Bonds are being issued under the Act pursuant to a Resolution adopted by the Authority on July 1, 2021 (the "Authority Resolution") and the Bond Indenture.

The Series 2021 Bonds are 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 City, Lancaster County, the Commonwealth or any political subdivision thereof is pledged for the payment of the Series 2021 Bonds, nor will the Series 2021 Bonds be, or be deemed to be, an obligation of the City, Lancaster County, the Commonwealth, or any political subdivision thereof. The Authority has no taxing power.

The Borrower and the Obligated Group

Landis Homes Retirement Community (the "Borrower") is a not-for-profit corporation organized and existing under the laws of the Commonwealth, is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and is not a "private foundation" within the meaning of Section 509(a) of the Code.

The Borrower is the Obligated Group Representative of an Obligated Group created under the Master Indenture described below. Currently, the only other Member of the Obligated Group is Landis Place on King LLC ("LPK"). The Obligated Group provides retirement and health care services, including

* Preliminary, subject to change.

continuing care retirement communities, independent-living accommodations, personal care services, special care for those with cognitive impairments, short- and long-term skilled nursing and rehabilitative care, at its continuing care retirement community located in Lititz, Pennsylvania (the "Community"). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — The Master Indenture and the Obligated Group" and Appendix A—"CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP."

Security and Sources of Payment for the Series 2021 Bonds

Pursuant to a Loan Agreement dated as of September 1, 2021 (the "Loan Agreement") between the Authority and the Borrower, the Authority will lend the proceeds of the Series 2021 Bonds to the Borrower for the purpose of undertaking the Project (hereinafter described) and the Borrower will agree to make payments at such times and in such amounts as to provide for payment of the principal or redemption price of and interest on the Series 2021 Bonds.

As security for its obligations under the Loan Agreement, the Borrower, as the Obligated Group Representative, will issue its Obligation No. 7 dated the date of issuance of the Series 2021 Bonds (the "Series 2021 Master Note") pursuant to the Master Indenture.

The Series 2021 Master Note constitutes an "Obligation" issued under and secured pursuant to a Master Trust Indenture dated as of October 1, 2015, as amended and supplemented by a Supplemental Indenture for Obligation No. 7 dated as of September 1, 2021 (collectively, as the same has been and may be further modified, amended or supplemented from time to time, the "Master Indenture") between the Obligated Group and Manufacturers and Traders Trust Company, as master trustee (the "Master Trustee"). The Obligated Group's obligations under the Series 2021 Master Note will be secured by a pledge of the Gross Receipts of the Obligated Group and by a first lien mortgage granted to the Master Trustee with respect to certain real property of the Obligated Group on a parity with all other Obligations issued and to be issued under the Master Indenture. The pledge of Gross Receipts and the Mortgage are subject to Permitted Liens (as defined in Appendix C hereto). Subject to compliance with the provisions of the Master Indenture, the Obligated Group may sell, lease or otherwise dispose of their properties. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — The Master Indenture and the Obligated Group" herein and "SUMMARY OF THE MASTER INDENTURE" in Appendix C hereto for a further description of the Master Indenture.

Upon issuance of the Series 2021 Bonds, the only outstanding Obligations issued pursuant to the Master Indenture will be Obligation No. 7, which secures the Series 2021 Bonds, Obligation No. 6 dated as of August 18, 2021 (the "Series 2021 Master Note (Bank Debt)"), which secures the Authority's \$25,000,000 aggregate principal amount Revenue Bond, Series of 2021 (Landis Place on King LLC Project) (the "2021 Bank Debt") and Obligation No. 1, dated as of October 1, 2015 ("Series 2015 Master Note"), which secures the outstanding \$44,150,000 Lancaster County Hospital Authority Health Center Revenue Refunding Bonds, Series of 2015A (Landis Homes Retirement Community Project) (the "Series 2015 Bonds"). The Series 2015 Master Note, the Series 2021 Master Note (Bank Debt) and the Series 2021 Master Note are secured on a parity basis under the terms and conditions provided in the Master Indenture.

The Series 2015 Bonds were publicly offered and the Borrower is subject to a continuing disclosure undertaking in connection with the issuance of the Series 2015 Bonds. The Series 2015 Bonds were used to refund existing indebtedness of the Borrower as well as expand the Community. The 2021 Bank Debt is expected to be used by LPK primarily for the design, acquisition, construction and installation of a seven-story mixed use building with 79 one and two-bedroom residential apartments and 1,800 square feet of

retail space and 1,400 square feet of office space. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP – Landis Place on King.”

The Series 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 and in Reserve Fund No. 7 held by the Master Trustee under the Master Indenture.

Miscellaneous

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 Harrisburg, Pennsylvania. Certain capitalized terms and phrases used herein have the meanings ascribed to them in the legal documents. See APPENDIX C — "DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS." References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Certain information concerning the Obligated Group and the Project is contained in Appendix A and certain consolidated financial statements of Landis Communities and Affiliates, which include the Obligated Group, audited by Baker Tilly US, LLP, formerly Baker Tilly Virchow Krause, LLP, independent certified public accountants, are contained in Appendix B.

THE PROJECT

The Authority is issuing the Series 2021 Bonds to provide funds to undertake a project (the "Project") consisting of: (a) the current refunding of the Lancaster County Hospital Authority's (i) Health Center Revenue Bonds, Series B and C of 2015; and (ii) Health Center Revenue Bonds, Series B of 2017 (the "Prior Bonds"); (b) the renovation and improvement of the Borrower's existing retirement community center facilities, independent living areas and housing units; (c) the funding of a debt service reserve fund; and (d) the payment of certain of the costs and expenses in connection with the issuance of the Series 2021 Bonds.

The proceeds of the Prior Bonds were used to finance and/or refinance the construction, improvement and equipping of the Community.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the proceeds of the Series 2021 Bonds:

Sources of Funds

Par Amount of Series 2021 Bonds	\$
Net Original Issue Premium/(Discount)	
Total	\$

Uses of Funds

Refunding of the Prior Bonds	\$
Debt Service Reserve Fund	
Capital Projects	
Costs of Issuance ¹	
Total	\$

¹ Includes Underwriter's discount, initial and first annual Bond Trustee and Master Trustee fees, legal fees, accounting fees, redemption fees, printing costs and miscellaneous expenses.

THE AUTHORITY

General

The Authority is a body politic and corporate incorporated by the City pursuant to the Act. Under the Act, the Authority may, among other things, finance projects which it is empowered to undertake by its Articles of Incorporation. The Authority is authorized by the Act to enter into agreements providing for the construction and financing of, among other things, “commercial facilities” in order to effectuate the declared public policy of the Commonwealth of creating and preserving employment and business opportunities and general welfare of the people thereof. The Series 2021 Bonds are being issued under the Act pursuant to the Authority Resolution and the Indenture.

Pursuant to the Act, the Authority’s term of existence is limited to fifty (50) years, which absent action taken by the Authority and the City, would expire on December 31, 2046. The Authority and the City last extended the term of existence on November 25, 1997 and it is expected each will approve the same no later than September 14, 2021. It is anticipated that the term of existence will be extended to at least December 31, 2070, well beyond the Maturity Date. If the Authority and the City do not take action to extend the term of existence, the Series 2021 Bonds would have to be redeemed no later than December 31, 2046.

Board of the Authority

The governing body of the Authority is a board consisting of five members (the “Authority Board”). Members of the Authority Board are appointed for staggered five-year terms. The present members of the Authority Board are as follows:

<u>Name</u>	<u>Office</u>
Benjamin H. Bamford	Chairman
Patti I. Connell	Vice Chairman
Cindia J. Gottshall	Treasurer
J. Glenn Ebersole	Assistant Secretary
Paul D. Fulmer	Assistant Treasurer

Christopher Delfs is the Secretary of the Authority. Mr. Delfs is the Director of the Department of Community Planning and Economic Development for the City but is not a member of the Authority Board.

Financing Program of the Authority

THE SERIES 2021 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, AND THE MEMBERS, OFFICERS AND EMPLOYEES OF THE AUTHORITY ARE NOT PERSONALLY LIABLE ON THE SERIES 2021 BONDS. THE AUTHORITY HAS NO TAXING POWER. NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF LANCASTER, THE COMMONWEALTH OR ANY OTHER POLITICAL SUBDIVISION IS PLEDGED FOR PAYMENT OF THE SERIES 2021 BONDS, AND THE SERIES 2021 BONDS SHALL NOT BE OR BE DEEMED AN OBLIGATION OF THE CITY, THE COUNTY OF LANCASTER, THE COMMONWEALTH OR ANY OF THEIR POLITICAL SUBDIVISIONS, AGENCIES OR INSTRUMENTALITIES, OTHER THAN (TO A LIMITED EXTENT) THE AUTHORITY.

The Authority has not prepared or assisted in the preparation of this Official Statement and is not responsible for the statements made herein except with respect to the information specifically related to the Authority under this section entitled “THE AUTHORITY.” Except for the execution and delivery of documents required to effect the issuance of the Series 2021 Bonds, the Authority has not otherwise assisted in the public offer, sale or distribution of the Series 2021 Bonds. Accordingly, except as aforesaid, the Authority disclaims responsibility for the disclosures set forth in this Official Statement or otherwise made in connection with the offer, sale and distribution of the Series 2021 Bonds.

The Authority has in the past and may in the future issue other revenue bonds and notes. None of the revenues of the Authority with respect to its other revenue bonds or notes are or will be pledged as security for the Series 2021 Bonds. Further, the Authority’s other revenue bonds and notes are not and will not be payable from or secured by the revenues of the Authority and other moneys securing the Series 2021 Bonds. All such other revenue bonds and notes which were or may be issued for the benefit of any institution or municipality are and will be secured separately and distinctly from the issues on behalf of every other such institution or municipality and each will be payable solely from revenues and receipts derived from the institution or municipality on whose behalf such bonds or notes were issued.

Although the Authority has consented to the use of this Official Statement in connection with the offering of the Series 2021 Bonds, the Authority does not represent or warrant in any way the accuracy or completeness of any of the information set forth in this Official Statement, including the Appendices hereto (other than the statements and information set forth under the captions “THE AUTHORITY” and, as regards to the Authority only, “ABSENCE OF LITIGATION”).

THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be issued as fully registered bonds, without coupons, in the aggregate principal amount set forth on the inside cover page hereof, in the denomination of \$5,000 each or any integral multiple thereof. The Series 2021 Bonds will be dated the date of delivery thereof, will bear interest

from such date at the rates and mature in the amounts and on the dates listed in the maturity schedule on the inside cover page hereof, and will be subject to redemption prior to maturity as described below. Interest on the Series 2021 Bonds will be payable semiannually on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing January 1, 2022, until maturity or redemption.

The Series 2021 Bonds will bear interest from the Interest Payment Date to which interest has been paid next preceding the date of authentication, unless the date of authentication is (i) an Interest Payment Date to which interest has been paid, in which event such Series 2021 Bonds shall bear interest from such Interest Payment Date, (ii) after a Record Date (as hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Series 2021 Bonds shall bear interest from such Interest Payment Date, (iii) on or prior to the Record Date (as hereinafter defined) next preceding the first Interest Payment Date for such Series 2021 Bonds, in which event such Series 2021 Bonds shall bear interest from the date of delivery thereof, or (iv) as shown by the records of the Bond Trustee, interest on the Series 2021 Bonds shall be in default, in which event the Series 2021 Bonds shall bear interest from the date on which interest was last paid on such Series 2021 Bonds.

The principal of any Series 2021 Bond shall be payable when due to a registered owner upon presentation and surrender of such Series 2021 Bond at the designated trust office of the Bond Trustee in Harrisburg, Pennsylvania, and interest on any Series 2021 Bond shall be paid on each Interest Payment Date by check which the Bond Trustee shall cause to be mailed on that date to the person in whose name the Series 2021 Bond is registered at the close of business on the 15th day of the calendar month (whether or not a Business Day) next preceding the applicable Interest Payment Date (the "Record Date"). If and to the extent that the Authority shall fail to make payment or provision for payment of interest on any Series 2021 Bond on any Interest Payment Date, that interest shall cease to be payable to the person who was the registered owner of that Series 2021 Bond as of the applicable Record Date, but instead shall be payable to the persons who are the registered owners of the Series 2021 Bonds at the close of business on a special record date to be established by notice mailed by the Bond Trustee on behalf of the Authority for such purpose not less than 15 days preceding such special record date and not less than 20, but not more than 30 days prior to the date of proposed payment. The Bond Trustee shall cause notice of the proposed payment date and the special record date therefor to be mailed, first class, postage prepaid, to each registered owner of a Series 2021 Bond at such person's address as it appears in the bond register (the "Bond Register") maintained by the Bond Trustee on behalf of the Authority, at the close of business on the Business Day preceding the date of mailing.

The interest becoming due with respect to the Series 2021 Bonds shall, at the written request of the registered owner of at least \$1,000,000 aggregate principal amount of such Series 2021 Bonds received by the Bond Trustee not less than 20 days prior to the applicable Interest Payment Date, be paid by wire transfer within the continental United States in immediately available funds to the bank account number of such registered owner specified in such request and entered by the Bond Trustee on the Bond Register.

The Series 2021 Bonds will be issued initially in "book-entry" form only, as described under "Book-Entry Only System" below and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2021 Bonds. Unless the book-entry system for the Series 2021 Bonds is discontinued (as described below), prospective purchasers will acquire beneficial ownership interests in the Series 2021 Bonds, in authorized denominations, as described below, but will not receive Series 2021 Bond certificates representing such ownership interests.

As long as DTC or its nominee is the registered owner of the Series 2021 Bonds, payments of principal or redemption price of, and interest on, the Series 2021 Bonds will be made directly to DTC or its nominee, and all such payments will be valid and effective to satisfy fully and discharge the obligations of

the Authority and the Borrower with respect to, and to the extent of, the principal or redemption price and interest so paid. So long as DTC or its nominee is the registered owner of the Series 2021 Bonds, references herein to the registered owners of the Series 2021 Bonds shall be deemed to refer to DTC or its nominee and not to the owners of beneficial interests in the Series 2021 Bonds.

Registration, Transfer and Exchange of Series 2021 Bonds

The Series 2021 Bonds shall be registered upon original issuance and upon subsequent transfer or exchange. The Bond Trustee shall act as registrar and transfer agent for the Series 2021 Bonds. The Authority will cause the Bond Register for the registration and transfer of Series 2021 Bonds to be maintained and kept at the designated corporate trust office of the Bond Trustee.

Any Series 2021 Bond may be transferred upon the Bond Register, upon presentation and surrender thereof at the designated corporate trust office of the Bond Trustee, accompanied by a written instrument or instruments in form, with instructions and with guaranty of signature satisfactory to the Bond Trustee, duly executed by the registered owner or its duly authorized attorney-in-fact or legal representative. Upon transfer of any Series 2021 Bond, the Authority shall execute in the name of the transferee, and the Bond Trustee shall authenticate and deliver, a new Series 2021 Bond or Series 2021 Bonds of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Series 2021 Bonds presented and surrendered for transfer.

The Series 2021 Bonds may be exchanged, at the option of their registered owner, for Series 2021 Bonds of any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Series 2021 Bonds being exchanged. The exchange shall be made upon presentation and surrender of the Series 2021 Bonds being exchanged at the designated corporate trust office of the Bond Trustee in Harrisburg, Pennsylvania, together with a written instrument or instruments in form, with instructions and with guaranty of signature satisfactory to the Bond Trustee, duly executed by the registered owner or its duly authorized attorney-in-fact or legal representative.

Any such exchange or transfer shall be made without service charge; provided that the Authority or the Bond Trustee may make a charge for every exchange or transfer of the Series 2021 Bonds sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The charge shall be paid before a new Series 2021 Bond is delivered.

The Bond Trustee shall not be required to issue or register the transfer of or exchange any Series 2021 Bond to be considered for redemption during the period beginning at the close of business on the 15th day next preceding any date of selection of such Series 2021 Bonds to be redeemed and ending at the close of business on the day of mailing of the notice of redemption, or to register the transfer of or exchange any portion of a Series 2021 Bond selected for redemption until after the redemption date.

Redemption

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

Optional Redemption. The Series 2021 Bonds are subject to redemption prior to maturity on or after July 1, 20__ at the option of the Authority upon direction of the Borrower in whole or in part at any time, in such order of maturity as the Borrower shall determine, and by lot within a maturity as selected by

the Bond Trustee at the applicable redemption prices (expressed as percentages of their principal amount) set forth in the table below, plus interest accrued to the redemption date:

Redemption Dates

Redemption Price

Mandatory Redemption. The Series 2021 Bonds stated to mature on July 1, 20__, July 1, 20__ and July 1, 20__, are subject to mandatory redemption on July 1 in each of the years set forth below, at a redemption price equal to 100% of the principal amount thereof plus accrued interest as follows:

Bonds Due July 1, 20__

Year

Principal Amount

* Final Maturity.

Bonds Due July 1, 20__

Year

Principal Amount

* Final Maturity.

Bonds Due July 1, 20__

Year

Principal Amount

* Final Maturity.

Extraordinary Redemption. The Series 2021 Bonds are subject to extraordinary redemption, at the option of the Authority, at the direction of the Borrower, as a whole, at any time, or, from time to time, in part, in the event of damage to, destruction of or condemnation of the Borrower Premises, as such term is defined in the Bond Indenture, or any part thereof from proceeds of insurance or condemnation that are

applied to the prepayment of the Borrower's obligations under the Loan Agreement and the Series 2021 Master Note, upon payment of a redemption price of 100% of the principal amount to be redeemed, together with interest accrued thereon to the date fixed for redemption. In the event that less than all of the Series 2021 Bonds of any particular maturity are to be redeemed, the Series 2021 Bonds of such maturity shall be drawn by lot by the Bond Trustee.

Notice of Redemption

Any redemption of Series 2021 Bonds shall be upon not more than 60 days' and not less than 30 days' prior notice by first class mail to the registered owners of Series 2021 Bonds to be redeemed at their addresses shown on the Bond Register, unless a notice is waived in accordance with the provisions of the Bond Indenture by the registered owners of the Series 2021 Bonds to be called for redemption, and shall be in the manner and under the terms and conditions and with the effect provided in the Bond Indenture. In the event of a partial redemption, a portion of a Series 2021 Bond that is in a denomination larger than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. Upon surrender of any Series 2021 Bond for redemption in part, the Bond Trustee will authenticate and deliver one or more Series 2021 Bonds in exchange therefor, in an aggregate principal amount equal to the unredeemed portion of the Series 2021 Bond so surrendered. So long as the Series 2021 Bonds or any portion thereof are held by DTC, the Bond Trustee shall send each notice of redemption of such Series 2021 Bonds to DTC. Failure to mail any such notice or defect in the mailing thereof in respect of any Series 2021 Bond shall not affect the validity of the redemption of any other Series 2021 Bond.

If at the time of mailing of notice of any optional redemption there shall not have been deposited moneys with the Bond Trustee sufficient to redeem all the Series 2021 Bonds called for redemption, such notice may state that it is conditional, in that it is subject to the deposit of such redemption moneys with the Bond Trustee not later than the opening of business on the scheduled redemption date, in which case such notice shall be of no effect unless such moneys are so deposited.

If the date for payment of the principal of, or interest on, the Series 2021 Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the designated corporate trust office of the Bond Trustee is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

If less than all Series 2021 Bonds of any one maturity are to be redeemed, the selection of the particular Series 2021 Bonds of such maturity to be redeemed shall be made by the Bond Trustee by lot in such manner as the Bond Trustee in its discretion may determine. In the case of a partial redemption of Series 2021 Bonds, when Series 2021 Bonds of denominations greater than \$5,000 are then outstanding, each \$5,000 unit of face value of principal thereof shall be treated as if it were a separate Series 2021 Bond of the denomination of \$5,000.

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 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 Series 2021 Bonds. The Series 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 Series 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 Standard & Poor's highest rating: 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 Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 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 Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Series 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 Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Series 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 Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 Series 2021 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or 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 Series 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 Series 2021 Bonds, the Beneficial Owners of the Series 2021 Bonds will not receive or have the right to receive physical delivery of the Series 2021 Bonds, and references herein to the Bondowners or registered owners of the Series 2021 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2021 Bonds.

None of the Authority, the Underwriter, the Bond Trustee, 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 Series 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 Series 2021 Bonds; or (v) any consent given or other action taken by DTC as Bondholder.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

Limited Obligations

The Series 2021 Bonds will be issued under and secured by the Bond Indenture. The Bond Indenture provides that the Series 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 Borrower 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 Series 2021 Master Note; and (iii) certain moneys and securities held by the Bond Trustee under the Bond Indenture.

The Series 2021 Bonds are 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 City, Lancaster County, the Commonwealth or any political subdivision thereof is pledged for the payment of the Series 2021 Bonds, nor will the Series 2021 Bonds be, or be deemed to be, an obligation of the City, Lancaster County, the Commonwealth, or any political subdivision thereof. The Authority has no taxing power.

The Loan Agreement

Under the Loan Agreement, the Borrower will be obligated to make loan payments in amounts necessary to provide for the payment as and when due of the principal of, premium, if any, and interest on, the Series 2021 Bonds and to provide for certain other payments required by the Bond Indenture. All of the right, title and interest of the Authority in and to the Loan Agreement, except the Authority's rights with respect to indemnification and payment of expenses and amounts required to be rebated to the federal government, are assigned to the Bond Trustee.

The Master Indenture and the Obligated Group

The Series 2021 Master Note constitutes an "Obligation" issued under the Master Indenture. The Obligated Group's obligations under the Series 2021 Master Note are the joint and several obligations of each Member of the Obligated Group, secured by a pledge of the Gross Receipts of the Obligated Group and a mortgage of substantially all real estate belonging to the Borrower.

Other parties may from time to time become Members of the Obligated Group and parties may withdraw from the Obligated Group under certain conditions contained in the Master Indenture. All Members of the Obligated Group are and will be jointly and severally liable for the payment of the Series 2021 Master Note. See "SUMMARY OF THE MASTER INDENTURE" in Appendix C hereto.

Security for Series 2021 Master Note

All Obligations issued under the Master Indenture, including the Series 2021 Master Note, are secured on a parity basis by a security interest in the Gross Receipts of the Members of the Obligated Group,

which does not include receipts with respect to the Excluded Properties, and by a first mortgage lien on certain properties owned by Members of the Obligated Group other than the Excluded Properties.

Upon issuance of the Series 2021 Bonds, the only outstanding Obligations issued pursuant to the Master Indenture will be the Series 2021 Master Note, which secures the Series 2021 Bonds, Obligation No. 6 dated as of August 18, 2021 (the “Series 2021 Master Note “Bank Debt”), which secures the Authority’s \$25,000,000 aggregate principal amount Revenue Bond, Series of 2021 (Landis Place on King LLC Project) and Obligation No. 1, dated as of October 1, 2015 (“Series 2015 Master Note”), which secures the outstanding \$44,150,000 Lancaster County Hospital Authority Health Center Revenue Refunding Bonds, Series of 2015A (Landis Homes Retirement Community Project). The Series 2015 Master Note, the Series 2021 Master Note (Bank Debt) and the Series 2021 Master Note are secured on a parity basis under the terms and conditions provided in the Master Indenture.

The Series 2015 Bonds were publicly offered and the Borrower is subject to a continuing disclosure undertaking in connection with the issuance of the Series 2015 Bonds. The Series 2015 Bonds were used to refund existing indebtedness of the Borrower as well as expand the Community. The 2021 Bank Debt is expected to be used by LPK primarily for the design, acquisition, construction and installation of a seven-story mixed use building with 79 one and two-bedroom residential apartments and 1,800 square feet of retail space and 1,400 square feet of office space. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP – Landis Place on King.”

Rate Covenant

The Master Indenture provides that:

(a) Each Member of the Obligated Group covenants to set rates and collect charges for its Facilities, services and products such that the Long Term Debt Service Coverage Ratio, calculated as of the end of each Fiscal Year, will not be less than 1.20; provided, however, that in any case where Long Term Indebtedness has been incurred to acquire or construct capital improvements, the Long Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first full Fiscal Year commencing after substantially all of such capital improvements are placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, the Long Term Debt Service Requirement with respect to such Long Term Indebtedness shall not be taken into account until Stable Occupancy). The Obligated Group agrees that it will notify the Master Trustee within ten (10) days of the following occurrences (i) when substantially all of any capital improvements are placed in service and (ii) when 90% of any additional independent or assisted living units or health care beds are occupied.

(b) In the event the Long Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.20 but greater than 1.00 (calculated as set forth in subsection (a) immediately above) the Obligated Group Representative is required to take the following actions:

(i) If the Obligated Group has at least 300 Days’ Cash on Hand as of the last day of such Fiscal Year, then no action is required and the Obligated Group will be deemed to be in compliance with the Long Term Debt Service Coverage Ratio.

(ii) If the Obligated Group has less than 300 Days’ Cash on Hand as of the last day of such Fiscal Year, then the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group’s methods of operation and other

factors affecting its financial condition to increase such Long Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(c) Other than as described in subsection (d) immediately below, if the Obligated Group is required to retain a Management Consultant under the Master Indenture, no Event of Default will exist under the Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth in the Master Indenture for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax Exempt Obligation. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default under the Master Indenture.

(d) Notwithstanding the foregoing, if the Long Term Debt Service Coverage Ratio of the Obligated Group for any two consecutive Fiscal Years is less than 1.00, such failure shall constitute an Event of Default under the Master Indenture. See "SUMMARY OF THE MASTER INDENTURE – Covenants of the Obligated Group – Long-Term Debt Service Coverage Ratio" in Appendix C hereto for a description of the Rate Covenant and the requirements for selecting and retaining a Management Consultant.

Liquidity Covenant

The Master Indenture provides that:

The Obligated Group covenants that it will calculate the Days' Cash on Hand of the Obligated Group as of each Liquidity Testing Date. The Obligated Group shall, not less than 45 days after each Liquidity Testing Date occurring on December 31st and not less than 120 days after each Liquidity Testing Date occurring on June 30th, deliver an Officer's Certificate setting forth such calculation for such Liquidity Testing Date to the Master Trustee.

Each Member of the Obligated Group shall conduct its business so that on each Liquidity Testing Date the Obligated Group shall have no less than 120 Days' Cash on Hand (the "Liquidity Requirement").

If the Days' Cash on Hand on any Liquidity Testing Date shall be less than the Liquidity Requirement, the Obligated Group Representative shall, within 45 days after delivering the Officer's Certificate pursuant to the Master Indenture disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of each Member of the Obligated Group to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to achieve the Liquidity Requirement on future Liquidity Testing Dates.

If the Obligated Group has not achieved the Liquidity Requirement by the next Liquidity Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Members of the Obligated Group shall, within 30 days after delivery of the Officer's Certificate disclosing such second consecutive deficiency (or such later date permitted under this Indenture), retain a Management Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group, the Obligated Group's methods of operation and other factors affecting its financial condition in order to achieve the Liquidity Requirement on future Liquidity Testing Dates. Each Member of the Obligated Group shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member of the Obligated Group) and permitted by law and, if applicable, its status as a Tax Exempt Organization.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the Liquidity Requirement for any Liquidity Testing Date shall not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan or retaining a Management Consultant and follows each recommendation contained in such plan or Management Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Company) and permitted by law. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — Liquidity Covenant" herein and "SUMMARY OF THE MASTER INDENTURE – Covenants of the Obligated Group – Liquidity Covenant" in Appendix C hereto for a description of the Liquidity Covenant.

Transfer of Assets

Members of the Obligated Group may, upon compliance with certain conditions set forth in the Master Indenture, transfer property, including cash, investments and operating assets, to Persons who are not Members of the Obligated Group. See "SUMMARY OF THE MASTER INDENTURE – Covenants of the Obligated Group – Transfers of Property, Plant and Equipment; Transfers of Cash and Investments" in Appendix C hereto.

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for Reserve Fund No. 2 shall be in an amount equal to fifty percent (50%) of the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on the Series 2021 Master Note and any other Obligations issued after the date hereof which are secured by Reserve Fund No. 2, (B) one hundred twenty five percent (125%) of average annual Long Term Debt Service Requirement on the Series 2021 Master Note and any other Obligations issued after the date hereof which are secured by Reserve Fund No. 2 and (C) ten percent (10%) of the stated original principal amount of the Series 2021 Master Note and any other Obligations issued after the date hereof which are secured by Reserve Fund No. 2. On the date of issuance of the Series 2021 Master Note the Debt Service Reserve Fund Requirement for Reserve Fund No. 2 shall be in the amount of \$_____. The Master Indenture requires the Master Trustee to use amounts in Reserve Fund No. 2 to make transfers to the applicable Debt Service Fund to the extent necessary to pay interest on and principal of (whether at maturity, by acceleration or in satisfaction of a sinking fund requirement therefor) the Series 2021 Bonds, whenever and to the extent that the money on deposit in the applicable Debt Service Fund is insufficient for such purposes.

The Master Trustee may establish one or more Debt Service Reserve Funds as security for one or more Obligations issued under the Master Indenture. Each Debt Service Reserve Fund, including the Debt Service Reserve Fund established for Reserve Fund No. 2, may serve as security for more than one Obligation under the Master Indenture, in which case all Obligations secured under such Debt Service Reserve Fund will be secured equally and ratably by amounts on deposit in such Debt Service Reserve Fund. Each Debt Service Reserve Fund will be required to be funded in an amount equal to the Debt Service Reserve Fund Requirement.

Additional Indebtedness

Each Member of the Obligated Group may, upon compliance with the conditions of the Master Indenture, incur additional debt to be evidenced by Obligations. The Master Indenture and the Obligations created thereunder are joint and several obligations of the Members of the Obligated Group. The Master Indenture provides that certain additional debt may be incurred by Members of the Obligated Group upon

compliance with the requirements of the Master Indenture, which requirements in some but not all cases include certain financial tests either historical, forecasted or both. See "SUMMARY OF THE MASTER INDENTURE – Covenants of the Obligated Group - Limitations on Incurrence of Indebtedness" in Appendix C hereto for a description of limitations on the incurrence of additional indebtedness.

DEBT SERVICE REQUIREMENTS

The following table summarizes the annual debt service requirements on the Series 2021 Bonds.

<u>Year Ending June 30</u>	<u>Principal (Series 2021 Bonds)</u>	<u>Interest (Series 2021 Bonds)</u>	<u>Existing Indebtedness</u>	<u>Total Debt Service</u>
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CERTAIN BONDHOLDER'S 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 Series 2021 Bonds.

AN INVESTMENT IN THE SERIES 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 SERIES 2021 BONDS" AND THIS SECTION FOR A DISCUSSION OF CERTAIN INVESTMENT CONSIDERATIONS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2021 BONDS.

General

Payment of the Obligations issued under the Master Indenture, including the Series 2021 Master Note and, therefore, the Series 2021 Bonds, will depend on the Obligated Group's ability to generate revenues sufficient to pay debt service on the Obligations, including the Series 2021 Master Note, 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 payors.

Limited Obligations

The Series 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 Borrower under the Loan Agreement or by the Obligated Group under the Series 2021 Master Note or from any other moneys made available to the Authority for such purpose under the Loan Agreement, the Series 2021 Master Note or the Bond Indenture.

Failure to Maintain Turnover or Occupancy

The economic feasibility of the Obligated Group's facilities depends upon the ability of the Obligated Group to attract sufficient residents and to maintain substantial occupancy of the facilities of the Obligated Group throughout the term of the Series 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 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 by Prospective Independent Living Facility Residents

Many prospective residents of the Obligated Group's independent living facilities 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, 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.

Additional Debt

The Master Indenture permits the Obligated Group to incur Additional Indebtedness which may be equally and ratably secured with the Series 2021 Master Note. Any such Additional Indebtedness would be entitled to share ratably with the holders of the Series 2021 Master Note 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. There is no assurance that, despite compliance with the conditions upon which Additional Indebtedness may be incurred at the time such debt is created, the ability of the Obligated Group to make the necessary payments to repay the Series 2021 Master Note may not be materially, adversely affected upon the incurrence of Additional Indebtedness.

Supplements to the Master Indenture entered into in connection with the issuance of additional Obligations under the Master Indenture may contain additional covenants for the benefit of the Holders of such additional Obligations, including financial covenants that are more restrictive than the covenants otherwise contained in the Master Indenture. In the case of an Event of Default related to failure to comply with such covenants, the Holders of such additional Obligations, to the extent that they hold at least 25% of the aggregate principal amount of Obligations Outstanding under the Master Indenture, could direct an acceleration of all Obligations issued under the Master Indenture, including the Series 2021 Master Note.

Unique Nature of the Obligated Group 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 Mortgage may be limited, and the realization of revenues from the sale or leasing of the Mortgaged Property (upon foreclosure or otherwise) might thus be materially and adversely affected.

Bankruptcy

The ability of the Authority, the Master Trustee and the Bond Trustee to exercise rights under the Loan Agreement, the Mortgage and the Master Indenture, as applicable, may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles and judicial discretion related to or affecting the enforcement of creditors' rights generally.

Competition

The Obligated Group faces competition from similar facilities operating and under construction in or near its market area, from other residential facilities for older adults and from existing facilities offering custodial, intermediate and skilled nursing care. The Obligated Group may face additional competition in the future as a result of the construction of new, or the renovation or expansion of existing, housing and nursing care facilities for senior persons in the area served by the Obligated Group's facilities. The Obligated Group also faces 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, there are few entry barriers to future competitors because competing facilities generally do not require a certificate of need approval, although continuing care facilities are required to obtain a Certificate of Authority from the Pennsylvania Department of Insurance, and new nursing facilities seeking to participate in the Pennsylvania Medicaid Program must obtain approval from the Pennsylvania Department of Human Services through the Participation Review Process. All of these factors combine to make the senior housing industry volatile and subject to material change that cannot be currently predicted.

Nature of the Income of Residents

A large percentage of the monthly income of some residents of the Community is fixed income derived from pensions and social security or income from investments. If, due to inflation or otherwise, substantial increases in resident fees and charges are required to cover increases in operating costs, including wages, benefits and other expenses, residents may have difficulty paying or may be unable to pay such increased fees and charges. Furthermore, investment income of the residents may be adversely affected by declines in market interest rates, also resulting in payment difficulties. The Obligated Group conducts a financial analysis of each potential resident of their independent living units before executing a Residency Agreement to determine the likely ability of the resident to meet the financial obligations to the Obligated Group; however no assurance may be given that future events, including life expectancy, will not result in residents encountering difficulty in paying the fees and charges of the Obligated Group.

Fluctuation in Market Value of Investments

Earnings on its investments have historically provided the Obligated Group a source of cash flow and capital appreciation to support its programs and services, to finance its capital expenditure investments and to build its cash reserves. No assurances can be given that the market value of the Obligated Group's investments will grow, or even remain at its current level and there is risk that it may actually decline at some time in the future.

Certain Matters Relating to Enforceability of the Master Indenture

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

The joint and several obligations described herein of the Members 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, moratorium, reorganization 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 Series 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 Obligation, 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 Borrower in order to pay debt service on the Series 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 fraudulent 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 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 debt service 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 the Member of the Obligated Group is analogous to a guarantor of the debt of the Member of the Obligated Group who directly benefited from the borrowing and that reasonably equivalent value for the Member's guaranty was not received and that the incurrence of such Obligation has rendered or will render the Member insolvent.

The accounts of the Members 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 Series 2021 Master Note.

The various legal opinions to be delivered concurrently with the execution and delivery of the Series 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, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

Federal and State Regulation; Rights of Residents

The Obligated Group is subject to regulatory actions 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 Obligated Group's facilities or otherwise changing existing regulations or their interpretation could increase the cost of operation of the Obligated Group's facilities and adversely affect the revenues of the Obligated Group.

The United States Congress and the Pennsylvania Legislature have considered 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 Mortgaged Property to comply with applicable federal and state laws and regulations could have a material adverse effect on the Obligated Group's financial condition and its ability to pay and perform their obligations under the Loan Agreement, the Master Indenture, the Series 2021 Master Note and the Mortgage.

The enactment of further legislation restricting operation of continuing care 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 Mortgage may be adversely affected by litigation on behalf of residents. Although under the current residence and care 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 Obligated Group's 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 Mortgage 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 Obligated Group's 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 legislatures 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 Obligated Group to make timely payments under the Loan Agreement and the Series 2021 Master Note.

The Obligated Group also receives reimbursement for services from non-governmental third-party payers, such as commercial insurers and health maintenance 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

The Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (collectively referred to as the "Health Care Reform Act") has significantly changed the United States health care delivery system, addressing almost all aspects of health care facility and provider operations, including the delivery of health care services, the financing of health care costs, health care provider reimbursement and the legal obligations of health care providers, insurers, employers and consumers. The Health Care Reform Act was intended to address disparities in access, cost, quality and delivery of health care to United States residents.

The changes to various aspects of the health care system in the Health Care Reform Act are far-reaching and include substantial adjustments to Medicare reimbursement, establishment of individual and employer mandates for health insurance coverage, extension of Medicaid coverage to certain populations, provision of incentives for employer-provided health care insurance, and increased efficiency and oversight provisions. The provisions of the Health Care Reform Act were structured to take effect over time, ranging from immediately upon passage to ten years from passage. Most of the significant health insurance coverage reforms began in 2014. The Health Care Reform Act also required the promulgation of substantial regulations with significant effects on the health care industry.

The Health Care Reform Act changed the sources and methods by which consumers will pay for health care. The Health Care Reform Act also imposed new requirements for employers' provision of health insurance to their employees and dependents. One of the primary goals of the Health Care Reform Act was to provide or make available, or subsidize the premium costs of, health care insurance for otherwise uninsured (or underinsured) consumers who fall below certain income levels. The Health Care Reform Act was intended to accomplish that objective by a number of means, including creating state organized insurance markets in which individuals and small employers can purchase health care insurance; providing income-based subsidies for premium costs to individuals and families; mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance; establishing insurance reforms, such as prohibiting denials of coverage for pre-existing conditions; and expanding existing public programs, such as Medicaid.

The Health Care Reform Act provisions related to skilled nursing facilities include requirements that facilities (i) make certain disclosures regarding ownership; (ii) implement compliance and ethics programs; and (iii) make certain disclosures regarding expenditures for wages and benefits for direct care staff.

The uncertainty surrounding the impact of the Health Care Reform Act on the Obligated Group's facilities will continue for the foreseeable future. Possible impacts on the Obligated Group's facilities include, but are not limited to, significant regulatory changes that increase the cost of operations; increased activity by government agencies regarding fraud, waste, and abuse; decreased reimbursements for health care services from third-party payors, including Medicare and Medicaid; significant changes to current

payment methodologies for health care services; and changes to the costs and expenses of providing health insurance coverage to employees at the Obligated Group's Facilities.

In general, the provisions of the Health Care Reform Act that encourage or mandate health care coverage for individuals can be expected to increase demand for health care and reduce the amount of uncompensated care that the Obligated Group provides. However, the reimbursement paid by the payers of the newly insured may be inadequate to cover costs. Revisions to the Medicare reimbursement program will also likely reduce Medicare reimbursement levels. The practical consequences of the Health Care Reform Act, as well as of other future federal and state actions affecting the health care delivery system cannot be foreseen. In particular, any legal, legislative or executive action that reduces federal health care program spending, increases the number of individuals without health insurance, reduces the number of people seeking health care, or otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the business or financial condition of the Obligated Group.

Health Care Regulation

Due to the controversial nature of health care reform generally, the Health Care Reform Act and its implementation has been, and remains, politically controversial since its enactment, and the law has continually faced legal, legislative and political challenges, including legislative repeal efforts. Congressional leaders have introduced various Health Reform Act repeal bills. While no bills wholly repealing the Health Reform Act have passed both chambers of Congress, a tax reform bill passed in late 2017 (the "Tax Cuts and Jobs Act of 2017") effectively eliminated a key provision of the Health Reform Act, a tax penalty associated with failing to maintain health coverage (the "Individual Mandate Tax Penalty") by reducing the penalty to zero dollars effective 2019. Additionally, on December 14, 2018, a Texas Federal District Court judge, in the case of *Texas v. Azar* declared the Health Reform Act unconstitutional, reasoning that the Individual Mandate Tax Penalty was essential to and inseparable from the remainder of the Health Care Reform Act. The case was appealed to the U.S. Court of Appeals for the Fifth Circuit. On December 18, 2019, the U.S. Court of Appeals for the Fifth Circuit affirmed the Texas Federal District Court judge's ruling that the Individual Mandate Tax Penalty was unconstitutional but stopped short of ruling that the entire Health Reform Act is invalid. The Fifth Circuit remanded the case to the Texas District Court to reconsider whether the remainder of the Health Reform Act is severable or must also be held unconstitutional. On March 2, 2020, the U.S. Supreme Court agreed to hear the case, oral arguments were heard in November of 2020 and in June 2021, the U.S. Supreme Court dismissed the appeal, upholding the constitutionality of the Health Reform Act. Management cannot predict the likelihood of any future Health Reform Act repeal bills or amendments or other health care reform bills becoming law, or the subsequent effects of any such laws or legal decisions, though such effects could materially impact the Obligated Group's business or financial condition. In particular, any legal, legislative or executive action that (1) reduces federal health care program spending, (2) increases the number of individuals without health insurance, (3) reduces the number of people seeking health care, or (4) otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the Obligated Group's business or financial condition.

In addition, other legislative proposals which could have an adverse effect on the Obligated Group include: (a) any changes in the taxation of non-profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax exempt financing for corporations recognized under Section 501(c)(3) of the Code; (c) regulatory limitations affecting the Obligated Group's ability to undertake capital projects or develop new services; and (d) a requirement that non-profit health care institutions pay real estate property tax and sales tax on the same basis as for-profit entities.

The discussion above (or as otherwise discussed herein) is not an exhaustive study of the laws and regulations which may apply to the Obligated Group and its operations. Other laws and regulations not set forth herein (or elsewhere herein) may also apply to the Obligated Group and its operations and may have an adverse impact thereon.

Federal and State Health Care Laws and Regulations; Medicare and Medicaid.

The Obligated Group's independent living units are not currently subject to significant federal governmental regulation other than laws and regulations applicable generally to developers and operators of residential real estate. For example, the Obligated Group must comply with the federal Fair Housing Act and Fair Housing Amendments Act of 1988, 42 U.S.C.A. §3601 et seq., as amended, (which among other things, prohibits discrimination in housing) and the Americans with Disabilities Act of 1990, 42 U.S.C.A. §12101 et seq., as amended (which mandates the elimination of discrimination against individuals with disabilities and imposes certain standards relating to the construction and/or renovation of certain buildings and structures). Compliance with such regulatory requirements can increase operating costs and thereby adversely affect the Obligated Group's financial results. Failure to comply with such requirements could also result in the imposition of various fines and other remedies.

Skilled nursing facilities that accept payment from Medicare and/or Medicaid are required to comply with federal laws that affect the rights of residents, including the Federal Nursing Home Reform Act and related regulations. In addition, state laws establish the rights and responsibilities of residents of skilled nursing facilities and personal care homes. Failure to comply with these laws can result in regulatory action, monetary fines, loss or restriction of licensure or certification, and other remedies. There is no certainty that compliance with the laws or regulatory actions under them will not adversely affect operation of the Obligated Group's facilities or the financial condition of the Obligated Group.

The health care industry in general is subject to regulation by a number of federal, state and local governmental agencies, including the Centers for Medicare and Medicaid Services ("CMS"). As a result, the industry is sensitive to legislative changes in such programs and is affected by reductions in governmental spending for such programs. Congress has in the past enacted a number of provisions that 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 program. Additional legislation dealing with nursing home revenues could be introduced that, if enacted, might have an adverse impact upon the revenues of the Obligated Group's skilled nursing facilities.

At this time, all of the Obligated Group's skilled nursing beds are certified for Medicare and Medicaid.

The Borrower will receive payments for providing nursing care for eligible residents under Title XVIII of the federal Social Security Act ("Medicare") and Title XIX of the federal Social Security Act ("Medicaid"). Medicare is an exclusively federal program and Medicaid is funded by federal and state appropriations. The health care industry, in general, is subject to regulation by a number of governmental agencies, including those which administer the Medicaid and Medicare programs, and other federal, state and local governmental agencies. As a result, the industry is sensitive to legislative changes in how providers are reimbursed and is affected by reductions in governmental spending for such programs. Congress has in the past enacted a number of provisions that 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. Additional legislation dealing with nursing home revenues could be introduced, and if enacted, such legislation might have an adverse impact upon the revenues of the Borrower.

Medicare. Medicare, which is administered by the CMS, 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. The Medicare and Medicaid programs have "Requirements for Participation" that a provider must satisfy on a continuing basis to qualify for reimbursement, including, but not limited to, compliance with state licensure requirements, governing body and management requirements, medical records requirements, quality assurance and utilization review requirements, physical environment standards, and nursing services standards. In order to achieve or maintain Medicare certification, the Borrower must meet these "Requirements for Participation" on an ongoing basis.

Subject to certain limitations, Medicare will reimburse skilled 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 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 100 days for each qualified resident per benefit period. A benefit period begins when a patient starts using his or her skilled nursing benefits and ends when a patient has not been in a hospital or received skilled nursing care for 60 days.

Starting in 1998, Medicare began paying nursing homes under a prospective payment system ("PPS"). Payments are made directly to the Borrower for residents qualifying for Medicare on the basis of per diem rates based on resident acuity, as well as each facility's allowable costs for the cost reporting period that began in fiscal year 1995, updated by a factor based on the skilled nursing facility market basket percentage (except in the case of certain facilities in states having a PPS demonstration project), but without adjustment for case mix or wage levels. The Medicare statute requires that payments to nursing homes must be adjusted based on a "resident classification system." The PPS previously used resource utilization groups ("RUGs") for the purpose of classifying patients into categories in order to capture the necessary resources needed for the nursing home to provide services to those patients. The categories represented a case-mix classification system that was based on the associated cost of providing care to a particular patient. The RUG system was used since 2010 and consisted of sixty-six case-mix groups. However, effective October 1, 2019, CMS began using the Patient-Driven Payment Model ("PDPM") as the basis for classifying skilled nursing patients in covered Medicare Part A stays in order to determine Medicare payment, replacing the RUG system. PDPM bases payment on a resident's characteristics, rather than on the services provided by the facility. PDPM classifies patients into a separate group for each of the case mix-adjusted components. Each group has their own associated case-mix indexes and per diem rates. PDPM applies variable per diem payment adjustments to physical therapy, occupational therapy, and non-therapy ancillary services to account for changes in resource use over a stay. The adjusted therapy per diem rates are added together with the unadjusted speech-language pathology and nursing component rates and the non-case-mix component in order to determine the full per diem rate for a given patient.

Medicare 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 20% co-payment for the remaining 80 days. This co-payment may be covered by a private insurance company through a Medigap plan. However, in the event the patient's secondary coverage is Medicaid, or the patient has no secondary insurance, the co-payment may not be paid. Medicare allows for certain patient payments that remain unpaid and for which the facility has made certain collection attempts, to be reported as bad debt on Medicare cost reports. Medicare reimbursed 70% of the amount of uncollected bad debt but the Middle Class Tax Extension and Job Creation Act of 2012, reduced Medicare bad debt reimbursement to 65% of uncollected debt for fiscal year 2013 and beyond. Such a reduction may have a material adverse impact on the Obligated Group's revenues.

The Improving Medicare Post-Acute Care Transformation Act of 2014 (the "IMPACT Act"), was enacted in 2014 and requires the establishment of a skilled nursing facility quality reporting program. Beginning in fiscal year 2018, skilled nursing facilities that fail to submit required quality data to CMS will have their annual payment updates reduced by two percentage points. If the Obligated Group fails to submit such quality data to CMS, such reduction may have an adverse impact on the Obligated Group's revenue from Medicare.

Under the Protecting Access to Medicare Act of 2014, CMS was required to establish a value-based purchasing program for skilled nursing facilities by October 1, 2019. Program performance is based on a facility's hospital readmission rate. On July 20, 2019, CMS issued the final rule on the 2020 Medicare skilled nursing facility payment rates. The rule updated the payment rates used under the skilled nursing PPS, starting with the 2020 fiscal year. The final rule increased net payments by 2.4 percent or \$851 million, compared to fiscal year 2019.

Other future legislation, regulation or actions by the federal government may result in 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.

Medicare HMOs. Medicare allows Medicare beneficiaries to enroll in certain federally qualified health maintenance organizations and competitive health plans ("Medicare HMOs"). Medicare HMOs enter into contractual arrangements with providers, pursuant to which the Medicare HMOs pay negotiated rates which may be less than standard Medicare payment rates. Such Medicare HMOs may pay providers on a "capitated" basis; that is, at a predetermined amount per enrollee without regard to the value of services used by enrollees, which could decrease the profitability of the Obligated Group making it more difficult for the Obligated Group to satisfy the financial covenants in the Master Indenture as well as make payments of debt service on the Series 2021 Bonds.

Medicare Advantage. Medicare Advantage Plans (sometimes referred to as "MA Plans" or "Part C") are a type of Medicare health plan offered by a private health insurance plan that contracts with Medicare to provide all the Medicare beneficiary's Part A and Part B benefits. Most MA Plans also offer prescription drug coverage. MA Plans are an "all in one" alternative to Original Medicare. Medicare pays a fixed amount each month to the MA Plans. Such payments are set by CMS and are subject to change as a result of federal legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and are expected to occur in the future, particularly in response to federal budgetary constraints. It is unknown if and how such changes might impact the Obligated Group in the future. MA Plans can also decide to leave the Medicare Advantage Program. If a MA Plan leaves the program, residents will be automatically returned to Original Medicare unless they choose to join another MA Plan. Moreover, the Obligated Group Member's participation in MA Plans could be terminated or the Obligated Group Members could have funds recouped by MA Plans due to improper reimbursement for health care services rendered by such Obligated Group Members.

Medicare Reporting Requirements. Medicare regulations provide that all entities furnishing services for which payment may be made under Medicare are required to submit certain information to CMS. Persons who fail to submit the required information or who fail to report the information accurately and completely are subject to civil money penalties. As these requirements are numerous, technical and complex, there can be no assurance that the Obligated Group may not incur such penalties in the future. These penalties may be material or adverse.

Medicaid. The revenues of the Obligated Group historically have been and in the future are expected to be derived in significant part from payments made on behalf of qualifying residents under state Medical Assistance Programs. States currently fund a substantial portion of Medicaid payments and exercise considerable discretion in determining payments allowed to care providers. Federal regulations provide that states are not required to pay for long-term care services on a cost-related basis, but may do so according to payment rate systems established by the state and identified in a state Medicaid plan. Those payment systems may be implemented after the state provides public notice of its methodologies and justifications and affords providers, beneficiaries and other interested parties a reasonable opportunity to comment on any proposed rates, methodologies and justifications. As a result, the payments allowed by states for qualifying residents may be based on factors other than the actual costs of the nursing services, creating a more competitive environment for nursing facilities. The political emphasis on budget cutting, further changes in Medicaid funding, and changes in the payment patterns of the federal Government and Medicaid may have an adverse effect upon the revenues of the Obligated Group.

Pennsylvania has developed a mandatory Medicaid managed care program, called “Community HealthChoices” to cover Medicaid-eligible beneficiaries requiring long term care services. Under this program, the Commonwealth provides “block grants” to three selected Managed Care Organizations (“MCO”), who enroll Medicaid beneficiaries and develop a network of providers, including nursing facilities. Those MCOs contract with individual providers at agreed-upon, negotiated rates, subject to some limitations imposed by law. The Obligated Group has contracted with all three MCOs to provide long term care services to Medicaid beneficiaries.

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

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.

Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to the Obligated Group’s facilities could have a material adverse effect on the ability to generate funds sufficient to make required payments related to the Series 2021 Bonds and on the overall financial condition of the Obligated Group. In addition, contracts between facilities and third-party payors often have contractual audit, setoff and withhold 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 both the Medicare and Medicaid programs, there can be no assurance that significant difficulties could not develop in the future.

Federal and State Health Care Program Reimbursement Cuts or Delays. The federal and state governments have in the past, and may in the future, make changes to their respective budgets, which may include budget reductions specific to the Medicare or Medicaid programs. Additionally, federal health care reform legislation has resulted in significant reimbursement cuts, and future health care reform efforts (including continuing efforts to repeal and replace the Health Care Reform Act) may result in additional cuts. The reduction of Medicare or Medicaid spending may have a material adverse effect upon facilities

that accept Medicare and Medicaid payments. The Obligated Group is partly dependent upon Medicare and Medicaid reimbursement. See APPENDIX A – “CERTAIN INFORMATION REGARDING THE OBLIGATED GROUP – INFORMATION REGARDING THE OBLIGATED GROUP MEMBERS – Payor Mix”.

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 who 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 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 FCA provides, in part, that the federal government may bring a lawsuit against any person 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 acts with actual knowledge of, or in deliberate ignorance or reckless disregard of, the falsity of the claim. Under the FCA, the term "person" means an individual, company, or corporation. Penalties include civil penalties of up to \$11,000 per claim, plus three times the amount of damages caused to the government as a result of the fraudulent activities. Under the FCA, anyone who knowingly makes a false statement or representation in any claim to the Medicare or Medicaid programs is subject to fines and imprisonment.

In 2009, President Obama signed into law the Fraud Enforcement Recovery Act ("FERA") which authorized increased funding for fraud investigation and prosecution, and expanded the scope of the FCA. A health care provider now may face severe penalties for the knowing retention of government overpayments even though the provider or contractor made no false or improper claim for such payments. Under FERA, the FCA now applies even if a false claim was not submitted directly to the government. In addition, FERA enhances whistleblowers' ability to investigate alleged FCA violations and provides them enhanced protections.

The Health Care Reform Act 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 on which 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 FCA includes "whistleblower" provisions under which anyone who believes that a person is violating the 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 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 FCA, a large number of which involve the health care and pharmaceutical industries.

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 monetary penalties against any person who submits a claim to Medicare, Medicaid 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 include up to \$50,000 for each item or service claimed, and damages of up to three times the amount claimed for each item or service, and exclusion from participation in the federal health care programs. 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) 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 the excluded person/entity could be subject to a CMP Law penalty of up to \$11,000 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 Obligated Group's 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. Under the Medicare and Medicaid programs, the federal and state governments enforce a federal statute known as the "Anti-kickback Law" that prohibits the offer, payment, solicitation or receipt of any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to

induce or in exchange for (i) the referral of patients covered by the programs, or (ii) the leasing, purchasing, ordering or arranging for or recommending the lease, purchase, or order of any item, good, facility or service covered by the programs. Violation of the Anti-Kickback Law is a felony and may result in imprisonment for up to five years, fines of up to \$25,000 per violation, and exclusion from participation in federal healthcare programs, as well as other state health care programs. In addition, civil monetary penalties of \$50,000 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 Anti-Kickback Law. 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.

The Health Care Reform Act amended the intent requirement to provide that a person need not have actual knowledge of the Anti-Kickback law or specific intent to commit a kickback violation, to violate the statute. Penalties for the failure to grant timely access to HHS were also added by Health Care Reform Act.

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. 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 of up to \$15,000 per 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 up to \$100,000 and also face exclusion from the Medicare and Medicaid programs. Management of the Borrower does not believe that the Obligated Group is involved in activities that pose a significant risk of sanctions under these referral laws. However, there can be no assurance that such challenge or investigation will not occur in the future.

In 2010, self-reporting obligations were added under the Health Care Act. Health care providers of services or suppliers are required to submit all information necessary for CMS to analyze the actual or potential violation of the Stark Law. Under the Health Care Act, the Secretary of HHS has the authority to reduce the amount due and owing for violations of the Stark Law. The self-reporting obligations are intended to facilitate the resolution of only matters that in the disclosing party's reasonable assessment are actual or potential violations of the Stark Law. A disclosing party should make a submission with the intention of resolving its overpayment liability exposure for the conduct it identified. In addition to reporting the actual or potential amount due or owing, disclosing parties should provide as part of the initial submission to CMS the total amount of remuneration a physician(s) received as a result of an actual or potential violation(s) during the applicable "look back" period.

HIPAA. Congress enacted HIPAA in August of 1996 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, HIPAA authorized Congress to greatly increase 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 FCA. This expanded enforcement activity, together with the whistleblower provisions of the 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 "Privacy and Security" provisions of HIPAA). The Privacy and Security provisions apply to health care providers, health plans, and health care clearinghouses (collectively, "Covered Entities"). In 2013, HHS issued final regulations ("Final Rule") strengthening many aspects of the privacy and security rules under HIPAA so that they are more aligned with the HITECH Act (as defined below). The Final Rule changes certain requirements for Covered Entities and establishes rules that now apply directly to their vendors that handle protected health information ("PHI") and qualify as business associates under HIPAA. A Covered Entity and its business associates must make reasonable efforts to use, disclose and request only the minimal amount of protected health information needed to accompany the intended use. 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 or other senior living facilities), and significant civil and criminal penalties may result from a failure to comply with the Privacy and Security regulations.

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 Borrower 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.

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 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 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.

The Final Rule changes the harm threshold for breach notification under the HITECH Act. The harm standard has been replaced by a more objective assessment of whether protected health information has been compromised. Rather than assessing harm to determine if a breach occurred, Covered Entities or business associates now must presume each impermissible use or disclosure of PHI is a breach unless an exception applies or there is a low probability that PHI has been compromised, as determined through a risk assessment. Covered Entities or business associates must consider four factors in its risk assessment: (1) the nature and extent of the protected health information involved, including the types of identifiers and the likelihood of re-identification; (2) the unauthorized person who used the protected health information or to whom the disclosure was made; (3) whether the protected health information was actually acquired or viewed; and (4) the extent to which the risk to the protected health information has been mitigated.

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. 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.

The Health Care Reform Act mandated that the Office of Civil Rights ("OCR") of HHS perform periodic audits to ensure Covered Entities and business associates are complying with the HIPAA Privacy and Security Rules and Breach Notification standards. To implement this mandate, OCR piloted a program to perform 115 audits of Covered Entities to assess privacy and security compliance. Audits conducted during the pilot phase began November 2011 and concluded in December 2012. Responding to an OIG report recommending stronger oversight of covered entities' compliance with HIPAA, the OCR implemented Phase II of its audit program in early 2016, which includes desk audits and site audits of both Covered Entities and business associates.

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 revised civil monetary penalty provisions establish a tiered system, ranging from a minimum of \$100 per violation for an unknowing violation to \$1,000 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 \$10,000 or \$50,000 per violation, depending on whether the violation was corrected within thirty (30) days of the date the violator knew or should have known of the violation. The new levels of civil monetary penalties are currently applicable. 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 ten 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 Final Rule also enhances the enforcement rules for HIPAA non-compliance. HHS will investigate all complaints where there is a possible violation due to willful neglect. A preliminary review will determine whether a more comprehensive compliance review is warranted. Penalties are divided into four levels, ranging from \$100 to \$50,000 per violation, depending on the level of culpability, with a \$1.5 million cap per calendar year. HHS retains the discretion to utilize informal resolution options.

The Health Care Reform Act also included electronic transaction and operating guidelines that must be used by all HIPAA Covered Entities for electronic funds transfers and various claim forms.

Financial costs of continuing compliance with HIPAA and the Privacy and Security regulations are substantial and will increase as a result of the amendments issued under the HITECH Act.

On December 10, 2020, HHS proposed numerous modifications to the Privacy regulations. Comments to the proposed modifications were due by May 6, 2021. To date, the modifications have yet to be finalized. The financial costs of continuing compliance with HIPAA and the Privacy and Security regulations are substantial and have increased as a result of the amendments issued under the HITECH Act, and may increase further depending on the finalization of the proposed modifications to the Privacy regulations.

State 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, 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. 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.

Licensing, Surveys, Accreditation and Audits. On a regular basis, health care facilities including skilled nursing facilities, are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These requirements include, but are not limited to, requirements relating to Medicare and Medicaid participation and payment, state licensing agencies, and other federal, state and local government agencies. Obtaining, renewing and continuing certain of these licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative action or response by the Obligated Group. These activities are generally conducted in the normal course of business. Nevertheless, an adverse result could be the cause of loss or reduction in a facility's scope of licensure, certification or accreditation or reduce payments received.

The Obligated Group is subject to regulation, certification and licensure by various federal, state and local government agencies. No assurance can be given as to the effect on future Obligated Group operations of existing laws, regulations and standards for certification, licensure or of any future changes in such laws, regulations and standards.

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. The federal Requirements for Participation mandate that skilled nursing facilities implement a compliance and ethics program consistent with the regulatory requirements.

The Obligated Group adopted a corporate compliance plan (the "Compliance Plan") in 2000 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 consolidated 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, 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.

Possible Limitations on Security

The Obligated Group covenants in the Master Indenture and the Mortgage not to create or permit to exist any lien or encumbrance on the Mortgaged Property, except Permitted Liens. The security interest in the Gross Receipts 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 Series 2021 Bonds from the property, other than Gross Receipts, so encumbered in the event of the enforcement thereof. See "SUMMARY OF THE MASTER INDENTURE – Covenants of the Obligated Group – Limitation on Creation of Liens" in Appendix C hereto.

The security interest created by the Master Indenture in Gross Receipts and similar security may be limited by the following: (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) prohibitions against assignment contained in state or federal statutes, including those governing Medicare and Medicaid; (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (v) state and federal insolvency or bankruptcy laws as affecting any such security in which the Obligated Group acquires an interest and upon which the lien of the Master Indenture and the Mortgage attaches within the statutorily prescribed preference period prior to any effectual institution of bankruptcy proceedings by or against the Obligated Group Members and thereafter; (vi) rights of third parties in any such security, including any such security converted to cash, not in the possession of the Master Trustee; and (vii) the requirement that appropriate 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 property of the Obligated Group Members subject to the lien of the Master Indenture or the Mortgage is located or on 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 Mortgage and the other documents securing the Series 2021 Bonds and the Borrower's 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 Indenture, the Loan Agreement, the Mortgage and the other documents securing the Series 2021 Master Note and the Series 2021 Bonds and the Borrower's obligations under the Loan Agreement and the Obligated Group's obligations under the Master Indenture may not be readily available.

Risks Inherent in Bank-Credit, Variable Rate Obligations and Interest Rate Swaps

In the future, the Obligated Group expects to incur additional indebtedness through direct loans from banks, by banks providing letters of credit securing variable rate indebtedness, or through banks purchasing taxable or tax-exempt bonds issued for the benefit of the Obligated Group (collectively, "Bank-Credit"). The 2021 Bank Debt is Bank-Credit. Bank-Credit may expose the Obligated Group to risks related to the tender or renewal of Bank-Credit subject to optional or mandatory tender or risks related to variable rate indebtedness, such as the risk of interest rates rising or risks related to interest rate swaps entered into in connection with variable rate indebtedness. No assurance can be made regarding the future interest rates or renewal terms of any Bank-Credit entered into by the Obligated Group, nor can any assurance be given that the terms of any such Bank-Credit would not impose more restrictive financial covenants than those related to the Series 2021 Bonds. In conjunction with any cross-default provisions, such terms could create materially adverse risks of Events of Default under the Master Indenture.

To hedge its interest rate risk with respect to any variable rate obligations, the Borrower or another future Member of the Obligated Group may in the future enter into one or more interest rate swap transactions or other hedge agreement with a counterparty (collectively, a "Hedge"). Any Hedge would be subject to periodic "mark-to-market" valuations and may, at any time, have a negative value to the Obligated Group. If a Hedge counterparty, upon the occurrence of a defined termination event or other similar trigger, or the Borrower or any future Member of the Obligated Group terminates such Hedge when the Hedge has a negative value to the Obligated Group, the Obligated Group would be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the financial condition of the Obligated Group.

Many swap agreements require each party to provide additional security for its obligations, such as posting collateral in the form of cash or marketable investment securities, in certain circumstances. In addition, any Hedge counterparty could become insolvent or otherwise unable to perform its obligations under a Hedge. Even if a Hedge were not terminated, if the Hedge counterparty were unable to perform its obligations under its Hedge, the Obligated Group could be negatively impacted.

Federal Tax Matters

Possible Changes in Borrower's Tax Status. The possible modification or repeal of certain existing federal income or state tax laws or other loss by the Members 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 Members of the Obligated Group and thereby the revenues of the Obligated Group. The Borrower has obtained a determination letter from the Internal Revenue Service to the effect that the Borrower 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. As an exempt organization, the Borrower is subject to a number of requirements affecting its operation. The failure of the Borrower to remain qualified as such an exempt organization would affect the funds available to the Borrower for payments to be made under the Loan Agreement and could also cause interest on the Series 2021 Bonds to be included in the gross income of holders of Series 2021 Bonds for federal income tax purposes. Failure of the Borrower 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 such as the Mortgaged Property, could cause interest on

the Series 2021 Bonds to be included in the gross income of holders of Series 2021 Bonds or former holders of Series 2021 Bonds for federal income tax purposes.

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, could cause interest on the Series 2021 Bonds to be included in the gross income of holders of Series 2021 Bond 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. Internal Revenue Service officials have stated that more resources will be allocated to audits of tax-exempt bonds in the charitable organization sector. The Series 2021 Bonds may be subject to audit, from time to time, by the Internal Revenue Service. The Borrower believes that the Series 2021 Bonds properly comply with applicable tax laws and regulations. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2021 Bonds, as described under the heading "TAX MATTERS." No ruling with respect to the tax-exempt status of the Series 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 Series 2021 Bonds will not adversely affect the federal tax-exempt status of interest on the Series 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 Rulings 61-72 and 72-124 hold 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 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 community's seniors, and that the organization is committed by established policy to maintaining persons as residents, even if they become unable to pay the monthly charges after being admitted to the facility.

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 residence and care 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 residence and care agreements.

Provided the residence and care 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 Mortgaged Property.

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. Legislation has been previously introduced restricting the ability of such organizations to utilize tax-exempt bonds unless they maintain a required percentage of low to moderate income residents. Although the Borrower has covenanted to take all appropriate measures to maintain its tax-exempt status, compliance with current and future regulations and rulings of the Internal Revenue Service could adversely affect the ability of the Borrower 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 Series 2021 Bonds.

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 participates in activities that may generate UBTI. These activities are currently immaterial to the Obligated Group and there is no tax liability involved, but these activities could increase in the future. 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 the Obligated Group, as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2021 Bonds.

Secondary Market for the Series 2021 Bonds

There can be no assurance that there will be a secondary market for the Series 2021 Bonds and, although the Underwriter contemplates making a secondary market for the Series 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.

Prepayment Risks

All of the Series 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 Series 2021 Bonds may be accelerated. Thus, there can be no assurance that the Series 2021 Bonds will remain outstanding until their stated maturities.

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.

In its role as owner and/or operator, the Obligated Group may be subject to liability for hazardous substances that are located on its respective property, including any such substances that may have migrated off its property. 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 federal Comprehensive Environmental Response, Compensation and Liability Act (the "Federal Superfund Act") provides authority to the United States Environmental Protection Agency (the "EPA") to arrange for response actions in the event of a release or substantial threat of release of hazardous substances and also imposes liability for certain response costs and damages on the present owner (among other parties) of a site of such release or threat of release. The Federal Superfund Act provides that all costs and damages for which a person is liable to the United States shall constitute a lien upon all real property belonging to such person which is subject to or affected by the response action. The federal lien is subject to the normal rules of priority.

Landis Quality Living ("LQL") obtained a Phase I Environmental Site Assessment, dated as of August 2020 (the "Phase I Environmental Report") of a portion of the Mortgaged Property located at 239 and 245 West King Street, City of Lancaster, Pennsylvania 17602. The Borrower has not had a phase I environmental site assessment performed on the remainder of the Mortgaged Property within the last five (5) years, and while the Borrower has no actual knowledge of the presence of any environmental conditions

on such portion of the Mortgaged Property, no assurances or representations can be made that there are no environmental conditions present.

The Phase I Environmental Report identified one (1) recognized environmental condition ("REC") relating to the presence of a 5-gallon open bucket, containing approximately 1.5 gallons of waste oil. In addition, the Phase I Environmental Report identified two (2) business environmental risks ("BERs"; and each being a "BER") relating to the release of certain chlorinated solvents, which contaminated the groundwater within the area of concern, and a certain natural spring which may, according to the Phase I Environmental Report, present new construction challenges. The Phase I Environmental Report, however, also recognized the presence of subsurface utilities beneath roadways between the contaminated site and the Mortgaged Property which may act as a preferential pathway for potential vapors that may be released. Further, with respect to the natural spring, the Phase I Environmental report also noted that there was no evidence of petroleum staining or foul odors emanating from the natural spring.

If the Mortgaged Property were found to be environmentally contaminated, whether by reason of the information set forth in the Phase I Environmental Report or otherwise, such that it became a "Superfund Site" under the Comprehensive Environmental Response, Compensation and Liability Act, the federal government could require a clean-up of such site, and the Obligated Group might be required to pay all or a part of such clean-up costs. If the Obligated Group were unable to continue operations at any property subject to the Mortgage because of its status as a Superfund site, the value of the site at foreclosure under the Mortgage would be reduced by the cost of any clean-up. Also, the value of the Mortgaged Property could be reduced by other environmental problems discovered in the future.

A copy of the Phase I Environmental Report is available from the Obligated Group upon request.

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 and Medicaid 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.

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 Mortgage may be made without the consent of the owners of the Series 2021 Bonds and other amendments may be made with the consent of the owners of a majority in an aggregate principal amount of all outstanding Series 2021 Bonds or Master Indenture Obligations, as applicable. Such amendments could affect the security for the Series 2021 Bonds. See Appendix C hereto. See also "CERTAIN BONDHOLDERS' RISKS – Additional Debt."

Other Possible 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:

- (1) Establishment of mandatory governmental wage, rent or price controls.
- (2) 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.
- (3) Developments or events affecting the federal or state exemption of the income of the Obligated Group from taxation or the status of any Member of the Obligated Group as an exclusively charitable organization.
- (4) Changes in key management personnel.
- (5) Reductions in utilization of continuing care retirement or personal care 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.
- (6) Increased costs resulting from 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.
- (7) 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.
- (8) 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.
- (9) 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.

(10) Suspension or revocation of or failure to renew the license to operate any of the Obligated Group's facilities, or any portion thereof, or any restriction on new admissions to licensed beds, or a failure to obtain a renewal of any certificate of authority from the Pennsylvania Department of Insurance.

(11) 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 size and type similar to the Obligated Group generally carry.

(12) Adverse community relations or publicity involving the Obligated Group could affect the demand for the services provided by the Obligated Group's facilities, or the generation of revenues from such facilities.

(13) Increases in the cost of public utilities, including electricity, natural gas, water and sewer services.

The paragraphs above discuss certain Bondholders' risks, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of the Series 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 their operations.

PENNSYLVANIA REGULATION OF CONTINUING CARE FACILITIES

In the Commonwealth, continuing care retirement facilities are licensed by the Pennsylvania Insurance Department. Because the entrance fees paid upfront by residents upon admission to a continuing care retirement facility are held by the management of the continuing care community and must be invested according to state law, continuing care retirement facilities are regulated by the Department of Insurance. The Department of Human Services is responsible for licensure of personal care homes, assisted living residences or dually licensed personal care/assisted living facilities. 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 Obligated Group's continuing care retirement 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 the Obligated Group: (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 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 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.

Assisted Living Facilities

In 2007, the Pennsylvania legislature adopted a law defining and establishing oversight for assisted living residences by the Department of Human Services. The legislation was designed to permit the delivery of certain nursing home level medical services in the personal care home setting to permit aging in place. Such facilities are defined as any premises in which food, shelter, personal care assistance or supervision and supplemental health care services are provided to residents who require assistance with such matters as dressing, bathing, diet, financial management or medication administration. Assisted living residences are required to provide residents with individual living units. However, the level of medical care

delivered in assisted living facilities is intended to be more intensive than that delivered in a personal care home. **Currently, none of the Obligated Group's facilities are licensed as assisted living residences.**

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 personal care home regulations contain provisions addressing residents' rights and abuse and incident reporting, but personal care homes are not required to provide nursing services. 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 operates a Facility that is licensed by the Department of Human Services as a personal care home. There is no third party reimbursement for personal care homes.

Nursing Homes

Both for-profit and nonprofit long-term care nursing facilities which provide either skilled nursing care or intermediate nursing care are licensed health care 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. There is third party reimbursement (Medicare and Medicaid) for those who qualify. The Obligated Group participates in the Medicare program. *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. 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 conditions 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.

INDEPENDENT AUDITORS

The consolidated financial statements of Landis Communities and its controlled affiliates, including the Obligated Group, as of June 30, 2019 and June 30, 2020 and for the years then ended, included in Appendix B to this Official Statement, have been audited by Baker Tilly US, LLP, formerly Baker Tilly Virchow Krause, LLP, independent auditors, as stated in their reports appearing therein.

FINANCIAL ADVISOR

Pearl Creek Advisors, LLC, Bumpass, Virginia, is serving as financial advisor (the "Financial Advisor") to the Obligated Group in connection with the preparation, authorization, issuance and sale of the Series 2021 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to

make, an independent verification, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Pearl Creek Advisors, LLC is a registered municipal financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, based upon existing laws, regulations and rulings, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021 Bonds is not includable in gross income for federal income tax purposes under Section 103(a) of the Code. Bond Counsel is of the further opinion that interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum taxes on individuals.

Bond Counsel, is also of the opinion that, under the laws of the Commonwealth, the Series 2021 Bonds and interest on the Series 2021 Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes, or any other taxes not levied directly on the Series 2021 Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains, or income derived from the sale, exchange or other disposition of the Series 2021 Bonds are subject to State and local taxation within the Commonwealth.

General

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2021 Bonds. The Authority and the Borrower have made certain representations and covenanted to comply with certain restrictions designed to insure that interest on the Series 2021 Bonds will not be included in federal gross income. Inaccuracy of these representations and failure to comply with these covenants may result in interest on the Series 2021 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2021 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2021 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2021 Bonds.

In addition, Bond Counsel has assumed that the proceeds of the Series 2021 Bonds will be expended as required by and described in the Loan Agreement, the Bond Indenture and the Nonarbitrage Certificate and Compliance Agreement and the other relevant documents, agreements, instruments and certificates executed and delivered in connection with the issuance of the Series 2021 Bonds (collectively, the "Bond Documents"). Finally, Bond Counsel has assumed that each party to the Bond Documents will carry out all obligations imposed on such party by the Bond Documents in accordance with the terms thereof and that all representations and certifications contained in the Bond Documents are accurate, true and complete.

Certain requirements and procedures contained or referred to in the Bond Indenture, the Loan Agreement, the Nonarbitrage Certificate and Compliance Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2021 Bonds) may be

taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents. Bond Counsel expresses no opinion as to any Series 2021 Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Stevens & Lee, P.C.

Although Bond Counsel is of the opinion that interest on the Series 2021 Bonds is not includable in gross income for federal income tax purposes and is exempt from certain state taxes as described above, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

[Certain of the Series 2021 Bonds have been offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For Federal income tax purposes, original issue discount on a Series 2021 Bond accrues periodically over the term of the Series 2021 Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Series 2021 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.]

[Certain of the Series 2021 Bonds have been offered at a premium ("original issue premium") over their principal amount. For Federal income tax purposes, original issue premium is amortizable periodically over the term of a Series 2021 Bond through reductions in the holder's tax basis for the Series 2021 Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Series 2021 Bond rather than creating a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.]

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2021 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2021 Bonds. Prospective purchasers of the Series 2021 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2021 Bonds for federal income tax purposes. It is not binding on the IRS or the courts.

Bond Counsel's engagement with respect to the Series 2021 Bonds ends with the issuance of the Series 2021 Bonds.

The proposed form of opinion of Bond Counsel is included as Appendix D to this Official Statement.

ABSENCE OF LITIGATION

There is no litigation of any nature pending or, to the Authority's or the Borrower's knowledge, threatened against the Authority or the Borrower, respectively, at the date of this Official Statement to restrain or enjoin the issuance, sale, execution or delivery of the Series 2021 Bonds, or in any way contesting or affecting the validity of the Series 2021 Bonds or any proceedings of the Authority or the Borrower 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 Series 2021 Bonds or the existence or powers of the Authority or the Borrower or the accomplishment of the Project.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2021 Bonds will be passed upon by Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, Blakinger Thomas, PC, Lancaster, Pennsylvania; for the Borrower by its counsel, Latsha Davis & Marshall, P.C., Mechanicsburg, Pennsylvania; and for the Underwriter by its counsel, Harris Beach PLLC, Rochester, New York.

RATING

Fitch Ratings Service has assigned the Series 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 Series 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 or in the withdrawal of such rating may have an adverse effect on the marketability or the price at which the Series 2021 Bonds may be resold by the holder of such Series 2021 Bonds.

UNDERWRITING

Herbert J. Sims & Co., Inc. (the "Underwriter"), has entered into the Contract of Purchase to purchase all of the Series 2021 Bonds, if any of the Series 2021 Bonds are to be purchased, at a price of \$_____, representing the aggregate principal amount of the Series 2021 Bonds, less an underwriter's discount of \$_____ and plus a net original issue premium/discount of \$_____. The obligation of the Underwriter to pay for the Series 2021 Bonds is subject to certain terms and conditions set forth in the Contract of Purchase. The Borrower has agreed to indemnify the Underwriter and the Authority as to certain matters in connection with the Series 2021 Bonds.

The Underwriter may offer and sell Series 2021 Bonds to certain dealers, including dealer banks and dealers depositing Series 2021 Bonds into investment trusts and others, at prices lower than the public offering prices stated on the cover of this Official Statement. The initial public offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The Borrower and Manufacturers and Traders Trust Company, as dissemination agent (the "Dissemination Agent"), will enter into and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") with respect to the Series 2021 Bonds.

The Continuing Disclosure Agreement is made for the benefit of the Registered Owners and Beneficial Owners of the Series 2021 Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 of the Securities and Exchange Commission (as amended from time to time, the "Rule"). See APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT." No Member of the Obligated Group has, in the past five years, failed to comply in all material respects with any previous undertaking required by the Rule.

The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Series 2021 Bonds or to any decision to purchase, hold or sell any Bonds and the Issuer will not provide any such information. The Issuer shall have no liability to the Holders of the Series 2021 Bonds or any other person with respect to the Rule.

RELATIONSHIP OF PARTIES

Manufacturers and Traders Trust Company, an affiliate of M&T Securities, Inc., is the Bond Trustee and Master Trustee for the Series 2021 Bonds and also provides banking and credit services to the Borrower.

MISCELLANEOUS

All of the summaries of the provisions of the Act, the Series 2021 Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, the Series 2021 Master Note 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 Borrower 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 Borrower has reviewed the information contained herein which relates to the Borrower and the other Members of the Obligated Group and has approved this Official Statement.

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

**LANCASTER INDUSTRIAL DEVELOPMENT
AUTHORITY**

Authorized Representative

LANDIS HOMES RETIREMENT COMMUNITY

Authorized Representative

APPENDIX A

**CERTAIN INFORMATION REGARDING
THE OBLIGATED GROUP**

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OVERVIEW

Introduction

Landis Homes, also known as Landis Homes Retirement Community (“LHRC”) operates a continuing care community founded in 1964 in Lititz, Pennsylvania (the “Community”). LHRC is a wholly-owned subsidiary of Landis Communities (“Landis Communities” or “Parent”). In addition, Landis Communities operates a home and community services group (“Landis HCBS”) and middle market housing group (“Landis Quality Living” or “LQL”). Along with LHRC, Landis Place on King LLC (“LPK”) is the other member of the Obligated Group. LPK is undertaking the Landis Place on King project (“LPK Project”), which is a middle and lower income senior housing project with seventy-nine (79) apartments and associated commercial space in downtown Lancaster, Pennsylvania. Construction on the LPK Project started in June of 2021 and is expected to enter into service around October of 2022. The Parent is not a member of the Obligated Group. The Community has been accredited by the Commission on Accreditation of Rehabilitation Facilities /Continuing Care Accreditation Commission ("CARF- CCAC") since 1994 and serves over 850 persons across its 114-acre campus in a variety of housing accommodations and care facilities. The chart below depicts the corporate structure of Landis Communities and indicates the two members of the Obligated Group.



History

In 1961, the Eastern Mennonite Board of Missions backed an effort by several Mennonite community leaders to provide retirement living for senior adults, especially missionaries. The goal of the community was to serve aging adults and their families by enriching their lives in a community of Christ-like love. That effort was advanced when Graybill Landis donated \$100,000 in seed money and the Clayton and Ellen Landis family donated a farm in Landis Valley. Thereafter, the Board of Missions appointed a planning committee and thereafter, a subcommittee, to develop what has become LHRC

The first residents moved into the Community in February 1964. The first independent living cottage units opened in late 1964, with fifty-four (54) cottage units constructed from 1964 to 1977. By 1967, LHRC began planning an expansion into healthcare services with the Dogwood Nursing Center (“Dogwood”), which was completed in 1969. Additional healthcare services were added in 1973 with the opening of what is now the Ephrata House, and in 1998 with the opening of the Heritage Memory Support Center. In 1979, the first independent living apartment units opened. From 1979 to 1988, fifty (50) apartment units and seventy (70) suites were constructed. An additional sixty (60) cottage homes were constructed 1985 to 1993. In 1995, Harvest View opened with 125 apartments. The updating of healthcare and personal care units, over the period from 1996-2008, included replacing seventy-eight (78) healthcare beds, adding sixteen (16) units for personal care memory support, renovating personal care units, and converting vacated healthcare areas to personal care units and offices.

In the fall of 2003, a new healthcare center, Oregon and Manheim Houses, replaced Dogwood. Oregon and Manheim Houses include space for a rehabilitation and fitness center and a laundry facility. The vacated Dogwood building was renovated and reopened in the spring of 2004 as a centralized location for administrative offices, a café, a gift shop, and a hair salon. In the fall of 2004, a building located at One Homebrook Drive was renovated and opened as the Children’s Learning Center.

In 2009, LHRC embarked on a strategy to diversify its revenue base and added capacity to the Community with a phased expansion of independent living with a total of 141 units on its south campus. The construction was phased, with forty-eight (48) homes opening in 2010, nineteen (19) homes in 2011, eight (8) homes in 2012, nine (9) homes in 2013, twenty-five (25) homes in 2014 and twenty-five (25) homes in 2015. The entrance fees and monthly fees associated with these independent living units on the Community’s south campus provided a new source of revenue which improved the financial strength of LHRC.

In 2011, LHRC became subsidiary of Landis Communities. Landis Communities was established to provide a platform for new community investments and other strategic opportunities to advance its mission. Since its inception, Landis Communities has become involved in new initiatives, including the creation of a community for individuals fifty-five (55) years old and older in Lancaster, Pennsylvania (Steeple View Lofts, operated by Landis Quality Living) in 2013 and the management and operation of Welsh Mountain Home, a personal care facility, located in New Holland, Pennsylvania. Both LQL and Welsh Mountain Home are outside of the Obligated Group.

For nearly 100 years, Welsh Mountain Home has provided personal care, at a lower price point, to those living in the rural part at the eastern edge of Lancaster County. While it has been supported by many of the same churches who have supported LHRC over the years, it was operated separately until January 2013 when it affiliated with Landis Communities. Recently Welsh Mountain Home renovated the front porch area into a four-season place for residents and built a modern kitchen and dining area. In addition, Welsh Mountain Home, as the sole owner, is partnering with HDC MidAtlantic in the creation of Mountain

View Terrace. Mountain View Terrace is a Low-Income Housing Tax Credit (“LIHTC”) building and provides thirty-six (36) apartments for those age 62 and over who earn less than the average area median income. It is one of the only rural based LIHTC efforts in Pennsylvania. Welsh Mountain Home has been self-sustaining and has not required funding support from either LHRC or Landis Communities.

Quality Living Choices was formed in 2012 to pursue other senior housing options in the service area. It has now changed its name to Landis Quality Living. Landis Quality Living operates an apartment building in the heart of downtown Lancaster, Pennsylvania called Steeple View Lofts. Landis Quality Living holds a ten (10) year master lease on the top three floors of the building with Zamagias Properties. Located in a renovated factory building, Steeple View Lofts consists of thirty-six (36) apartments, consisting of one- and two-bedroom apartments, for residents age fifty-five (55) and older. The apartment building is market rate rental with no entrance fee. Because it is a rental opportunity, it attracts many who either would not have the resources to live in a continuing care retirement community or those who desire to remain living in downtown Lancaster city.

Seed funding was provided by a line of credit between Landis Homes and Quality Living Choices for the start-up of Steeple View Lofts. Currently Steeple View Lofts is full and has a waiting list.

In June 2021, LQL, through its controlled affiliate, LPK, a member of the Obligated Group, commenced work on the LPK Project. Upon completion in the fall of 2022, the LPK Project will bring seventy-nine (79) middle and lower income apartments to downtown Lancaster, Pennsylvania. For a detailed narrative regarding the LPK Project, please refer to “LANDIS PLACE ON KING” in this Appendix A. In addition, for financial forecasts for the fiscal years ending June 30, 2026, please see “Landis Home Retirement Community and Landis Place on King – Financial Forecasts for the Obligated Group” attached as Exhibit 1 to this Appendix A.

LHRC is the largest controlled affiliate owned by Landis Communities. As of 2021, the Community serves about 850 residents and nearly fifty (50) adult day service clients. More than 500 full-time employees and additional volunteers provide a continuum of services within the Community, including residential living in cottages, apartments, and residential suites; personal care; healthcare; memory support; and adult day services.

Landis at Home provides services to approximately 140 people both at the Community and in the broader primary service area.

Through all of the growth of LHRC in the past fifty-five (55) years, the original vision of providing services for retired missionaries continues. Today, dozens of retired missionaries live at the Community, representing many years of service to mission work in countries around the globe. LHRC continues to fulfill its mission of “serving aging adults and their families by honoring and enriching their lives in a community of Christ-like love” with a renewed vision to be “leaders in serving.”

Recent Recognition and Awards

- 2020-2021: For the eleventh straight year, Landis Homes was acknowledged as one of the top nursing homes in the U.S. News and World Reports.
- 2021: Landis Homes Crossings and Wellness Project was honored to be presented in ELA’s 2021 Environments for Aging Design Showcase.
- 2018-2021: Second place in *Lancaster Newspaper’s* survey of best Personal Care and Nursing Home in Lancaster County.

Governance

Landis Communities and its affiliates have a system wide governance structure with a separate board of directors for each affiliate. The Landis Communities parent organization has reserve powers over all of its affiliate organizations. Landis Communities is governed by a Board of Directors (the “LC Board”) which is at all times comprised of not fewer than six (6) nor more than twelve (12) members. Up to nine (9) directors shall be appointed by the LC Board for terms of three (3) years (unless a shorter term is designated by the LC Board at appointment). Nominees may be recommended by the LC Board. Up to three (3) directors may be appointed by the LC Board of for terms of one (1) year.

Landis Communities and its affiliates have a system-wide governance committee consisting of the board chairs and vice-chairs from LC Board and the affiliate boards. This governance committee serves as the nominating committee for each of the affiliate boards. Each affiliate board identifies potential board members, who are brought to the governance committee. The governance committee then nominates members to each board, where elections are held. Elected board members of affiliates then are brought to the LC Board for approval as per reserved powers specified in each affiliate’s bylaws.

Landis Communities and its affiliates have following committees, comprised of individuals from each affiliate board: Executive, Finance and Audit, and Governance.

The directors of the LC Board, their occupation, term and number of years on the board are summarized below.

Name	Occupation	Year Term Expires	Years on the Board
Allon Lefever, Chair	Entrepreneur/Consultant	2023	7
Glen Moffett, Vice Chair	Attorney	2023	10
Dan Mast, Secretary	Physician	2022	5
David Hernley, Treasurer	CPA	2023	4
John Eby	Retired Professor	2023	10
Bill Hartman	Attorney/Financial Advisor	2021	9
John Lines	PR/Communications	2021	9
Nelson Okanya	Global Missions President	2022	2
Hilda Shirk	Retired Nonprofit Executive	2022	2
Daniel Wubah	University President	2022	2

The LHRC Board of Directors is tasked with the planning and execution of strategy that has been approved by the LC Board. The directors of the LHRC Board of Directors, their occupation, term and number of years on the board are summarized below.

Name	Occupation	Year Term Expires	Years on the Board
Dan Mast, Chair	Physician	2021	12
Rachel Hess, Vice Chair	Economic Development	2023	7
Kristen Nebel, Secretary	Physician	2021	3
Ken Moore, Treasurer	CPA	2022	2
Janet Breneman	Retired Pastor	2021	1
Lisa Clark	Registered Nurse	2023	1
Bill Davis	Retired COO	2021	3
Gerry Horst	Business Owner/Builder	2023	1
Neil Musselman	Retired Draftsman	2021	3
Jenn Orantes	Communications Coordinator	2021	3

The LQL Board of Directors is tasked with the planning and execution of strategy that has been approved by the LC Board. The directors of the LQL Board of Directors, their occupation, term and number of years on the board are summarized below.

Name	Occupation	Year Term Expires	Years on the Board
Keith Stuckey, Chair	Retired, CEO	2022	2
Johncey Mathew, Vice Chair	Business Owner, Real Estate	2022	2
Elizabeth Nissley, Secretary	Retired, Pastor	2022	2
David Hernley, Treasurer	CPA Firm Partner	2022	2
Hellen Hershey	Business Owner	2022	2
Stephanie Kaufman	BSN, RN, Retired	2022	2
Kevin Ressler	CEO, United Way	2023	1st
Gwen Schuit	CEO, Friendship Community	2022	2

SENIOR MANAGEMENT AND KEY STAFF

LHRC

Management of LHRC carries out the policies of the Board and is currently comprised of the following individuals:

Larry Zook, CEO and President, age 58

Mr. Zook is responsible to the Board in carrying out the vision and mission of LHRC. Mr. Zook provides direct supervision to members of the leadership team. Prior to becoming President on January 1, 2007, Mr. Zook served in various positions at LHRC since 1994, including Vice President of Resources. Mr. Zook previously worked at LHRC's founding body, Eastern Mennonite Missions, and served in a mission's assignment with his wife at a college in China. Mr. Zook is a licensed Nursing Home Administrator. Mr. Zook holds a Master's Degree in Business Administration and a Bachelor's Degree in

Business Administration. Mr. Zook serves on the board of Peace Church Risk Retention Group and has served on a number of industry and community boards in recent years.

Corey Hamilton, CFO and Vice President of Finance, age 44

Mr. Hamilton leads the Finance Department at LHRC and Landis Communities. Prior to joining Landis Communities in 2020, Mr. Hamilton served in several finance positions. Mr. Hamilton background includes: serving for fourteen (14) years as the Chief Financial Officer at Foxdale Village, four (4) years as Finance Manager at Diakon Lutheran Social Ministries, and several years as an auditor at KPMG. Mr. Hamilton is a Certified Public Accountant and holds a Master's Degree of Strategic Leadership and Bachelors of Accounting from Messiah University. Other experience for Mr. Hamilton includes chairing the board for a health insurance plan and serving as treasurer of a workers compensation plan.

Evon L. Bergey, COO and Vice President of Operations, age 63

Mrs. Bergey leads Landis Communities' strategic work in the development and leadership of middle market and affordable housing as well as growth in home and community based services. Mrs. Bergey has extensive experience in delivering health care operations within a national, innovative health care company. Mrs. Bergey provided behavioral healthcare executive management at progressively higher levels of leadership, including responsibility for all aspects of operational, clinical, quality, compliance, programmatic, and call center deliverables; management of revenue and expense targets within a full risk arrangement; accountability to customer expectations; and implementation of successful government regulatory changes. Mrs. Bergey worked with national, cross-functional executive leadership team to deliver results. From direct clinical practice to executive leadership of large behavioral health care centers to national operations and now strategic planning for delivering innovative approaches for aging and thriving in community.

Mrs. Bergey has a Master of Social Work from the University of Pennsylvania. Prior to coming to Landis Communities, Mrs. Bergey worked for Magellan Health for sixteen years, most recently as Vice President of Operations. Mrs. Bergey serves on the Board of Trustees for Eastern Mennonite University and Lancaster Housing Opportunity Partnership in Lancaster, PA.

Dale Weaver, CTO and Vice President of Technology, age 36

Mr. Weaver is responsible for strategic leadership of technology throughout Landis Communities. Prior to joining Landis Communities in December 2020, Mr. Weaver served in leadership positions within Brethren Village including as the VP of Facilities and Technology. Prior to Brethren Village, Mr. Weaver held technical and management positions at Siemens Medical Solutions, Health Services division. Mr. Weaver is committed to innovation and operational excellence within Senior Living. Mr. Weaver holds a B.S. in Electrical & Computer Engineering from Grove City College and an MBA in Finance from Penn State University. Other experience includes serving the community on the Manheim Township General Municipal Authority, Treasurer, responsible for public works projects and financing.

Elizabeth Trout, Vice President of Advancement & Communication, age 54

Ms. Trout has thirty-two (32) years of experience in non-profit organizations. She has been with Landis Communities since May of 2014. Hired as the VP of Advancement, she expanded her scope of work to include oversight of the Communications Team in September of 2018. Ms. Trout most recent previous employment was with Lebanon Valley Brethren Home, Palmyra, Pennsylvania. Ms. Trout served fourteen (14) years with the American Heart Association, Inc., in a number of roles including Vice President of Eastern PA Mid and Small Metros, where Ms. Trout led a staff of twenty (20) in raising funds for the organization's work. Previously, Ms. Trout served as Executive Director of the Child Abuse Prevention

Committee of Central Pennsylvania. Ms. Trout holds a Bachelor's Degree in Interpersonal Communications.

Vacant, Vice President of Human Resources

Allen Heinly retired in July of 2021 after nearly thirty-five (35) years of service. Landis Communities has had significant interest in the position and management expects a new Vice President of Human Resources to be hired by October of 2021.

Employee Retention and Turnover

LHRC employs over 500 full time employees and is proud of its successful recruitment and retention strategies. In comparison to similar senior living communities, LHRC has a relatively low staff turnover of all employees of less than thirty-five percent (35%) percent and a range between fifteen percent to thirty-three percent (15% to 33%) for nursing assistants, compared to national benchmark averages from forty percent to seventy percent (40% to 70%) (Source: LeadingAge Workforce Solutions 2021). There are no labor unions representing staff at LHRC. Management is actively engaged in fostering a work environment that utilizes and develops the honors the skills and compassion that team members bring to work each day. LHRC regularly conducts staff engagement surveys (via Holleran Consulting), and results have shown strong staff satisfaction, with at least half of engagement/satisfaction factors rated being significantly above the Holleran National Benchmark.

THE COMMUNITY

General Description

The Community is located at 1001 East Oregon Road in Lititz, Pennsylvania. In total, the Community consists of 114 acres, surrounded by farmland and located eight (8) miles north of Lancaster, Pennsylvania.

Licensed nursing care and personal care is provided in households located in one and two-story buildings. Residential living includes: single level cottage homes; apartments in one, two and three-story buildings; and hybrid style homes. Hybrid style homes combine the features of cottage homes (multiple outside walls, garages, no corridors) with those of apartment living (indoor access to common areas, and a shared community room).

The Community includes 509 residential living unit accommodations ("Residential Living Units"). The make-up of the Residential Living Units consists of small studios of 500 square feet to large cottage units with 2 car garages and over 1,500 square feet. This range of units offers LHRC the opportunity to serve those with incomes that range from the high to low. There are 103 skilled beds, ninety-seven (97) licensed personal care units, and thirty three (33) residential care suites.

LHRC has ancillary service provider contracts with Unidine and with Symbria for rehabilitation services. Unidine (formerly called Morrison Living) has been contracted with since 1994. A management fee is paid to Unidine for the operation and management of all dining and catering services through a director and assistant manager. All dining equipment is owned by LHRC and all dining service employees, including the dietician are employees of LHRC. This contract, including fee structure, is and has been reviewed and revised as needed on an annual basis since its inception.

Symbria has been the therapy provider at LHRC since 2020 and currently operates at many of the other local facilities with similar faith affiliations. This is a full service therapy contract providing Physical therapy, Occupational therapy and Speech therapy through licensed therapists, in addition to full service operation and management of the entire program. The program is offered to all residents, based on physician order. All the employees in therapy service are employees of Symbria. All therapy equipment is owned by LHRC. The contract, including the fee structure has been reviewed and revised as needed on an annual basis. Pharmacy services are provided through Phoebe Pharmacy, for both service and consultation to skilled nursing and to personal care. This includes a retail pharmacy for general retail and service to residential living residents. The contract and the lease fee are reviewed annually.

Medical director services are provided by a board certified geriatrician to both Healthcare and to Personal Care through contract with Lancaster General Hospital system. This is completed by a monthly retainer, plus an hourly fee for services provided. This contract and fee schedule are reviewed bi- annually and revised as appropriate.

In addition to the senior housing and skilled care options provided at the Community, LHRC has created an educational program called Pathways Institute for Lifelong Learning, which serves about 400 persons age fifty-five (55) and over each fall and spring term, including slightly fewer than half who are residents at the Community. (Pathways Institute for Lifelong Learning is not included in the Obligated Group)

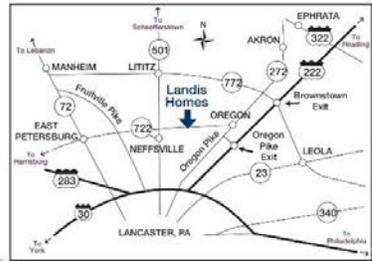
LHRC is affiliated with Landis at Home through the parent organization of Landis Communities. For a fee, Landis at Home offers a variety of services to individuals on campus and allows residents the option of staying in their homes longer than expected in many situations. This program offers residents wonderful options and has been well received. (Landis at Home is not included in the Obligated Group)

Landis Adult Day Services is located on LHRC campus and is operated through a Landis Communities affiliate organization, Landis HCBS. This program offers individuals the option of placing their loved ones in a care setting during the day, while taking them to their home accommodation each night. It provides another option to residents in meeting the dignity and care needs of their loved ones. This program touches almost 40 individuals each weekday. (Landis Adult Day Services is not included in the Obligated Group)

A full map of the LHRC's Lititz, Pennsylvania Community is on the next page.

Directions from Lancaster

Take Route 501 North through Neffsville. Proceed 1/2 mile to traffic light at Oregon Road (Route 722 East). Continue 2.2 miles to Landis Homes entrances on the right.



- Offices & Public Areas
- Personal Care
- Adult Day Services
- Healthcare
- Entrance
- Apartments & Suites
- Cottage Homes
- Chapels
- Hybrid Homes
- P Parking

To reserve the areas listed below, call 717.569.3271.

- Chapels**
- East Bethany **8**
 - West Bethany **2**
- Guest Accommodations**
- Crossings Guest Rooms **7**
 - House of Grace **16**
- Meeting Rooms**
- High Foundation Auditorium **5**
Crossings 1st Floor
 - Crossings Meeting Room **5**
Crossings 2nd Floor
 - Crossings Community Room **5**
Crossings 3rd Floor
 - Dogwood Community Room **9**
Dogwood Commons Ground Floor
 - Harvest Room **3**
Harvest View 2nd Floor
 - Warwick Room **6**
Ground Floor
 - Westview Community Room **1**
Westview Ground Floor
 - Pavilion **10**
For seasonal use May - October
 - Community Room **11** **12**
Hybrid Ground Floor



Campus Map
1001 East Oregon Road • Lititz, PA 17543
717.569.3271 • LandisHomes.org

Description of Facilities

The Community provides several residential and health care options for its residents. The following chart summarizes the location, and number of units, by building, on the main campus as of June 30, 2021.

<u>Unit Mix</u>	
<u>Residential Living Unit Type / Location</u>	<u>Units</u>
Harvest View Apartments	125
Grandview, Westview, Kirkview Apartments	59
Residential Suites	33
Crossings Apartments	79
Cottages – East, West, Northwest	72
South Campus Cottages	66
South Campus Hybrids	<u>75</u>
	509
<u>Personal Care Units / Location</u>	
Personal Care (Aspen, Cedar, Birch)	81
Personal Care - Memory Support (Lititz)	<u>16</u>
	97
<u>Healthcare Services / Location</u>	
Oregon, Manheim, Ephrata	77
Lancaster, Conestoga - Memory Support	<u>26</u>
	103
Total	<u>708</u>

Memberships and Licenses

LHRC is accredited by the Commission on Accreditation of Rehabilitation Facilities and has been accredited since 1994. It is one of only 140 communities that are accredited nationwide.

Occupancy

The Community operates at high occupancy, which is indicative of the high level of market area demand for both the location of the Community and its service offerings. The following summarizes occupancy at the Community for the four years ended June 30, 2021.

HISTORICAL OCCUPANCY

Residential Living

The following table summarizes occupancy in the Residential Living Units for the four years ended June 30, 2021.

<u>Unit Type</u>	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Apartments	97%	95%	96%	96%
Hybrids	99%	96%	98%	98%
Cottages	97%	98%	96%	99%
Residential Suites ⁽¹⁾	88%	83%	68%	45%

⁽¹⁾ Residential Suites are being phase out. As units become available, they are being combined into one bedroom apartments.

Cottage homes offer single-level one and two bedroom accommodations mostly in duplex buildings with a garage. Two-bedroom hybrid home accommodations are in three-story buildings with ground level parking garage, consisting of six (6) homes on the first floor, and six (6) homes on the second floor. Apartment homes are in three-story and single story buildings with studio, with one-bedroom and two - bedroom accommodations. Residential suites are available in various sizes from a single room with private bath to one-bedroom accommodations, they include meals, housekeeping and laundry in the daily fee.

Personal Care

Personal Care Units are licensed by the Pennsylvania Department of Human Services. The following table summarizes occupancy in the personal care units for the four years ended June 30, 2021.

<u>Program (Units): Personal Care</u>	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Personal Care - (Aspen, Cedar, Birch)	95%	98%	97%	83%
Personal Care - Memory Support (Lititz)	97%	99%	99%	97%

Healthcare

Healthcare (Skilled Nursing) units are licensed by the Pennsylvania Department of Health. The following table summarizes occupancy in the skilled nursing units for the four years ended June 30, 2021.

<u>Program (Units): Healthcare</u>	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Healthcare (Oregon, Manheim, Ephrata)	94%	95%	94%	79%
Healthcare - Memory Support (Lancaster, Conestoga)	96%	97%	94%	97%

Overall Campus Occupancy

The following table summarizes occupancy over the entire Community for the four years ended June 30, 2021.

	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential Living Units*	97.5%	96.1%	96.1%	97.0%
Residential Suites	82.6	67.8	68.3	45.0
Personal Care	95.8	97.7	97.7	85.6
Skilled Nursing	95.5	95.1	93.7	81.2
<u>Total Occupancy</u>	<u>95.7%</u>	<u>94.5%</u>	<u>94.6%</u>	<u>90.0%</u>

*Cottages, Apartments and Hybrid Homes

Occupancy Discussion

The waiting list for Residential Living Units continues to be strong and management does not anticipate difficulty maintaining occupancy at 97% for the foreseeable future. Although occupancy in the Residential Living Units remained strong during the pandemic, the occupancy in parts of Personal Care and in Healthcare fell to 83% and 79% respectively. Significant improvement has been seen in these areas in July 2021 with an increase to 85% overall in the health care areas.

RESIDENCY AGREEMENTS

Residential Living

All residents who are accepted for admission to the Residential Living Units are required to sign a Residency Agreement (the “Residency Agreement”). Each Residency Agreement requires the payment of an entrance fee (the “Entrance Fee”), which is adjusted based upon the size of the living unit. Of the 509 total Residency Living Units, 476 require payment of the Entrance Fee. The balance of the Residential Living Units are the residential suites that do not have an entrance fee and, therefore, are rental only.

As provided in the Residency Agreement, residents are also charged a monthly maintenance fee for cottages and apartments and a daily fee for other levels of care. The Community operates on a fee for service basis. Thus, residents are charged the rate for services provided in the various levels of care throughout the Community.

Residents are expected to pay the Entrance Fee upon occupancy of the Residential Living Unit. Residents who terminate the Residency Agreement within seven days of the later of the date the Residency Agreement is fully executed or the date on which any money is paid to LHRC under the Residency Agreement are entitled to a full refund of the Entrance Fee deposits. In addition, residents who execute a Residency Agreement and make payments under the terms of the contract but otherwise become unable to occupy a unit as a result of death or a documented illness, injury or incapacity, are entitled to receive a full refund of the Entrance Fee deposits.

Refund Options

The following summarizes the amortization of the refund policies at the Community for the Standard Entrance Fee Plan:

Non-refundable Portion of Entrance Fee

Ten percent (10%) of Entrance Fee is nonrefundable and retained by LHRC.

Resident Moves from Retirement Community

LHRC retains the 10% non-refundable portion of the Entrance Fee plus 1.25% per month of the balance for each month of occupancy (for apartments, cottages and hybrids).

In each case, any balance of the Entrance Fees paid by the resident remaining on deposit with LHRC are refunded to the resident immediately.

Resident Transfers to Another Level of Care or Dies

LHRC retains the 10% non-refundable portion of the Entrance Fee and the additional percentage based upon length of occupancy (1.25%) per month. After determining the balance, final refund calculations are made at time of transferring to residential suite, personal care or nursing, or at time of death, whichever occurs first. If the resident entered into the Residency Agreement jointly with his or her spouse, no refund is given if one spouse remains in the Residential Living Unit.

Alternative Pricing Option

A Residency Agreement that includes a minimum guaranteed refund (“Guaranteed Refund Option”) is available but is not as proactively marketed as the Standard Entrance Fee Plan. Pricing for the Guaranteed Refund Option must be specifically requested.

As of June 30, 2021, seven (7) of the 476 Residential Living Units requiring payment of the Entrance Fee, or 1.5%, occupied Residential Living Units at the Community are governed under the terms of the Guaranteed Refund Option Plan. The remainder of the occupied Residential Living Units are governed under the terms of the Standard Entrance Fee Plan.

Reservation deposits received from prospective residents are fully refundable until the prospective resident executes a Residency Agreement, at which time the reservation deposits are credited towards the Entrance Fees.

Monthly Service Fee

Under the Residency Agreement, residents occupying Residential Living Units must pay the Entrance Fee and a monthly service fee (the “Monthly Service Fee”), which entitles the resident to the following services and amenities at no additional cost:

- Utilities, including cable TV service (telephone and internet services not included)
- Real estate taxes
- Maintenance of building and appliances
- Grounds maintenance

- Scheduled shopping trips
- Pastoral care
- Social and recreational activities
- 24-Hour Emergency Response
- Priority access to healthcare and personal care
- Social services
- Use of all indoor and outdoor common social and recreational facilities.
- Security services 24-hours a day.

Other services and programs are available for residents at their expense including, but not limited to:

- Meals, guest meals, and catering
- Personal laundry or dry cleaning
- Housekeeping services
- Beautician and barber services
- Repairs of personal property

Entrance Fee Schedule

A schedule of Entrance Fees and Monthly Service Fees for the Residential Living Units as of July 1, 2021 is below:

	<u>Range of Advance Fee</u>	<u>Single Unit Monthly Fee</u>	<u>Double Unit Monthly Fee</u>
Cottages:			
1 Bedroom	\$81,000 - 107,000	\$1,013 – 1,146	\$1,219 – 1,352
2 Bedroom	\$115,000 – 309,000	\$1,198 – 2,178	\$1,404 – 2,384
Hybrid Homes:			
1 Bedroom	\$150,000	\$1,452	\$1,658
1 Bedroom & Den	\$223,000	\$1,954	\$2,160
2 Bedroom	\$240,000	\$2,004	\$2,210
2 Bedroom & Den	\$282,000	\$2,267	\$2,473
Apartments:			
Studios	\$48,000 - 97,000	\$876 – 1,094	N/A
1 Bedroom	\$79,000 - 122,000	\$1,045- 1,248	\$1,251 - 1,454
1 Bedroom & Den	\$138,000 - 225,000	\$1,413 – 1,854	\$1,619 – 2,060
2 Bedroom	\$107,000 – 265,000	\$1,164 – 2,120	\$1,370 – 2,326
2 Bedroom & Den	\$296,000	\$2,280	\$2,486

Residential Suites

For residents that can live in a residential setting and who would like additional services, LHRC offers thirty-three (33) Residential Suites at the Community which include all meals, linens, housekeeping, laundry and a medical alert system. There is no Entrance Fee associated with the Residential Suites. Overtime, LHRC has been combining suites into one-bedroom apartments. Occupancy has dropped substantially as the Community makes this shift. Daily fees (“Daily Fees”) for each resident in the Residential Suites are below:

Residential Suites:	Rate
Standard	\$87.00
Large, occupied by two persons	100.00
Large, occupied by single person	144.00
Apartment, occupied by two persons	100.00
Apartment, occupied by single person	162.00

Personal Care

Personal care units (“Personal Care Units”) provide residential living with additional services to residents that may require additional assistance with various activities of daily living. This assistance may include supervision or help with personal hygiene, daily activities, meals, and medications. Both single and double occupancy rooms are available to serve as Personal Care Units. Several levels of Personal Care are available, priced according to degree of assistance with activities of daily living.

Included in the daily fee for Personal Care Units:

- Standard, large or apartment-style residences
- Housekeeping, laundry and maintenance services
- All meals
- Utilities (not including telephone and internet service) and cable TV service
- Assistance with activities of daily living, as needed
- Scheduled shopping trips
- Pastoral care
- Social and recreational activities
- Priority access to healthcare
- Social services

The table below outlines rates and fees for each resident in Personal Care Units as of July 1, 2021:

Personal Care Suites:	Base	Intermediate	Enhanced
Standard	\$252.00	\$273.00	\$326.00
Large, occupied by two persons	243.00	264.00	317.00
Large, occupied by single person	344.00	365.00	418.00
Apartment, occupied by two persons	252.00	273.00	326.00
Apartment, occupied by single person	359.00	380.00	433.00

Additionally, for Memory Care Units, only standard rooms are available with base and enhanced rates of \$357.00 and \$364.00, respectively.

Health Care Services

Residents occupying healthcare units (“Healthcare Units”) are for persons requiring 24-hour care and supervision under the direction of professional medical personnel. Healthcare Units are located within close proximity to several areas within the Community including: dining rooms, activity areas, rehabilitation services, living rooms, the gift shop and chapel.

Healthcare Units offer rehabilitation after surgery or illness and extended care when ongoing assistance is needed. An individualized care plan is prepared for each resident, with input from the resident, nursing, social services, pastoral care, life enrichment, dining services, family members and the attending physician. Residents have access to physical, speech and occupational therapies as ordered by a physician.

Features included in the daily fee for Healthcare Units:

- Private room with private or shared bath
- Nursing care
- All meals
- Housekeeping, laundry and maintenance services
- Utilities (not including telephone and internet service) and cable TV service
- Social services
- Pastoral care
- Social & Recreational Activities

The table below outlines rates and fees for Healthcare Units as of July 1, 2021

Health Care:	Regular	Memory Support
Private Room	\$516.00	\$519.00
Private Room with Shared Bath	496.00	500.00

Historical Residency Rate Increases

Daily Fees, Monthly Service Fees and fees for services not included in the basic agreement are reviewed and adjusted from time to time based on factors which include but are not limited to: changes in the Consumer Price Index, operating experience, governmental regulations, property taxes, maintenance of reserve funds, and to insure the financial stability of LHRC. Under ordinary circumstances, these adjustments are announced by June 1, and are effective for July 1. Changes in rates may also occur due to single versus double occupancy.

The table below summarizes the annual rate increases for the Community since 2018:

	Fiscal Year Ending June 30				
	2018	2019	2020	2021	2022
Residential Apts./Cottages	4.0%	4.5%	4.5%	4.0%	4.0%
Residential Suites	4.0%	4.0%	4.0%	4.0%	4.0%
Personal Care	5.0%	4.5%	5.0%	4.0%	4.0%
Personal Care (memory support)	3.5%	4.0%	4.0%	4.0%	4.0%
Healthcare	4.0%	4.0%	4.5%	4.0%	4.0%
Healthcare Memory Support	4.0%	4.0%	4.5%	4.0%	4.0%

SERVICE AREA AND COMPETITION

The Community is located in Lancaster County, Pennsylvania, which is within seventy-five (75) miles west of Philadelphia and eighty (80) miles north of Baltimore, and less than 160 miles from New York City and Washington, D.C. Lancaster County and the surrounding area is considered one of the best places in the USA to live and was ranked 32 by U.S. News & World Report. (Source: <http://edclancaster.com/latest-news/125-best-places-live-usa/>)

The Community's primary market area ("PMA") consists of the geographic area from which it expects to draw the majority of its residents. Based on resident origin analysis conducted by LHRC, LHRC identified twenty-one (21) zip codes in its PMA and prepared its market analysis on the polygon shaped area shown below.

Competition

The Community's key competition in the PMA includes seventeen (17) facilities that provide services ranging from skilled care to senior housing. The primary competitors based on service scope and amenities are listed below.

<u>Facility</u>	<u>Distance from Landis</u>	<u>Contract Type</u>	<u>RL Units</u>	<u>PC/AL Units</u>	<u>SNF Beds</u>	<u>Memory Care</u>
Landis Homes	NA	Type C	484	81	103	16 ⁽¹⁾
Brethren Village	2.5 miles	Type C	577	116	100	45
Luther Acres	3.5 Miles	Type C	361	44	67	44
Moravian Manor	4.8 Miles	Type C	315	36	51	65
Menonite Home/ Woodcrest Village	5 miles	Type C	531	125	181	15

Occupancy at LHRC's top competitors is consistently above 90%. LHRC's priority list consists of over seventy (70) couples and singles. These individuals have placed a \$1,000 deposit on record and have indicated an interest in moving within twelve (12) months if the desired accommodation is available. The overall waiting list has over 500 individuals who have indicated their interest in moving to LHRC.

Zip Code map



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FINANCIAL INFORMATION

Sources of Revenue

The following tables set forth the dollar amount and percentage of gross resident service revenues, excluding ancillary services, derived from each level of care provided by the LHRC for the four years ended June 30, 2021.

Gross Resident Service Revenues by Level of Care (\$)

	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021*</u>
Residential Living	\$ 12,488,735	\$ 14,008,548	\$ 16,349,044	\$ 15,964,428
Personal Care	8,885,972	9,545,049	10,062,872	9,322,041
Health Care (Skilled Nursing)	16,090,838	16,814,905	17,322,087	15,578,441
	\$ 37,465,545	\$ 40,368,502	\$ 43,734,003	\$ 40,864,910

Source: Management (*Unaudited)

Gross Resident Services Revenues by Level of Care (%)

	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Residential Living	33.3%	34.7%	37.4%	39.1%
Personal Care	23.7%	23.6%	23.0%	22.8%
Health Care (Skilled Nursing)	43.0%	41.7%	39.6%	38.1%
	100.0%	100.0%	100.0%	100.0%

Source: Management (Unaudited)

The shift from Health Care Units to Residential Living Units represents a consistent effort by the LHRC master plan and campus expansion to diversify revenue streams and move away from those that are dependent on government funding.

Historical Health Care Center Payor Mix

The following tables set forth the payor mix for the Health Care Units net resident services revenues for the four years ended June 30, 2021.

By Net Resident Service Patient Revenues (\$)

	Fiscal Year Ended June 30			
	2018	2019	2020	2021*
Private Pay	\$ 9,584,943	\$ 9,702,479	\$ 8,514,100	\$ 8,683,723
Medicaid	2,521,239	2,844,846	3,258,490	2,478,028
Medicare	1,502,581	1,445,503	1,740,872	1,208,213
	\$ 13,608,763	\$ 13,992,828	\$ 13,513,462	\$ 12,369,964

Source: Management (*Unaudited)

By Net Resident Service Patient Revenues (%)

	Fiscal Year Ended June 30			
	2018	2019	2020	2021
Private Pay	70.4%	69.4%	63.0%	70.2%
Medicaid	18.5%	20.3%	24.1%	20.0%
Medicare	11.1%	10.3%	12.9%	9.8%
	100.0%	100.0%	100.0%	100.0%

Source: Management (Unaudited)

LHRC changed its financial screening practices in 2015 with the addition of new software and tighter qualification requirements. Management believes the recent drop in residents needing Medicaid is the result of these efforts.

BENEVOLENT CARE

LHRC has established a Financial Assistance Policy to address situations in which a resident is unable to pay the monthly fees and other charges due to lack of financial resources, thereby qualifying for benevolent care.

An evaluation is done to assess any transfers, gifts, or other spending patterns in an attempt to qualify for the policy. It is required that the resident make application for medical assistance and other forms of assistance before requesting financial assistance from LHRC. Currently, approximately nine (9) individuals are receiving financial assistance directly from LHRC for their housing and care needs. This represents a substantial drop from prior years as the trend shows below. Management believes this decrease is in response to stricter financial qualification requirements and the use of actuarial software for financial approvals implemented in 2015. Gifts to support the benevolent care program are solicited each year. The following table summarizes the annual assistance granted by LHRC to needy residents for the four years ended June 30, 2021:

	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Resident Financial Assistance	\$1,441,000	\$1,331,000	\$1,150,000	\$947,000

Source: Management (Unaudited)

SUMMARY OF HISTORICAL CASH POSITION

The liquidity position of the Obligated Group, as calculated based upon the provisions in the Master Trust Indenture, has changed significantly over the period due to several factors. First, LHRC completed a major expansion project in the summer of 2019. This resulted in a large influx of entrance fee cash in 2019. A large portion of the debt associated with the project was paid off in 2020 resulting in a drop in the ratio as the organization reached a stabilized position after the recent expansion. Second, the dramatic increase in the 2021 cash position relates directly to the positive investment returns experienced between July 1, 2020 and June 30, 2021. Per LHRC's investment policy, nearly 80% of unrestricted investments in held invested in the equity market, the result of which was this large increase. For additional details, see "FINANCIAL INFORMATION – Management's Discussion of Financial Performance" in this Appendix A.

	<u>Fiscal Year Ended June 30</u>			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Unrestricted Cash and Investments:				
Cash and Cash Equivalents	1,347,741	1,427,939	1,564,856	1,635,215
Unrestricted Investments (Including Board Designated)	33,059,769	41,349,891	37,788,735	45,215,857
Total Cash and Cash Equivalents (A)	34,407,510	42,777,830	39,353,591	46,851,072
Cash Operating Expenses				
Operating Expenses	39,927,357	43,054,636	44,727,602	43,453,858
Less Depreciation and Amortization	(5,282,750)	(6,326,258)	(6,972,150)	(7,073,849)
Total Cash Operating Expenses	34,644,607	36,728,378	37,755,452	36,380,009
Days	365	365	366	365
Daily Cash Operating Expenses (B)	94,917	100,626	103,157	99,671
Historical Days Cash on Hand (A/B)	363	425	381	470

Source: Management (Unaudited)

Historical Maximum Annual Debt Service Coverage Ratio

The following table sets forth the maximum annual debt service coverage ratio for the Obligated Group for the four years ended June 30, 2021. The maximum annual debt coverage ratio was significantly impacted by the on-going improvements to campus, including the completion of several residential living projects. The last major project was completed in the summer of 2019. The 2021 results-to-date represent the maximum with all of the currently issued debt included in the Maximum Annual Debt Service. The results were significantly impacted by COVID-19 related losses. See “FINANCIAL INFORMATION – Management’s Discussion of Financial Performance” in this Appendix A.

	Fiscal Year Ended June 30			
	2018	2019	2020	2021
Increase (Decrease) In Net Assets Without Donor Restrictions	\$1,494,693	(\$219,910)	\$1,598,784	\$7,705,726
Plus:				
Depreciation	5,226,729	6,265,438	6,915,920	7,017,618
Amortization	56,021	60,820	56,230	56,231
Interest Expense	2,432,567	3,715,437	3,680,212	2,952,379
Net Unrealized (Gain) Loss on Investments	(50,390)	552,879	(648,926)	(7,484,511)
Loss on Extinguishment of Debt	-	-	107,461	-
Loss on Disposals of Property and Equipment	-	88,470	39,583	29,044
Less:				
Amortization of Entrance fees	(4,550,020)	(5,404,286)	(6,598,871)	(6,079,759)
Income for Debt Service (Revenue Only)	4,609,600	5,058,848	5,150,393	4,196,728
Proceeds from Refundable Deposits, Existing Units	114,755	-	-	-
Proceeds from Entrance Fees and Deposits, Existing Units	4,063,252	5,284,800	5,771,800	5,177,200
Refunded Entrance Fees	(863,764)	(1,065,830)	(468,990)	(784,664)
Net Turnover Entrance Fees	3,314,243	4,218,970	5,302,810	4,392,536
Funds Available for Debt Service (including Net Turnover Entrance Fees)	7,923,843	9,277,818	10,453,203	8,589,264
Maximum Annual Debt Service	3,617,394	3,599,798	5,341,794	5,665,901
MADS Coverage Ratio - Revenue Only	1.27	1.41	0.96	0.74
MADS Coverage Ratio - Including Net Turnover Entrance Fees	2.19	2.58	1.96	1.52

Source: Management (Unaudited)

Summary Historical Statements of Operations

The following summary statements of operations of the Obligated Group for the three years ended June 30, 2020 are derived from the audited consolidated financial statements of Landis Communities and Affiliates. The twelve-month data for the period ending June 30, 2021 is unaudited and derived from internal reports.

	Fiscal Year Ended June 30			
	2018	2019	2020	2021*
Revenues without donor restrictions:				
Net resident service revenues	\$36,513,272	\$38,661,869	\$40,920,875	\$38,436,337
Other revenues	1,847,304	2,690,088	3,615,901	3,041,138
Donor-restricted contributions used primarily for benevolent care	803,338	757,885	759,549	681,884
Total revenues without donor restrictions	<u>39,163,914</u>	<u>42,109,842</u>	<u>45,296,325</u>	<u>42,159,359</u>
Expenses:				
Resident services	13,789,284	14,197,584	14,014,757	13,403,604
Dining services	4,602,241	4,603,003	4,587,327	4,396,422
Housekeeping, laundry, and campus services	1,800,498	1,876,717	1,923,613	2,341,106
Outcome management, pastoral services, and life enrichment	1,346,657	1,481,619	1,679,199	1,708,561
Plant operations	4,208,285	4,609,707	5,067,946	4,714,231
General and administrative	6,465,075	6,244,311	6,802,398	6,863,706
Depreciation	5,226,729	6,265,438	6,915,920	7,017,618
Interest	2,488,588	3,776,257	3,736,442	3,008,610
Total expenses	<u>39,927,357</u>	<u>43,054,636</u>	<u>44,727,602</u>	<u>43,453,858</u>
Operating Income (Loss)	(\$763,443)	(\$944,794)	\$568,723	(\$1,294,499)
Other Income (Loss):				
Interest and dividend income, net	594,931	714,323	530,995	850,097
Net realized gain on sales of investments	551,641	851,264	483,060	1,384,478
Net unrealized gain (loss) on investments	50,390	(552,879)	648,926	7,484,511
Contributions and bequests	49,931	29,041	347,085	328,604
Loss of extinguishment of debt	-	-	(107,461)	-
Loss on disposal of property and equipment	-	(88,470)	(39,583)	(29,044)
Total other income, net	<u>1,246,893</u>	<u>953,279</u>	<u>1,863,022</u>	<u>10,018,646</u>
Revenues in Excess of Expenses	483,450	8,485	2,431,745	8,724,147
Donor-restricted contributions used for purchase of property and equipment	1,011,243	302,102	164,413	141,964
Transfers to affiliate	-	(530,497)	(997,374)	(1,160,385)
Increase (Decrease) In Net Assets Without Donor Restrictions	<u>\$1,494,693</u>	<u>(\$219,910)</u>	<u>\$1,598,784</u>	<u>\$7,705,726</u>

Source: Management (*Unaudited)

Management’s Discussion of Financial Performance

Fiscal Year Ended June 30, 2021

Operating Loss

LHRC finished below its anticipated profit from operations on a year-to-date basis through June of 2021. While disappointing, management was satisfied with these results in light of the COVID-19 pandemic.

Overall COVID-19 Losses

COVID-19 related losses have been estimated at nearly \$1.6 million in excess of government funding for the 2021 year. Total government assistance received during 2021 was nearly \$900,000.00. Unlike many smaller communities, Landis was too large to take advantage of the Paycheck Protection Program through the Small Business Administration. This has pushed the losses higher than what many smaller organizations have experienced. The majority of these losses are caused by the occupancy related variances described below and shown in the occupancy tables discussed earlier.

Revenue

Operating revenue fell by a substantial margin during the year and the majority of this variance is directly related to COVID-19 losses. These variances were caused by falling occupancy in skilled nursing and personal care. These areas have typically shown occupancy levels above 95%. During the pandemic, the occupancy in these areas fell to 79% and 83%. Management believes occupancy turned the corner in May 2021 and foresees the financial operations improving each month moving forward. Occupancy has risen by 5% across personal care and skilled care between May 31 and June 30 2021. Occupancy continued to increase in July of 2021 as well. In addition, for financial forecasts for the fiscal years ending June 30, 2026, please see “Landis Home Retirement Community and Landis Place on King – Financial Forecasts for the Obligated Group” attached as Exhibit 1 to this Appendix A.

The waiting list for residential living continues to be strong and we do not anticipate any difficulty maintaining occupancy at 97% for the foreseeable future.

Expenses

Expenses dropped between the two years by a significant margin. The majority of this positive trend can be linked directly to falling interest rates and expenses that fluctuate with resident census. The team at Landis worked diligently to ensure variable expenses fell with the drop in census to offset much of the occupancy related variances. Management anticipates expenses will increase as occupancy returns to normal levels.

Non-Operating Income

Non-operating revenue is significantly ahead of budget due to positive investment returns. Because of Landis’ overall days cash on hand position, significant resources are invested in the stock market. The invest return has been far above management’s expectations for the 2021 fiscal year.

Increase in Net Assets

The overall change in net assets was drastically higher than previously years. As mentioned above, this is directly attributable to non-operating income and investment return.

Fiscal Year Ended June 30, 2020

The fiscal year ended June 30, 2020 performance was enhanced by the completion of the Crossings Apartment Building in the summer of 2019. These units were sold quickly and instantly made a positive impact on the overall profitability and helped expand the care continuum in the Community and increased the revenue from Residential Living Units as a percentage of total revenues for LHRC.

Operating revenue increased quickly as the new units from the Crossings project were filled in the first half of the fiscal year. The expenses remained relatively flat as the new units were placed in service during the previous fiscal year.

COVID losses for the final three months of the fiscal year totaled about \$1.1 million. Management was able to raise almost \$175,000.00 in contributions to offset these losses. Government assistance from The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of approximately \$925,000.00 was received to offset the remainder of the losses.

Fiscal Year ended June 30, 2019

The 2019 fiscal year was one of great change at LHRC. Various master plan and expansion projects were under construction during the fiscal year. This resulted in substantial start-up losses as the new units began filling and the new debt issued for the improvements came on-line. The 2019 results were also impacted by investment return, which was minimally positive for the fiscal year.

Operating revenue increased significantly because some of the unit apartments were placed into service for part of the year. Operating expenses increased more significantly than revenue, as the on-going costs for the new units hit the income statement more quickly.

Fiscal Year ended June 30, 2018

The 2018 fiscal year was one of setting the stage for the future of LHRC as several projects related to repositioning and expansion were beginning. The operations of the Community began a transition for the future resulting in losses from operation. These changes were made as increases in revenue were not available until later years to offset the increases in expense. In addition, several existing cottages were demolished in the process gain the needed land for the apartment buildings planned for construction in 2019. This resulted in a drop in revenue nearly two years before the new units were available for occupancy.

Investment Policy

LHRC has an established investment policy that is designed to provide guidelines for the investment of funds within the risk tolerance levels and performance goals of the organization. The policy is designed to create an investment portfolio that is managed strategically over a five-year investment cycle with a balance of equities and fixed income investments. The policy states that no more than 5% of the total portfolio may be invested in the securities of a single asset, excluding fund managers, mutual funds, and securities issued by the US Government or its agencies. The policy identifies asset classes that are permitted investments and establishes a performance benchmark based on standardized indices such as the

S&P 500 Composite, the S&P BARRA Value, the Russell MidCap Growth, and the Barclays Aggregate (formerly Lehman Aggregate). The current investment allocation is as follows:

<u>Asset Category</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash	0.0%	0.0%	2.0%
Fixed Income	12.0%	20.0%	35.0%
Equity, large cap	30.0%	45.0%	55.0%
Equity, small/Mid Cap	5.0%	10.0%	20.0%
International	5.0%	18.0%	25.0%
Real Estate and Alternative Assets	5.0%	7.0%	15.0%

Budgeting Process

LHRC has an established annual budget process, which produces both operating and capital budgets with multi-year projections. The budget process emphasizes financial stability, while allowing for future growth and maintaining focus on the LHRC’s mission—especially its guiding value of stewardship. The annual budgets are developed from departmental budgets submitted by Directors. The annual budgets are reviewed by senior management and approved by the Finance Committee and Board of Directors.

Once approved, the budgets are monitored on a monthly basis by senior management. The Finance Department provides monthly operational reports to Directors to assist with managing operations to budget. Monthly reports and discussion are also provided to the Board of Directors, and quarterly to the Finance Committee, with financial statements that present budgeted and actual results.

COVID-19 UPDATE

Please note: This analysis by management is for the fifteen months beginning March 31, 2020 to June 30 2021.

Like many organizations, LHRC was significantly impacted by the COVID-19 pandemic. LHRC quickly formed an inter-disciplinary team at the start of the pandemic that made protecting residents its primary function. This team met weekly to formulate strategies and to devise new processes and procedures to ensure everyone’s safety. These strategies included visitation restrictions, additional housekeeping, social distancing and increased air filtration, to name a few. To-date, LHRC has experienced eleven (11) deaths out of its 900 residents due to COVID-19. Management feels this is relatively low in comparison to reports from other campuses.

Management estimates that COVID-19 related expenses including supplies, equipment, materials, and staffing were almost \$1.4 million from March 1, 2020 to June 30, 2021. Increase staffing costs included “harm’s way incentive pay” and additional staffing in key areas such as housekeeping to provide for extra cleaning to stop the spread of infection.

Occupancy was also significantly impacted during this period, especially in personal care and skilled nursing. Management estimates lost revenue over this period of almost \$3.5 million. The significance of this drop in census is shown in the occupancy table on page A-11 and A-12. In the past few months, LHRC has seen a dramatic rise in inquiries and tours of these areas and census has improved. It is expected that occupancy will steadily increase during the 2022 fiscal year and that LHRC will reach its pre-COVID-19 occupancy levels by the end of the fiscal year.

LHRC's Residential Living Units have remained strong at over 97% occupancy and the priority list has grown to over seventy (70) couples and individuals planning to move to LHRC over the next year. Thus, management does not expect a drop in residential living census.

Fortunately, LHRC was able to offset a sizeable portion of the losses discussed above through other means. Government assistance of nearly \$1.8 million was received over the fifteen months. In addition, targeted development efforts raised another \$250,000. With the decline in occupancy, variable expenses were adjusted downward and other cost cutting measures were employed to save significant money. Significant savings were also garnered through the variable rate component of our long-term debt. Management estimates a combined \$1.2 million in savings from these measures. With the above measures, the total net impact of COVID-19 is estimated at around \$1.6 million as of June 30, 2021.

Over ninety-three percent (93%) of LHRC's residents have been vaccinated and almost sixty-five percent (65%) of Landis Communities' staff have been vaccinated. Nearly seventy-three percent (73%) of LHRC's staff have either been vaccinated or have natural immunity to some extent from testing positive for COVID-19. On August 22, 2021, the Centers for Medicare and Medicaid Services provided notice that, in September 2021, it will issue emergency regulations requiring all Medicare and Medicaid participating nursing facilities to mandate COVID-19 vaccinations for their staff. The impact of this upcoming mandate on LHRC's operations is undetermined at this time.

STAFFING UPDATE

Many retirement communities have found it difficult to fill open positions during the pandemic and have seen their staffing drop significantly. While LHRC faces the same challenges, it has not adversely affected the operations of the Community. Management has been able to maintain services while using only a small amount of agency staff to fill vacant shifts. Total full-time equivalents dropped by approximately 5% between the 2020 and 2021 fiscal year and a sizeable portion of this drop was due to census-based staffing

LANDIS PLACE ON KING

Overview

Landis Place on King is Landis Communities' newest housing with services development in the city of Lancaster, Pennsylvania. It will be a mixed-use development offering residential and commercial spaces. Landis Communities has been managing the residential development of nearby Steeple View Lofts ("SVL") for over eight (8) years. This experience has shown management that demand is strong for active adults aged 55 and older who want to be part of downtown Lancaster living. SVL currently has a waitlist of over fifty (50) persons seeking to live in the thirty-six (36) apartments. This fact gives Landis Communities motivation to expand its downtown offerings. A recent market study management commissioned indicates a significant growth in the 55 and older population and supports the need for more housing, particularly in the middle-income portion of the population.

The location is ideal for seniors wishing to take part in activities in downtown Lancaster, including Fulton Theater, Ware Center, Central Market, Convention Center as well as all of the shops and restaurants. Management's vision is that Landis Place on King be an integral part of the West King Street neighborhood and complement the residents and businesses that already exist and make the neighborhood special.

Project Design, Development and Construction

RLPS Architects have designed a modern building of seventy-nine (79) apartments with 95,858 square feet of space. The ground floor on West King Street will include a restaurant space with indoor and outdoor dining, a commercial office space as well as a separate entrance and lobby for the residential portion of the building. The building will have forty (40) interior parking spaces for residents accessible via Grant Street plus additional off-site parking. The building includes a green roof for storm water management, energy efficient design, insulation and appliances. All units will have balconies and there will be a rooftop terrace and event room available for residents and their guests. The apartment units will range from 700-1,200 square feet. The design includes an exercise room, lounges and meeting spaces.

High Construction and RGS Engineering were brought into the design and development of the project early on to assist RLPS in the design of the building. Landis Communities has worked extensively with these firms in the past on the LHRC campus, most recently the Crossings project described elsewhere in Appendix A, and has a great deal of trust in their abilities to deliver a high quality project. These firms helped to develop the project budget the feasibility of the project, and worked to receive all of the necessary approvals. The final contract with High Construction was a Guaranteed Maximum Price contract.

Market Research

Landis Communities had Bowen National Research Group prepare a market study for the Lancaster County area in the Spring of 2020. Their research showed significant growth in the 55 and older market as shown in the table below, obtained from the market study prepared by Bowen National Research Group.

	Population 55+	Households 55+
2010 Census	41,149	25,251
2019 Estimated	50,657	30,070
Change 2010-2019	9,508	4,819
Percent Change 2010-2019	23.1%	19.1%
2024 Projected	54,188	31,744
Change 2019-2024	3,531	1,674
Percent Change 2019-2024	7.0%	5.6%

Source: Census; ESRIUrban Decision Group; Bowen National Research

Their research also showed substantial growth in the middle income sectors of the market. The table below shows the growth in households with annual income ranging from \$40,000 to \$99,999. This cohort is projected to grow by over 1,000 households by 2024.

Household Income 55+	2010 (Census)		2019 (Estimated)		2024 (Projected)	
	Households	Percent	Households	Percent	Households	Percent
Less Than \$10,000	1,654	6.6%	1,736	5.8%	1,712	5.4%
\$10,000 to \$19,999	3,618	14.3%	3,594	12.0%	3,376	10.6%
\$20,000 to \$29,999	3,382	13.4%	3,669	12.2%	3,493	11.0%
\$30,000 to \$39,999	3,068	12.2%	2,982	9.9%	2,834	8.9%
\$40,000 to \$49,999	2,295	9.1%	2,642	8.8%	2,664	8.4%
\$50,000 to \$59,999	2,091	8.3%	2,726	9.1%	2,909	9.2%
\$60,000 to \$74,999	2,390	9.5%	3,026	10.1%	3,266	10.3%
\$75,000 to \$99,999	2,452	9.7%	3,647	12.1%	4,228	13.3%
\$100,000 to \$124,999	1,473	5.8%	2,299	7.6%	2,771	8.7%
\$125,000 to \$149,999	936	3.7%	1,242	4.1%	1,446	4.6%
\$150,000 to \$199,999	965	3.8%	1,323	4.4%	1,662	5.2%
\$200,000 & Over	927	3.7%	1,184	3.9%	1,383	4.4%
Total	25,251	100.0%	30,070	100.0%	31,744	100.0%
Median Income	\$43,937		\$51,511		\$56,164	

Source: Census; ESRIUrban Decision Group; Bowen National Research

Market Capture Rate

Based on the projected growth in the overall market of 1,674, shown above, Landis Place on King would need to capture about five percent (5%) of projected market growth to achieve stabilized occupancy. Management believes that it will be able to meet this projected occupancy during the forecast period.

The City of Lancaster’s own research shows tremendous growth in the rental market over the next ten years. In the analysis completed by Lancaster City Alliance, Lancaster City established the goal of adding over 2,500 new residential living units by 2030. This project will help the City achieve that goal. See page 9 of the report found at: <http://lancastercityalliance.org/wp-content/uploads/2015/06/Building-Strength-Executive-Summary-06.15-N.pdf>.

Project Development Budget and Financing Structure

The LPK Project total project cost will be approximately \$27 million in total, including construction costs of approximately \$22.9 million, as outlined in more detail below. \$25 million of funding is being secured through tax-exempt bank financing from Orrstown Bank, which is fixed at 2.35% for 10 years with a 30-year amortization period. The full term of the loan commitment is 15 years. The remaining \$2 million of funding will come through subordinated financing, fundraising, and a loan from the City of Lancaster.

Sources	
Source	Amount
Permanent Loan	\$ 25,000,000
Equity: Owner	\$ 100
Mezz Loan Int. Only (High)	\$ 1,551,795
Mezz Loan Int. Only (Landis)	\$ -
Landis Capital Campaign	\$ 500,000
HOME FUNDS	\$ 752,000
Total Sources	\$ 27,803,895

Uses	
Cost	Amount
Acquisition	\$ 1,223,800
Construction	\$ 22,931,303
Architectural	\$ 455,000
Engineering	\$ 99,825
Legal	\$ 220,000
Financing	\$ 884,051
Owner Cost	\$ 1,680,295
Municipal	\$ 80,308
Developer Fee	\$ 229,313
Total Development Cost	\$ 27,803,895

Operating Budget

The LPK Project is expected to have a normalized operating budget of about \$2 million. The cash flow return is projected to be about 7.5% after accounting for all debt payments (including subordinated debt) and a set aside for repair and replacement.

Obligated Group Impact

The LC Board decided to incorporate the LPK Project in the Obligated Group through Landis Place on King LLC along with LHRC. Among other benefits, this allowed access to cost effective and flexible project financing from Orrstown Bank, including an interest rate of 2.35% over ten years and financing covering approximately ninety percent (90%) of total project costs.

The impact to the Obligated Group of the LPK Project is considered to be small. It will reduce the Debt Service Reserve calculation by about .15 and the Days Cash on Hand Ratio by about 10 days.

SUMMARY OF MANAGEMENT PROJECTIONS

Hendrickson Consulting prepared a set detailed financial projections for management. These projections show strong ratios for both debt service coverage and days cash on hand. Page 16 of the report prepared by Hendrickson Consulting shows a debt service coverage ratio of nearly 2.0 in 2025 and 2026 of the projection. Days cash on hand is over 500 days by 2025 as well. For detailed information on the projections, see “Landis Home Retirement Community and Landis Place on King – Financial Forecasts for the Obligated Group” attached as Exhibit 1 to this Appendix A.

EXHIBIT 1

LANDIS HOME RETIREMENT COMMUNITY AND LANDIS PLACE ON KING – FINANCIAL
FORECASTS FOR THE OBLIGATED GROUP

HENDRICKSON CONSULTING

6 Beach Road – #494, Tiburon, CA 94920- (415) 889-5035 – Bill1Hendrickson@gmail.com

FINAL REPORT

LANDIS HOME RETIREMENT COMMUNITY, AND LANDIS PLACE ON KING

FINANCIAL FORECASTS FOR THE OBLIGATED GROUP

AUGUST 5, 2021

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SECTION A
CONSOLIDATED LHRC/LPK - OBLIGATED GROUP
STATEMENTS OF OPERATIONS
(\$000s)

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
REVENUE					
Residential Living	\$9,510	\$9,843	\$10,187	\$10,544	\$10,913
Residential Suites	610	631	653	676	700
Personal Care	10,070	11,021	11,407	11,806	12,220
Nursing	14,320	15,222	15,755	16,306	16,877
Ancillary/Other	3,070	3,177	3,289	3,404	3,523
Amortized Entrance Fees	6,380	6,481	6,551	6,657	6,799
Landis Place on King	0	682	1,932	2,000	2,070
Investment Earnings	1,730	2,224	2,357	2,469	2,610
Released Assets/Donations	890	921	953	987	1,021
Total Revenue	\$46,580	\$50,203	\$53,085	\$54,850	\$56,732
EXPENSES					
Salaries/Benefits	\$21,400	\$22,149	\$22,924	\$23,727	\$24,557
Purchased Services/Supplies	4,280	4,430	4,585	4,745	4,911
Utilities/Maintenance	2,550	2,639	2,732	2,827	2,926
Administration/Other	2,470	2,556	2,646	2,739	2,834
LC Management Fees	5,240	5,423	5,613	5,810	6,013
Landis Place on King	0	327	467	541	625
Deprec./Amort./Write-Off	6,945	6,807	7,332	7,862	7,942
Interest	4,216	4,258	4,798	4,734	4,668
Total Expenses	\$47,101	\$48,589	\$51,096	\$52,984	\$54,477
Change in Unr. Net Assets	(\$521)	\$1,614	\$1,988	\$1,866	\$2,255
Change in D. Restr. Assets	\$0	\$0	\$0	\$0	\$0
CHANGE IN NET ASSETS	(\$521)	\$1,614	\$1,988	\$1,866	\$2,255
NET ASSETS	\$31,267	\$32,881	\$34,869	\$36,735	\$38,990

SECTION A
CONSOLIDATED LHRC/LPK - OBLIGATED GROUP
BALANCE SHEETS
(\$000s)

Fiscal Year Ending June 30	2021	2022	2023	2024	2025	2026
ASSETS						
Cash & Equivalents - Unrestr.	\$1,635	\$1,360	\$1,360	\$1,360	\$1,360	\$1,360
Accounts Receivable	2,366	2,704	2,753	2,995	3,187	3,301
Other Current Assets	2,186	2,263	2,342	2,424	2,508	2,596
Total Current Assets	\$6,187	\$6,327	\$6,455	\$6,778	\$7,056	\$7,257
Investments - Restricted Bonds	\$5,516	\$21,637	\$9,547	\$9,547	\$9,547	\$9,547
Investments - Restricted Donor/Other	2,123	1,576	1,576	1,576	1,576	1,576
Investments - Unrestricted/Designated	45,216	48,437	54,774	57,596	61,114	65,279
Net PPE/Financing	112,739	127,537	133,250	129,918	126,056	122,114
Other Assets	543	543	543	543	543	543
TOTAL ASSETS	\$172,324	\$206,057	\$206,146	\$205,959	\$205,892	\$206,317
LIABILITIES						
Accts. Payable/Accr. Exp.	\$4,185	\$4,143	\$4,401	\$4,579	\$4,796	\$4,945
Current Debt - Bonds	2,765	1,045	1,893	1,948	2,019	2,080
Total Current Liabilities	\$6,950	\$5,188	\$6,294	\$6,527	\$6,815	\$7,025
Deferred/Refundable Entrance Fees	\$44,120	\$43,654	\$42,916	\$42,456	\$42,255	\$42,294
Long-term Debt w/Deferred Costs	89,466	125,948	124,055	122,107	120,088	118,008
TOTAL LIABILITIES	\$140,536	\$174,790	\$173,265	\$171,090	\$169,158	\$167,327
NET ASSETS	\$31,788	\$31,267	\$32,881	\$34,869	\$36,735	\$38,990
TOTAL NET ASSETS/LIAB.	\$172,324	\$206,057	\$206,146	\$205,959	\$205,892	\$206,317

SECTION A
CONSOLIDATED LHRC/LPK - OBLIGATED GROUP
STATEMENTS OF CASH FLOWS
(\$000s)

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
<u>OPERATING ACTIVITIES</u>					
Change in Net Assets	(\$521)	\$1,614	\$1,988	\$1,866	\$2,255
Depreciation/Amortization/Loss	6,945	6,807	7,332	7,862	7,942
Amortized Entrance Fees	(6,380)	(6,481)	(6,551)	(6,657)	(6,799)
Changes in Assets/Liabilities/Other	(456)	129	(145)	(60)	(53)
Cash From Operating Act.	(\$412)	\$2,068	\$2,624	\$3,010	\$3,346
<u>INVESTING ACTIVITIES</u>					
Project Expenditures - Debt	(\$19,943)	(\$11,520)	\$0	\$0	\$0
Capital Expenditures - Reserves	(1,800)	(1,000)	(4,000)	(4,000)	(4,000)
Cash From Investing Act.	(\$21,743)	(\$12,520)	(\$4,000)	(\$4,000)	(\$4,000)
<u>FINANCING ACTIVITIES</u>					
Net Entrance Fees	\$5,914	\$5,744	\$6,091	\$6,456	\$6,838
New Debt	85,165	0	0	0	0
Refinancing	(48,025)	0	0	0	0
Issuance	(1,076)	0	0	0	0
Debt Principal Payments	(1,302)	(1,045)	(1,893)	(1,948)	(2,019)
Cash From Financing Act.	\$40,676	\$4,699	\$4,198	\$4,508	\$4,819
Net Change in Cash/Inv.	\$18,520	(\$5,753)	\$2,822	\$3,518	\$4,165
Cash & Investments					
Unrestricted/Designated	49,797	56,134	58,956	62,474	66,639
Restricted - Bonds	21,637	9,547	9,547	9,547	9,547
Restricted - Donor/Other	1,576	1,576	1,576	1,576	1,576

B. BACKGROUND

The following are financial forecasts and assumptions for Landis Homes Retirement Community (LHRC). The forecasts are based on assumptions relating to the future activities of LHRC and are based on information provided by LHRC management and a review by Hendrickson Consulting (HC) of key documents including:

- the fiscal year (FY) ending June 30, 2020, audited financial statements,
- the FY 2021 internal income statements through June 30,
- the FY 2022 budget and assumptions,
- the management forecast and assumptions of the proposed Landis Place on King (LPK) affordable housing project, and
- the HJ Sims assumptions for the proposed loans; the bank debt (Series 2021A Bonds) and two subordinated loans (the Mezzanine loan and the Home Funds loan) for LPK, and the 2021B Fixed Rate Bonds for the refinancing of existing LHRC debt and capital projects.

These documents, as well as discussions with LHRC management, have been used by HC to prepare the financial statement forecasts shown in **Section A** (pages 1-3) of this report. The following sections discuss key assumptions used for the financial statement forecasts.

DESCRIPTION OF LHRC

Landis Communities (LC) is a 501(c)(3) non-profit corporation which owns and operates LHRC, a continuing care retirement community (CCRC), as well as several smaller entities which provide home and community services, affordable housing, and a personal care facility. LHRC consists of 479 residential living (RL) units, 31 residential suites (RS), 97 personal care (PC) units, and a 103-bed skilled nursing facility (SNF). LHRC accounts for over 95% of the assets and revenues of LC. LHRC is currently the sole Obligated Group (OG) entity for the approximately \$90 million in existing LC debt.

LHRC is located on a 114-acre campus in Lititz, Pennsylvania and began operation in 1964. RL entrants enter into a Residency Agreement and pay a one-time entrance fee and a monthly fee. Although various refundable entrance fee options are available, more than 97% of RL entrants select the option whose refund is available on a declining basis over 80 months. RL residents are provided with maintenance, utilities, real estate taxes, social services, and activities as part of their entrance and monthly fee. Meals and housekeeping services are available at an additional cost. RL residents have priority access to the higher PC and SNF levels of care but are not provided a discount from market rates when they transfer, and the CCRC contract terminates when they transfer from RL. The RS level of care is essentially for RL entrants who want meals and housekeeping services. No entrance fee is charged.

The CCRC itself is licensed by the State’s Department of Insurance, while the Department of Human Services licenses the PC units and the Department of Health licenses the SNF. The primary financial requirement is by the Department of Insurance and sets a minimum reserve level based on a formula which is the larger of the RL share of 12 months of annual debt service or 10% of RL-related operating expenses. In FY 2020 this amount totaled \$4.3 million (the annual debt). The minimum reserves are not required to be placed in escrow.

LPK PROJECT DESCRIPTION

LC recently formed LPK, LLC for the purposes of constructing and operating a 79-independent living (IL) unit rental community and to add it as a new member to the OG. LPK will be located on a 0.5-acre site located eight miles from the LHRC campus. Construction began in June 2021 and is scheduled to end by November 2022. The project consists of 122,000 square feet with a wood-frame construction. LPK will not be licensed as a CCRC. Residents will primarily be provided with housing and will not be part of the LHRC continuum of care. Residents will be responsible for their utilities. Project costs are estimated at \$26.9 million (**Table 1**).

FINANCING PLAN

The OG will issue \$25.0 million fixed-rate bank debt (Series 2021A Bonds) to fund the construction of the LPK project, along with two smaller subordinated loans; a \$1.5 million Mezzanine loan, a \$752,000 “Home Fund” loan from the City of Lancaster, and \$500,000 in LHRC cash, which LHRC expects to be generated from a capital campaign (not reflected in the forecasts). Series 2021B Fixed Rate Bonds totaling \$52.2 million par plus an estimated \$5.7 million premium will be used to refinance approximately \$48.0 million of existing debt, including the Series 2015B, 2015C, and 2017B variable rate tax-exempt bonds, and fund \$5.0 million in LHRC general capital improvements in FY 2022 and FY 2023.

The Series 2021A Bonds are expected to be dated August 15, 2021, and the Series 2021B Bonds are expected to be dated September 22, 2021. H.J. Sims, LHRC’s investment banker, estimates a 4.0% coupon and a 30-year term for the Series 2021A Bonds and a 35-year term for the 2021B Bonds. Interest payments are expected to begin on January 1, 2022, and principal payments for the Series 2021B Bonds are expected to begin on July 1, 2022, and Series 2021A Bonds expected on July 1, 2024. Series 2021A Bond interest payments are expected to be funded from Bond proceeds through August 15, 2024.

The Mezzanine loan is being provided by the High Foundation as a social investment and is intended to fund costs incurred before the 2021 Bonds close. Interest payments are estimated at 5.0% and the principal is due in 2031. The Home Fund loan has a 30-year term with a 1.0% interest rate, with interest only paid for the first 20-years.

TABLE 1
CONSOLIDATED LHRC/LPK - OBLIGATED GROUP
SOURCES/USES OF FUNDS
(\$000s)

Fiscal Year Ending June 30	TOTAL	2021	2022	2023
SOURCES				
2021A Bonds - LPK	\$24,982	\$0	\$24,982	\$0
Mezzanine Loan - LPK	\$1,543	0	1,543	0
City of Lancaster Loan - LPK	\$752	0	752	0
2021B Bonds - LHRC	\$57,888	0	57,888	0
Cash Equity - Other	\$500	500	0	0
TOTAL SOURCES	\$85,665	\$500	\$85,165	\$0
USES				
Land Acquisition	\$1,220	\$100	\$1,120	\$0
Construction	\$22,930	0	15,000	7,930
Architectural/Engineering	\$560	300	200	60
Permits	\$80	0	80	0
Furnishings/Equipment	\$130	0	0	130
Legal/Insurance	\$220	0	150	70
Marketing	\$300	100	100	100
Operating Reserve	\$410	0	0	410
Operating Loss Reserve	\$160	0	0	160
Developer Fee - LC	\$230	0	230	0
Contingencies	\$680	0	450	230
Project Subtotal	\$26,920	\$500	\$17,330	\$9,090
Funded Interest	\$613	\$0	\$613	\$0
Refinancing	\$48,025	0	48,025	0
Project Fund - LHRC	\$5,000	0	2,000	3,000
Debt Service Reserve	\$4,031	0	4,031	0
Issuance Costs	\$1,076	0	1,076	0
TOTAL USES	\$85,665	\$500	\$73,075	\$12,090
BALANCE	\$0	\$0	\$12,090	\$0

A summary of historical and forecast LHRC debt is shown in **Table 2**. The Series 2015A Bonds are not being refinanced. Total annual debt is estimated to increase from \$6.5 million in FY 2021 to \$6.7 million by FY 2024, with LPK accounting for \$1.3 million of the total, including subordinated Mezzanine debt and Home Fund loan interest payments.

TABLE 2
CONSOLIDATED LHRC/LPK - OBLIGATED GROUP
DEBT PAYMENT SCHEDULE SUMMARY
(\$000s)

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
<u>BONDS - 2015A - FIXED</u>					
Interest	\$2,123	\$2,084	\$2,044	\$2,002	\$1,958
Principal	<u>\$1,010</u>	<u>\$1,045</u>	<u>\$1,090</u>	<u>\$1,130</u>	<u>\$1,175</u>
Total Payments	\$3,133	\$3,129	\$3,134	\$3,132	\$3,133
Balance	\$44,150	\$43,105	\$42,015	\$40,885	\$39,710
<u>BONDS - 2015/17 VARIABLE</u>					
Interest	\$400	\$0	\$0	\$0	\$0
Principal	<u>\$292</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Payments	\$692	\$0	\$0	\$0	\$0
Balance	\$0	\$0	\$0	\$0	\$0
<u>PROJECT DEBT - 2021A/OTHER</u>					
Interest w/Mezz./City Loans	\$74	\$85	\$617	\$650	\$635
Principal	<u>\$0</u>	<u>\$0</u>	<u>\$638</u>	<u>\$654</u>	<u>\$669</u>
Total Payments	\$74	\$85	\$1,255	\$1,304	\$1,304
Balance w/Mezz./City Loans	\$27,277	\$27,277	\$26,639	\$25,985	\$25,316
<u>REFINANCING DEBT - 2021B</u>					
Interest	\$1,619	\$2,089	\$2,137	\$2,082	\$2,075
Principal	<u>\$0</u>	<u>\$0</u>	<u>\$165</u>	<u>\$164</u>	<u>\$175</u>
Total Payments	\$1,619	\$2,089	\$2,302	\$2,246	\$2,250
Balance	\$57,888	\$57,888	\$57,723	\$57,559	\$57,384
<u>TOTAL DEBT</u>					
Interest	\$4,216	\$4,258	\$4,798	\$4,734	\$4,668
Principal	<u>\$1,302</u>	<u>\$1,045</u>	<u>\$1,893</u>	<u>\$1,948</u>	<u>\$2,019</u>
Total Payments	\$5,518	\$5,303	\$6,691	\$6,682	\$6,687
EOY Balance b/Deferred Costs	\$129,315	\$128,270	\$126,377	\$124,429	\$122,410

C. REVENUE AND EXPENSE ASSUMPTIONS

Revenue and expense forecast assumptions for LHRC and LPK are discussed below. The assumptions are based on a review of FY 2020 and FY 2021 historical occupancy reports, the FY 2020 Audit, internal income statements through June 2021 (12 months of FY 2021), the FY 2022 budget, and discussions with management. FY 2021 occupancy levels and financial performance were impacted by Covid-19. Occupancy began to improve in the Spring of 2021 and the budget reflects LHRC's expectation that LHRC will continue to improve in FY 2022, returning to pre-Covid 19 occupancy and performance levels in FY 2023 and thereafter.

LHRC ASSUMPTIONS

Table 3 shows a summary of LHRC units, entrance fees, and monthly fees for all levels of care in current (FY 2022) dollars. LHRC has been constructed over a 50+ year period with the Crossings IL apartments opened most recently in the Summer 2019. Approximately 57% of the RL units are two-bedroom, 36% one-bedroom, and 7% studios. More than 45% of the RL units are above 1,200 square feet. The entrance fees shown are for LHRC's "non-refundable" option, which provides a declining refund over an 80-month period. LHRC offers four refundable fee options (25%, two 50% options, 90%) but fewer than 3% of the RL units are covered under the refundable options.

Monthly/Daily Fees

Tables 4 shows a summary of forecast occupancy and revenues by level of care. Rates were increased by 4.0% for RL units and for RS, PC, and SNF beds effective July 1, 2021. Rates for all levels are forecast to increase by 3.5% per year beginning on July 1, 2022. The payor mix for SNF is expected to remain at the historical 55%-60% private/managed care, 35%-40% Medicaid, and 5%-7% Medicare. The estimated 3.5% SNF reimbursement increase represents a weighted average of Medicaid and Medicare (2.0%) and private increases (4.5%). The RS units were initially successful but have declined in occupancy over the last five years. LHRC is in the process of converting RS units to RL apartments (including 4 in August) and expects to replace all units in the next five years. For forecasting purposes RS is expected to remain at current low occupancy levels.

Entrance Fees

Table 5 shows a summary of entrance fee re-sales. LHRC turnovers have historically averaged about 10%-12% of existing (40-50 units), with residents living an average of 8-9 years in their RL units. New move-ins declined by 20% in FY 2021 due primarily to Covid-19. LHRC expects turnovers to increase over the next 10 years as recently occupied Crossings units reach turnover stability. The forecasts assume 40 move-ins in FY 2022 gradually increasing to 44 by FY 2026. Rates are estimated to increase by 3.5% per year. LHRC expects to add four new RL units in August 2021 from converted RS units with combined entrance fee receipts estimated at \$500,000.

**TABLE 3
 LANDIS HOMES RETIREMENT COMMUNITY
 EXISTING UNIT MIX/RATES
 FY 2022 DOLLARS**

Unit Description	Number Units	Square Feet	Entrance Fee - 0%	Monthly Fee
<u>RESIDENTIAL LIVING (1)</u>				
Apartments - "View"	62	500	\$74,600	\$970
Apartments - Crossings	79	1,290	\$241,500	\$2,040
Apartments - Harvest View	125	690	\$118,900	\$1,310
Cottages - East/West/NWest	72	970	\$146,800	\$1,420
Cottages/Homes - Expansion	141	1,430	\$251,700	\$2,000
Total/Average	479	1,020	\$176,700	\$1,610
<u>OTHER (PER DAY)</u>				
Residential Suites	31			\$104-\$169
Personal Care	97			\$252-\$371
Skilled Nursing - Private	103			\$516-\$559

(1) Includes 34 studios, 170 One-bedroom, and 275 Two-bedroom units.
 210 units (45%) over 1,200 sf. Includes 4 new RL units in August 2021.

TABLE 4
LANDIS HOMES RETIREMENT COMMUNITY
REVENUE ASSUMPTIONS
(\$000s)

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
<u>RESIDENTIAL LIVING</u>					
Available Units	479.0	479.0	479.0	479.0	479.0
Occupied Units	465.0	465.0	465.0	465.0	465.0
Percent Occupancy	97.1%	97.1%	97.1%	97.1%	97.1%
Average Monthly Rate	\$1,704	\$1,764	\$1,826	\$1,890	\$1,956
ANNUAL IL REVENUES	\$9,510	\$9,843	\$10,187	\$10,544	\$10,913
<u>RESIDENTIAL SUITES</u>					
Available Beds	31.0	31.0	31.0	31.0	31.0
Occupied Beds - Total	13.5	13.5	13.5	13.5	13.5
Percent Occupancy	43.5%	43.5%	43.5%	43.5%	43.5%
Average Daily Revenue	\$124	\$128	\$133	\$137	\$142
ANNUAL REVENUES	\$610	\$631	\$653	\$676	\$700
<u>PERSONAL CARE</u>					
Available Beds	97.0	97.0	97.0	97.0	97.0
Occupied Beds - Total	87.0	92.0	92.0	92.0	92.0
Percent Occupancy	89.7%	94.8%	94.8%	94.8%	94.8%
Average Daily Revenue	\$317	\$328	\$340	\$352	\$364
ANNUAL REVENUES	\$10,070	\$11,021	\$11,407	\$11,806	\$12,220
<u>HEALTH CENTER</u>					
Available Beds	103.0	103.0	103.0	103.0	103.0
Occupied Beds - Total	92.5	95.0	95.0	95.0	95.0
Percent Occupancy	89.8%	92.2%	92.2%	92.2%	92.2%
Average Daily Revenue	\$424	\$439	\$454	\$470	\$487
ANNUAL REVENUES	\$14,320	\$15,222	\$15,755	\$16,306	\$16,877

TABLE 5
LANDIS HOMES RETIREMENT COMMUNITY
ENTRANCE FEE REVENUES - RESALES EXISTING UNITS (1)
(000s)

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
Move-Ins	40.0	41.0	42.0	43.0	44.0
Average Price	\$153,800	\$159,200	\$164,800	\$170,600	\$176,600
Gross Resale Revenues (1)	\$6,152	\$6,527	\$6,922	\$7,336	\$7,770
Refunds	(\$738)	(\$783)	(\$831)	(\$880)	(\$932)
Net Resale Fees	\$5,414	\$5,744	\$6,091	\$6,456	\$6,838

(1) Excludes \$500,000 of first time entrance fees for 4 RL units opening in August 2021.

Other Income

Other income includes SNF ancillary revenues (about \$1.0 million per year), leased space rental income, additional meals, and other miscellaneous revenues. Additionally, other income includes approximately \$1.6 million per year for meals and contract labor provided to Landis HCBS and Covid-19 related grants (\$900,000 in FY 2020, \$620,000 in FY 2021). With the exception of the Covid-19 grants, which are expected to end in FY 2021, all other income is expected to increase by 3.5% per year.

Contributions and Net Assets Released

Contributions for operations, capital and benevolence are budgeted at \$890,000 in FY 2022 and are estimated to increase by 3.5% per year. Contribution sources include families, residents, and foundations.

Investment Income

LHRC invests in a wide variety of instruments, including publicly traded equity and fixed income mutual funds. Interest, dividends, and realized gains in FY 2022 and thereafter are estimated to average 4.0% of prior year cash and investment balances with approximately one-half in unrealized gains. The 2021 Bonds Debt reserve earnings are estimated at 1.0%.

Operating Expenses

LHRC currently employs approximately 350 full-time equivalent (FTE) employees. In FY 2021 actual salaries and benefits totaled \$20.0 million and are budgeted at \$21.4 million in FY 2022 for 350 FTEs. Other key operating expenses include purchased services, supplies, and utilities. LHRC is also charged a management fee by LC which roughly equates to 10% of operating revenues. For forecasting purposes LHRC staffing is expected to remain at budgeted FY 2022 levels and all expenses are estimated to increase by 3.5% per year, aside from the addition of LPK expenses.

LPK ASSUMPTIONS

A summary of proposed LPK pricing in current dollars is shown in **Table 6**. LPK is intended to provide affordable housing to low and middle-income seniors. In addition to the lower market rates, 10% of the apartments (8 units) are reserved for low-income residents at an average of less than \$750 per month

LPK Operating Revenues

Table 7 shows a summary of forecast LPK occupancy and revenues. LPK is estimated to begin operations in November 2023 and fill to 95% (75 units) by June 2024 (8 months). The first full fiscal year of stabilized occupancy is FY 2024. Rates are forecast to increase by 3.5% per year.

Additional revenue sources include commercial rent payments, parking fees, and resident utility payments. There will be approximately 5,850 square feet of leasable space, and LHRC expects it to be filled by a restaurant, retail, medical offices, and United Way. Rental rates are estimated at \$1.00-\$2.00 per square foot per month, and average approximately \$1.30. Rental rates and all other LPK revenue sources are increased by 3.5% per year.

LPK Operating Expenses

Expenses are estimated at \$400,000 per year in FY 2022 dollars excluding real estate taxes. LHRC estimates that LPK will be staffed with 2.0 FTE employees (manager, part-time maintenance, part-time nurse), with salaries and benefits totaling \$100,000 in FY 2022 dollars. Other expenses include utilities, insurance, and maintenance, and are estimated to total approximately \$200,000. All expenses are estimated to increase by 3.5% after stabilized occupancy. LC management fees are set at 4.5% of annual revenue.

Under LERTA regulation, real estate taxes are set at \$0 initially and phased in over eight years. Real estate taxes will start at approximately \$20,000 in FY 2023 and eventually grow to over \$400,000 by FY 2030.

**TABLE 6
 LANDIS PLACE ON KING
 UNIT MIX/RATES
 FY 2022 DOLLARS**

Unit Description	Number Units	Net Sq. Feet	Market Rate/Mo.
One-Bedroom	30	660	\$1,450
Two-Bedroom - Regular	40	930	\$2,050
Two-Bedroom - Large	9	1,120	\$2,460
Total/Average	79	850	\$1,870

(1) 8 one-bedroom units set aside for affordable at average \$750/mo.

**TABLE 7
LANDIS PLACE ON KING
REVENUE ASSUMPTIONS
(\$000s)**

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
<u>MONTHLY FEES</u>					
Available Units		79.0	79.0	79.0	79.0
Occupied Units		40.0	75.0	75.0	75.0
Percent		50.6%	94.9%	94.9%	94.9%
Average Fee/Month	\$1,798	\$1,861	\$1,926	\$1,993	\$2,063
ANNUAL REVENUES		\$595	\$1,733	\$1,794	\$1,857
<hr/>					
<u>COMMERICAL</u>					
Square Feet - Leased less Vacancy		3,000	5,500	5,500	5,500
Monthly Rate/psf		\$1.30	\$1.35	\$1.39	\$1.44
ANNUAL REVENUES		\$31	\$89	\$92	\$95
<hr/>					
<u>OTHER</u>					
Water/Sewer		\$30	\$60	\$62	\$64
Parking		20	40	41	43
Other		5	10	10	11
ANNUAL REVENUES		\$55	\$110	\$114	\$118
<hr/>					

D. FINANCIAL STATEMENT ASSUMPTIONS

In addition to the LHRC and LPK operating assumptions, there are several other assumptions used to forecast the **Section A** financial statements. The FY 2021 Balance Sheet is based on the internal statements from June 30, 2021.

STATEMENTS OF OPERATIONS

The two accrual adjustments to the Statement of Operations includes amortized entrance fees, depreciation and amortization of capitalized costs.

Amortized Entrance Fees – The non-refundable portion of entrance fees are amortized over the estimated time spent in RL by new entrants (8 years).

Depreciation and Amortization – Capital expenditures are depreciated over a 30-year period for the LPK project and over a 15-year period for ongoing capital expenditures. Fees and 2021 Bonds issuance costs are amortized over 30 years. Bond issuance and premium amortization is reflected under depreciation and amortization (the audit includes these categories in the interest expense line)

BALANCE SHEETS

Assets - Account receivables are estimated at 25 days of cash revenues. Other current assets are increased by 3.5% per year from FY 2022.

Liabilities - Accounts payable are estimated at 40 days of cash operating expenses.

STATEMENTS OF CASH FLOWS

Ongoing Capital costs – Ongoing capital expenditures are budgeted at \$3.8 million in FY 2022 and \$4.0 million per year thereafter. A total of \$5.0 million of these improvements in FY 2022 and FY 2023 are being funded by the Series 2021B Bond proceeds.

E. KEY FINANCIAL RATIOS

Table 8 shows a summary of key financial ratios for LHRC. Debt coverage and days cash ratio calculations are based on the 2015 Master Trust Indenture (MTI). Debt coverage is projected to exceed 1.80x maximum annual debt service (MADS) at stabilization. The MADS calculation includes LHRC debt payments and LPK debt payments starting in FY 2024, the first full fiscal year of stabilized occupancy. MADS Mezzanine debt is amortized over 25 years (10-year term plus 15 years) as defined in the MTI. MADS City of Lancaster Home Fund debt is amortized over 30-years. Unrestricted days cash on hand is projected to exceed 450 days.

TABLE 8
CONSOLIDATED LHRC/LPK - OBLIGATED GROUP
DEBT COVERAGE AND OTHER KEY RATIOS
(\$000s)

Fiscal Year Ending June 30	2022	2023	2024	2025	2026
<u>CASH AVAILABLE FOR DEBT SERVICE</u>					
Change in Unrestr. Net Assets	(\$521)	\$1,614	\$1,988	\$1,866	\$2,255
Depreciation/Amortization/Loss	6,945	6,807	7,332	7,862	7,942
Unrealized Losses (Gains)	(865)	(1,112)	(1,178)	(1,235)	(1,305)
Amortized Entrance Fees	(6,380)	(6,481)	(6,551)	(6,657)	(6,799)
Net Resale Entrance Fees	5,414	5,744	6,091	6,456	6,838
Interest Expense	4,216	4,258	4,798	4,734	4,668
Net Cash for Debt Service	\$8,809	\$10,829	\$12,479	\$13,025	\$13,599
<u>DEBT SERVICE - LONG-TERM</u>					
Interest Paid	\$4,216	\$4,258	\$4,798	\$4,734	\$4,668
Principal	1,302	1,045	1,893	1,948	2,019
Total Payments	\$5,518	\$5,303	\$6,691	\$6,682	\$6,687
Unrestricted Cash and Equiv.	\$49,797	\$56,134	\$58,956	\$62,474	\$66,639
Operating Expenses	\$40,156	\$41,782	\$43,764	\$45,122	\$46,535
MADS w/ Subordinated Debt	\$5,518	\$5,491	\$6,848	\$6,848	\$6,848
<u>KEY RATIOS</u>					
Debt Service Coverage - Actual	1.60	2.04	1.87	1.95	2.03
Debt Coverage Actual w/o Sub. Debt	1.62	2.08	1.89	1.97	2.06
Debt Service Coverage - MADS	1.60	1.97	1.82	1.90	1.99
Debt Coverage MADS w/o Sub. Debt	1.60	1.97	1.86	1.94	2.03
Days Cash on Hand	453	490	492	505	523

APPENDIX B

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS
ENDED JUNE 30, 2019 AND JUNE 30, 2020**

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Landis Communities and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2020 and 2019

Landis Communities and Affiliates

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June 30, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of
Landis Communities and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Landis Communities and Affiliates (collectively, the Corporation), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2020, the Corporation retrospectively adopted new accounting guidance on the presentation of amounts generally described as restricted cash and restricted cash equivalents in the consolidated statements of cash flows. Our opinion is not modified with respect to this matter.

Report on Consolidating Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of balance sheet, operations and changes in net assets, and cash flows on pages 29 through 34 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets or cash flows of the individual or combined organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Wilkes-Barre, Pennsylvania
October 26, 2020

Landis Communities and Affiliates

Consolidated Balance Sheets
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,301,197	\$ 2,770,814
Assets whose use is limited, debt service funds	2,579,141	2,121,990
Accounts receivable:		
Residents, net	2,762,746	2,826,821
Entrance fees	324,700	1,390,800
Other	229,710	87,678
Prepaid expenses and other current assets	<u>536,346</u>	<u>504,037</u>
Total current assets	<u>9,733,840</u>	<u>9,702,140</u>
Assets Whose Use is Limited		
Board-designated investments	3,264,107	3,145,709
Statutory minimum liquid reserve	4,288,982	3,995,031
Donor-restricted investments	1,576,032	1,540,103
Debt service reserve fund	3,133,813	3,133,813
Resident escrow deposits	<u>-</u>	<u>8,466,287</u>
Total assets whose use is limited	12,262,934	20,280,943
Investments	30,387,748	25,883,840
Investment in Limited Partnership	629,959	629,967
Property and Equipment, Net	118,966,817	122,996,371
Pledges Receivable, Net	136,748	333,169
Split-Interest Agreements	320,060	367,199
Other Assets	<u>231,930</u>	<u>164,267</u>
Total assets	<u><u>\$ 172,670,036</u></u>	<u><u>\$ 180,357,896</u></u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Balance Sheets

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 2,691,227	\$ 2,116,620
Accounts payable:		
Trade	795,839	1,048,503
Capital related	263,401	1,394,549
Accrued expenses:		
Salaries and wages	538,203	392,733
Paid time off	878,634	784,780
Interest	1,154,624	1,100,106
Other	1,215,954	1,035,125
	<u>7,537,882</u>	<u>7,872,416</u>
Total current liabilities		
Long-Term Debt	92,175,967	102,882,214
Deposits for Capital Additions	-	426,600
Refundable Entrance Fees and Deposits	568,675	693,227
Deferred Revenues From Nonrefundable Entrance Fees	45,235,328	42,745,017
	<u>145,517,852</u>	<u>154,619,474</u>
Total liabilities		
Net Assets		
Without donor restrictions	24,961,687	23,475,129
With donor restrictions	2,190,497	2,263,293
	<u>27,152,184</u>	<u>25,738,422</u>
Total net assets		
Total liabilities and net assets	<u>\$ 172,670,036</u>	<u>\$ 180,357,896</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Operations
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 44,200,480	\$ 42,070,909
Other revenues	1,946,025	846,312
Donor-restricted contributions used primarily for benevolent care	<u>958,676</u>	<u>830,411</u>
Total revenues without donor restrictions	<u>47,105,181</u>	<u>43,747,632</u>
Expenses		
Resident services	14,393,110	14,536,015
General and administrative	8,844,586	7,706,447
Depreciation	7,119,880	6,469,382
Plant operations	5,237,789	4,770,396
Dining services	4,813,745	4,817,695
Housekeeping, laundry and campus services	1,979,962	1,932,165
Outcome management, pastoral services and life enrichment	1,679,974	1,483,713
Interest	<u>3,736,442</u>	<u>3,776,257</u>
Total expenses	<u>47,805,488</u>	<u>45,492,070</u>
Operating loss	<u>(700,307)</u>	<u>(1,744,438)</u>
Other Income (Loss)		
Interest and dividend income	512,749	691,094
Net realized gain on sales of investments	483,052	851,256
Change in net unrealized gains and losses on investments	657,715	(549,566)
Contributions and bequests	517,308	176,137
Loss on disposal or abandonment of property and equipment	(44,226)	(133,443)
Loss on extinguishment of debt	<u>(107,461)</u>	<u>-</u>
Total other income, net	<u>2,019,137</u>	<u>1,035,478</u>
Revenues in Excess of (Less Than) Expenses	1,318,830	(708,960)
Donor-Restricted Contributions Used for Purchase of Property and Equipment	<u>167,728</u>	<u>304,221</u>
Change in net assets without donor restrictions	<u>\$ 1,486,558</u>	<u>\$ (404,739)</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Change in net assets without donor restrictions	\$ 1,486,558	\$ (404,739)
Net Assets With Donor Restrictions		
Contributions	1,011,177	848,076
Interest and dividend income	23,042	30,433
Net realized gain on sales of investments	18,931	54,742
Change in net unrealized gains and losses on investments	15,231	(666)
Change in value, split-interest agreements	(14,773)	(13,947)
Donor-restricted contributions used for:		
Resident assistance program	(644,759)	(717,230)
Other	(313,917)	(113,181)
Purchase of property and equipment	(167,728)	(304,221)
Change in net assets with donor restrictions	(72,796)	(215,994)
Change in net assets	1,413,762	(620,733)
Net Assets, Beginning	<u>25,738,422</u>	<u>26,359,155</u>
Net Assets, Ending	<u>\$ 27,152,184</u>	<u>\$ 25,738,422</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,413,762	\$ (620,733)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,119,880	6,469,382
Amortization of deferred financing costs	56,230	60,820
Net realized and unrealized gain and losses on investments	(1,174,929)	(355,766)
Loss on disposal or abandonment of property and equipment	44,226	133,443
Loss on extinguishment of debt	107,461	-
Proceeds from entrance fees and deposits, existing units	5,771,800	5,284,800
Amortization of entrance fees	(6,598,871)	(5,404,286)
Contributions restricted for long-term purposes	(18,215)	(27,443)
Contributions, pledges receivable	(65)	(65)
Change in value, pledges receivable	37,599	(1,152)
Change in split-interest agreements	47,139	52,471
Change in assets and liabilities:		
Accounts receivable	(77,957)	(192,714)
Prepaid expenses and other assets	(99,972)	(190,618)
Accounts payable, trade	(252,664)	384,622
Accrued expenses and other liabilities	474,671	204,016
Net cash provided by operating activities	<u>6,850,095</u>	<u>5,796,777</u>
Cash Flows From Investing Activities		
Net purchases of investments and assets whose use is limited	(3,785,765)	(3,813,664)
Change in value of investment in limited partnership	8	8
Purchase of property and equipment	<u>(4,265,700)</u>	<u>(23,469,159)</u>
Net cash used in investing activities	<u>(8,051,457)</u>	<u>(27,282,815)</u>
Cash Flows From Financing Activities		
Repayment of long-term debt	(12,370,208)	(1,427,647)
Proceeds from long-term debt	2,074,877	20,144,921
Proceeds from entrance fees and deposits, new units	4,301,320	7,601,800
Refunds of entrance fees	(468,990)	(1,056,720)
Collections, pledges receivable	158,887	194,559
Contributions restricted for long-term purposes	<u>18,215</u>	<u>27,443</u>
Net cash (used in) provided by financing activities	<u>(6,285,899)</u>	<u>25,484,356</u>
Net change in cash and cash equivalents	(7,487,261)	3,998,318
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning	<u>16,513,387</u>	<u>12,515,069</u>
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending	<u>\$ 9,026,126</u>	<u>\$ 16,513,387</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 3,625,693</u>	<u>\$ 3,729,162</u>
Noncash Investing and Financing Activities		
Accounts payable, capital related	<u>\$ 263,401</u>	<u>\$ 1,394,549</u>
Reconciliation of Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents		
Cash and cash equivalents	\$ 3,301,197	\$ 2,770,814
Cash and cash equivalents included in assets whose use is limited and investments	<u>5,724,929</u>	<u>13,742,573</u>
Total cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 9,026,126</u>	<u>\$ 16,513,387</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Landis Communities is a not-for-profit corporation organized to operate exclusively for the support and benefit of Landis Homes Retirement Community (LHRC), Welsh Mountain Home (WMH) and Landis HCBS, LLC (HCBS); to support the mission, operations and residents of LHRC, WMH and HCBS, serving older adults including the provision of housing, the provision of affordable housing, the promotion of community among the residents, and the provision of access to home and community based services, including, but not limited to, home care, home health, continuing care at home, adult day services, respite care, care navigation and concierge services to not only residents but the general public, and other retirement community services as elected by the residents, and to develop, and administer an array of services consistent with Landis Communities' Mennonite/Anabaptist heritage and designed to serve the physical and spiritual needs of aging adults.

The consolidated financial statements include the accounts of Landis Communities, LHRC, HCBS, Landis Quality Living (LQL), WMH and WMH Inc. (collectively, the Corporation). All significant intercorporate transactions and balances have been eliminated. Landis Communities is the controlling entity and sole member of the following entities, unless otherwise noted below:

- LHRC is a not-for-profit corporation that operates a continuing care retirement community in Lititz, Pennsylvania providing housing, health care and other related services to elderly residents through the operation of a nursing facility and personal care and residential living units.
- As of July 1, 2018, Landis at Home, LLC (LAH) was re-organized to be HCBS. HCBS is a not-for-profit limited liability company organized to provide an array of home and community based services including home care, home health, continuing care at home, adult day services, respite care and other programs.
- LQL is a not-for-profit corporation organized to provide affordable low-income housing, including rental units, for senior adults, in Lancaster, Pennsylvania. Quality Living Choices (QLC) is a not-for-profit corporation organized to provide housing, including rental units to senior adults, in Lancaster, Pennsylvania. As of July 1, 2019, LQL replaced LC as the sole member of QLC.
- WMH is a not-for-profit corporation that operates a personal care facility in a Christian environment in New Holland, Pennsylvania.
- WMH Inc., (whose sole member is WMH) is a not-for-profit corporation organized to act as a co-general partner in Mountain View Terrace, LP (an affordable housing apartment complex for seniors).

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents, and restricted cash and cash equivalents includes investments in highly liquid debt instruments purchased with an original maturity of three months or less.

Landis Communities and Affiliates

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Accounts Receivable

The Corporation 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 during periodic review of individual accounts and 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 Corporation has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful collections is estimated based upon a periodic review of individual accounts. Management determined the allowance for doubtful collections was \$29,563 as of June 30, 2020. Management determined there was no allowance for doubtful collections necessary as of June 30, 2019 based on their review of individual accounts.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues in excess of (less than) 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.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheets 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 certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheets could change materially in the near term.

Assets Whose Use is Limited

Assets whose use is limited includes investments set aside by the board of directors which are available for the general use and purposes of the Corporation, assets whose use has been limited by donors to specific purposes, assets to be held in perpetuity, assets designated to meet the statutory minimum liquid reserve requirements of Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act (Act 82), resident escrow deposits and assets held by trustees under trust indentures. Amounts available to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support 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 restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

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Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been capitalized and are being amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense, which is included as a component of interest expense, was \$56,231 in 2020 and \$60,820 in 2019. Accumulated amortization was \$249,911 and \$200,946 at June 30, 2020 and 2019, respectively.

Split-Interest Agreements

LHRC has received as contributions charitable gift annuities. These arrangements represent contracts between the Mennonite Foundation (the Foundation) and donors. Donors transfer cash or investments to the Foundation and, in turn, receive periodic distributions from the Foundation. The contributions received by LHRC are the unconditional rights to receive the remainder interest of the gift annuities. The amount of the contribution is the difference between the asset received by the Foundation and the present value of the estimated future payments to be distributed by the Foundation to the annuitants. These contributions are recorded to net assets with donor restrictions, in accordance with donor restrictions.

Investment in Limited Partnership

WMH, Inc. is a co-general partner (.0051 percent interest) along with Housing Development Corporation MidAtlantic (HDC) (.0049 percent interest) in Mountain View Terrace, LP (an affordable housing apartment complex for seniors). WMH, Inc. purchased land for \$1 from WMH, which was then contributed at a fair value of \$630,000 to Mountain View Terrace, LP. HDC is the managing general partner of Mountain View Terrace, LP and has provided certain guarantees. The investment is recorded using the equity method of accounting as an investment in limited partnership on the consolidated balance sheets. The investment is \$629,959 and \$629,967 at June 30, 2020 and 2019, respectively, including a change in value of (\$8) during the fiscal years ended June 30, 2020 and 2019.

Entrance Fees

Under certain entrance fee plans for residential living units, LHRC receives payments in advance. Residential living apartment and cottage residents have two entrance plan options, a "refundable" option and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 90 percent, 50 percent or 25 percent of the entrance fee paid, with the balance generally refundable on a decreasing basis for 80 months. The nonrefundable option has no guaranteed refund component and is generally refundable on a decreasing basis for 80 months. All refunds to residents are generally paid upon termination of the Resident Agreement or transfer to another level of care. At June 30, 2020 and 2019, the gross amount of contractual refund obligations under existing Resident Agreements approximated \$25,800,000 and \$24,013,000, respectively.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable entrance fees and deposits in the consolidated balance sheets. The balance of entrance fees received is amortized to income using the straight-line method over the annually-adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from nonrefundable entrance fees in the consolidated balance sheets.

The majority of services provided to LHRC's residential living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

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Net Assets

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

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that may be met either 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation 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 skilled nursing, personal care and independent living 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 Corporation 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 Corporation 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.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees in the accompanying consolidated balance sheets.

Revenue from nonrefundable entrance fees received is recognized through amortization of the nonrefundable entrance fees using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees included in independent living revenues was \$6,598,871 in 2020 and \$5,404,286 in 2019.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. 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 Corporation 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.

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Other Revenues

Other revenues are primarily comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Corporation 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 recognized when barriers are substantially met.

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 (PRF) to provide financial support for senior living and other healthcare providers. The Corporation received \$1,049,707 in 2020 related to this funding. Additionally, the Corporation received \$234,389 of CARES Act funding on July 1, 2020 that was passed through the Pennsylvania State Department of Human Services under Act 24 of 2020, which is included in accounts receivable other on the consolidated balance sheets as of June 30, 2020. The Corporation also received \$30,570 in 2020 from the Office of Aging and Department of Health and Human Services for Adult Day Services. The Corporation also received \$192,810 of additional funding from the PRF, Act 24 and other funding sources subsequent to June 30, 2020. In accordance with the original terms and conditions, the Corporation could apply the funding against lost revenues and eligible expenses. Noncompliance with the terms and conditions could result in repayment of some or all of the support. The Department of Health and Human Services (HHS) has indicated PRF payments are subject to future reporting and audit requirements, and subsequent to June 30, 2020, HHS released updated guidance on the reporting and use of the funds. The substantive changes in the updated guidance are that the Organization needs to apply the funds to eligible expenses before lost revenues, and the reporting period for determination of eligible amounts is set at a calendar year keeping the measurement period open until then. Accordingly, there is a reasonable possibility these changes could result in claw-back or reversal of amounts previously recognized. The Corporation is assessing the impact of the updated guidance on its consolidated financial statements and whether amounts recognized in 2020 could change or become repayable in subsequent periods; however, an estimate of the possible financial effect cannot be made of the date there consolidated financial statements were issued but the Corporation expects the effects to be material if the updated HHS guidance is not changed. In addition, its unknown whether there will be further developments in the regulatory guidance.

In 2020, the Corporation also received \$278,310 in donor-restricted contributions for COVID-19 relief efforts. The Corporation has incurred lost revenues and eligible expenses in accordance with the term and conditions of the PRF and donor restrictions as of June 30, 2020 of which \$963,956 was recognized and included in other revenues in the accompany consolidated statements of operations.

Accrued expenses, other in the accompanying consolidated balance sheets includes deferred income of \$368,366, which the Corporation has determined the recognition criteria has not yet been met as of year-end. The Corporation has recognized the funding received through June 30, 2020 based on lost revenues and expenses incurred in accordance with the terms and conditions of the funding.

Donor-Restricted Gifts

The Corporation 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 purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of operations as net assets released from restrictions.

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Contributed Services

Contributed services are recognized as contributions in accordance with the authoritative guidance governing the accounting for contributions received if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. The contributions are required to be recorded at their fair value.

Volunteers provide various services that are not recognized as contributions in the consolidated financial statements since the recognition criteria under the authoritative guidance were not met. Approximately 28,800 and 35,600 hours in 2020 and 2019, respectively, were contributed to the Corporation for these services.

Benevolent Care

The Corporation provides services to residents who meet certain criteria at amounts less than its cost of providing care. The Corporation maintains records to identify and monitor the level of benevolent care it provides. The costs associated with the benevolent care services provided to residents include both direct costs and estimated indirect costs, as reported by management on the Corporation's internal financial statements. The level of benevolent care provided by the Corporation, which represents the difference between the estimated cost of providing care and the payments received for services rendered, was approximately \$1,688,000 and \$1,462,000 in 2020 and 2019, respectively. The Corporation received contributions restricted for benevolent care of \$578,881 and \$685,586 in 2020 and 2019, respectively. These amounts include contributions of charitable gift annuities.

Medical Assistance Reimbursement and Cost of Providing Care

LHRC provides nursing care to Medical Assistance program beneficiaries that are reimbursed at amounts less than its cost of providing care. LHRC maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered. The costs associated with the services provided to Medical Assistance program beneficiaries include both direct costs and estimated indirect costs, as reported by management on LHRC's internal financial statements. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered was approximately \$2,607,000 in 2020 and \$2,233,000 in 2019.

Income Taxes

Landis Communities, LHRC, HCBS, LQL, WMH and WMH, Inc. are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. LHRC, HCBS, LQL, WMH and WMH, Inc. are exempt from federal income taxes on their exempt income under Section 509(a)(2) of the Internal Revenue Code and Landis Communities is exempt under Section 509(a)(3) of the Internal Revenue Code. QLC is a taxable nonprofit corporation subject to federal income taxes.

Measure of Operations

The Corporation's loss from operations includes all operating revenues and expenses that are an integral part of its program and supporting activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

Performance Indicator

The consolidated statements of operations includes the determination of revenues in excess of (less than) expenses. Changes in net assets without donor restrictions which are excluded from the determination of revenues in excess of (less than) expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

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Notes to Consolidated Financial Statements
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Use of Estimates

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

New Accounting Standard, Restricted Cash

In 2020, the Corporation retrospectively adopted the FASB Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The following line items on the consolidated statement of cash flows for the year ended June 30, 2019 were affected by this change in accounting principle:

	<u>As Previously Reported</u>	<u>As Reported Under ASU No. 2016-18</u>	<u>Effect of Change</u>
Net sales of investments and assets whose use is limited	\$ (8,039,748)	\$ (3,813,664)	\$ 4,226,084
Cash, cash equivalents and restricted cash and cash equivalents, beginning	2,998,580	12,515,069	9,516,489

New Accounting Standard, Leases

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) (as amended)*. ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the balance sheet. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Corporation's leasing activities. The Corporation will be required to adopt the guidance in ASU No. 2016-02 for its fiscal year ending June 30, 2021. The Corporation is currently assessing the effect that ASU No. 2016-02 will have on its consolidated financial statements.

New Accounting Standard, Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 was issued to provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments of ASU No. 2020-04 only apply to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in ASU No. 2020-04 are effective for all entities as of March 12, 2020 through December 31, 2022.

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Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through October 26, 2020, the date the consolidated financial statements were issued.

2. Liquidity and Availability of Resources

The following table reflects the Corporation's financial assets available for general expenditure within one year of the consolidated balance sheet date June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,301,197	\$ 2,770,814
Accounts receivable:		
Residents, net	2,762,746	2,826,821
Entrance fees	324,700	1,390,800
Other	228,610	87,678
Resident escrow deposits, less deposits for capital additions	-	8,039,687
Investments	<u>29,773,283</u>	<u>25,160,650</u>
Total	<u>\$ 36,390,536</u>	<u>\$ 40,276,450</u>

Investments included in the table above exclude net assets with donor restrictions in excess of assets whose use is limited donor-restricted investments of \$1,576,032 and \$1,540,103 as of June 30, 2020 and 2019, respectively. The Corporation has board-designated assets whose use is limited of \$3,264,107 and \$3,145,709 at June 30, 2020 and 2019, respectively, which are excluded from the table above. Although the Corporation does not intend to utilize these funds for general expenditure as part of its annual budget and approval process, amounts designated could be made available as necessary.

The Corporation designated a portion of its investments "reserved" to comply with the requirements of Act 82 and thus they are not included in the schedule above. Although the Corporation does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The reserves are separately classified in the consolidated balance sheets and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. These funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

3. Net Resident Service Revenues

LHRC has agreements with third-party payors that provide for payments to LHRC at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- **Medical Assistance:** Nursing services provided to Medical Assistance 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 implemented its mandatory Medical Assistance managed care program, Community HealthChoices (CHC). 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 did not change under CHC.

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CHC became effective for LHRC on January 1, 2020. Under CHC, each Medical Assistance program beneficiary is able to choose a managed care organization (MCO). The initial rate paid by the MCOs is subject to a "floor" equal to the average of each 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. LHRC is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges. As described above, the Medicare Part A rates are based on clinical, diagnostic and other factors. The determination of these rates is partially based on LHRC's clinical assessment of its residents. LHRC is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medicare program.

The Corporation 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. Net resident service revenues consist of the following for the years ended June 30:

	2020			Total
	Personal Care	Independent Living	Skilled Nursing	
Self-pay	\$ 10,037,793	\$ 9,696,092	\$ 8,511,507	\$ 28,245,392
Medicare and other	-	-	1,740,872	1,740,872
Medicaid	-	-	3,551,289	3,551,289
Amortization of nonrefundable entrance fees	-	6,598,871	-	6,598,871
Subtotal	<u>\$ 10,037,793</u>	<u>\$ 16,294,963</u>	<u>\$ 13,803,668</u>	40,136,424
Ancillary service revenues				939,129
Other resident service revenues				<u>3,124,927</u>
Net resident service revenues				<u>\$ 44,200,480</u>

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	2019			
	Personal Care	Independent Living	Skilled Nursing	Total
Self-pay	\$ 9,391,508	\$ 8,551,552	\$ 9,699,497	\$ 27,642,557
Medicare and other	-	-	1,445,503	1,445,503
Medicaid	-	-	3,127,752	3,127,752
Amortization of nonrefundable entrance fees	-	5,404,286	-	5,404,286
Subtotal	<u>\$ 9,391,508</u>	<u>\$ 13,955,838</u>	<u>\$ 14,272,752</u>	37,620,098
Ancillary service revenues				1,029,047
Other resident service revenues				<u>3,421,764</u>
Net resident service revenues				<u>\$ 42,070,909</u>

4. Fair Value Measures, Investments, Assets Whose Use is Limited and Other Financial Instruments

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 Corporation 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.

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The following tables present financial instruments measured at fair value by caption on the consolidated balance sheets as of June 30:

	2020				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Mutual funds, equity:					
International	\$ 4,009,536	\$ 4,009,536	\$ 4,009,536	\$ -	\$ -
Large cap	10,146,286	10,146,286	10,146,286	-	-
Small cap	679,577	679,577	679,577	-	-
Tactical	663,617	663,617	663,617	-	-
Mid cap	1,366,067	1,366,067	1,366,067	-	-
Real estate	1,048,125	1,048,125	1,048,125	-	-
Mutual funds, fixed income:					
Intermediate term	3,305,939	3,305,939	3,305,939	-	-
Short-term	1,107,955	1,107,955	1,107,955	-	-
Other	146,252	146,252	146,252	-	-
Marketable equity securities:					
Financial	688,736	688,736	688,736	-	-
Healthcare	595,946	595,946	595,946	-	-
Information technology	1,686,020	1,686,020	1,686,020	-	-
Other	1,743,009	1,743,009	1,743,009	-	-
	27,187,065	<u>\$ 27,187,065</u>	<u>\$ 27,187,065</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>18,042,758</u>				
Total investments and assets whose use is limited	<u>\$ 45,229,823</u>				
Split interest agreements	<u>\$ 320,060</u>	<u>\$ 320,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,060</u>

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	2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Mutual funds, equity:					
International	\$ 4,372,926	\$ 4,372,926	\$ 4,372,926	\$ -	\$ -
Large cap	6,182,256	6,182,256	6,182,256	-	-
Small cap	1,244,415	1,244,415	1,244,415	-	-
Tactical	720,635	720,635	720,635	-	-
Mid cap	1,233,334	1,233,334	1,233,334	-	-
Commodities	472,820	472,820	472,820	-	-
Real estate	936,160	936,160	936,160	-	-
Mutual funds, fixed income:					
Intermediate term	3,859,612	3,859,612	3,859,612	-	-
Short-term	959,964	959,964	959,964	-	-
Other	135,446	135,446	135,446	-	-
Marketable equity securities:					
Financial	1,357,143	1,357,143	1,357,143	-	-
Healthcare	950,918	950,918	950,918	-	-
Information technology	1,281,432	1,281,432	1,281,432	-	-
International	618,658	618,658	618,658	-	-
Other	702,220	702,220	702,220	-	-
	25,027,939	\$ 25,027,939	\$ 25,027,939	\$ -	\$ -
Cash and cash equivalents	23,258,834				
Total investments and assets whose use is limited	\$ 48,286,773				
Split interest agreements	\$ 367,199	\$ 367,199	\$ -	\$ -	\$ 367,199

Investments and assets whose use is limited are presented together in the tables above as there are various investment and cash accounts that are allocated between the investments and assets whose use is limited lines on the consolidated balance sheets.

Investments and assets whose use is limited are combined on the above tables and are presented on the consolidated balance sheets as follows:

	2020	2019
Investments	\$ 30,387,748	\$ 25,883,840
Assets whose use is limited:		
Board-designated investments	3,264,107	3,145,709
Statutory minimum liquid reserve	4,288,982	3,995,031
Donor-restricted investments	1,576,032	1,540,103
Debt service funds, current	2,579,141	2,121,990
Debt service reserve fund	3,133,813	3,133,813
Resident escrow deposits	-	8,466,287
Total	\$ 45,229,823	\$ 48,286,773

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Pennsylvania Act 82 Reserve

In compliance with Act 82, the Corporation "reserved" a portion of assets whose use is limited to meet the requirements of Act 82. The "reserved" funds amounted to approximately \$4,288,982 at June 30, 2020 and \$3,995,031 at June 30, 2019. The reserve at June 30, 2020 was calculated as follows:

Budgeted resident living operating expenses for the year ending June 30, 2021	\$ 15,514,940
Less budgeted resident living depreciation and amortization expense	<u>(5,820,403)</u>
Expenses subject to minimum liquidation reserve requirement	9,694,537
Statutory requirement	<u>10%</u>
Statutory minimum liquid reserve requirement	<u>\$ 969,454</u>
Budgeted debt service requirements for the year ending June 30, 2021	
Principal	\$ 2,691,227
Interest	<u>3,710,238</u>
Total budgeted debt service requirements	6,401,465
Percentage of units subject to entrance fee agreements	<u>67%</u>
Statutory minimum liquid reserve requirement	<u>4,288,982</u>
Greater of (a) or (b) above	<u>\$ 4,288,982</u>

Valuation Methodologies

Investments and assets whose use is limited are valued at fair value based on quoted market prices in active markets for mutual funds and marketable equity securities or estimated using the present value of expected future cash flows for split-interest agreements.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

5. Property and Equipment

Property and equipment is as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 898,538	\$ 898,538
Land improvements	10,889,917	10,759,371
Buildings and building improvements	138,927,100	138,547,346
Major-moveable equipment	33,267,222	32,685,032
Furniture and equipment	10,849,185	9,924,528
	<u>194,831,962</u>	<u>192,814,815</u>
Total	194,831,962	192,814,815
Less accumulated depreciation	<u>76,403,421</u>	<u>70,474,036</u>
	118,428,541	122,340,779
Total	118,428,541	122,340,779
Construction-in-progress	<u>538,276</u>	<u>655,592</u>
Property and equipment, net	<u>\$ 118,966,817</u>	<u>\$ 122,996,371</u>

Construction-in-progress at June 30, 2020 and 2019 includes expenditures related to various ongoing capital projects.

6. Lines of Credit

LHRC has an \$800,000 unsecured, revolving demand line of credit with a bank which expires on December 31, 2020. The line of credit bears interest at the one-month LIBOR rate plus 2.25 percent per annum (2.43 percent at June 30, 2020). There were no borrowings at June 30, 2020 or 2019.

WMH has a \$25,000 unsecured, revolving demand line of credit with a bank which bears a variable interest rate based on the U.S. Prime Rate (3.25 percent at June 30, 2020). There were no borrowings outstanding at June 30, 2020 or 2019.

In September 2020, LQL entered into a \$2,500,000 secured demand line of credit with a bank to support property acquisition, project development, working capital and letter of credit needs. The line of credit bears interest at the one-month LIBOR rate but in no event less than .25 percent per annum. The line of credit is secured by a lien on substantially all assets of LQL. LHRC is a guarantor of this line of credit.

7. Long-Term Debt

Series 2015A Bonds

On October 1, 2015, the Corporation formed a new Obligated Group including LHRC and LAH as co-obligors and the Lancaster County Hospital Authority issued \$49,765,000 Series A of 2015 Health Center Revenue Refunding Bonds (the 2015A Bonds) on behalf of the Obligated Group. The 2015A Bonds are tax-exempt and consist of \$4,605,000 Serial Bonds maturing July 1, 2016 to July 1, 2020 at 2.00 to 3.00 percent, \$5,450,000 10 year term bonds maturing July 1, 2021 to July 1, 2025 at 3.80 percent, \$6,665,000 15 year term bonds maturing July 1, 2026 to July 1, 2030 at 4.25 percent, \$8,400,000 20 year term bonds maturing July 1, 2031 to 2035 at 5.00 percent, and \$24,645,000 30 year term bonds maturing July 1, 2036 to July 1, 2045 at 5.00 percent.

As of July 1, 2018, LAH was withdrawn from the Obligated Group leaving LHRC as the sole Obligor.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Series 2015B Bonds

On November 24, 2015, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series B of 2015 Bonds (the 2015B Bonds) in the maximum principal amount of \$8,600,000 to fund an expansion project. The 2015B Bonds are tax-exempt bank direct placement bonds with a 25 year amortization inclusive of an initial 2 year interest only period during construction. Interest only is payable during the construction period in monthly installments at a floating tax-exempt rate of 78 percent of the 30 day LIBOR, plus 140 basis points (1.59 percent at June 30, 2020). Beginning January 2018, principal and interest are due in varying monthly installments through November 2042.

Series 2015C Bonds

On January 28, 2016, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series C of 2015 Bonds (the 2015C Bonds) in the maximum principal amount of \$28,400,000 to fund the wellness center project. The 2015C Bonds are tax-exempt bank direct placement bonds with a 25 year amortization inclusive of an initial 2 year interest only period during construction. Interest only is payable during the construction period in monthly installments at a floating tax-exempt rate of 78 percent of the 30 day LIBOR, plus 140 basis points (1.54 percent at June 30, 2020). Beginning February 2019, principal and interest are due in varying monthly installments through January 2043.

Series 2017B Bonds

On November 29, 2017, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series B of 2017 Bonds (the 2017B Bonds) in the maximum principal amount of \$15,100,000 to fund construction of the Crossing Apartments. The 2017B Bonds are tax-exempt bank direct placement bonds with interest only payable monthly during the 24 month construction period. Beginning December 2019, payments of principal and interest at a floating tax-exempt rate of 72 percent of the 30 day LIBOR, plus 170 basis points (1.84 percent at June 30, 2020), are due monthly.

Interest

Interest expense on all debt totaled \$3,736,442 and \$3,776,257 (including amortization of deferred financing costs) during 2020 and 2019, respectively, net of \$291,102 capitalized during 2019.

Security and Covenants

The 2015A, 2015B, 2015C, and 2017B Bonds are primarily secured by a mortgage lien on, and security interest in, the Obligated Group's property and equipment and a security interest in the Obligated Group's revenues, as defined in the applicable agreements.

The 2015A, 2015B, 2015C, and 2017B Bonds require the Obligated Group to meet certain financial ratios.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Long-Term Debt Summary

Long-term debt is as follows as of June 30:

	<u>2020</u>	<u>2019</u>
2015A Bonds	\$ 46,135,000	\$ 47,080,000
2015B Bonds	8,054,789	8,296,697
2015C Bonds	27,225,318	28,077,604
2017B Bonds	14,753,978	13,016,758
Bonds repaid during 2020	-	9,993,358
	<hr/>	<hr/>
Total	96,169,085	106,464,417
Less current maturities	2,691,227	2,116,620
Less unamortized deferred financing costs	1,301,891	1,465,583
	<hr/>	<hr/>
Long-term debt	<u>\$ 92,175,967</u>	<u>\$ 102,882,214</u>

Scheduled principal repayments on long-term debt are as follows:

Years ending June 30:	
2021	\$ 2,691,227
2022	2,761,003
2023	2,832,099
2024	2,912,680
2025	2,991,965
Thereafter	81,980,111
	<hr/>
Total	<u>\$ 96,169,085</u>

8. Retirement Plan

Landis Communities sponsors a defined contribution retirement plan. Contributions to the plan were \$649,638 in 2020 and \$670,047 in 2019.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

9. Net Assets

Net asset presentation in the accompanying consolidated balance sheets with expanded disclosure for the amount and purpose of restrictions or designations is as follows:

	<u>2020</u>	<u>2019</u>
Net Assets		
Without donor restrictions:		
Operating reserve	\$ 21,594,362	\$ 20,528,588
Board designated, endowment funds	<u>3,367,325</u>	<u>2,946,541</u>
Total net assets without donor restrictions	<u>24,961,687</u>	<u>23,475,129</u>
With donor restrictions:		
Purpose restricted:		
Resident assistance program	137,439	171,950
Learning/wellness center project	245,854	450,077
Endowment funds appreciation	261,399	227,237
Other	208,285	87,225
Restricted in perpetuity:		
Endowment funds	<u>1,337,520</u>	<u>1,326,804</u>
Total net assets with donor restrictions	<u>2,190,497</u>	<u>2,263,293</u>
Total net assets	<u>\$ 27,152,184</u>	<u>\$ 25,738,422</u>

10. Endowment Funds

LHRC's endowment funds consist of two funds established for a variety of purposes. The endowment includes both board-designated and donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence of or absence of donor-imposed restrictions.

LHRC interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, LHRC classifies as net assets with donor restrictions (a) the original value of all gifts donated as permanent endowments; (b) the original value of subsequent gifts to the permanent endowments; 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. The remaining portion of the donor-restricted endowment fund not classified in net assets with donor restrictions is classified as either net assets with or without restrictions, depending upon the donor designation.

LHRC has adopted investment and spending policies for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund the annual expenditures of the endowments in accordance with donor restrictions. To achieve LHRC's overall goals, the primary objectives of the investment policy are to (a) preserve and increase the real value of LHRC's assets, (b) provide a stable source of income for LHRC's programs in accordance with LHRC's spending policy, (c) assure that LHRC's bond covenants are satisfied, and (d) invest LHRC's investment funds in a manner consistent with the values formed by LHRC's Anabaptist beliefs and heritage.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

To satisfy its long-term rate of return objectives, LHRC 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). LHRC targets a diversified asset allocation in order to achieve its long-term return objectives with prudent risk constraints.

LHRC has a policy of appropriating for distribution each year such amounts as are stipulated by the donors upon establishment of the endowment funds. In accordance with the original gifts, each of the endowment funds allows LHRC to appropriate the current yield for distribution each year. LHRC excludes realized capital gains related to the endowment funds from this calculation. LHRC expects the current spending policy to allow its endowment funds to preserve the fair value of the original gifts, which is consistent with LHRC's objective to preserve 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. LHRC's spending policy does not require a minimum payout from its endowment income on an annual basis.

Donor-restricted net assets totaling \$1,598,919 and \$1,554,041 at June 30, 2020 and 2019, respectively, are classified as net assets with donor restrictions in the consolidated balance sheets. Net appreciation of donor-restricted endowment funds is classified as net assets with donor restrictions in the consolidated balance sheets until used in accordance with the donors intended purpose. Board-designated endowment funds totaling \$3,367,325 and \$2,946,541 at June 30, 2020 and 2019, respectively, are classified as net assets without donor restrictions in the consolidated balance sheets.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are composed of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,946,541	\$ 1,554,041	\$ 4,500,582
Investment return (including interest and dividends and realized and unrealized gains and losses)	118,381	57,179	175,560
Contributions	347,085	18,215	365,300
Change in value, split interest agreements	-	(8,643)	(8,643)
Net assets released from restrictions	-	(23,017)	(23,017)
Other	(44,682)	1,144	(43,538)
Endowment net assets, end of year	<u>\$ 3,367,325</u>	<u>\$ 1,598,919</u>	<u>\$ 4,966,244</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,810,124	\$ 1,479,003	\$ 4,289,127
Investment return (including interest and dividends and realized and unrealized gains and losses)	165,569	84,412	249,981
Contributions	29,041	27,443	56,484
Change in value, split interest agreements	-	(6,708)	(6,708)
Net assets released from restrictions	-	(30,337)	(30,337)
Other	(58,193)	228	(57,965)
Endowment net assets, end of year	<u>\$ 2,946,541</u>	<u>\$ 1,554,041</u>	<u>\$ 4,500,582</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

11. Insurance

Professional and General Liability Insurance

The Corporation maintains professional and general liability insurance coverage on a claims-made basis through Peace Church Risk Retention Group (PCRRG), a reciprocal insurance company. Other than for premiums paid under these policies, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the insurance coverage of the Corporation or will have a material adverse effect on the consolidated financial statements.

Employee Health Insurance

Landis Communities self-insures certain of its health insurance benefits. Landis Communities holds a stop-loss policy of \$150,000 per eligible employee that limits the maximum liability for benefits payable under such claims. In addition to the individual deductible, there is a corporate aggregate stop-loss of \$80,000. The one-time additional deductible may be fulfilled in part by any number of employees. Self-insurance costs incurred under this program were \$3,393,374 and \$3,599,847 in 2020 and 2019, respectively. On the consolidated balance sheets, other accrued expenses includes \$340,974 and \$374,241 at June 30, 2020 and 2019, respectively, for reserves for anticipated health insurance costs. Management believes no instances occurred or will be asserted that will exceed the insurance coverage stated in the policies.

12. Contingencies

Real Estate Taxes

As not-for-profit Corporations in the Commonwealth of Pennsylvania, LHRC and WMH are organizations which qualify for exemption from real property taxes relating to portions of their properties. However, a number of cities, municipalities and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge not-for-profit corporations' exemption from real estate taxes. The possible future financial effects of this matter on LHRC and WMH, if any, are not determinable.

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; however, the possible future effects of this matter on the Corporation, if any, are not determinable.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

13. Lease Commitments

QLC has an operating lease agreement for three building floors along with parking and other site improvements in Lancaster, Pennsylvania. The landlord has converted the upper three floors of the building to thirty-six residential apartments that include resident common areas and community rooms on each floor. The lease will expire ten years from the commencement date, as defined in the lease agreement dated June 15, 2013. Following expiration of the initial term, QLC has the option to renew the lease for two successive five-year renewal terms.

Beginning on the commencement date, QLC will pay the landlord base rent of \$378,500 for the first year of the lease term. The base rent will be increased on each anniversary date of the commencement date by 1.75 percent of the annual base rent payable immediately prior to that anniversary. LHRC has guaranteed the payment of the base rent, additional rent and any other charges in the event that QLC cannot pay.

Additionally, effective June 15, 2013, QLC entered into a lease for office and commercial space on the first floor of the same building, by running and expiring concurrently with the initial lease term, and may be extended with the lease above. The initial annual base rent is \$16,344, and increases 2.5 percent annually. LHRC has guaranteed the payment of the base rent, additional rent, and any other charges in the event that QLC cannot pay.

Rent expense totaled approximately \$421,000 in both 2020 and 2019.

Future minimum lease payments under the operating leases are as follows:

2021	\$	447,128
2022		455,099
2023		443,477
		<hr/>
	\$	1,345,704

Deferred rent of \$96,084 and \$114,173, at June 30, 2020 and 2019, respectively, is included in other accrued expenses on the consolidated balance sheets. These amounts represent the difference between the rents actually paid under the building lease and the amount recognized as expense in accordance with accounting principles generally accepted in the United States of America.

14. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements primarily with Medical Assistance and Medicare.

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

15. Functional Expenses

The Corporation's primary program service relates to providing housing, health care and other related services to residents within its geographic location. Expenses by functional classification consist of the following in 2020 and 2019:

	2020			
	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 15,192,274	\$ 3,903,190	\$ 233,389	\$ 19,328,853
Employee benefits and payroll taxes	4,746,069	1,109,571	69,795	5,925,435
Professional fees and purchased services	1,599,497	1,084,386	194	2,684,077
Nursing home assessment	-	240,849	-	240,849
Depreciation	7,015,276	104,604	-	7,119,880
Interest	3,703,747	32,695	-	3,736,442
Supplies and other expenses	6,566,740	2,132,513	70,699	8,769,952
Total expenses	\$ 38,823,603	\$ 8,607,808	\$ 374,077	\$ 47,805,488

	2019			
	Resident Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 14,733,477	\$ 3,351,731	\$ 163,619	\$ 18,248,827
Employee benefits and payroll taxes	5,033,193	983,014	44,408	6,060,615
Professional fees and purchased services	1,687,753	871,659	4	2,559,416
Nursing home assessment	-	254,064	-	254,064
Depreciation	6,368,575	100,807	-	6,469,382
Interest	3,743,214	33,043	-	3,776,257
Supplies and other expenses	6,085,561	1,983,877	54,071	8,123,509
Total expenses	\$ 37,651,773	\$ 7,578,195	\$ 262,102	\$ 45,492,070

Certain categories of expenses are attributable to more than one program or supporting function. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage, time and effort.

Landis Communities and Affiliates

Consolidating Schedule, Balance Sheet

June 30, 2020

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2020
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,564,856	\$ 62,972	\$ 1,438,368	\$ 67,679	\$ 167,322	\$ -	\$ 3,301,197
Assets whose use is limited, debt service funds	2,579,141	-	-	-	-	-	2,579,141
Accounts receivable:							
Residents, net	2,649,677	106,242	2,653	1,147	3,027	-	2,762,746
Advance fees	324,700	-	-	-	-	-	324,700
Other	201,881	27,004	825	-	-	-	229,710
Due from affiliates	1,180,443	22,712	75,400	-	1,427	(1,279,982)	-
Prepaid expenses and other current assets	467,444	-	12,972	37,993	17,937	-	536,346
	<u>8,968,142</u>	<u>218,930</u>	<u>1,530,218</u>	<u>106,819</u>	<u>189,713</u>	<u>(1,279,982)</u>	<u>9,733,840</u>
Total current assets							
Assets Whose Use Is Limited							
Board-designated investments	3,112,006	-	-	-	152,101	-	3,264,107
Statutory minimum liquid reserve	4,288,982	-	-	-	-	-	4,288,982
Donor-restricted investments	1,576,032	-	-	-	-	-	1,576,032
Debt service reserve fund	3,133,813	-	-	-	-	-	3,133,813
	<u>12,110,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,101</u>	<u>-</u>	<u>12,262,934</u>
Total assets whose use is limited							
Investments	30,387,748	-	-	-	-	-	30,387,748
Investment in Limited Partnership	-	16,350	-	121,610	629,959	(137,960)	629,959
Property and Equipment, Net	116,269,944	13,124	81,401	142,930	2,459,418	-	118,966,817
Pledges Receivable, Net	136,748	-	-	-	-	-	136,748
Split-Interest Agreements	320,060	-	-	-	-	-	320,060
Investment in Welsh Mountain Home	-	-	2,356,751	-	-	(2,356,751)	-
Other Assets	164,267	-	67,663	-	-	-	231,930
	<u>164,267</u>	<u>-</u>	<u>67,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,930</u>
Total assets	<u>\$ 168,357,742</u>	<u>\$ 248,404</u>	<u>\$ 4,036,033</u>	<u>\$ 371,359</u>	<u>\$ 3,431,191</u>	<u>\$ (3,774,693)</u>	<u>\$ 172,670,036</u>

Landis Communities and Affiliates

Consolidating Schedule, Balance Sheet

June 30, 2020

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2020
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Current maturities of long-term debt	\$ 2,691,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,691,227
Accounts payable:							
Trade	693,690	8,253	70,505	6,953	16,438	-	795,839
Due to affiliate	615	571,027	103,816	532,277	4,502	(1,212,237)	-
Capital related	259,026	-	504	3,706	165	-	263,401
Accrued expenses:							
Salaries and wages	427,747	26,635	87,665	-	22,792	(26,636)	538,203
Paid time off	643,668	36,295	216,961	-	18,005	(36,295)	878,634
Interest	1,154,624	-	-	-	-	-	1,154,624
Other	956,780	5,607	131,632	96,358	30,391	(4,814)	1,215,954
Total current liabilities	6,827,377	647,817	611,083	639,294	92,293	(1,279,982)	7,537,882
Long-Term Debt	92,175,967	-	-	-	-	-	92,175,967
Refundable Entrance Fees and Deposits	510,529	-	-	58,146	-	-	568,675
Deferred Revenues From Nonrefundable Entrance Fees	45,235,328	-	-	-	-	-	45,235,328
Total liabilities	144,749,201	647,817	611,083	697,440	92,293	(1,279,982)	145,517,852
Net Assets (Deficit)							
Without donor restrictions	21,600,268	(458,527)	3,285,490	(447,691)	3,338,898	(2,356,751)	24,961,687
With donor restrictions	2,008,273	59,114	139,460	121,610	-	(137,960)	2,190,497
Total net assets (deficit)	23,608,541	(399,413)	3,424,950	(326,081)	3,338,898	(2,494,711)	27,152,184
Total liabilities and net assets (deficit)	\$ 168,357,742	\$ 248,404	\$ 4,036,033	\$ 371,359	\$ 3,431,191	\$ (3,774,693)	\$ 172,670,036

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2020

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2020
Revenues Without Donor Restrictions							
Resident service revenues:							
Nursing	\$ 13,803,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,803,668
Personal care	9,016,897	-	-	-	1,020,896	-	10,037,793
Residential living:							
Monthly fees	9,696,092	-	-	-	-	-	9,696,092
Amortization of entrance fees	6,598,871	-	-	-	-	-	6,598,871
Ancillary service revenues	939,129	-	-	-	-	-	939,129
Other resident service revenues	866,218	1,656,655	-	638,862	2,315	(39,123)	3,124,927
Net resident service revenues	40,920,875	1,656,655	-	638,862	1,023,211	(39,123)	44,200,480
Other revenues	3,615,901	270,356	4,616,067	2,472	93,789	(6,652,560)	1,946,025
Donor-restricted contributions used primarily for benevolent care	759,549	70,560	24,431	-	104,136	-	958,676
Total revenues without donor restrictions	45,296,325	1,997,571	4,640,498	641,334	1,221,136	(6,691,683)	47,105,181
Expenses							
Resident services	14,014,757	1,914,289	-	-	436,097	(1,972,033)	14,393,110
General and administrative	6,802,398	330,484	5,337,751	711,183	382,019	(4,719,249)	8,844,586
Depreciation	6,915,920	846	28,037	16,051	159,026	-	7,119,880
Plant operations	5,067,946	-	-	-	169,843	-	5,237,789
Dining services	4,587,327	-	-	-	226,639	(221)	4,813,745
Housekeeping, laundry and campus services	1,923,613	-	-	-	56,529	(180)	1,979,962
Outcome management, pastoral services and life enrichment	1,679,199	-	-	-	775	-	1,679,974
Interest	3,736,442	-	-	19,734	-	(19,734)	3,736,442
Total expenses	44,727,602	2,245,619	5,365,788	746,968	1,430,928	(6,711,417)	47,805,488
Operating (loss) income	568,723	(248,048)	(725,290)	(105,634)	(209,792)	19,734	(700,307)

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)
Year Ended June 30, 2020

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2020
Other Income (Loss)							
Interest and dividend income, net	\$ 530,995	\$ -	\$ -	\$ -	\$ 1,488	\$ (19,734)	\$ 512,749
Net realized gain (loss) on sales of investments	483,060	-	-	-	(8)	-	483,052
Net unrealized gain on investments	648,926	-	-	-	8,789	-	657,715
Contributions and bequests	347,085	-	25,634	100	144,489	-	517,308
Loss on disposal of property and equipment	(39,583)	-	-	(50)	(4,593)	-	(44,226)
Loss on extinguishment of debt	(107,461)	-	-	-	-	-	(107,461)
Total other income (loss), net	1,863,022	-	25,634	50	150,165	(19,734)	2,019,137
Revenues in Excess of (Less Than) Expenses	2,431,745	(248,048)	(699,656)	(105,584)	(59,627)	-	1,318,830
Donor-Restricted Contributions Used for Purchase of Property and Equipment	164,413	715	-	-	2,600	-	167,728
Transfer (to) From Affiliate	(997,374)	231,844	583,661	181,869	-	-	-
Change in net assets (deficit) without donor restrictions	1,598,784	(15,489)	(115,995)	76,285	(57,027)	-	1,486,558
Net Assets With Donor Restrictions							
Contributions	684,196	72,704	163,891	121,610	106,736	(137,960)	1,011,177
Interest and dividend income	23,042	-	-	-	-	-	23,042
Net realized gain on sales of investments	18,931	-	-	-	-	-	18,931
Change in net unrealized gains and losses on investments	15,231	-	-	-	-	-	15,231
Change in value, split-interest agreements	(14,773)	-	-	-	-	-	(14,773)
Donor-restricted contributions used for:							
Resident assistance program	(579,190)	-	-	-	(65,569)	-	(644,759)
Other	(180,359)	(70,560)	(24,431)	-	(38,567)	-	(313,917)
Purchase of property and equipment	(164,413)	(715)	-	-	(2,600)	-	(167,728)
Change in net assets with donor restrictions	(197,335)	1,429	139,460	121,610	-	(137,960)	(72,796)
Change in net assets (deficit)	1,401,449	(14,060)	23,465	197,895	(57,027)	(137,960)	1,413,762
Net Assets (Deficit), Beginning	22,207,092	(385,353)	3,401,485	(523,976)	3,395,925	(2,356,751)	25,738,422
Net Assets (Deficit), Ending	\$ 23,608,541	\$ (399,413)	\$ 3,424,950	\$ (326,081)	\$ 3,338,898	\$ (2,494,711)	\$ 27,152,184

Landis Communities and Affiliates

Consolidating Schedule, Cash Flows

Year Ended June 30, 2020

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2020
Cash Flows From Operating Activities							
Change in net assets	\$ 1,401,449	\$ (14,060)	\$ 23,465	\$ 197,895	\$ (57,027)	\$ (137,960)	\$ 1,413,762
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Depreciation	6,915,920	846	28,037	16,051	159,026	-	7,119,880
Amortization of deferred financing costs	56,230	-	-	-	-	-	56,230
Net realized and unrealized gains and losses on investments	(1,166,148)	-	-	-	(8,781)	-	(1,174,929)
Loss on disposal or abandonment of property and equipment	39,583	-	-	50	4,593	-	44,226
Loss on extinguishment of debt	107,461	-	-	-	-	-	107,461
Proceeds from entrance fees and deposits, existing units	5,771,800	-	-	-	-	-	5,771,800
Amortization of entrance fees	(6,598,871)	-	-	-	-	-	(6,598,871)
Contributions restricted for long-term purposes	(18,215)	-	-	-	-	-	(18,215)
Contributions, pledges receivable	(65)	-	-	-	-	-	(65)
Change in value, pledges receivable	37,599	-	-	-	-	-	37,599
Change in split-interest agreements	47,139	-	-	-	-	-	47,139
Change in assets and liabilities:							
Accounts receivable	(99,829)	19,327	(1,273)	(1,073)	4,891	-	(77,957)
Due from/to affiliates	(333,998)	(599)	328,045	11,000	(756)	(3,692)	-
Prepaid expenses and other current assets	(39,011)	-	(52,885)	(652)	(7,424)	-	(99,972)
Accounts payable, trade	(230,118)	(1,051)	(19,265)	1,992	(4,222)	-	(252,664)
Accrued expenses and other liabilities	408,620	(3,265)	82,586	(21,067)	4,105	3,692	474,671
Net cash provided by (used in) operating activities	6,299,546	1,198	388,710	204,196	94,405	(137,960)	6,850,095
Cash Flows From Investing Activities							
Net purchases of investments and assets whose use is limited	(3,783,421)	-	-	-	(2,344)	-	(3,785,765)
Change in value of investment in limited partnership	-	(16,350)	-	(121,610)	8	137,960	8
Purchase of property and equipment	(4,108,433)	(7,710)	(47,635)	(81,757)	(20,165)	-	(4,265,700)
Net cash (used in) provided by investing activities	(7,891,854)	(24,060)	(47,635)	(203,367)	(22,501)	137,960	(8,051,457)
Cash Flows From Financing Activities							
Repayment of long-term debt	(12,370,208)	-	-	-	-	-	(12,370,208)
Proceeds from long-term debt	2,074,877	-	-	-	-	-	2,074,877
Proceeds from entrance fees and deposits, new units	4,298,800	-	-	2,520	-	-	4,301,320
Refunds of entrance fees	(468,990)	-	-	-	-	-	(468,990)
Collections, pledges receivable	158,887	-	-	-	-	-	158,887
Contributions restricted for long-term purposes	18,215	-	-	-	-	-	18,215
Net cash (used in) provided by financing activities	(6,288,419)	-	-	2,520	-	-	(6,285,899)
Net change in cash and cash equivalents	(7,880,727)	(22,862)	341,075	3,349	71,904	-	(7,487,261)
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning	15,170,512	85,834	1,097,293	64,330	95,418	-	16,513,387
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending	\$ 7,289,785	\$ 62,972	\$ 1,438,368	\$ 67,679	\$ 167,322	\$ -	\$ 9,026,126

Landis Communities and Affiliates

Consolidating Schedule, Cash Flows
Year Ended June 30, 2020

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Landis Quality Living	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2020
Supplemental Disclosure of Cash Flow Information							
Interest paid, net of amounts capitalized	\$ 3,625,693	\$ -	\$ -	\$ 19,734	\$ -	\$ (19,734)	\$ 3,625,693
Noncash Investing and Financing Activities							
Accounts payable, capital related	\$ 259,026	\$ -	\$ 504	\$ 3,706	\$ 165	\$ -	\$ 263,401
Reconciliation of Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents							
Cash and cash equivalents	\$ 1,564,856	\$ 62,972	\$ 1,438,368	\$ 67,679	\$ 167,322	\$ -	\$ 3,301,197
Cash and cash equivalents included in assets whose use is limited and investments	5,724,929	-	-	-	-	-	5,724,929
Total cash, cash equivalents and restricted cash and cash equivalents	\$ 7,289,785	\$ 62,972	\$ 1,438,368	\$ 67,679	\$ 167,322	\$ -	\$ 9,026,126



Landis Communities and Affiliates

Consolidated Financial Statements and
Supplementary Information

June 30, 2019 and 2018



Landis Communities and Affiliates

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Independent Auditors' Report

To the Board of Directors of
Landis Communities and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Landis Communities and Affiliates (collectively, the "Corporation"), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landis Communities and Affiliates as of June 30, 2019 and 2018, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of balance sheet and operations and changes in net assets on pages 28 through 31 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets, or cash flows of the individual or combined organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Wyomissing, Pennsylvania
October 7, 2019

Landis Communities and Affiliates

Consolidated Balance Sheets
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,770,814	\$ 2,998,580
Assets whose use is limited, debt service funds	2,121,990	2,068,915
Accounts receivable:		
Residents, net	2,826,821	2,541,750
Entrance fees	1,390,800	584,765
Other	87,678	180,035
Prepaid expenses and other current assets	<u>504,037</u>	<u>313,419</u>
Total current assets	<u>9,702,140</u>	<u>8,687,464</u>
Assets Whose Use is Limited		
Board-designated investments	3,145,709	3,027,681
Statutory minimum liquid reserve	3,995,031	2,927,560
Donor-restricted investments	1,540,103	1,494,889
Debt service reserve fund	3,133,813	3,133,813
Resident escrow deposits	<u>8,466,287</u>	<u>4,261,624</u>
Total assets whose use is limited	20,280,943	14,845,567
Investments	25,883,840	22,976,777
Investment in Limited Partnership	629,967	629,975
Property and Equipment, Net	122,996,371	107,692,081
Pledges Receivable, Net	333,169	526,511
Split-Interest Agreements	367,199	419,670
Other Assets	<u>164,267</u>	<u>164,267</u>
Total assets	<u>\$ 180,357,896</u>	<u>\$ 155,942,312</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Balance Sheets

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 2,116,620	\$ 1,463,000
Accounts payable:		
Trade	1,048,503	663,881
Capital related	1,394,549	2,956,593
Accrued expenses:		
Salaries and wages	392,733	355,029
Paid time off	784,780	787,251
Interest	1,100,106	1,113,831
Other	1,035,125	852,617
	<u>7,872,416</u>	<u>8,192,202</u>
Long-Term Debt	102,882,214	84,757,740
Deposits for Capital Additions	426,600	923,700
Refundable Entrance Fees and Deposits	693,227	694,782
Deferred Revenues from Non-Refundable Entrance Fees	42,745,017	35,014,733
	<u>154,619,474</u>	<u>129,583,157</u>
Net Assets		
Without donor restrictions	23,475,129	23,879,868
With donor restrictions	2,263,293	2,479,287
	<u>25,738,422</u>	<u>26,359,155</u>
Total liabilities and net assets	<u>\$ 180,357,896</u>	<u>\$ 155,942,312</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Operations
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues Without Donor Restrictions		
Net resident service revenues	\$ 42,070,909	\$ 38,987,768
Other revenues	846,312	787,794
Donor-restricted contributions used primarily for benevolent care	830,411	803,338
	<u>43,747,632</u>	<u>40,578,900</u>
Expenses		
Resident services	14,536,015	14,176,315
General and administrative	7,706,447	7,275,063
Depreciation	6,469,382	5,441,936
Plant operations	4,770,396	4,363,557
Dining services	4,817,695	4,824,302
Housekeeping, laundry, and campus services	1,932,165	1,849,618
Outcome management, pastoral services, and life enrichment	1,483,713	1,347,764
Interest	3,776,257	2,489,415
	<u>45,492,070</u>	<u>41,767,970</u>
Total expenses	<u>45,492,070</u>	<u>41,767,970</u>
Operating loss	<u>(1,744,438)</u>	<u>(1,189,070)</u>
Other Income (loss)		
Interest and dividend income	691,094	578,654
Net realized gain on sales of investments	851,256	551,956
Net unrealized (loss) gain on investments	(549,566)	50,766
Contributions and bequests	176,137	170,998
Loss on disposal or abandonment of property and equipment	(133,443)	(2,187)
	<u>1,035,478</u>	<u>1,350,187</u>
Total other income, net	<u>1,035,478</u>	<u>1,350,187</u>
Revenues (Less Than) in Excess of Expenses	(708,960)	161,117
Donor-Restricted Contributions Used for Purchase of Property and Equipment	<u>304,221</u>	<u>1,011,243</u>
Change in net assets without donor restrictions	<u>\$ (404,739)</u>	<u>\$ 1,172,360</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Changes In Net Assets
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Change in net assets without donor restrictions	\$ (404,739)	\$ 1,172,360
Net Assets With Donor Restrictions		
Contributions	848,076	1,180,261
Interest and dividend income	30,433	38,081
Net realized gain on sales of investments	54,742	19,597
Net unrealized (loss) gain on investments	(666)	3,721
Change in value, split-interest agreements	(13,947)	(9,787)
Donor-restricted contributions used for:		
Resident assistance program	(717,230)	(713,503)
Adult day care program	-	(58,623)
Other	(113,181)	(31,212)
Purchase of property and equipment	(304,221)	(1,011,243)
Change in net assets with donor restrictions	(215,994)	(582,708)
Change in net assets	(620,733)	589,652
Net Assets, Beginning	<u>26,359,155</u>	<u>25,769,503</u>
Net Assets, Ending	<u>\$ 25,738,422</u>	<u>\$ 26,359,155</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (620,733)	\$ 589,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,469,382	5,441,936
Amortization of deferred financing costs	60,820	56,021
Net realized and unrealized gain on investments	(355,766)	(626,040)
Loss on disposal or abandonment of property and equipment	133,443	2,187
Proceeds from entrance fees and deposits, existing units	5,284,800	4,063,252
Amortization of entrance fees	(5,404,286)	(4,550,020)
Contributions restricted for long-term purposes	(27,443)	(35,867)
Contributions, pledges receivable	(65)	(169,572)
Change in value, pledges receivable	(1,152)	(4,707)
Change in split-interest agreements	52,471	11,044
Change in assets and liabilities:		
Accounts receivable	(192,714)	(168,603)
Prepaid expenses and other current assets	(190,618)	(35,143)
Accounts payable, trade	384,622	142,285
Accrued expenses and other liabilities	204,016	(46,255)
Net cash provided by operating activities	<u>5,796,777</u>	<u>4,670,170</u>
Cash Flows from Investing Activities		
Net purchases of investments and assets whose use is limited	(8,039,748)	(3,946,254)
Change in value of investment in limited partnership	8	8
Purchase of property and equipment	<u>(20,512,566)</u>	<u>(27,595,806)</u>
Net cash used in investing activities	<u>(28,552,306)</u>	<u>(31,542,052)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(1,427,647)	(1,008,051)
Proceeds from long-term debt	20,144,921	26,769,415
Repayment of line of credit	-	(25,000)
Payment of deferred financing costs	-	(287,965)
Payment of accounts payable, capital related	(2,956,593)	(2,281,127)
Proceeds from entrance fees and deposits, new units	7,601,800	3,305,100
Proceeds from refundable entrance fees and deposits, existing units	-	114,755
Refunds of entrance fees	(1,056,720)	(863,764)
Collections, pledges receivable	194,559	361,289
Contributions restricted for long-term purposes	27,443	35,867
Net cash provided by financing activities	<u>22,527,763</u>	<u>26,120,519</u>
Net decrease in cash and cash equivalents	(227,766)	(751,363)
Cash and Cash Equivalents, Beginning	<u>2,998,580</u>	<u>3,749,943</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,770,814</u>	<u>\$ 2,998,580</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	<u>\$ 3,729,162</u>	<u>\$ 2,442,344</u>
Noncash Investing and Financing Activities		
Accounts payable, capital related	<u>\$ 1,394,549</u>	<u>\$ 2,956,593</u>

See notes to consolidated financial statements

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Landis Communities is a not-for-profit corporation organized to operate exclusively for the support and benefit of Landis Homes Retirement Community ("LHRC"), Welsh Mountain Home ("WMH"), and Landis HCBS, LLC ("HCBS"); to support the mission, operations, and residents of LHRC, WMH and HCBS, serving older adults including the provision of housing, the provision of affordable housing, the promotion of community among the residents, and the provision of access to home and community based services, including, but not limited to, home care, home health, continuing care at home, adult day services, respite care, care navigation, and concierge services to not only residents but the general public, and other retirement community services as elected by the residents, and to develop, and administer an array of services consistent with Landis Communities' Mennonite/Anabaptist heritage and designed to serve the physical and spiritual needs of aging adults.

The consolidated financial statements include the accounts of Landis Communities, LHRC, HCBS, Landis Quality Living ("LQL"), Quality Living Choices ("QLC"), WMH, and WMH Inc. (collectively, the "Corporation"). All significant intercorporate transactions and balances have been eliminated. Landis Communities is the controlling entity and sole member of the following entities, unless otherwise noted below:

- LHRC is a not-for-profit corporation that operates a continuing care retirement community in Lititz, Pennsylvania providing housing, health care, and other related services to elderly residents through the operation of a nursing facility and personal care and residential living units.
- As of July 1, 2018, Landis at Home, LLC was re-organized to be HCBS. HCBS is a not-for-profit limited liability company organized to provide an array of home and community based services including home care, home health, continuing care at home, adult day services, respite care, and other programs.
- LQL is a not-for-profit corporation organized to provide affordable low-income housing, including rental units, for senior adults, in Lancaster, Pennsylvania.
- QLC is a not-for-profit corporation organized to provide housing, including rental units to senior adults, in Lancaster, Pennsylvania. As of July 1, 2019, LQL replaced LC as the sole member of QLC.
- WMH is a not-for-profit corporation that operates a personal care facility in a Christian environment in New Holland, Pennsylvania.
- WMH Inc., (whose sole member is WMH) is a not-for-profit corporation organized to act as a co-general partner in Mountain View Terrace, LP (an affordable housing apartment complex for seniors).

Cash and Cash Equivalents

For purposes of the consolidated financial statements, cash and cash equivalents include investments in highly liquid debt instruments purchased with an original maturity of three months or less, excluding assets whose use is limited.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Accounts Receivable

The Corporation 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 during periodic review of individual accounts and 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 Corporation has exhausted all collection efforts and accounts are deemed impaired. The allowance for doubtful collections is estimated based upon a periodic review of individual accounts. Management determined there was no allowance for doubtful collections necessary as of June 30, 2019 based on their review of individual accounts. The allowance for doubtful collections was 6,000 at June 30, 2018.

Investments and Investment Risk

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in revenues (less than) 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.

The Corporation's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated balance sheets 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 certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the consolidated balance sheets could change materially in the near term.

Assets Whose Use is Limited

Assets whose use is limited includes investments set aside by the board of directors which are available for the general use and purposes of the Corporation, assets whose use has been limited by donors to specific purposes, assets to be held in perpetuity, assets designated to meet the statutory minimum liquid reserve requirements of Section 9 of the Commonwealth of Pennsylvania's Continuing Care Provider Registration and Disclosure Act ("Act 82"), resident escrow deposits, and assets held by trustees under trust indentures. Amounts available to meet current liabilities of the Corporation have been classified as current assets in the consolidated balance sheets.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support 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 restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been capitalized and are being amortized over the terms of the related debt using the straight-line method, which approximates the effective interest method. Amortization expense, which is included as a component of interest expense, was \$60,820 in 2019 and \$56,021 in 2018. Accumulated amortization was \$200,946 and \$140,126 at June 30, 2019 and 2018, respectively.

Split-Interest Agreements

LHRC has received as contributions charitable gift annuities. These arrangements represent contracts between the Mennonite Foundation (the "Foundation") and donors. Donors transfer cash or investments to the Foundation and, in turn, receive periodic distributions from the Foundation. The contributions received by LHRC are the unconditional rights to receive the remainder interest of the gift annuities. The amount of the contribution is the difference between the asset received by the Foundation and the present value of the estimated future payments to be distributed by the Foundation to the annuitants. These contributions are recorded to net assets with donor restrictions, in accordance with donor restrictions.

Investment in Limited Partnership

WMH, Inc. is a co-general partner (.0051 percent interest) along with Housing Development Corporation MidAtlantic ("HDC") (.0049 percent interest) in Mountain View Terrace, LP (an affordable housing apartment complex for seniors). WMH, Inc. purchased land for \$1 from WMH, which was then contributed at a fair value of \$630,000 to Mountain View Terrace, LP. HDC is the managing general partner of Mountain View Terrace, LP and has provided certain guarantees. The investment is recorded using the equity method of accounting as an investment in limited partnership on the consolidated balance sheets. The investment is \$629,967 and \$629,975 at June 30, 2019 and 2018, respectively, including a change in value of (\$8) during the fiscal year ended June 30, 2019 and 2018.

Entrance Fees

Under certain entrance fee plans for residential living units, LHRC receives payments in advance. Residential living apartment and cottage residents have two entrance plan options, a "refundable" option and a "nonrefundable" option. The refundable option has a guaranteed refund component, which is 90 percent, 50 percent, or 25 percent of the entrance fee paid, with the balance generally refundable on a decreasing basis for 80 months. The nonrefundable option has no guaranteed refund component and is generally refundable on a decreasing basis for 80 months. All refunds to residents are generally paid upon termination of the Resident Agreement or transfer to another level of care. At June 30, 2019 and 2018, the gross amount of contractual refund obligations under existing Resident Agreements approximated \$24,013,000 and \$19,200,000, respectively.

The guaranteed refund component of entrance fees received is not amortized to income and is classified as refundable entrance fees and deposits in the consolidated balance sheets. The balance of entrance fees received is amortized to income using the straight-line method over the annually-adjusted estimated remaining life expectancies of the residents and is classified as deferred revenues from non-refundable entrance fees in the consolidated balance sheets.

The majority of services provided to LHRC's residential living residents are paid for on a "fee-for-service" basis and are not included under the entrance fee plans.

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Net Assets

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

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that may be met either 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net Resident Service Revenues

Net resident service revenues are reported at the amount that reflects the consideration the Corporation 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 skilled nursing, personal care, and independent living 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 Corporation 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 Corporation 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.

The guaranteed refund component of entrance fees is not amortized to income and is classified as refundable entrance fees in the accompanying consolidated balance sheets.

Revenue from nonrefundable entrance fees received is recognized through amortization of the nonrefundable entrance fees using the straight-line method over annually adjusted estimated remaining life expectancies of the residents which approximates the period of time the goods and services under the agreements are expected to be transferred to residents. The unamortized portion is classified as deferred revenues from entrance fees in the consolidated balance sheets. Amortization of nonrefundable entrance fees included in independent living revenues was \$5,404,286 in 2019 and \$4,550,020 in 2018.

The Corporation receives revenue for services under third-party payor programs, including Medicare, Medicaid and other third-party payors. 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 Corporation 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.

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Donor-Restricted Gifts

The Corporation 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 purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statement of operations as net assets released from restrictions.

Contributed Services

Contributed services are recognized as contributions in accordance with the authoritative guidance governing the accounting for contributions received if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. The contributions are required to be recorded at their fair value.

Volunteers provide various services that are not recognized as contributions in the financial statements since the recognition criteria under the authoritative guidance were not met. Approximately 35,600 and 34,500 hours in 2019 and 2018, respectively, were contributed to the Corporation for these services.

Benevolent Care

The Corporation provides services to residents who meet certain criteria at amounts less than its cost of providing care. The Corporation maintains records to identify and monitor the level of benevolent care it provides. The costs associated with the benevolent care services provided to residents include both direct costs and estimated indirect costs, as reported by management on the Corporation's internal financial statements. The level of benevolent care provided by the Corporation, which represents the difference between the estimated cost of providing care and the payments received for services rendered, was approximately \$1,462,000 and \$1,537,000 in 2019 and 2018, respectively. The Corporation received contributions restricted for benevolent care of \$685,586 and \$650,073 in 2019 and 2018, respectively. These amounts include contributions of charitable gift annuities.

Medical Assistance Reimbursement and Cost of Providing Care

LHRC provides nursing care to Medical Assistance program beneficiaries that are reimbursed at amounts less than its cost of providing care. LHRC maintains records to identify and monitor the difference between the cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered. The costs associated with the services provided to Medical Assistance program beneficiaries include both direct costs and estimated indirect costs, as reported by management on LHRC's internal financial statements. The difference between the estimated cost of providing care to Medical Assistance program beneficiaries and the payments received for services rendered was approximately \$2,233,000 in 2019 and \$2,006,000 in 2018.

Income Taxes

Landis Communities, LHRC, HCBS, LQL, WMH and WMH, Inc. are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code. LHRC, HCBS, LQL, WMH, and WMH, Inc. are exempt from federal income taxes on their exempt income under Section 509(a)(2) of the Internal Revenue Code and Landis Communities is exempt under Section 509(a)(3) of the Internal Revenue Code. QLC is a taxable nonprofit corporation subject to federal income taxes.

Landis Communities and Affiliates

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Measure of Operations

The Corporation's loss from operations includes all operating revenues and expenses that are an integral part of its program and supporting activities. Non-operating activities are limited to resources that generate return from investments and other activities considered to be more unusual and nonrecurring in nature.

Performance Indicator

The consolidated statement of operations includes the determination of revenues (less than) in excess of expenses. Changes in net assets without donor restrictions which are excluded from the determination of revenues (less than) in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Use of Estimates

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

New Accounting Standard, Revenue Recognition

In 2019, the Corporation adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective approach. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers (residents) in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU No. 2014-09 requires enhanced disclosures of revenue arrangements. Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets without donor restrictions. The adoption of ASU No. 2014-09 did not have an effect on the performance indicator or changes in net assets. The consolidated financial statements include additional disclosures as required by ASU No. 2014-09.

New Accounting Standard, Not-for-Profit Financial Statement Presentation

In 2019, the Corporation adopted FASB's ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Corporation has adjusted the presentation of these consolidated financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all prior periods presented, except for the disclosures around liquidity and the availability of resources and functional expenses. These disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the consolidated financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;

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Notes to Consolidated Financial Statements
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- The consolidated financial statements include a disclosure about liquidity and availability of resources as of June 30, 2019 (Note 2);
- The functional expense disclosure for 2019 includes expenses reported both by nature and function (Note 16).

New Accounting Standard, Restricted Cash

During November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts showing on the statement of cash flows. ASU No. 2016-18 is effective for fiscal year June 30, 2020. The Corporation is currently assessing the effect that ASU No. 2016-18 will have on its cash flows.

New Accounting Standard, Leases

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU No. 2016-02 is effective for fiscal year June 30, 2020. The Corporation is currently assessing the effect that ASU No. 2016-02 will have on its consolidated financial statements.

Reclassifications

Certain 2018 amounts were reclassified to conform to the 2019 presentation.

Subsequent Events

The Corporation evaluated subsequent events for recognition or disclosure through October 7, 2019, the date the consolidated financial statements were issued.

2. Liquidity and Availability of Resources

The following table reflects the Corporation's financial assets available for general expenditure within one year of the June 30, 2019 consolidated balance sheet date.

Cash and cash equivalents	\$ 2,770,814
Accounts receivable:	
Residents, net	2,826,821
Entrance fees	1,390,800
Other	87,678
Resident escrow deposits, less deposits for capital additions	8,039,687
Investments	<u>25,160,650</u>
Total	<u>\$ 40,276,450</u>

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Investments included in the table above exclude net assets with donor restrictions in excess of assets whose use is limited donor-restricted investments of \$1,540,103. The Corporation has board-designated assets whose use is limited of \$3,145,709 at June 30, 2019 which are excluded from the table above. Although the Corporation does not intend to utilize these funds for general expenditure as part of its annual budget and approval process, amounts designated could be made available as necessary.

The Corporation designated a portion of its investments "reserved" to comply with the requirements of Act 82 and thus they are not included in the schedule above. Although the Corporation does not intend to utilize the reserves for general expenditures as part of its annual budget and approval process, amounts designated as Act 82 reserves could be made available as necessary. The reserves are separately classified in the consolidated balance sheets and do not have third party restrictions or limitations on the withdrawal and subsequent liquidation of such funds.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. These funds may be drawn upon, if necessary, to meet unexpected liquidity needs.

3. Net Resident Service Revenues

LHRC has agreements with third-party payors that provide for payments to LHRC at amounts different from its established rates. A summary of the principal payment arrangements with major third-party payors follows:

- **Medical Assistance:** Nursing services provided to Medical Assistance 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 is in the process of implementing its mandatory Medical Assistance managed care program, Community HealthChoices ("CHC"). As indicated above, the current Medical Assistance reimbursement system is a fee-for-service ("FFS") system. CHC eliminates the FFS payment methodology. The primary goals of CHC is better coordinated health care coverage and improved access to medical care. The services for which Medical Assistance program beneficiaries are eligible will not change under CHC.

CHC becomes effective for LHRC on January 1, 2020. Under CHC, each Medical Assistance program beneficiary will be 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. LHRC is reimbursed for therapy services provided to Medicare Part B beneficiaries at the lesser of a published fee schedule or actual charges. As described above, the Medical Assistance and Medicare Part A rates are based on clinical, diagnostic, and other factors. The determination of these rates is partially based on LHRC's clinical assessment of its residents. LHRC is required to clinically assess its residents at predetermined time periods throughout the year. The documented assessments are subject to review and adjustment by the Medical Assistance and Medicare programs.

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The Corporation 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. Net resident service revenues consist of the following for the years ended June 30:

	2019			
	Personal Care	Independent Living	Skilled Nursing	Total
Self-pay	\$ 9,391,508	\$ 8,551,552	\$ 9,699,497	\$ 27,642,557
Medicare and other	-	-	1,445,503	1,445,503
Medicaid	-	-	3,127,752	3,127,752
Amortization of nonrefundable entrance fees	-	5,404,286	-	5,404,286
Subtotal	<u>\$ 9,391,508</u>	<u>13,955,838</u>	<u>\$ 14,272,752</u>	37,620,098
Ancillary service revenues				1,029,047
Other resident service revenues				<u>3,421,764</u>
Net resident service revenues				<u>\$ 42,070,909</u>
	2018			
	Personal Care	Independent Living	Skilled Nursing	Total
Self-pay	\$ 8,553,692	\$ 7,889,283	\$ 9,584,943	\$ 26,027,918
Medicare and other	-	-	2,863,963	2,863,963
Medicaid	-	-	1,501,756	1,501,756
Amortization of nonrefundable entrance fees	-	4,550,020	-	4,550,020
Subtotal	8,553,692	12,439,303	13,950,662	34,943,657
Ancillary service revenues				1,067,107
Other resident service revenues				<u>2,977,004</u>
Net resident service revenues				<u>\$ 38,987,768</u>

4. Fair Value Measures, Investments, Assets Whose Use is Limited, and Other Financial Instruments

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.

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The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Corporation 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 tables present financial instruments measured at fair value by caption on the consolidated balance sheets as of June 30, 2019 and 2018:

	2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Cash and cash equivalents	\$ 23,258,834	\$ 23,258,834	\$ 23,258,834	\$ -	\$ -
Mutual funds, equity:					
International	4,372,926	4,372,926	4,372,926	-	-
Large cap	6,182,256	6,182,256	6,182,256	-	-
Small cap	1,244,415	1,244,415	1,244,415	-	-
Tactical	720,635	720,635	720,635	-	-
Mid cap	1,233,334	1,233,334	1,233,334	-	-
Commodities	472,820	472,820	472,820	-	-
Real estate	936,160	936,160	936,160	-	-
Mutual funds, fixed income:					
Intermediate term	3,859,612	3,859,612	3,859,612	-	-
Short term	959,964	959,964	959,964	-	-
Other	135,446	135,446	135,446	-	-
Marketable equity securities:					
Financial	1,357,143	1,357,143	1,357,143	-	-
Healthcare	950,918	950,918	950,918	-	-
Information Technology	1,281,432	1,281,432	1,281,432	-	-
International	618,658	618,658	618,658	-	-
Other	702,220	702,220	702,220	-	-
Total	<u>\$ 48,286,773</u>	<u>\$ 48,286,773</u>	<u>\$ 48,286,773</u>	<u>\$ -</u>	<u>\$ -</u>
Split interest agreements	<u>\$ 367,199</u>	<u>\$ 367,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,199</u>
Disclosed at Fair Value					
Cash and cash equivalents	<u>\$ 2,770,814</u>	<u>\$ 2,770,814</u>	<u>\$ 2,770,814</u>	<u>\$ -</u>	<u>\$ -</u>
Pledges receivable	<u>\$ 333,169</u>	<u>\$ 333,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,169</u>
Long-term debt	<u>\$ 104,998,834</u>	<u>\$ 109,373,328</u>	<u>\$ -</u>	<u>\$ 109,373,328</u>	<u>\$ -</u>

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	2018				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Reported at Fair Value					
Assets:					
Investments and assets whose use is limited:					
Cash and cash equivalents	\$ 16,225,535	\$ 16,225,535	\$ 16,225,535	\$ -	\$ -
Mutual funds, equity:					
International	4,596,096	4,596,096	4,596,096	-	-
Large cap	5,922,959	5,922,959	5,922,959	-	-
Small cap	961,134	961,134	961,134	-	-
Tactical	460,315	460,315	460,315	-	-
Mid cap	1,053,913	1,053,913	1,053,913	-	-
Commodities	467,799	467,799	467,799	-	-
Real estate	730,281	730,281	730,281	-	-
Mutual funds, fixed income:					
Intermediate term	5,115,131	5,115,131	5,115,131	-	-
Other	15,023	15,023	15,023	-	-
Marketable equity securities:					
Financial	1,150,077	1,150,077	1,150,077	-	-
Healthcare	972,938	972,938	972,938	-	-
Information Technology	906,638	906,638	906,638	-	-
International	694,136	694,136	694,136	-	-
Other	619,284	619,284	619,284	-	-
Total	\$ 39,891,259	\$ 39,891,259	\$ 79,782,518	\$ -	\$ -
Split interest agreements	\$ 419,670	\$ 419,670	\$ -	\$ -	\$ 419,670
Disclosed at Fair Value					
Cash and cash equivalents	\$ 2,998,580	\$ 2,998,580	\$ 2,998,580	\$ -	\$ -
Pledges receivable	\$ 526,511	\$ 526,511	\$ -	\$ -	\$ 526,511
Long-term debt	\$ 86,220,740	\$ 90,217,261	\$ -	\$ 90,217,261	\$ -

Investments and assets whose use is limited is combined on the above tables and are presented on the consolidated balance sheets as follows:

	2019	2018
Investments	\$ 25,883,840	\$ 22,976,777
Assets whose use is limited:		
Board-designated investments	3,145,709	3,027,681
Statutory minimum liquid reserve	3,995,031	2,927,560
Donor-restricted investments	1,540,103	1,494,889
Debt service funds, current	2,121,990	2,068,915
Debt service reserve fund	3,133,813	3,133,813
Resident escrow deposits	8,466,287	4,261,624
Total	\$ 48,286,773	\$ 39,891,259

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Pennsylvania Act 82 Reserve

In compliance with Act 82, the Corporation "reserved" a portion of assets whose use is limited to meet the requirements of Act 82. The "reserved" funds amounted to approximately \$3,995,031 at June 30, 2019 and \$2,927,560 at June 30, 2018. The reserve at June 30, 2019 was calculated as follows:

Budgeted resident living operating expenses for the year ending June 30, 2020	\$ 15,069,861
Less budgeted resident living depreciation and amortization expense	<u>5,812,907</u>
Expenses subject to minimum liquid reserve requirement	9,256,954
Statutory requirement	<u>10 %</u>
Statutory minimum liquid reserve requirement	<u>\$ 925,695 (a)</u>
Budgeted debt service requirements for the year ending June 30, 2020:	
Principal	\$ 2,116,620
Interest	<u>4,029,582</u>
Total budgeted debt service requirements	6,146,202
Percentage of units subject to entrance fee agreements	<u>65 %</u>
Statutory minimum liquid reserve requirement	<u>3,995,031 (b)</u>
Greater of (a) or (b) above	<u>\$ 3,995,031</u>

Valuation Methodologies

The carrying amounts of cash and cash equivalents approximate fair value at June 30, 2019 and 2018 due to the short-term nature of these instruments.

Assets whose use is limited are valued at fair value based on quoted market prices in active markets for cash and cash equivalents, mutual funds, and marketable equity securities or estimated using quoted prices for similar securities for split-interest agreements.

The fair value of pledges receivable was determined using the original pledge amount, adjusted by a discount rate that a market participant would demand, and an evaluation for uncollectible pledges.

Long-term debt is valued based on current rates offered for similar issues with similar security terms and maturities, or estimated using a discount rate that a market participant would demand.

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5. Property and Equipment

Property and equipment is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 898,538	\$ 898,538
Land improvements	10,759,371	11,018,615
Buildings and building improvements	138,547,346	116,378,173
Major-moveable equipment	32,685,032	27,700,394
Furniture and equipment	<u>9,924,528</u>	<u>8,822,419</u>
Total	192,814,815	164,818,139
Less accumulated depreciation	<u>70,474,036</u>	<u>66,569,558</u>
Total	122,340,779	98,248,581
Construction-in-progress	<u>655,592</u>	<u>9,443,500</u>
Property and equipment, net	<u>\$ 122,996,371</u>	<u>\$ 107,692,081</u>

Construction-in-progress at June 30, 2019 and 2018 includes expenditures related to various ongoing capital projects.

6. Line of Credit

LHRC has an \$800,000 unsecured, revolving demand line of credit with a bank which expires on December 31, 2019. The line of credit bears interest at the one-month LIBOR rate plus 2.25 percent per annum (4.68 percent at June 30, 2019). There were no borrowings at June 30, 2019 or 2018.

WMH has a \$25,000 unsecured, revolving demand line of credit with a bank which bears a variable interest rate based on the U.S. Prime Rate (5.50 percent at June 30, 2019). There were no borrowings outstanding at June 30, 2019 or 2018.

7. Long-Term Debt

Series 2015A Bonds

On October 1, 2015, the Corporation formed a new Obligated Group including LHRC and LAH as co-obligors and the Lancaster County Hospital Authority issued \$49,765,000 Series A of 2015 Health Center Revenue Refunding Bonds (the "2015A Bonds") on behalf of the Obligated Group. The 2015A Bonds are tax-exempt and consist of \$4,605,000 Serial Bonds maturing July 1, 2016 to July 1, 2020 at 2.00 percent to 3.00 percent, \$5,450,000 10 year term bonds maturing July 1, 2021 to July 1, 2025 at 3.80 percent, \$6,665,000 15 year term bonds maturing July 1, 2026 to July 1, 2030 at 4.25 percent, \$8,400,000 20 year term bonds maturing July 1, 2031 to 2035 at 5.00 percent, and \$24,645,000 30 year term bonds maturing July 1, 2036 to July 1, 2045 at 5.00 percent.

As of July 1, 2018, Landis at Home was withdrawn from the Obligated Group leaving LHRC as the sole Obligor.

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Series 2015B Bonds

On November 24, 2015, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series B of 2015 Bonds (the "2015B Bonds") in the maximum principal amount of \$8,600,000 to fund an expansion project. The 2015B Bonds are tax-exempt bank direct placement bonds with a 25 year amortization inclusive of an initial 2 year interest only period during construction. Interest only is payable during the construction period in monthly installments at a floating tax-exempt rate of 78 percent of the 30 day LIBOR, plus 140 basis points (3.30 percent at June 30, 2019). Beginning January 2018, principal and interest are due in varying monthly installments through November 2042.

Series 2015C Bonds

On January 28, 2016, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series C of 2015 Bonds (the "2015C Bonds") in the maximum principal amount of \$28,400,000 to fund the wellness center project. The 2015C Bonds are tax-exempt bank direct placement bonds with a 25 year amortization inclusive of an initial 2 year interest only period during construction. Interest only is payable during the construction period in monthly installments at a floating tax-exempt rate of 78 percent of the 30 day LIBOR, plus 140 basis points (3.30 percent at June 30, 2019). Beginning February 2019, principal and interest are due in varying monthly installments through January 2043.

Series 2017A Bonds

On November 29, 2017, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series A of 2017 Bonds (the "2017A Bonds") in the maximum principal amount of \$10,000,000 to fund construction of the Crossing Apartments. The 2017A Bonds are tax-exempt bank direct placement bonds with interest only payable monthly through November 2020, at which point, the outstanding principal balance is due. The interest rate on the 2017A Bonds is a floating tax-exempt rate of 72 percent of the 30 day LIBOR, plus 195 basis points (3.75 percent at June 30, 2019). In July 2019, the Corporation advance refunded the 2017A Bonds with excess operating reserves.

Series 2017B Bonds

On November 29, 2017, the Lancaster County Hospital Authority issued, on behalf of the Obligated Group, Series B of 2017 Bonds (the "2017B Bonds") in the maximum principal amount of \$15,100,000 to fund construction of the Crossing Apartments. The 2017B Bonds are tax-exempt bank direct placement bonds with interest only payable monthly during the 24 month construction period. The interest rate during the construction period is a floating tax-exempt rate of 72 percent of the 30 day LIBOR, plus 245 basis points (4.25 percent at June 30, 2019). Beginning December 2019, payments of principal and interest at a floating tax-exempt rate of 72 percent of the 30 day LIBOR, plus 170 basis points, will be due monthly.

Interest

Interest expense on all debt totaled \$3,776,257 and \$2,489,415 (including amortization of deferred financing costs) during 2019 and 2018, respectively, net of \$291,102 and \$437,865 capitalized during 2019 and 2018, respectively.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Security and Covenants

The 2015A, 2015B, 2015C, 2017A and 2017B Bonds are primarily secured by a mortgage lien on, and security interest in, the Obligated Group's property and equipment and a security interest in the Obligated Group's revenues, as defined in the applicable agreements.

The 2015A, 2015B, 2015C, 2017A and 2017B Bonds also require the Obligated Group to meet certain financial ratios.

Long-Term Debt Summary

Long-term debt is as follows:

	<u>2019</u>	<u>2018</u>
2015A Bonds	\$ 47,080,000	\$ 47,995,000
2015B Bonds	8,296,697	8,486,949
2015C Bonds	28,077,604	27,223,416
2017A Bonds	9,993,358	4,041,778
2017B Bonds	13,016,758	-
	<hr/>	<hr/>
Total	106,464,417	87,747,143
Less current maturities	2,116,620	1,463,000
Less unamortized deferred financing costs	1,465,583	1,526,403
	<hr/>	<hr/>
Long-term debt	<u>\$ 102,882,214</u>	<u>\$ 84,757,740</u>

Scheduled principal repayments on long-term debt are as follows:

Years ending June 30:	
2020	\$ 2,116,620
2021	12,356,245
2022	2,446,798
2023	2,532,374
2024	2,627,549
Thereafter	84,384,831
	<hr/>
Total	<u>\$ 106,464,417</u>

8. Retirement Plan

Landis Communities sponsors a defined contribution retirement plan. Contributions to the plan were \$670,047 in 2019 and \$694,432 in 2018.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

9. Net Assets

Net asset presentation in the accompanying consolidated balance sheets with expanded disclosure for the amount and purpose of restrictions or designations is as follows:

	<u>2019</u>	<u>2018</u>
Net Assets		
Without donor restrictions:		
Operating reserve	\$ 20,528,588	\$ 21,069,744
Board designated, endowment funds	<u>2,946,541</u>	<u>2,810,124</u>
Total net assets without donor restrictions	<u>23,475,129</u>	<u>23,879,868</u>
With donor restrictions:		
Purpose restricted		
Resident Assistance Program	171,950	159,105
Learning/Wellness Center Project	450,077	748,810
Endowment Funds Appreciation	227,237	173,162
Other	87,225	92,369
Restricted in perpetuity		
Endowment Funds	<u>1,326,804</u>	<u>1,305,841</u>
Total net assets with donor restrictions	<u>2,263,293</u>	<u>2,479,287</u>
Total net assets	<u>\$ 25,738,422</u>	<u>\$ 26,359,155</u>

10. Endowment Funds

LHRC's endowment funds consist of two funds established for a variety of purposes. The endowment includes both board-designated and donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence of or absence of donor-imposed restrictions.

LHRC interprets relevant Pennsylvania state law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, LHRC classifies as net assets with donor restrictions (a) the original value of all gifts donated as permanent endowments; (b) the original value of subsequent gifts to the permanent endowments; 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. The remaining portion of the donor-restricted endowment fund not classified in net assets with donor restrictions is classified as either net assets with or without restrictions, depending upon the donor designation.

LHRC has adopted investment and spending policies for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund the annual expenditures of the endowments in accordance with donor restrictions. To achieve LHRC's overall goals, the primary objectives of the investment policy are to (a) preserve and increase the real value of LHRC's assets, (b) provide a stable source of income for LHRC's programs in accordance with LHRC's spending policy, (c) assure that LHRC's bond covenants are satisfied, and (d) invest LHRC's investment funds in a manner consistent with the values formed by LHRC's Anabaptist beliefs and heritage.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

To satisfy its long-term rate of return objectives, LHRC 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). LHRC targets a diversified asset allocation in order to achieve its long-term return objectives with prudent risk constraints.

LHRC has a policy of appropriating for distribution each year such amounts as are stipulated by the donors upon establishment of the endowment funds. In accordance with the original gifts, each of the endowment funds allows LHRC to appropriate the current yield for distribution each year. LHRC excludes realized capital gains related to the endowment funds from this calculation. LHRC expects the current spending policy to allow its endowment funds to preserve the fair value of the original gifts, which is consistent with LHRC's objective to preserve 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. LHRC's spending policy does not require a minimum payout from its endowment income on an annual basis.

Donor-restricted net assets totaling \$1,326,805 and \$1,305,841 at June 30, 2019 and 2018, respectively, are classified as net assets with donor restrictions in the consolidated balance sheets. Net appreciation of donor-restricted endowment funds is classified as net assets with donor restrictions in the consolidated balance sheets until used in accordance with the donors intended purpose. Board-designated endowment funds totaling \$2,946,540 and \$2,810,124 at June 30, 2019 and 2018, respectively, are classified as net assets without donor restrictions in the consolidated balance sheets.

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are composed of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,810,124	\$ 1,479,003	\$ 4,289,127
Investment return, (including interest and dividends and realized and unrealized gains and losses)	165,569	84,412	249,981
Contributions	29,041	27,443	56,484
Change in value, split interest agreements	-	(6,708)	(6,708)
Net assets released from restrictions	-	(30,337)	(30,337)
Other	(58,193)	228	(57,965)
Endowment net assets, end of year	<u>\$ 2,946,541</u>	<u>\$ 1,554,041</u>	<u>\$ 4,500,582</u>
	2018		
Endowment net assets, beginning of year	\$ 2,641,509	\$ 1,426,840	\$ 4,068,349
Investment return, (including interest and dividends and realized and unrealized gains and losses)	202,368	60,783	263,151
Contributions	49,931	35,867	85,798
Change in value, split interest agreements	-	(7,522)	(7,522)
Net assets released from restrictions	-	(37,465)	(37,465)
Other	(83,684)	500	(83,184)
Endowment net assets, end of year	<u>\$ 2,810,124</u>	<u>\$ 1,479,003</u>	<u>\$ 4,289,127</u>

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

11. Insurance

Professional and General Liability Insurance

The Corporation maintains professional and general liability insurance coverage on a claims-made basis through Peace Church Risk Retention Group ("PCRRG"), a reciprocal insurance company. Other than for premiums paid under these policies, no provision has been made for estimated losses. Management believes no incidents occurred or will be asserted that will exceed the insurance coverage of the Corporation or will have a material adverse effect on the consolidated financial statements.

Employee Health Insurance

Landis Communities self-insures certain of its health insurance benefits. Landis Communities holds a stop-loss policy of \$100,000 per eligible employee that limits the maximum liability for benefits payable under such claims. Self-insurance costs incurred under this program were \$3,599,847 and \$3,105,747 in 2019 and 2018, respectively. On the consolidated balance sheets, other accrued expenses includes \$374,241 and \$329,190 at June 30, 2019 and 2018, respectively, for reserves for anticipated health insurance costs. Management believes no instances occurred or will be asserted that will exceed the insurance coverage stated in the policies.

12. Contingencies

Real Estate Taxes

As not-for-profit Corporations in the Commonwealth of Pennsylvania, LHRC and WMH are organizations which qualify for exemption from real property taxes relating to portions of their properties. However, a number of cities, municipalities, and school districts in the Commonwealth of Pennsylvania have challenged and continue to challenge not-for-profit corporations' exemption from real estate taxes. The possible future financial effects of this matter on LHRC and WMH, if any, are not determinable.

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; however, the possible future effects of this matter on the Corporation, if any, are not determinable.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

13. Lease Commitments

In January 2012, QLC entered into an operating lease agreement for three building floors along with parking and other site improvements in Lancaster, Pennsylvania. The landlord has converted the upper three floors of the building to thirty-six residential apartments that include resident common areas and community rooms on each floor. The lease will expire ten years from the Commencement Date, as defined in the lease agreement dated June 15, 2013. Following expiration of the initial term, QLC has the option to renew the lease for two successive five-year renewal terms.

Beginning on the Commencement Date, QLC will pay the landlord base rent of \$378,500 for the first year of the lease term. The base rent will be increased on each anniversary date of the Commencement Date by 1.75 percent of the annual base rent payable immediately prior to that anniversary. LHRC has guaranteed the payment of the base rent, additional rent, and any other charges in the event that QLC cannot pay.

Additionally, effective June 15, 2013, QLC entered into a lease for office and commercial space on the first floor of the same building, by running and expiring concurrently with the initial lease term, and may be extended with the lease above. The initial annual base rent is \$16,344, and increases 2.5 percent annually. LHRC has guaranteed the payment of the base rent, additional rent, and any other charges in the event that QLC cannot pay.

Rent expense totaled approximately \$421,000 and \$420,000 in 2019 and 2018, respectively.

Future minimum lease payments under the operating leases are as follows:

2020	\$	439,299
2021		447,128
2022		455,099
2023		443,477
		<u>443,477</u>
	\$	<u>1,785,003</u>

Deferred rent of \$114,173 and \$125,032, at June 30, 2019 and 2018, respectively, is included in other accrued expenses on the consolidated balance sheets. These amounts represent the difference between the rents actually paid under the building lease and the amount recognized as expense in accordance with accounting principles generally accepted in the United States of America.

14. Concentrations of Credit Risk

The Corporation grants credit without collateral to its residents, some of whom are insured under third-party payor arrangements primarily with Medical Assistance and Medicare.

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

Landis Communities and Affiliates

Notes to Consolidated Financial Statements
June 30, 2019 and 2018

15. Functional Expenses

The Corporation's primary program service relates to providing housing, health care, and other related services to residents within its geographic location. Expenses by functional classification consist of the following in 2019:

	<u>Resident Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 15,594,570	\$ 3,351,731	\$ 163,619	\$ 19,109,920
Employee benefits and payroll taxes	5,306,198	983,014	44,408	6,333,620
Professional fees and purchased services	1,687,753	871,659	4	2,559,416
Nursing home assessment	-	254,064	-	254,064
Depreciation	6,368,575	100,807	-	6,469,382
Interest	3,743,214	33,043	-	3,776,257
Supplies and other expenses	<u>4,951,463</u>	<u>1,983,877</u>	<u>54,071</u>	<u>6,989,411</u>
Total expenses	<u>\$ 37,651,773</u>	<u>\$ 7,578,195</u>	<u>\$ 262,102</u>	<u>\$ 45,492,070</u>

In 2018, the Corporation incurred approximately \$34,377,000 of expenses related to resident services, \$7,129,000 of expenses related to general and administrative, and \$262,000 related to fundraising.

Certain categories of expenses are attributable to more than one program or supporting function. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage, time, and effort.

Landis Communities and Affiliates

Consolidating Schedule, Balance Sheet

June 30, 2019

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2019
Assets							
Current Assets							
Cash and cash equivalents	\$ 1,427,939	\$ 85,834	\$ 1,097,293	\$ 64,330	\$ 95,418	\$ -	\$ 2,770,814
Assets whose use is limited, debt service funds	2,121,990	-	-	-	-	-	2,121,990
Accounts receivable:							
Residents, net	2,746,019	70,605	2,205	74	7,918	-	2,826,821
Advance fees	1,390,800	-	-	-	-	-	1,390,800
Other	5,710	81,968	-	-	-	-	87,678
Due from affiliates	1,177,808	795	331,184	-	-	(1,509,787)	-
Prepaid expenses and other current assets	428,433	-	27,750	37,341	10,513	-	504,037
	<u>9,298,699</u>	<u>239,202</u>	<u>1,458,432</u>	<u>101,745</u>	<u>113,849</u>	<u>(1,509,787)</u>	<u>9,702,140</u>
Total current assets							
Assets Whose Use Is Limited							
Board-designated investments	3,004,733	-	-	-	140,976	-	3,145,709
Statutory minimum liquid reserve	3,995,031	-	-	-	-	-	3,995,031
Donor-restricted investments	1,540,103	-	-	-	-	-	1,540,103
Debt service reserve fund	3,133,813	-	-	-	-	-	3,133,813
Resident escrow deposits	8,466,287	-	-	-	-	-	8,466,287
	<u>20,139,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,976</u>	<u>-</u>	<u>20,280,943</u>
Total assets whose use is limited							
Investments	25,883,840	-	-	-	-	-	25,883,840
Investment in Limited Partnership	-	-	-	-	629,967	-	629,967
Property and Equipment, Net	120,231,434	6,260	63,790	73,568	2,621,319	-	122,996,371
Pledges Receivable, Net	333,169	-	-	-	-	-	333,169
Split-Interest Agreements	367,199	-	-	-	-	-	367,199
Investment in Welsh Mountain Home	-	-	2,356,751	-	-	(2,356,751)	-
Other Assets	164,267	-	-	-	-	-	164,267
	<u>164,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,267</u>
Total assets	<u>\$ 176,418,575</u>	<u>\$ 245,462</u>	<u>\$ 3,878,973</u>	<u>\$ 175,313</u>	<u>\$ 3,506,111</u>	<u>\$ (3,866,538)</u>	<u>\$ 180,357,896</u>

Landis Communities and Affiliates

Consolidating Schedule, Balance Sheet
June 30, 2019

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2019
Liabilities and Net Assets (Deficit)							
Current Liabilities							
Current maturities of long-term debt	\$ 2,116,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,116,620
Accounts payable:							
Trade	923,808	9,304	89,770	4,961	20,660	-	1,048,503
Due to affiliate	331,978	549,709	31,555	521,277	3,831	(1,438,350)	-
Capital related	1,373,446	-	2,491	-	18,612	-	1,394,549
Accrued expenses:							
Salaries and wages	315,158	24,181	58,414	-	19,161	(24,181)	392,733
Paid time off	591,632	42,179	176,641	-	16,507	(42,179)	784,780
Interest	1,100,106	-	-	-	-	-	1,100,106
Other	767,303	5,442	118,617	117,425	31,415	(5,077)	1,035,125
Total current liabilities	7,520,051	630,815	477,488	643,663	110,186	(1,509,787)	7,872,416
Long-Term Debt	102,882,214	-	-	-	-	-	102,882,214
Deposits for Capital Additions	426,600	-	-	-	-	-	426,600
Refundable Entrance Fees and Deposits	637,601	-	-	55,626	-	-	693,227
Deferred Revenues from Non-Refundable Entrance Fees	42,745,017	-	-	-	-	-	42,745,017
Total liabilities	154,211,483	630,815	477,488	699,289	110,186	(1,509,787)	154,619,474
Net Assets (Deficit)							
Without donor restrictions	20,001,484	(443,038)	3,401,485	(523,976)	3,395,925	(2,356,751)	23,475,129
With donor restrictions	2,205,608	57,685	-	-	-	-	2,263,293
Total net assets (deficit)	22,207,092	(385,353)	3,401,485	(523,976)	3,395,925	(2,356,751)	25,738,422
Total liabilities and net assets (deficit)	\$ 176,418,575	\$ 245,462	\$ 3,878,973	\$ 175,313	\$ 3,506,111	\$ (3,866,538)	\$ 180,357,896

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)

Year Ended June 30, 2019

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2019
Revenues Without Donor Restrictions							
Resident service revenues:							
Nursing	\$ 14,272,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,272,752
Personal care	8,322,362	-	-	-	1,069,146	-	9,391,508
Residential living:							
Monthly fees	8,551,552	-	-	-	-	-	8,551,552
Amortization of entrance fees	5,404,286	-	-	-	-	-	5,404,286
Ancillary service revenues	1,029,047	-	-	-	-	-	1,029,047
Other resident service revenues	1,081,870	1,731,721	-	624,618	2,266	(18,711)	3,421,764
Net resident service revenues	38,661,869	1,731,721	-	624,618	1,071,412	(18,711)	42,070,909
Other revenues	2,690,088	209,382	3,715,552	2,417	48,012	(5,819,139)	846,312
Donor-restricted contributions used primarily for benevolent care	757,885	71,026	-	-	1,500	-	830,411
Total revenues without donor restrictions	42,109,842	2,012,129	3,715,552	627,035	1,120,924	(5,837,850)	43,747,632
Expenses							
Resident services	14,197,584	1,925,227	-	-	384,263	(1,971,059)	14,536,015
General and administrative	6,244,311	90,082	4,301,748	529,932	407,165	(3,866,791)	7,706,447
Depreciation	6,265,438	106	28,726	17,258	157,854	-	6,469,382
Plant operations	4,609,707	-	-	-	160,689	-	4,770,396
Dining services	4,603,003	-	-	-	214,692	-	4,817,695
Housekeeping, laundry, and campus services	1,876,717	-	-	-	55,448	-	1,932,165
Outcome management, pastoral services, and life enrichment	1,481,619	-	-	-	2,094	-	1,483,713
Interest	3,776,257	-	-	26,290	-	(26,290)	3,776,257
Total expenses	43,054,636	2,015,415	4,330,474	573,480	1,382,205	(5,864,140)	45,492,070
Operating (loss) income	(944,794)	(3,286)	(614,922)	53,555	(261,281)	26,290	(1,744,438)

Landis Communities and Affiliates

Consolidating Schedule, Operations and Changes in Net Assets (Deficit)

Year Ended June 30, 2019

	Landis Homes Retirement Community	Landis HCBS	Landis Communities	Quality Living Choices	Welsh Mountain Home and WMH, Inc.	Eliminations	Consolidated 2019
Other Income (Loss)							
Interest and dividend income, net	\$ 714,323	\$ -	\$ -	\$ -	\$ 3,061	\$ (26,290)	\$ 691,094
Net realized gain on sales of investments	851,264	-	-	-	(8)	-	851,256
Net unrealized (loss) gain on investments	(552,879)	-	-	-	3,313	-	(549,566)
Contributions and bequests	29,041	122	16,305	-	130,669	-	176,137
Loss on disposal of property and equipment	(88,470)	-	(516)	(639)	(43,818)	-	(133,443)
Total other income (loss), net	<u>953,279</u>	<u>122</u>	<u>15,789</u>	<u>(639)</u>	<u>93,217</u>	<u>(26,290)</u>	<u>1,035,478</u>
Revenues (Less than) in Excess of Expenses	8,485	(3,164)	(599,133)	52,916	(168,064)	-	(708,960)
Donor-Restricted Contributions Used for Purchase of Property and Equipment	302,102	-	-	-	2,119	-	304,221
Transfer (To) From Affiliate	<u>(530,497)</u>	<u>-</u>	<u>530,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets (deficit) without donor restrictions	<u>(219,910)</u>	<u>(3,164)</u>	<u>(68,636)</u>	<u>52,916</u>	<u>(165,945)</u>	<u>-</u>	<u>(404,739)</u>
Net Assets With Donor Restrictions							
Contributions	715,746	128,711	-	-	3,619	-	848,076
Interest and dividend income	30,433	-	-	-	-	-	30,433
Net realized gain on sales of investments	54,742	-	-	-	-	-	54,742
Net unrealized loss on investments	(666)	-	-	-	-	-	(666)
Change in value, split-interest agreements	(13,947)	-	-	-	-	-	(13,947)
Donor-restricted contributions used for:							
Resident assistance program	(717,230)	-	-	-	-	-	(717,230)
Other	(40,655)	(71,026)	-	-	(1,500)	-	(113,181)
Purchase of property and equipment	<u>(302,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,119)</u>	<u>-</u>	<u>(304,221)</u>
Change in net assets with donor restrictions	<u>(273,679)</u>	<u>57,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(215,994)</u>
Change in net assets (deficit)	(493,589)	54,521	(68,636)	52,916	(165,945)	-	(620,733)
Net Assets (Deficit), Beginning	<u>22,700,681</u>	<u>(439,874)</u>	<u>3,470,121</u>	<u>(576,892)</u>	<u>3,561,870</u>	<u>(2,356,751)</u>	<u>26,359,155</u>
Net Assets (Deficit), Ending	<u>\$ 22,207,092</u>	<u>\$ (385,353)</u>	<u>\$ 3,401,485</u>	<u>\$ (523,976)</u>	<u>\$ 3,395,925</u>	<u>\$ (2,356,751)</u>	<u>\$ 25,738,422</u>

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APPENDIX C

**DEFINITIONS OF CERTAIN TERMS AND SUMMARIES
OF PRINCIPAL LEGAL DOCUMENTS**

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DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF PRINCIPAL LEGAL DOCUMENTS

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Master Indenture, the Indenture and the Loan Agreement and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Master Indenture, the Indenture and the Loan Agreement for complete definitions of all terms.

“Accountant” means an independent certified public accountant or a firm of independent certified public accountants that is a member of the American Institute of Certified Public Accountants (or its successor organization) and is licensed to practice in the Commonwealth of Pennsylvania.

“Accounts” means any right to payment of a monetary obligation, whether or not earned by performance, (i) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of, (ii) for services rendered or to be rendered, or (iii) for a secondary obligation incurred or to be incurred. The term “Accounts” shall include healthcare insurance receivables. The term “Accounts” shall not include (i) rights to payment evidenced by chattel paper or an instrument, (ii) commercial tort claims, (iii) letter-of-credit rights or letters of credit, or (iv) rights to payment for money or funds advanced or sold. Any term used in this definition (other than the term “Accounts”) shall have the meanings given such terms, if any, in the UCC.

“Act” shall mean the Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended.

“Additional Indebtedness” means Indebtedness incurred by a Member of the Obligated Group subsequent to the execution and delivery of the Master Indenture.

“Administrative Expenses” shall mean reasonable and proper costs and expenses of the Authority in carrying out its duties and responsibilities under the Act, including, but not limited to: the Authority’s annual fee of \$1,500.00 due upon billing by the Authority each calendar year or part thereof that any of the Series of 2021 Bonds remain Outstanding beginning in 2022 and, in addition, all of the Authority’s legal, printing, advertising, architectural and engineering fees and expenses; fees and expenses of the Bond Trustee and any authorized depository, bond transfer agent, paying agent and bond registrar; and other items of general administrative expense reasonably incurred by the Authority; provided, however, that all of the foregoing shall be subject to proper and reasonable allocation to various projects of the Authority, if applicable.

“Affiliate” means a corporation, limited liability company, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which (i) is directly or indirectly controlled by any Member of the Obligated Group, or by any Person which directly or indirectly controls any Member of the Obligated Group or (ii) controls, directly or indirectly, any Member of the Obligated Group. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise. “Affiliate” includes each Person who is an “affiliate” of a Member of the Obligated Group under accounting principles generally accepted in the United States of America.

“Authority” shall mean the Lancaster Industrial Development Authority, a body corporate and politic organized and existing under the Act, and its successors.

“Authorized Depository” shall mean any national banking association, incorporated bank or trust company which has the legal power and authority to collateralize deposits as required by the Bond Indenture and by laws of the Commonwealth and which is insured by the Federal Deposit Insurance Corporation or by any other agency of the United States of America performing functions similar to the Federal Deposit Insurance Corporation (provided such an agency shall be in existence), which has a combined capital and surplus of not less than \$25,000,000 and which is not unsatisfactory to the Bond Trustee, and shall include the Bond Trustee or any of its banking affiliates.

“Authorized Investments” shall mean, to the extent permitted by applicable law:

(1) Certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest;

(2) Investments in any of the following obligations issued or guaranteed by any of the following agencies (stripped securities are only permitted if they have been stripped by the agency itself): Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (participation certificates or senior debt obligations), Federal National Mortgage Association (mortgage-backed securities and senior debt obligations), Student Loan Marketing Association (senior debt obligations), Resolution Funding Corp. and Farm Credit System (consolidated system-wide bonds and notes);

(3) Certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks which certificates of deposit are secured at all times by collateral consisting of the obligations described in (i) or (ii) above. Such collateral must be held by a third party and the Bond Trustee must have a perfected first security interest in the collateral;

(4) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Corporation;

(5) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “P-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P;

(6) Obligations of a state, a territory, or a possession of the United States, or any political subdivision of any of the foregoing or of the District of Columbia as described in Section 103(a) of the Code if such obligations are rated by Moody’s and S&P in one of the two highest rating categories assigned by such rating agencies;

(7) Commercial paper rated, at the time of purchase, not less than P-1 or better by Moody’s and A-1 by S&P;

(8) Any money market fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G, AAAM, or AAM and if rated by Moody’s rated Aaa, Aa1 or Aa2, including, without limitation, any mutual fund for which the Bond Trustee or an affiliate of the Bond Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Bond Trustee or an affiliate of the Bond Trustee receives fees from such funds for services rendered, (b) the Bond Trustee charges and collects fees for services rendered pursuant to the Bond Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to the

Bond Indenture may at times duplicate those provided to such funds by the Bond Trustee or its affiliates;

(9) investment agreements with, or which are guaranteed by, a financial institution which has an unsecured, uninsured and unguaranteed obligation rated, at the time such agreement is entered into, in one of the two highest rating categories by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, including any affiliate of the Bond Trustee provided (i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with the Interest Payment Dates, (ii) moneys invested thereunder may be withdrawn for any purpose required under the Bond Indenture without any penalty, premium or charge upon not more than seven day's notice (provided such notice may be amended or cancelled at any time prior to the withdrawal date), (iii) the agreement is not subordinated to any other obligations of such financial institution or bank, (iv) the same guaranteed interest rate will be paid on any future deposits permitted to be made under such investment agreement, and (v) the Bond Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such financial institution;

(10) repurchase agreements with respect to and secured by obligations described in (1) or (2) above, which agreements may be entered into with a bank (including the Bond Trustee or its affiliates), a trust company, financial services firm or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (i) the Bond Trustee or a custodial agent of the Bond Trustee has possession of the collateral and that the collateral is free and clear of third-party claims, (ii) a master repurchase agreement or specific written repurchase agreement governs the transaction, (iii) the collateral securities are valued no less frequently than monthly, and (iv) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (v) such obligations must be held in the custody of the Bond Trustee or the Bond Trustee's agent; and

(11) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by Moody's or S&P in any of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise).

"Available Reserves" means, as of any particular date of determination, an amount equal to the sum of all cash and the market value of all investments of the Members of the Obligated Group, less: (a) any cash or investments held by a trustee or creditor (i) in any bond payment fund or similar account for the payment of interest on Long-Term Indebtedness (or Related Bonds) up to, but not exceeding, the amount of interest accrued on such Long-Term Indebtedness (or Related Bonds) to such date of determination or (ii) for the payment of Qualifying Intermediate-Term Indebtedness; (b) the principal balance of any Short-Term Indebtedness then Outstanding; (c) any amount required to be reserved by any Member of the Obligated Group under applicable state or federal regulations against such Member's obligation under Residency Agreements to provide nursing or other health care to residents; (d) with respect to the acquisition or construction of Property that will, upon such acquisition or construction, constitute Property, Plant and Equipment, (i) the amount of proceeds of Indebtedness incurred to finance such acquisition or construction, (ii) the amount of cash or securities pledged by a Member of the Obligated Group as collateral for Indebtedness incurred to finance such acquisition or construction, and (iii) the amount that is due and payable and will be due and payable within one year pursuant to a contract for such acquisition or construction, unless such amount will be paid with the proceeds of Indebtedness incurred to finance such acquisition or construction; (e) cash and investments the use of which is restricted by a donor or grantor to a particular use or purpose inconsistent with their

use for the payment of Long-Term Indebtedness or Related Bonds and (f) any other cash or investments not legally available for the payment of Long-Term Indebtedness or Related Bonds (or the purchase thereof) when due, including any trust funds held for the care of residents and any deposits made pursuant to any Residency Agreement.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness (other than Qualifying Intermediate-Term Indebtedness) 25% or more of the principal payments of which are due in a single period of 12 consecutive months, which portion of the principal is not required by the documents pursuant to which such Indebtedness is incurred to be amortized by payment or redemption prior to such year.

“Board” shall mean the governing body of the Authority or the Borrower, as applicable.

“Bond” or “Bonds” shall mean any Series of 2021 Bond, or all the Series of 2021 Bonds, as the case may be, authenticated and delivered under the Indenture.

“Bondholder” or “bondholder” or “Bondowner” or “Holder of the Bonds” or “holder of the bonds” or “Holder” or “Owner” or any similar term shall mean any registered owner of any Bond or legal representative thereof.

“Bond Indenture” or “Indenture” shall mean the Trust Indenture, dated as of September 1, 2021, as amended and supplemented between the Authority and the Trustee, and, as the context may require, shall include any indenture supplemental hereto, sometimes therein called a supplemental indenture, and shall not mean the Master Indenture or any supplement thereto.

“Bond Trustee” or “Trustee” shall mean Manufacturers and Traders Trust Company, a corporate trust office of which is located in the City of Harrisburg, Pennsylvania, and its successors in the trust created under the Indenture.

“Borrower” shall mean Landis Homes Retirement Community, a Pennsylvania not-for-profit corporation, its successors and assigns.

“Borrower Premises” shall mean the buildings, structures, real estate and any appurtenant facilities and fixtures previously acquired or to be acquired by the Borrower and used or useful by the Borrower in connection with or incidental to its functioning as a provider of senior living and health care services.

“Business Day” shall mean any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, Wilmington, Delaware or the Commonwealth of Pennsylvania are authorized or obligated by law, regulation or executive order to remain closed.

“Cede & Co.” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

“Certified Authority Resolution” shall mean a copy of a resolution certified by the Secretary or Assistant Secretary of the Authority, under its corporate seal, to have been duly adopted by the Board and to be in full force and effect on the date of such certification.

“Certified Borrower Resolution” shall mean a copy of a resolution certified by the Secretary or Assistant Secretary of the Borrower to have been duly adopted by the Board of Trustees of

the Borrower or a committee of the Board of Trustees or officers of the Borrower, in each case duly authorized to act on behalf of the Borrower, and to be in full force and effect on the date of such certification.

“City” shall mean the City of Lancaster, Lancaster County, Pennsylvania, a political subdivision of the Commonwealth.

“Code” shall mean the Federal Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

“Collateral Assignments” means any assignment of construction documents, management agreements or Residency Agreements or any other assignment or agreement executed by any Member of the Obligated Group as security for all Obligations issued under the Master Indenture, each as amended from time to time in accordance with its terms.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“Completion Indebtedness” means any Indebtedness for borrowed money: (i) incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation, or equipping of Facilities with respect to which Indebtedness for borrowed money has been incurred in accordance with the provisions of the Master Indenture; and (ii) with a principal amount not in excess of the amount that is required to provide a completed and equipped Facility of substantially the same type and scope contemplated at the time such prior Indebtedness was originally incurred, to provide for funded interest during the period of construction, to provide any reserve fund relating to such Completion Indebtedness, and to pay the costs and expenses of issuing such Completion Indebtedness.

“Contract Obligations” means the payment obligations (other than the obligation to pay principal of, redemption premium, if any, and interest on Indebtedness), of a Member of the Obligated Group under a financing agreement related to Indebtedness, evidenced by an Obligation issued under the Master Indenture.

“Corporate Charter” means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter or other organizational document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

“Corporate Trust Office” means the designated office of the Master Trustee at which its corporate trust business is conducted, which at the date hereof is located in Harrisburg, Pennsylvania.

“Counsel” means legal counsel acceptable to the Borrower and the Bond Trustee and, to the extent the Authority is asked to take, permit, allow or authorize action in reliance thereon, the Authority, who may be an employee of or counsel to the Borrower.

“Days’ Cash on Hand” means 365 times (i) the aggregate unrestricted cash and unrestricted marketable securities (including board-designated funds) of the Obligated Group as of the date of computation, excluding cash and unrestricted marketable securities in trustee held funds divided by (ii) the total operating expenses of the Obligated Group for the immediately preceding Fiscal Year for which Financial Statements are available, excluding depreciation and amortization (as shown on the Financial Statements for such Fiscal Year and calculated in the same manner as that used to determine Income Available for Debt Service), provisions for bad debt or any other noncash expenses, and, provided, however, that for purposes of calculating the amount of Excess Funds, the total operating expenses of the Obligated Group shall be determined based upon the combined budgets of the Members

of the Obligated Group for the then current Fiscal Year. All securities shall be valued at fair market value for purposes of this definition.

“Debt Service Fund” shall mean the Debt Service Fund created under the Indenture.

“Debt Service Reserve Fund” means any Debt Service Reserve Fund established and maintained pursuant to the Master Indenture and a Supplement.

“Debt Service Reserve Fund Requirement” means, with respect to each Debt Service Reserve Fund, (i) if such Debt Service Reserve Fund secures more than one Obligation that secures Tax-Exempt Related Bonds, the amount specified in the Supplement directing that such Debt Service Reserve Fund be established or maintained which shall be an amount no greater than the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on the Obligation or Obligations secured by such Debt Service Reserve Fund, (B) one hundred twenty-five percent (125%) of average annual Long-Term Debt Service Requirement on the Obligation or Obligations secured by such Debt Service Reserve Fund and (C) ten percent (10%) of the stated original principal amount of the Obligations secured by such Debt Service Reserve Fund or, if any Related Bonds secured by such Obligations have original issue discount or premium that exceeds two percent (2%) of the stated redemption price at maturity plus any original issue premium attributable exclusively to underwriters’ compensation, the calculation for such Obligation shall instead be ten percent (10%) of the initial offering prices to the public of the Related Bonds, or (ii) if such Debt Service Reserve Fund secures only one Obligation that secures Tax-Exempt Related Bonds or secures one or more Obligations that evidence and secure only taxable Indebtedness or Related Bonds, the amount specified in the Master Indenture or any Supplement directing that such Debt Service Reserve Fund be established or maintained.

“Defeasance Obligations,” as used in the Bond Indenture, shall mean investments described in paragraphs (1) or (2) of the definition of “Authorized Investments”.

“Defeasance Obligations,” as used in the Master Indenture, means (i) with respect to any Obligation that secures a series of Related Bonds, the obligations permitted to be used to defease such series of Related Bonds under the Related Bond Indenture, and (ii) with respect to any Obligation for which there are no Related Bonds, (A) noncallable Government Obligations, (B) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (C) Defeased Municipal Obligations and (D) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers which are rated in the highest rating category established by the Rating Agencies, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, (iii) cash or (iv) any combination of such noncallable Government Obligations, evidences of ownership and cash, which Government Obligations or evidences of ownership, together with any cash, are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, being sufficient, together with any cash, to provide money to pay the principal of, premium, if any, and interest on such obligations of such state or local government municipal bond issuers.

“Defeased Obligations” means Obligations issued under a Supplement that has been discharged, or provision for the discharge of which has been made, pursuant to its terms.

“Derivative Agreement” means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Member of the Obligated Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“Derivative Indebtedness” means Indebtedness (or that portion of Indebtedness) for which a Member of the Obligated Group shall have entered into a Derivative Agreement.

“Derivative Obligations” means the payment obligations of a Member of the Obligated Group under a Derivative Agreement that hedges Indebtedness, including but not limited to, regularly scheduled payments and termination payments.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

“EMMA” the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System, or such other nationally recognized electronic filing system established by the Municipal Securities Rulemaking Board.

“Entrance Fees” means (a) all admission fees received by any Member of the Obligated Group pursuant to any agreement with respect to the granting of rights to the initial and exclusive use of any unit in the Facilities not subject to refund under the laws of the Commonwealth and net of any amount which has been refunded; provided, however, that deposits for admission to the Facilities will not be “Entrance Fees” until the prospective resident has a right to take possession of such unit pursuant to such agreement, (b) all admission fees received by any Member of the Obligated Group pursuant to any agreement with respect to the granting of rights to exclusive use of any unit that had been previously occupied by another resident and which comprised a part of the Facilities, not subject to refund under the laws of the Commonwealth and net of any refunds paid to (i) the prior resident upon regranteeing of exclusive rights to use such unit or (ii) the resident succeeding to the exclusive rights to use such unit and (c) all fees received pursuant to any agreement with respect to customized changes to any unit in the Facilities. If any portion of an Entrance Fee is not paid in cash at the time the resident takes possession of the unit (e.g. is evidenced by a promissory note), such portion of the Entrance Fee shall not be recognized for purposes of determining compliance with the covenants in the Master Indenture until received by a Member of the Obligated Group in cash.

“Equipment” means those items constituting equipment as defined in the UCC used in connection with the Mortgaged Property, whether such equipment is now owned or hereafter acquired by any Member of the Obligated Group.

“Event of Default” shall mean any one or more of those events set forth under the caption “SUMMARY OF THE MASTER INDENTURE-- Events of Default and Remedies,” “SUMMARY OF

THE INDENTURE--Defaults and Remedies” and “SUMMARY OF THE LOAN AGREEMENT--Defaults and Remedies” below.

“Excess Funds” means, as of any particular date of determination, the amount of Available Reserves (determined as of the end of the Fiscal Year prior to the date of determination) in excess of the greater of (a) 150 Days’ Cash on Hand and (b) thirty-five percent (35%) of the principal amount of Outstanding Long-Term Indebtedness, exclusive of Qualifying Intermediate-Term Indebtedness, as of the date of determination.

“Existing Facilities” means the continuing care retirement facilities and facilities ancillary thereto owned and operated by the Borrower on the date of execution and delivery of the Master Indenture.

“Facilities” means the Existing Facilities and any other continuing care retirement facilities or health care delivery or residential facilities designed to provide services to the elderly hereafter owned by, and all leasehold interests of, any Member of the Obligated Group and operated by or on behalf of any Member of the Obligated Group.

“Financial Statements” means the consolidated or combined financial statements of the Obligated Group, for a Fiscal Year, or for such other period for which an audit has been performed, required to be prepared under, and prepared in accordance with, accounting principles generally accepted in the United States of America consistently applied, including a statement of changes in cash flows as of the end of such period, which have been audited and reported upon by an Accountant. If at any time the financial statements of any Member of the Obligated Group includes an Affiliate that is not a Member of the Obligated Group, “Financial Statements” shall also mean the consolidated or combined financial statements of such Member of the Obligated Group and its Affiliates, if any, for the same Fiscal Year (or other period) as the Financial Statements of the Obligated Group, prepared in accordance with accounting principles generally accepted in the United States of America consistently applied, which have been audited and reported upon by an Accountant.

“Fiscal Year,” as used in the Bond Indenture, shall mean each period of twelve consecutive calendar months ending June 30 with respect to the Borrower unless the Bond Trustee is notified in writing by the Responsible Officer of the Borrower of a change in such fiscal year, in which case the Fiscal Year shall be the period set forth in such notice.

“Fiscal Year,” as used in the Master Indenture, means the fiscal year of each of the Members of the Obligated Group, which period commences on July 1 of each year and ends on June 30 of each year, unless the Master Trustee and each Related Bond Trustee is notified in writing by the Obligated Group Representative of a change in such period for all of the Members of the Obligated Group, in which case the Fiscal Year shall be the period set forth in such notice.

“Fitch” means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower by notice to the Master Trustee and any Related Bond Trustee.

“GAAP” means accounting principles generally accepted in the United States, consistently applied.

“Governing Body” means, when used with respect to any Member of the Obligated Group, its board of directors, board of trustees or other board or group of individuals in which the powers of such Member of the Obligated Group are vested.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Gross Receipts” means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the Master Indenture to be used for a particular purpose inconsistent with their use for the payment of Obligations, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible Property, (v) medical or health care insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, (d) rentals received from the leasing of real or tangible personal property, and (e) Entrance Fees; provided, however, that Entrance Fees shall be considered Gross Receipts only when and to the extent they are not held in escrow for the benefit of the payor thereof pursuant to any requirement of law.

“Guaranty” means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture.

“Holder” means the owner of any Obligation issued pursuant to the Master Indenture or a Supplement.

“Income Available for Debt Service” means, with respect to the Obligated Group, as to any Fiscal Year or such other twelve month period for which such calculation is made, the increase (decrease) in unrestricted net assets, to which shall be added depreciation, amortization and interest and other non-cash expenses deducted from total revenues, all as determined in accordance with accounting principles generally accepted in the United States of America consistently applied, and all Entrance Fees received in cash during such Fiscal Year (less any refunds actually paid in such Fiscal Year), and from which shall be deducted all Entrance Fees amortized during such Fiscal Year; provided, however, that for the purposes of determining compliance with any of the provisions of the Master Indenture regarding the incurrence of Indebtedness, Entrance Fees received from the initial resident of a unit in the Facilities or pursuant to any agreement with respect to customized changes to a unit in the Facilities shall be excluded and for the purposes of determining compliance with the Long-Term Debt Service Coverage Ratio, Entrance Fees received from the initial resident of any unit financed with Qualifying Intermediate-Term Indebtedness shall be excluded; and provided further that no determination of Income Available for Debt Service shall take into account:

(a) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business;

(b) any nonrecurring items of an extraordinary nature which do not involve the receipt, expenditure or transfer of assets;

(c) any unrealized gains or losses, including any unrealized gains or losses on investments or the value of any Derivative Agreement, or any “other-than-temporary” impairment losses; provided, however, that realized gains and losses on assets that suffer an other-than-temporary impairment loss shall be determined using the basis for such asset without giving effect to any reductions in basis resulting from such other-than-temporary impairment loss;

(d) any increase or decrease in obligations to provide future services; and

(e) any losses incurred from development of additional Facilities that the Governing Body of any Member of the Obligated Group later determines not to pursue;

and provided further that total revenues shall not include investment income from (A) any investment of funds held in a Qualified Escrow or (B) any fund or account that is set aside and used for the purpose of paying Qualifying Intermediate-Term Indebtedness.

For purposes of calculating the Long-Term Debt Service Coverage Ratio, the Obligated Group may exclude from total expenses Start-Up Expenses solely related to capital improvements consisting, in whole or in part, of living units or beds, as long as the Long-Term Debt Service Requirement with respect to any Indebtedness incurred or to be incurred to acquire such capital improvements shall be excluded for purposes of such calculation as provided in the Master Indenture.

“Indebtedness” means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include (1) obligations of any Member of the Obligated Group to another Member of the Obligated Group, (2) Defeased Obligations, (3) obligations of any Member of the Obligated Group with respect to a Contract Obligation, (4) obligations of any Member of the Obligated Group under an operating lease or a lease that does not evidence the acquisition of a capital asset, and (5) obligations of any Member under a line of credit, letter of credit, standby bond purchase agreement, or credit enhancement or similar facility (and any reimbursement agreement relating thereto) established in connection with the issuance of any Indebtedness of a Member or Related Bonds to the extent that such facilities have not been used or drawn upon and to the extent that they have been used or drawn upon to purchase, but not retire, Related Bonds. The facilities described in (5) above shall not be excluded from Indebtedness to the extent amounts are due thereunder without regard to a draw under such facility or to the extent that after a draw on such facility to purchase Related Bonds the amounts due on such Related Bonds pursuant to the provisions of such facility exceed the amounts stated in the Related Bonds. If such liquidity facility is used or drawn upon to retire, but not purchase, indebtedness of a Member or Related Bonds, then the liability incurred by such use or draw by the Member shall be included in Indebtedness.

“Indenture” or “Bond Indenture” shall mean the Trust Indenture, dated as of September 1, 2021, as amended and supplemented between the Authority and the Trustee, and, as the context may require, shall include any indenture supplemental hereto, sometimes therein called a supplemental indenture, and shall not mean the Master Indenture or any supplement thereto.

“Independent Auditor,” as used in the Indenture, shall mean a Person who is a certified public accountant under the laws of the Commonwealth appointed by the Board of the Authority or Board of the Borrower, as applicable, to conduct audits, examinations and reports relating to the financial affairs of the Authority or the Borrower, respectively. If such Person be an individual he shall not be, and if such Person be a partnership or corporation it shall not have a partner, director, officer or employee who is, a member of the Board, an officer or employee of the Authority, a member of the Board of Trustees of the

Borrower or an officer or employee of the Borrower, but such Person may be regularly retained by or under contract with the Authority and/or the Borrower.

“Insurance Consultant” means a Person which is not, and no member, stockholder, director, officer or employee of which is, a director, officer or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for continuing care facilities and services and organizations engaged in such operations.

“Investment Obligations” means with respect to any Debt Service Reserve Fund, the investments specified in any Supplement directing that such Debt Service Reserve Fund be established or maintained, which may be specified by reference to investments of proceeds of Related Bonds permitted under the Related Bond Indenture.

“Interest Payment Date” means January 1, 2022 and each July 1 and January 1 thereafter.

“Lien” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of such Property, whether such interest arises by contract, statute or common law, including but not limited to any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person. The term “Lien” shall include any easements, covenants, restrictions, conditions, encroachments, reservations, rights-of-way, leases and other title exceptions and encumbrances affecting real property.

“Liquidity Testing Date” shall mean each June 30 and December 31.

“Loan Agreement” shall mean the Loan Agreement, dated as of September 1, 2021, between the Authority and the Borrower and assigned by the Authority to the Bond Trustee.

“Loan Payments” shall mean the loan payments required to be made by the Borrower pursuant to the provisions of the Loan Agreement corresponding to the debt service on the Series of 2021 Bonds for the term of the Series of 2021 Bonds.

“Long-Term Debt Service Requirement” means, for each Fiscal Year, the aggregate of the payments to be made in respect of the principal of and interest on Outstanding Long-Term Indebtedness of the Obligated Group during such Fiscal Year, taking into account:

- (i) With respect to Balloon Long-Term Indebtedness, the amount of principal which would be payable in such Fiscal Year if the principal of such Balloon Long-Term Indebtedness to be amortized in succeeding Fiscal Years were amortized from the date of incurrence of such Balloon Long-Term Indebtedness over a period of fifteen (15) years (or, if the term thereof exceeds 15 years, over a period equal to such term, but in no event for a period more than thirty (30) years from the date of calculation) on a level debt service basis at an interest rate set forth in an opinion of a banking institution or an investment banking institution knowledgeable in such matters of finance delivered to the Master Trustee as the interest rate at which the Obligated Group could reasonably expect to borrow the same by issuing an obligation with the same term and a fixed rate of interest as assumed above; provided, however, that if the date of calculation is within twelve (12) months of the stated maturity of such Balloon Long-Term Indebtedness, the full amount of principal payable at maturity shall be included in such calculation unless a binding commitment to refinance such Balloon Long-Term Indebtedness shall be in effect, in which case the amortization schedule established by such commitment shall apply.

(ii) With respect to Variable Rate Indebtedness that is Long-Term Indebtedness, the interest on such Indebtedness shall be calculated at (A) in the case of Outstanding Variable Rate Indebtedness, the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) and (B) in the case of Variable Rate Indebtedness proposed to be incurred, the rate which is equal to the average of the SIFMA Municipal Swap Index (or any other specified index or reference rate for such Variable Rate Indebtedness) for the most recent 12-month period immediately preceding the date of calculation (or, if the SIFMA Municipal Swap Index or such other index or reference rate is not available for such 12-month period, the Revenue Bond Index most recently published by The Bond Buyer), plus or minus any specified fixed spread.

(iii) (A) With respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, such Guaranty shall be excluded and (B) with respect to any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Long-Term Indebtedness, it shall be assumed that the indebtedness that is the subject of the Guaranty shall be repaid in accordance with its scheduled maturities (or, if the indebtedness that is the subject of the Guaranty would be Balloon Long-Term Indebtedness if incurred directly by a Member of the Obligated Group, in accordance with (i) above), that the Guaranty shall have identical repayment terms and that such Guaranty shall be deemed Long-Term Indebtedness of the Obligated Group in accordance with the following schedule:

Long-Term Debt Service Coverage Ratio of the Person whose indebtedness is subject to a Guaranty (calculated as set forth in the Master Indenture for the most recent fiscal year of such Person for which audited financial statements are available)	Percentage of the principal amount of the guaranteed indebtedness deemed to be Long-Term Indebtedness of the Obligated Group
Greater than 2.0	0%
1.5 to and including 2.0	20
1.25 to and including 1.49	50
1.10 to and including 1.24	75
Less than 1.10 (or no available audited financial statements)	100

Notwithstanding the foregoing, if any Member of the Obligated Group is required to make a payment on such indebtedness pursuant to any Guaranty, 100% of the principal amount of the guaranteed indebtedness shall be deemed Long-Term Indebtedness of the Obligated Group for a period of two Fiscal Years following the Fiscal Year in which the most recent payment was made under such Guaranty.

(iv) With respect to Derivative Indebtedness, for so long as the provider of the Derivative Agreement has a long-term credit rating of at least “A” (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by Moody’s and S&P and has not defaulted on its payment obligations thereunder, the interest on such Indebtedness during any Derivative Period shall be calculated by adding (x) the amount of interest payable by a Member of the Obligated Group on such Derivative Indebtedness pursuant

to its terms and (y) the amount payable by such Member of the Obligated Group under the Derivative Agreement and subtracting (z) the amount payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, in calculating the interest on such Indebtedness for any current or future period, (1) if such Member of the Obligated Group reasonably expects, at the time it enters into the Derivative Agreement, that a floating rate payable by the provider of the Derivative Agreement will be approximately equal to a variable rate of interest on such Derivative Indebtedness or a floating rate under a Derivative Agreement payable by such Member of the Obligated Group, then amounts payable at such approximately equivalent rates shall be deemed to offset each other and shall not be included in computing interest of such Indebtedness, and (2) any amount payable under the Derivative Agreement at a floating rate that is included in computing interest on such Indebtedness shall be calculated based on the average of the specified index or reference rate for the most recent 12-month period immediately preceding the date of calculation; provided, further, that to the extent that the provider of any Derivative Agreement does not have a long-term rating of at least "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) assigned to it by Moody's and S&P or is in default thereunder, the amount of interest payable by the Member of the Obligated Group shall be the interest calculated as if such Derivative Agreement had not been executed.

(v) With respect to Subordinate Indebtedness, only such debt service payments that are actually made in a given Fiscal Year.

In addition, interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness; and provided further, however, that notwithstanding the foregoing, the aggregate of payments to be made with respect to principal of and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from funds available (without reinvestment) in a Qualified Escrow (other than principal and interest so payable solely by reason of the Obligated Group's failure to make payments from other sources).

"Long-Term Indebtedness" means all obligations for borrowed money incurred or assumed by any Member of the Obligated Group, including (a) Guaranties, (b) Short-Term Indebtedness if there exists a commitment by an institutional lender whose long-term, unsecured debt obligations are rated not less than "A" (without regard to any rating refinement or gradation by numerical modifier or otherwise) by the Rating Agencies to provide financing to retire such Short-Term Indebtedness and such commitment provides (i) terms and conditions that can be reasonably met by such Member of the Obligated Group to incur such Indebtedness, as certified in an Officer's Certificate filed with the Master Trustee and (ii) for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and (c) the current portion of Long-Term Indebtedness (this shall not be read to exclude any portion of Long-Term Indebtedness not constituting the current portion), for any of the following:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one (1) year;

(ii) leases which are required to be capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one (1) year; and

(iii) installment sale or conditional sale contracts having an original term in excess of one (1) year;

provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness or Non-Recourse Indebtedness shall be excluded.

“LPK” means Landis Place on King LLC, a limited liability company duly organized and validly existing under and by virtue of the laws of the Commonwealth, and any successor or successors thereof.

“Management Consultant” means a professional consulting, accounting, investment banking or commercial banking firm or individual selected by the Obligated Group Representative having the skill and experience necessary to render the particular report required and having a favorable reputation for such skill and experience, which firm or individual does not control any Member of the Obligated Group or any Affiliate thereof and is not controlled by or under common control with any Member of the Obligated Group or an Affiliate thereof.

“Master Indenture” means the Master Trust Indenture dated as of October 1, 2015, among the Borrower, LPK and the Master Trustee, and any amendments or supplements hereto.

“Master Trustee” shall mean Manufacturers and Traders Trust Company, a banking corporation, organized under the laws of the State of New York and having a corporate trust office located in the City of Harrisburg, Pennsylvania, in its capacity as master trustee under the Master Indenture.

“Maximum Annual Debt Service” means the highest Long-Term Debt Service Requirement, excluding the Long-Term Debt Service Requirement with respect to Qualifying Intermediate-Term Indebtedness.

“Member of the Obligated Group” means, initially, each of the Borrower and LPK and, thereafter, any Person which shall become a Member of the Obligated Group in accordance with the Master Indenture and not including any Person which shall have withdrawn from the Obligated Group in accordance with the Master Indenture.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower by notice to the Master Trustee and any Related Bond Trustee.

“Mortgage” means (i) the Open-End Mortgage and Security Agreement dated as of September 1, 2021, from the Borrower, as mortgagor, for the benefit of the Master Trustee, as mortgagee, as security for all Obligations issued under the Master Indenture, as the same may be supplemented or amended from time to time in accordance with their respective terms, and (ii) any other mortgage executed by any Member of the Obligated Group as security for all Obligations issued under the Master Indenture, each as amended from time to time in accordance with its terms.

“Mortgaged Property” means the real property, fixtures and personal property described in any Mortgage.

“Net Book Value” means, (a) when used in connection with Property, Plant and Equipment or other Property of any Person (except cash, securities and other intangibles), the value of such Property, Plant and Equipment or other Property, net of accumulated depreciation, as it is carried on

the books of such Person in conformity with GAAP, (b) when used in connection with cash, securities and other intangibles of any Person, the fair market value of such cash, securities and other intangibles, and (c) when used in connection with Property, Plant and Equipment or other Property or cash, securities and other intangibles of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property or cash, securities and other intangibles of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property or cash, securities and other intangibles is included more than once.

“Non-Recourse Indebtedness” means any Indebtedness to finance the purchase, acquisition or construction of Property, Plant and Equipment, the payment of which is limited to and secured by a Lien on such Property, Plant and Equipment with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

“Obligated Group” means, collectively, the Members of the Obligated Group.

“Obligated Group Representative” means, initially, the Borrower, or such other Person at the time designated to act on behalf of the Obligated Group in a written certificate furnished to the Master Trustee, which certificate shall contain a specimen signature of such Person and shall be signed on behalf of the Obligated Group by the President of the Borrower or by his designee.

“Obligation” means the evidence of particular Indebtedness, Derivative Obligations or Contract Obligations issued under the Master Indenture.

“Obligation No. 7” means the promissory note issued as an Obligation under the Master Indenture to secure the Borrower’s obligations related to the Series of 2021 Bonds.

“Officers’ Certificate,” as used in the Bond Indenture and the Loan Agreement, shall mean a statement signed by a Responsible Officer of the Borrower or of the Authority, as the case may be. If such Officers’ Certificate shall include a statement with respect to the existence or non-existence of an event of default or any condition, event, act or omission which, with the giving of notice or lapse of time or both, would constitute an event of default, such Officers’ Certificate may state that such statement is based upon the best knowledge, information and belief of the signer of such certificate, provided that such certificate also states that, in the opinion of the signer of such certificate, he has made such examination or investigation as he deemed reasonably appropriate to enable him to make such statement.

Any such certificate, insofar as it relates to architectural or financial matters, may be based upon the statements contained in a certificate, report or opinion of an architect or Independent Auditor, respectively.

“Officer’s Certificate,” as used in the Master Indenture, means a certificate signed by (i) the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of each Member of the Obligated Group or (ii) the Obligated Group Representative. Each Officer’s Certificate presented under the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of) the Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in the Master Indenture. Each Officer’s Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“Opinion of Counsel,” as used in the Master Indenture, means a certificate signed by (i) the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of each Member of the Obligated Group or (ii) the Obligated Group Representative. Each Officer’s Certificate presented under the Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of) the Master Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in the Master Indenture. Each Officer’s Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer’s Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

“Opinion of Bond Counsel” means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“Opinion of Counsel,” as used in the Bond Indenture, shall mean an opinion or opinions in writing signed by counsel who may (except as otherwise expressly provided in the Indenture) be counsel to the Authority and/or the Borrower, and/or counsel who renders the initial opinion to the purchasers of the Bonds, who shall not be unsatisfactory to the Bond Trustee and, to the extent the Authority is asked to take, permit, allow or authorize action in reliance thereon, the Authority, and who shall represent in its opinion that it is competent to furnish said opinion by reason of its knowledge of the facts and other matters upon which said opinion is based.

“Order”, “Request”, “Requisition”, “Notice”, “Appointment”, “Approval”, “Consent”, “Waiver”, “Election”, “Direction” or similar act of the Authority or the Borrower shall mean an instrument in writing signed by a Responsible Officer of the Authority or the Borrower, as the case may be, except as otherwise specifically provided in the Indenture.

“Outstanding”, “outstanding”, “outstanding under the Indenture” or “outstanding hereunder”, when used in reference to the Bond Indenture, shall mean, with reference to Bonds, as of any particular time, all Bonds executed, authenticated, issued and delivered under the Indenture; provided, however, that such terms shall not include, in any case:

- (a) Bonds canceled or delivered to the Bond Trustee for cancellation at or prior to such time;
- (b) Bonds in substitution for which other Bonds shall have been authenticated and delivered pursuant to provisions of the Indenture; and
- (c) Bonds for payment or redemption of which provision has been made in accordance with the Indenture; provided, however, that if such Bonds are being redeemed, notice of any such redemption shall have been mailed or provision satisfactory to the Bond Trustee shall have been made for such notice or written waivers of such notice shall have been received as provided in the Indenture.

The foregoing, however, is subject to the condition that, for purpose of reference in the Indenture or in the Loan Agreement to Holders of a particular percentage of Bonds, there shall be excluded Bonds, if any, which an officer of the Bond Trustee responsible for the administration of the Bonds actually knows to be owned or held by the Authority or the Borrower.

“Outstanding,” as used in the Master Indenture, when used with reference to Indebtedness, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, and (iii) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Permitted Liens” means those Liens or liens described under the heading “SUMMARY OF THE MASTER INDENTURE - Permitted Liens” below.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated organization, an authority or similar body or a government or a political subdivision or agency thereof, or any other entity.

“Pledged Assets” means all Accounts, Equipment, Gross Receipts, general intangibles, inventory, documents, instruments and chattel paper of each Member of the Obligated Group, now owned or hereafter acquired, and all supporting obligations related thereto and all proceeds thereof, including, without limitation all of the Obligated Group’s rights under Residency Agreements with respect to, or lease of, residential units in the residence and care facilities owned by any Member of the Obligation Group; provided, however, that Pledged Assets shall not include contract rights consisting of charitable pledges nor any assets derived from Excluded Property.

“Prior Bonds” means the Lancaster County Hospital Authority’s (i) Health Center Revenue Bonds, Series B and C of 2015; and (ii) Health Center Revenue Bonds, Series B of 2017.

“Project” shall mean, among other things, the application of proceeds of the Series of 2021 Bonds for and toward: (a) the current refunding of the Prior Bonds; (b) the renovation and improvement of the Borrower’s existing retirement community center facilities, independent living areas and housing units; (c) the funding of a deposit to Reserve Fund No. 2; and (d) the payment of a portion of the costs and expenses of issuing the Bonds.

“Project Fund” shall mean the Project Fund created under the Bond Indenture.

“Property” means any and all rights, titles and interests in and to any and all property whether real or personal, tangible (including cash) or intangible, wherever situated and whether now owned or hereafter acquired. Notwithstanding the previous sentence, Property shall include any property financed in whole or in part with an Obligation.

“Property, Plant and Equipment” means all Property of the Members of the Obligated Group which is property, plant and equipment under accounting principles generally accepted in the United States of America.

“Put Indebtedness” shall mean Long-Term Indebtedness the principal of which is required, at the option of the owner thereof or pursuant to mandatory provisions thereof, to be purchased or redeemed on a date prior to its stated maturity, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date, if on the date of incurrence of such Long Term Indebtedness such optional or mandatory put feature can be, or shall be, exercised with less than 120 days’ prior notice to the Member of the Obligated Group incurring such Long Term Indebtedness.

“Qualified Escrow” means 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 (herein referred to as “Prior Indebtedness”) or for Long-Term Indebtedness, if any, then to be incurred to refund Outstanding Prior Indebtedness (herein referred to as “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 Defeasance Obligations, as defined in the Related Bond Indenture that secures such Prior Indebtedness or Refunding Indebtedness, and (d) is required by the documents establishing such fund or account to be applied toward the Obligated Group’s payment obligations in respect of the Prior Indebtedness, provided 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.

“Qualifying Intermediate-Term Indebtedness” means any Indebtedness that (i) matures on a single date not more than seven years from its date of issuance or incurrence and (ii) is issued or incurred to finance the expansion of the Existing Facilities or to finance additional Facilities which, in either case, are expected by the Obligated Group to generate initial Entrance Fees (pursuant to executed Residency Agreements under which deposits of not less than 10% of the Entrance Fees have been or are required to be received and which obligate the prospective resident or some other Person, which prospective resident or other Person shall have met the financial criteria established by the Governing Body of any Member of the Obligated Group, to pay the balance) in an amount not less than 100% of the principal amount of such Qualifying Intermediate-Term Indebtedness, all as certified to the Master Trustee in an Officer’s Certificate.

“Rating Agencies” means Fitch, Moody’s and S&P.

“Record Date” shall mean the fifteenth day of the month preceding each Interest Payment Date.

“Redemption Fund” shall mean the Redemption Fund created under the Bond Indenture.

“Registered Owner” shall mean a Person in whose name any Bond shall be registered on books of the Authority to be kept for that purpose in accordance with provisions of the Bond Indenture and of such Bond.

“Related Bond Indenture” means any indenture, bond resolution, bond purchase and loan agreement or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Issuer” means the issuer of any issue of Related Bonds.

“Related Bond Trustee” means the trustee and its successors in the trusts created under any Related Bond Indenture, if any.

“Related Bonds” means (a) revenue bonds or similar obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, and (b) any bonds issued by any other Person, in either case the proceeds of which are loaned or otherwise made available to a Member of the Obligated Group in consideration, whether in whole or part, of the execution, authentication and delivery of an Obligation to such governmental issuer or Person or in consideration of the execution and delivery of a Guaranty issued by a Member of the Obligated Group which Guaranty is represented by an Obligation.

“Replacement Bonds” means Bonds issued to the beneficial owners of the Bonds in accordance with the provisions of the book-entry system.

“Responsible Officer” when used with respect to the Authority or the Borrower shall mean, as the case may be, its Chair, Vice Chair, President, Executive Director, any Assistant Executive Director, any Executive Vice President, Vice President, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Business Manager, Controller, Assistant Controller or an incumbent of such other office or such other officers specifically named as shall be designated by a currently effective Certified Authority Resolution or Certified Borrower Resolution, as the case may be. An officer or employee of the Borrower may serve as a Responsible Officer of the Authority if designated by the Authority pursuant to a Certified Authority Resolution.

“Reserve Fund No. 2” shall mean the fund of that name created under the Supplement for Obligation No. 7 dated as of September 1, 2021, between the Obligated Group and the Master Trustee.

“Residency Agreement” means an agreement entered into by a Member of the Obligated Group with respect to the granting of rights to the exclusive use of any unit in the Facilities, as the same may be amended from time to time.

“Revenue Fund” shall mean the Revenue Fund created under the Bond Indenture.

“Revenues” shall mean (a) the Loan Payments, (b) all other moneys received or to be received by the Authority or the Bond Trustee in respect of Loan Payments, including without limitation, all moneys and investments in the Debt Service Fund, Revenue Fund and Redemption Fund, (c) any proceeds of the Series of 2021 Bonds originally deposited with the Trustee for the payment of interest accrued on the Series of 2021 Bonds or otherwise paid to the Trustee by or on behalf of the Borrower or the Authority for deposit in the Debt Service Fund or any excess moneys remaining in the Project Fund following completion of the Project and (d) investment income with respect to any moneys held by the Bond Trustee under the Bond Indenture.

“S&P” means S&P Global Ratings, its successors and their assigns, and if S&P shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Borrower by notice to the Master Trustee and any Related Bond Trustee.

“Securities Depository” means The Depository Trust Company and its successors and assigns or if (i) the then-Securities Depository resigns from its functions as depository of the Series of

2021 Bonds or (ii) the Authority discontinues use of the then-Securities Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Series of 2021 Bonds and which is selected by the Authority with the consent of the Borrower.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Trustee the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

“Series of 2021 Bonds” or “Bonds” shall mean the \$_____ aggregate principal amount of Lancaster Industrial Development Authority Health Center Revenue Refunding Bonds, Series of 2021 (Landis Homes Retirement Community Project), dated September __, 2021, issued and outstanding under the Bond Indenture.

“Settlement Fund” shall mean the Settlement Fund created under the Indenture.

“Short-Term Indebtedness” means all obligations, other than the current portion of Long-Term Indebtedness, incurred or assumed by one or more Members of the Obligated Group, for any of the following:

- (i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;
- (ii) payments under leases which are capitalized in accordance with GAAP having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one (1) year or less; and
- (iii) payments under installment purchase or conditional sale contracts having an original term of one (1) year or less.

“Stable Occupancy” means the earlier to occur of (a) the first full Fiscal Year next succeeding the Fiscal Year in which the occupancy of any additional independent or assisted living units or health care beds in the capital improvements financed with Long-Term Indebtedness reaches 90% and (b) the first full Fiscal Year following the Fiscal Year in which occurs that date that is 18 months following the date upon which substantially all of such independent or assisted living units or health care beds are placed in service.

“Start-Up Expenses” shall mean the Obligated Group’s expenses as shown on the Financial Statements or otherwise identifiable under GAAP, plus any expenses not so shown or identified that are to develop, construct, implement, market or maintain the capital improvements being undertaken or the programs to be offered in such capital improvements until Stable Occupancy.

“Subordinate Indebtedness” means Indebtedness which, with respect to any issue thereof, is evidenced by instruments, or issued under an indenture or other document, containing provisions for the subordination of such Indebtedness (to which appropriate reference shall be made in the instruments evidencing such Indebtedness) substantially as required by the Master Indenture.

“Supplement” means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

“Supplement for Obligation No. 7” means the Supplemental Indenture for Obligation No. 7, dated as of September 1, 2021, by and among the Borrower, LPK and the Master Trustee.

“Supplemental Indenture” or “Indenture Supplemental”, when used in reference to the Indenture, shall mean any indenture now or hereafter duly authorized and entered into in accordance with the provisions of the Indenture.

“Tax-Exempt Organization” means a Person organized under the laws of the United States of America or any state thereof which is exempt from federal income taxes under Section 501(a) of the Code by virtue of being an organization described in Section 501(c)(3) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

“Tax-Exempt Related Bonds” means Related Bonds for which an Opinion of Bond Counsel that interest thereon is excludable from gross income for federal income tax purposes was delivered upon initial issuance and delivery of such Related Bonds.

“Total Revenue” means, as to any period of time, total revenue of the Obligated Group, as determined in accordance with accounting principles generally accepted in the United States of America consistently applied.

“Transfer” means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

“UCC” means the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania or other applicable state.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate.

SUMMARY OF THE MASTER INDENTURE

The following summarizes certain provisions of the Master Indenture; however, it is not a comprehensive description, and reference is made to the full text of the Master Indenture for a complete recital of its terms.

Indebtedness, Authorization, Issuance and Terms of Obligations

Amount of Obligations. Under the Master Indenture, each Member of the Obligated Group may issue Obligations to evidence and secure Indebtedness, Derivative Obligations or Contract Obligations incurred or to be incurred by such Member of the Obligated Group. The number and principal amount of Obligations that may be created under the Master Indenture are not limited, except as limited by the further provisions of the Master Indenture, including the following sentence and the section of the Master Indenture governing the incurrence of Indebtedness, or of any Supplement. Any Member of the Obligated Group proposing to incur Indebtedness, Derivative Obligations or Contract Obligations to be evidenced and secured by an Obligation issued under the Master Indenture shall, at least seven (7) days prior to the date of the incurrence of such Indebtedness, Derivative Obligations or Contract Obligations, give written notice of its intention to incur such Indebtedness, Derivative Obligations or Contract Obligations and issue such Obligation, including in such notice the amount of Indebtedness, Derivative

Obligations or Contract Obligations to be incurred, to the other Members of the Obligated Group and to the Master Trustee. The Master Trustee shall be under no obligation to verify that any such notice has been given to such other Members of the Obligated Group. Under the Master Indenture, each Member of the Obligated Group is jointly and severally liable for each and every Obligation.

Designation of Obligations. Obligations shall be issued in such forms as may from time to time be created by Supplements permitted under the Master Indenture. Each Obligation or series of Obligations shall be created by a different Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation.

Supplement Creating Indebtedness. Any Member of the Obligated Group and the Master Trustee may from time to time enter into a Supplement in order to create an Obligation under the Master Indenture. Such Supplement shall set forth the date of such Obligation, the date or dates on which the principal of, redemption premium, if any, and interest or other payments on such Obligation shall be payable, the form of such Obligation and such other terms and provisions as shall conform with the provisions of the Master Indenture.

Conditions to Issuance of Obligations under the Master Indenture. With respect to Obligations created under the Master Indenture, simultaneously with or prior to the execution, authentication and delivery of an Obligation pursuant to the Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement and in the Master Indenture are required to have been complied with and satisfied, as provided in an Officer's Certificate, a copy of which shall have been delivered to the Master Trustee;

(b) The issuer of such Obligations is required to have delivered to the Master Trustee an Opinion of Counsel to the effect that (i) all requirements and conditions to the issuance of such Obligation, set forth in the Master Indenture and any supplement shall have been complied with and satisfied, (ii) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of the Master Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (iii) the Master Indenture, the Supplement creating such Obligation and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally and equity principles;

(c) Each Member of the Obligated Group is required to have delivered to the Master Trustee an Officer's Certificate stating that, (i) all requirements and conditions to the issuance of such Obligation set forth in the Master Indenture and supplement shall have been complied with and satisfied, and (ii) to the best of the knowledge of the signer thereof, the Person who is to be the Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (A) any employee of any Member of the Obligated Group or the Master Trustee, in its individual capacity, is a participant or (B) any Member of the Obligated Group or the Master Trustee, in its individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended; and

(d) Each Member of the Obligated Group who has previously executed and delivered a Mortgage to the Master Trustee if required by law to secure future advances or if requested by the Master Trustee, (i) shall have executed and delivered a modification or amendment to such Mortgage to the Master Trustee, in form satisfactory to the Master Trustee, describing the terms of issuance of such Obligation and increasing the principal amount of Obligations secured by such Mortgage, and shall have caused such amendment to be recorded with the appropriate governmental authority and (ii) shall have caused an endorsement, in form satisfactory to the Master Trustee, to the mortgagee title insurance policy issued to the Master Trustee insuring such Mortgage (or if more than one mortgagee title insurance policy, together with tie-in endorsements, has been issued to the Master Trustee insuring such Mortgage, an endorsement to each such policy) that (A) amends the effective date and time of such policy to be the date and time of the recording of the amendment to such Mortgage, (B) increases the amount of such policy (if there is only one such policy) or increases the amount of all such policies in the aggregate (if there is more than one such policy) to an amount equal to the principal amount of all Obligations then Outstanding (less any amount to be deposited into a debt service reserve fund for such Obligations or any Related Bonds related to such Obligations), and (C) continues to insure that such Mortgage, as amended, is a first priority lien on the Mortgaged Property described therein, subject to Permitted Liens. Notwithstanding any provision of this subsection to the contrary, for purposes of determining the amount of the mortgagee title insurance policy issued to the Master Trustee (or the aggregate amount of such policies, if there are more than one), the principal amount of any Obligation that evidences and secures Derivative Obligations or Contract Obligations shall be deemed to be zero unless otherwise provided in the Supplement creating such Obligation.

Covenants of the Obligated Group

Nature of Obligations; Security; Deposit of Gross Receipts.

(a) The Master Indenture provides that any Obligation issued pursuant to the Master Indenture shall be a general, joint and several obligation of each Member of the Obligated Group and shall be equally and ratably secured by the Master Indenture, except as provided to the contrary in with respect to a Debt Service Reserve Fund.

To secure (i) the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplements creating the Obligations and under the Obligations, and (ii) the performance by each Member of the Obligated Group of its other obligations under the Master Indenture and under the Mortgage and Collateral Assignments, each Member of the Obligated Group hereby grants to the Master Trustee a security interest in its Pledged Assets, the Borrower has executed and delivered the Mortgage, and each Member of the Obligated Group covenants to execute and deliver a Mortgage or notice of extension to the extent required under the Master Indenture. The Master Trustee shall, upon written request of a Member of the Obligated Group, together with an executed Officer's Certificate, execute any document, instrument or agreement necessary to cause its lien or security interest in the Pledged Assets, Mortgaged Property or other Property of such Member of the Obligated Group to be subordinate to Liens permitted under the Master Indenture and to be *pari passu* with Liens permitted under the Master Indenture, provided that such Member of the Obligated Group shall cause such document, instrument or agreement to contain provisions satisfactory in form to the Master Trustee to the effect that any holder of a *pari passu* Lien permitted under the Master Indenture shall not be entitled to exercise any remedy with respect to the collateral encumbered by such Lien unless the Master Trustee is concurrently exercising such remedy. So long as no Event of Default has occurred and is continuing, any Member of the Obligated Group may Transfer all or any part of its Pledged Assets and all or any portion of its Mortgaged Property, free of such security interest and free of the Lien of the Mortgage encumbering such Mortgaged Property, respectively, subject to the provisions of the Master

Indenture and such Mortgage. If any Pledged Assets or Mortgaged Property is Transferred pursuant to the terms of the Master Indenture and the Mortgage encumbering such Mortgaged Property, the Master Trustee shall, upon written request of a Member of the Obligated Group and delivery of an Officer's Certificate, execute a release of its security interest with respect to the Pledged Assets or Mortgaged Property so Transferred. Upon the request of any Member of the Obligated Group, the Master Trustee shall provide to such Member of the Obligated Group a written certification as to whether the Master Trustee has knowledge of an Event of Default that has occurred and is continuing.

(b) Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such Supplements as may be necessary or appropriate to include its Pledged Assets as security under the Master Indenture. In addition, each Member of the Obligated Group covenants that it will prepare and file such UCC financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to the occurrence of an event contemplated under the Master Indenture or changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group.

(c) If an Event of Default shall have occurred and be continuing, the Master Trustee may require that each Member of the Obligated Group deliver all Gross Receipts to it. Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, immediately upon receipt of a written request from the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts thereafter received until such Event of Default has been cured, such Gross Receipts to be applied in accordance with the Master Indenture.

Certain Covenants as to Corporate Existence and Maintenance of Properties.

(a) Each Member of the Obligated Group has covenanted under the provisions of the Master Indenture as follows:

(i) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence, to procure and maintain all rights, licenses and permits necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where the ownership of its Property or the conduct of its business requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate it to maintain any of its rights, licenses or permits no longer necessary or desirable, in its judgment, in the operation of its business and affairs, if the failure to maintain such right, license or permit will not be disadvantageous in any material respect to the Holders of Obligations.

(ii) At all times to cause its Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, ordinary wear and tear excepted, and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, Plant and Equipment if in its judgment (evidenced, in the case of such cessation other than in the ordinary course of business, by an opinion of a Management Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise Transfer the same in accordance with the Master Indenture and within a reasonable time endeavors to effect such sale or other Transfer, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, Plant and Equipment no longer used or, in its judgment, useful in the conduct of its business.

(iii) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply 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 Property; provided, nevertheless, that nothing contained in the Master Indenture 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 or the applicability thereof to it shall be contested in good faith and the failure to comply will not have a material adverse effect on the financial condition of the Obligated Group.

(iv) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending the resolution of such contest may delay or defer payment thereof if such delay or deferral will not have a material adverse effect on the financial condition of the Obligated Group.

(v) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable or within any period of grace with respect thereto, other than any Indebtedness, demands or claims (exclusive of the Obligations created and Outstanding under the Master Indenture or any Related Bonds) whose validity, amount or collectability is being contested in good faith.

(vi) To comply with all terms, covenants and provisions of any Liens upon any of its Property.

(vii) Each Member of the Obligated Group that is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, that it will not take any action or fail to take any action which action or failure to act (including any action or failure to act which would result in the alteration or loss of its status as a Tax-Exempt Organization), or which would, in the Opinion of Bond Counsel, result in the interest on any Related Bond which is not includable in the gross income of the holder thereof for federal income tax purposes becoming included in the gross income of the holder thereof for federal income tax purposes.

Insurance.

(a) Each Member of the Obligated Group is required under the Master Indenture to maintain, or cause to be maintained, which may include self-insurance programs except for casualty insurance (provided the Obligated Group may self-insure for workman's compensation and professional liability insurance), the following types of insurance in such amounts as, in its judgment, are adequate to protect it and its Property, Plant and Equipment and operations: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned or hired automobiles (excluding collision and comprehensive coverage thereon), (ii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business interruption insurance, (iii) professional liability or medical malpractice insurance, (iv) workers' compensation insurance, and (v) boiler insurance.

(b) The Master Indenture provides that the Obligated Group is required to retain an Insurance Consultant to review the coverages required by paragraph (a) of this Section and the insurance requirements of the Members of the Obligated Group thereunder from time to time (but not less

frequently than biennially with respect to risks covered by insurance companies and not less frequently than annually with respect to risks for which the Members of the Obligated Group are self-insured). If the Insurance Consultant makes recommendations for the increase of any coverage required by paragraph (a) of this Section, the Obligated Group shall increase, or cause to be increased, such coverage in accordance with such recommendations, subject to a good faith determination of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding the above provisions, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure (other than for items covered under clauses (ii) and (v) in subsection (a) of this Section) in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage required by subsection (a) of this Section, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and, if not, the required funding to produce such result. The Obligated Group agrees to provide the funding recommended in any such report.

Insurance and Condemnation Proceeds. The Master Indenture provides that amounts received by any Member of the Obligated Group for casualty losses or condemnation awards may be used for such lawful corporate purposes as the recipient determines, including, but not limited to, the replacement or repair of the damaged or taken Property, Plant and Equipment and the application of such proceeds to the payment or repayment of any Indebtedness in accordance with the terms thereof; provided, however, if the amount received exceeds 5% of the Net Book Value of the Property, Plant and Equipment of the Obligated Group, the Obligated Group Representative shall immediately notify the Master Trustee, deposit the amount received with the Master Trustee and, within 12 months after the casualty loss or taking and prior to expending such funds, deliver to the Master Trustee (a) an Officer's Certificate certifying that the expected Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years following the expected date of application of such proceeds is expected to be not less than 1.30 as shown by pro forma financial statements for each such period and a statement of relevant assumptions, including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based, and a written report of the Obligated Group Representative confirming such certification; or (b) a written Management Consultant's report stating the Management Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in clause (a) above to be not less than 1.20, or, if in the opinion of the Management Consultant the attainment of such level is impracticable, to the highest practicable level. Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions referred to in clause (a) above or the recommendations referred to in clause (b) above.

Limitations on Creation of Liens.

(a) Each Member of the Obligated Group has agreed under the Master Indenture that it will not create or suffer to be created or permit the existence of any Lien upon Pledged Assets, Mortgaged Property or any other Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens consist of the following:

(i) Liens on Pledged Assets, Mortgaged Property or other Property created by the Master Indenture, the Mortgage or the Collateral Assignments;

(ii) Any Lien that existed on the date of execution and delivery of the Master Indenture (October 1, 2015), was disclosed to the Master Trustee in the Mortgage, the title insurance policy insuring the Mortgage or in an Officer's Certificate acceptable to the Master Trustee; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date of the Master Indenture, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(iii) Any Lien on the Property of a Person in existence as of the date such Person becomes a Member of the Obligated Group that is disclosed to the Master Trustee in an Officer's Certificate; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(iv) Liens arising by reason of good faith deposits with any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group 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;

(v) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' 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;

(vi) Any judgment Lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed or the liability of such Member of the Obligated Group under such judgment is adequately covered by insurance;

(vii) (A) 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; (B) 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 not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to Liens of mechanics, materialmen,

laborers, suppliers or vendors have been due for fewer than ninety (90) days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which, if such Lien arises after a Member of the Obligated Group has acquired such Property, do not, in the Opinion of Counsel to the Obligated Group, materially impair the use of such Property or materially and adversely affect the value thereof; and (D) landlord's liens;

(viii) (A) Liens on Mortgaged Property securing Indebtedness so long as such Lien is, by its terms, specifically junior to the Lien on such Mortgaged Property created by a Mortgage and (B) Liens on real property comprising a part of the Property, Plant and Equipment securing Indebtedness and not subject to the Lien of a Mortgage; provided, however, that the aggregate principal amount of Indebtedness so secured by Liens permitted under this clause (B) shall not exceed ten percent (10%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available at the time of the incurrence of such Indebtedness;

(ix) So long as no Event of Default exists under the Master Indenture at the time such Lien is created, (A) any Lien, including a security interest superior to the security interest in Equipment created pursuant to the Master Indenture, incurred for the purpose of financing Equipment; provided, however, that at the time such Indebtedness is incurred the aggregate principal amount of Indebtedness secured by Liens permitted under this clause (A) shall not exceed the greater of \$500,000 and fifteen percent (15%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available at the time of the incurrence of such Indebtedness and that such Lien shall attach only to the Equipment with respect to which such Indebtedness was incurred; and (B) any security interest, including a security interest superior to the security interest created pursuant to the Master Indenture in Pledged Assets (other than Equipment), securing Short-Term Indebtedness permitted under the Master Indenture;

(x) Any consensual Lien on the Pledged Assets (other than Equipment) now owned or hereafter acquired by any Member of the Obligated Group so long as such Lien is, by its terms, specifically junior to the security interest in such Pledged Assets created pursuant to the Master Indenture;

(xi) Any Lien securing all Obligations on a parity basis;

(xii) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(xiii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xiv) Any Lien on pledges, gift annuities, gifts or grants to be received in the future, including any income derived from the investment thereof;

(xv) Liens on moneys deposited by residents, patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of care;

(xvi) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Obligated Group;

(xvii) Any Lien securing Non-Recourse Indebtedness permitted by the Master Indenture;

(xviii) Any lease of Property other than the Mortgaged Property or any lease of the Mortgaged Property that is by its terms subordinate to the Lien created by the Mortgage; and

(xix) So long as no Event of Default exists under the Master Indenture at the time such Lien is created, any Lien on cash and investments (including, without limitation, Liens on deposit accounts of Members of the Obligated Group) if such cash and investments could be Transferred pursuant to the provisions of the Master Indenture.

Limitations on Incurrence of Indebtedness. The Master Indenture provides that each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to subsections (a) through (j) below. Under the provisions of the Master Indenture, any Indebtedness may be incurred only in the manner and pursuant to the terms set forth as follows:

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness one of the following conditions is met:

(i) there is delivered to the Master Trustee an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which the Financial Statements are available is not less than 1.20; or

(ii) there is delivered to the Master Trustee (A) an Officer's Certificate certifying that the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then proposed to be incurred, for the most recent Fiscal Year preceding the date of delivery of the Officer's Certificate for which the Financial Statements are available is not less than 1.20; and (B) a report of a Management Consultant stating that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, the Fiscal Year immediately succeeding the year in which substantially all of such capital improvements are forecasted to be placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, such forecast shall be for a period of time extending at least through Stable Occupancy), or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, the Fiscal Year immediately succeeding the year in which the Long-Term Indebtedness is incurred, is not less than 1.25, accompanied by a statement of the relevant assumptions upon which such forecast is based; or

(iii) there is delivered to the Master Trustee a report of a Management Consultant stating that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (1) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, the Fiscal Year immediately succeeding the year in which substantially all of such capital improvements are forecasted to be placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, such forecast shall be for a period of time extending at least through Stable Occupancy), or (2) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, the Fiscal Year immediately succeeding the year in which the Long-Term Indebtedness is incurred, is not less than 1.30, accompanied by a statement of the relevant assumptions upon which such forecast is based; or

(iv) the principal amount of additional Long-Term Indebtedness proposed to be incurred does not exceed 10% of Total Revenue for the most recent Fiscal Year for which Financial Statements are available at the time such Long-Term Indebtedness is incurred; provided, however, that the total principal amount of the Long-Term Indebtedness incurred under this clause (iv) and Outstanding without compliance with one of the tests mentioned in clause (i), (ii) or (iii) above may not in the aggregate exceed at any time the amount calculated in accordance with the provisions of this clause (iv); provided, further, that no indebtedness under the Master Indenture shall be incurred if an Event of Default has occurred and is continuing with respect to the Long-Term Debt Service Coverage Ratio.

(b) Qualifying Intermediate Term Indebtedness may be incurred if no Event of Default has occurred and is continuing with respect to the Long-Term Debt Service Coverage Ratio.

(c) Long-Term Indebtedness may be incurred to refund any Outstanding Long-Term Indebtedness if, prior to the incurrence thereof, (i) either (A) the Master Trustee receives an Officer's Certificate stating that, taking into account the Long-Term Indebtedness proposed to be incurred, the existing Long-Term Indebtedness to remain Outstanding after the refunding and the refunding of the existing Long-Term Indebtedness to be refunded, Maximum Annual Debt Service will not be increased by more than 10%, or, in the case of a refunding of Qualifying Intermediate Term Indebtedness only, a report of a Management Consultant which forecasts a Long-Term Debt Service Coverage Ratio of at least 1.20 for each of the two Fiscal Years next succeeding the Fiscal Year in which such refunding takes place or (B) one of the conditions described in paragraph (a) above is met with respect to such proposed Long-Term Indebtedness, and (ii) the Master Trustee receives an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and the application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded will no longer be Outstanding.

(d) Short-Term Indebtedness may be incurred if, immediately after the incurrence of such Short-Term Indebtedness, the aggregate principal amount of Outstanding Short-Term Indebtedness does not exceed 15% of Total Revenue for the most recent Fiscal Year for which the Financial Statements are available; provided, however, that for a period of at least thirty (30) consecutive calendar days in each Fiscal Year Short-Term Indebtedness shall not exceed the greater of (i) \$250,000 and (ii) 50% of the amount by which Days' Cash on Hand exceeds 300 days, calculated as of the end of the most recent Fiscal Year for which Financial Statements are available.

(e) Non-Recourse Indebtedness may be incurred:

(i) up to but not in excess of an aggregate of 5% of Total Revenue for the most recent Fiscal Year for which Financial Statements are available; or

(ii) in excess of the aggregate limit mentioned in subparagraph (e) (i) above, if the Master Trustee shall have first received the report of a Management Consultant to the effect that the forecasted long term debt service coverage ratio (determined in a manner as nearly as possible as the Long-Term Debt Service Coverage Ratio is determined) with respect to the capital assets being financed with the proceeds of such Non-Recourse Indebtedness for the Fiscal Year immediately following the year that such capital assets are forecasted to be placed in service (if such capital assets are being constructed) or following the year the acquisition of such capital assets is completed (if such capital assets are being acquired) is not less than 1.20.

(f) Indebtedness may be incurred without limitation under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the incurrence of any Indebtedness; provided, however, that any liabilities resulting from

the use of or drawing under such liquidity or credit enhancement facility shall be included in Indebtedness for all purposes of the Master Indenture. If a liquidity facility is used or drawn upon to purchase, but not retire, Indebtedness, then the principal amount of such Indebtedness so purchased shall be excluded from Indebtedness.

(g) Put Indebtedness may be incurred if, prior to the incurrence of such Put Indebtedness, (i) the conditions described in subsection (a) (i), (a) (ii) or (a) (iii) of this Section are met and (ii) either (A) a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase or redemption price of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness or (B) the obligation to pay the purchase or redemption price of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness are contingent upon the availability of Excess Funds.

(h) Subordinate Indebtedness, without limitation.

(i) Completion Indebtedness may be incurred if there is delivered to the Master Trustee: (i) an Officer's Certificate of the Member of the Obligated Group for whose benefit such Indebtedness is being incurred stating that at the time the original Indebtedness for the Facilities to be completed was incurred, such Member of the Obligated Group had reason to believe that the proceeds of such Indebtedness together with other moneys then expected to be available would provide sufficient moneys for the completion of such Facilities, (ii) a statement of an Independent Architect or another expert reasonably acceptable to the Master Trustee setting forth the amount estimated to be needed to complete the Facilities, and (iii) an Officer's Certificate of such Member of the Obligated Group stating that the proceeds of such Completion Indebtedness to be applied to the completion of the Facilities, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated loans from Affiliates or bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect or other expert, as the case may be, referred to in (ii), which amount shall be no more than 10% of Indebtedness originally incurred to finance the construction of such Facilities.

(j) Derivative Obligations as provided under the Section herein entitled "SUMMARY OF THE MASTER INDENTURE - Indebtedness, Authorization, Issuance and Terms of Obligations".

Long-Term Debt Service Coverage Ratio.

(a) Each Member of the Obligated Group has covenanted to set rates and collect charges for its Facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated as of the end of each Fiscal Year, will not be less than 1.20; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first full Fiscal Year commencing after substantially all of such capital improvements are placed in service (except that with respect to capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds, the Long-Term Debt Service Requirement with respect to such Long-Term Indebtedness shall not be taken into account until Stable Occupancy). The Obligated Group agrees that it will notify the Master Trustee within ten (10) days of the following occurrences (i) when substantially all of any capital improvements are placed in service and (ii) when 90% of any additional independent or assisted living units or health care beds are occupied.

(b) In the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.20 but greater than 1.00 (calculated as set forth in subsection (a)) the Obligated Group Representative is required to take the following actions:

(i) If the Obligated Group has at least 300 Days' Cash on Hand as of the last day of such Fiscal Year, then no action is required and the Obligated Group will be deemed to be in compliance with the Long-Term Debt Service Coverage Ratio.

(ii) If the Obligated Group has less than 300 Days' Cash on Hand as of the last day of such Fiscal Year, then the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(c) Subject to subsection (f) below, in the event the Long-Term Debt Service Coverage Ratio, calculated as of the end of any Fiscal Year, is less than 1.00 (calculated as set forth in subsection (a)), the Obligated Group shall retain a Management Consultant within 30 days following the calculation to make recommendations with respect to the rates, fees and charges of the Members as well as with respect to the Obligated Group's methods of operation and other factors affecting its financial condition to increase such Long-Term Debt Service Coverage Ratio to at least 1.20 for the following Fiscal Year.

(d) Upon selecting a Management Consultant as required by subsections (b) or (c) above, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30 day objection period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant.

(e) Within 90 days of retaining any such Management Consultant, the Obligated Group Representative shall cause a copy of the Consultant's report and recommendations, if any, to be filed with each Member, the Master Trustee and EMMA. Each Member shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of the applicable Member) and permitted by law and, if applicable, its status as a Tax-Exempt Organization.

(f) Other than as described in subsection (g) below, if the Obligated Group is required to retain a Management Consultant under this Section, no Event of Default will exist under the Master Indenture if (i) the Obligated Group takes all action necessary to comply with the procedures set forth above for preparing a report and adopting a plan and (ii) follows each recommendation contained in such report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Obligated Group Representative) and permitted by law and, if applicable, its status as a Tax-Exempt

Organization. Failure by the Obligated Group to comply with (i) or (ii) of the preceding sentence may become an Event of Default, with the giving of notice pursuant to the Master Indenture.

(g) Notwithstanding the foregoing, if the Long-Term Debt Service Coverage Ratio of the Obligated Group for any two consecutive Fiscal Years is less than 1.00, such failure shall constitute an Event of Default under the Master Indenture.

(h) The Obligated Group agrees that it will, to the extent permitted by law and consistent with the status of any Member of the Obligated Group as a Tax-Exempt Organization, follow any recommendations of the Management Consultant pursuant to subsection (d) or subsection (e) of this Section.

Liquidity Covenant.

The Obligated Group has covenanted that it will calculate the Days' Cash on Hand of the Obligated Group as of each Liquidity Testing Date. The Obligated Group shall, not less than 45 days after each Liquidity Testing Date occurring on December 31st and not less than 120 days after each Liquidity Testing Date occurring on June 30th, deliver an Officer's Certificate setting forth such calculation for such Liquidity Testing Date to the Master Trustee.

Each Member of the Obligated Group shall conduct its business so that on each Liquidity Testing Date the Obligated Group shall have no less than 150 Days' Cash on Hand (the "Liquidity Requirement").

If the Days' Cash on Hand on any Liquidity Testing Date shall be less than the Liquidity Requirement, the Obligated Group Representative shall, within 45 days after delivering the Officer's Certificate pursuant to the Master Indenture disclosing such deficiency, deliver an Officer's Certificate approved by a resolution of the Governing Body of each Member of the Obligated Group to the Master Trustee setting forth in reasonable detail the reasons for such deficiency and adopting a specific plan setting forth steps to be taken designed to achieve the Liquidity Requirement on future Liquidity Testing Dates.

If the Obligated Group has not achieved the Liquidity Requirement by the next Liquidity Testing Date following delivery of the Officer's Certificate required in the preceding paragraph, the Members of the Obligated Group shall, within 30 days after delivery of the Officer's Certificate disclosing such second consecutive deficiency (or such later date permitted under the Master Indenture), retain a Management Consultant to make recommendations with respect to the rates, fees and charges of the Obligated Group, the Obligated Group's methods of operation and other factors affecting its financial condition in order to achieve the Liquidity Requirement on future Liquidity Testing Dates. Each Member of the Obligated Group shall follow each recommendation of the Management Consultant applicable to it to the extent feasible (as determined in the reasonable judgment of the Governing Body of such Member of the Obligated Group) and permitted by law and, if applicable, its status as a Tax-Exempt Organization.

Upon selecting a Management Consultant as required by the preceding paragraph, the Obligated Group Representative will cause a notice of the selection of such Management Consultant, including the name of such Management Consultant and a brief description of the Management Consultant, to be filed with EMMA. Such notice shall also state that the holders of the Obligations Outstanding will be deemed to have consented to the selection of the Management Consultant named in such notice unless such Obligation holder submits an objection to the selected Management Consultant in writing (in a manner acceptable to the Master Trustee) to the Master Trustee within 30 days of the date that the notice is sent to EMMA. No later than two Business Days after the end of the 30-day objection

period, the Master Trustee shall notify the Obligated Group of the number of objections. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has been deemed to have consented to the selection of the Management Consultant or have not responded to the request for consent, the Obligated Group Representative shall engage the Management Consultant within three Business Days. If a majority of the aggregate principal amount of the holders of the Outstanding Obligations has objected to the Management Consultant selected, the Obligated Group Representative shall select another Management Consultant.

Notwithstanding any other provision of the Master Indenture, failure of the Obligated Group to achieve the Liquidity Requirement for any Liquidity Testing Date shall not constitute an Event of Default under the Master Indenture if the Obligated Group takes all action necessary to comply with the procedures set forth above for adopting a plan or retaining a Management Consultant and follows each recommendation contained in such plan or Management Consultant's report to the extent feasible (as determined in the reasonable judgment of the Governing Body of the Borrower) and permitted by law.

Transfers of Property, Plant and Equipment; Transfers of Cash and Investments.

(a) Under the Master Indenture, each Member of the Obligated Group has agreed that it will not Transfer in any Fiscal Year Property, Plant and Equipment except for Transfers:

(i) to another Member of the Obligated Group, without limit;

(ii) so long as no Event of Default has occurred and is continuing, to any Person if the Net Book Value of the Property, Plant and Equipment subject to such Transfer does not exceed three-quarters of one percent ($\frac{3}{4}\%$) of the Net Book Value of Property, Plant and Equipment, as shown on the Financial Statements for the most recent Fiscal Year for which Financial Statements are available;

If the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements are available is not less than 1.30, the foregoing percentage of the Property, Plant and Equipment that may be subject to Transfer may be increased as follows under the following conditions:

(1) to 5%, if Days' Cash on Hand for the most recent Fiscal Year for which Financial Statements are available would not be less than 300 after the effect of such Transfer; or

(2) to 7.5%, if Days' Cash on Hand for the most recent Fiscal Year for which Financial Statements are available would not be less than 400 after the effect of such Transfer; or

(3) to 10%, if Days' Cash on Hand for the most recent Fiscal Year for which Financial Statements are available would not be less than 500 after the effect of such Transfer;

(iii) in the case of Equipment, to any Person if, prior to the Transfer, the Master Trustee receives an Officer's Certificate stating that, in the judgment of the signer, such Equipment has become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, and the sale, lease, removal or other disposition thereof will not impair the structural soundness or materially impair the revenue producing capacity of the remaining Property, Plant and Equipment; provided, however, that no Officer's Certificate shall be required to be delivered to the Master

Trustee with respect to any Transfers of Equipment in any Fiscal Year having a Net Book Value in the aggregate of less than \$150,000; and

(iv) in addition to the Transfers permitted by clauses (i) to (iii), inclusive, of this subsection, and subject to the terms of the Mortgage which permit the release of a parcel or interest in land constituting part of the Mortgaged Property from the lien and security of the Mortgage, to any Person of real property or Equipment for the fair market value thereof, provided that (A) the proceeds of such Transfer are used to purchase additional real property which, if functionally related to, and operated on an integrated basis with, the Facilities, shall be subjected to the Lien of the Mortgage, or to purchase Equipment which shall become subject to the security interest granted pursuant to the Master Indenture, or to prepay, in whole or in part, pro rata, Outstanding Obligations and (B) in the case of real property, ingress to and egress from the Facilities is not materially impaired.

(b) The Obligated Group may in any Fiscal Year transfer cash and investments:

(i) to any Member of the Obligated Group, without limit; and

(ii) so long as (1) there are no deficiencies in a bond fund or a debt service reserve fund created with respect to Related Bonds and (2) such Transfer would not cause an Event of Default, with the giving of notice under the Master Indenture, to any Person in an amount not exceeding two and one-half percent (2 ½%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available.

(c) Notwithstanding the foregoing provisions of this Section, nothing described under this Section shall be construed as limiting the ability of any Member of the Obligated Group to (i) pay its expenses of operation, including, without limitation, state and local taxes or payments in lieu of taxes and the payment of debt service on Indebtedness, (ii) provide charity care and community benefits and make charitable donations and donations and voluntary payments to government agencies, (iii) purchase or sell Property (other than Property and Equipment used in the operation of the Facilities) in the ordinary course of business, (iv) transfer cash, securities and other investment properties in connection with ordinary investment transactions and payment for goods and services provided where such purchases, sales and Transfers are for substantially equivalent value or (v) lease any Property not being used in the operation of the Facilities, subject to the provisions described under the caption “SUMMARY OF THE MASTER INDENTURE – Limitations on Creation of Liens” herein.

Consolidation, Merger, Sale or Conveyance.

(a) Each Member of the Obligated Group has covenanted under the Master Indenture that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such successor corporation (A) to become a Member of the Obligated Group under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to a Member of the Obligated Group, including the security interest provided for in the Master Indenture and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, and (B) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then

Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due;

(ii) the successor corporation has met all licensing requirements necessary for the operation of any Facilities operated by it and shall be qualified to do business in the Commonwealth or shall consent to service of process in the Commonwealth;

(iii) the Obligated Group Representative has delivered to the Master Trustee a report of a Management Consultant, dated not more than 90 days prior to such consolidation, merger or transfer, to the effect that (i) the forecasted Long-Term Debt Service Coverage Ratio for each of the two full Fiscal Years immediately following such merger, consolidation or transfer will be not less than 1.20 or will be greater than it would have been if such merger, consolidation or transfer had not taken place and (ii) upon completion of such consolidation, merger or transfer, the Obligated Group will not be in violation of any of the limitations on the incurrence of Indebtedness contained in the Master Indenture; provided, however, that if capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds are under construction or available for initial occupancy on the date of such merger, consolidation or transfer, such forecast shall be for the earlier to occur of (x) the first full Fiscal Year next succeeding the Fiscal Year in which the occupancy of such independent or assisted living units or health care beds is forecasted to reach 90% or (y) the first full Fiscal Year following the Fiscal Year in which occurs that date which is 18 months from the date set forth in the forecast upon which substantially all of such independent or assisted living units or health care beds are forecasted to be placed in service;

(iv) if all amounts due or to become due on any Tax-Exempt Related Bond have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance would not adversely affect the exclusion from gross income for purposes of federal income taxation of interest payable on such Tax-Exempt Related Bond; and

(v) the Obligated Group Representative has delivered to the Master Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or transfer and such instrument comply with this section and the other provisions of the Master Indenture, and that all conditions precedent provided in the Master Indenture relating to such transaction have been satisfied.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named in the Master Indenture as such predecessor or had become a Member of the Obligated Group pursuant to the provisions of the Master Indenture described under the caption "SUMMARY OF THE MASTER INDENTURE – Parties Becoming Members of the Obligated Group" herein, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue Obligations under the Master Indenture in its own name; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in the Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation under the Master Indenture shall in all respects have the same security position and benefit under the Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of the Master Indenture as though all of such Obligations had been issued under the Master Indenture without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of the Master Indenture providing for the execution and delivery of Supplements to the Master Indenture and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

Filing of Financial Statements, Certificate of No Default and Other Information. The Obligated Group has covenanted under the Master Indenture that it will:

(a) As soon as possible but in no event later than one hundred eighty (180) days after the end of each Fiscal Year or other period for which an audit has been performed, file with the Master Trustee and EMMA, a copy of the Financial Statements as of the end of such Fiscal Year or other period accompanied by the report of an Accountant.

(b) Simultaneously with filing the Financial Statements for a Fiscal Year or other period as required under subsection (a), file with the Master Trustee and EMMA, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio and the Days' Cash on Hand, as of the end of such Fiscal Year or such other period, and stating whether, to the best of the knowledge of the signer of such Officer's Certificate, any Member of the Obligated Group is not in compliance with any covenant contained in the Master Indenture and, if so, specifying each such failure to comply of which the signer may have knowledge and the steps that are being taken by the Obligated Group to cure such non-compliance.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs, including those of any Member of the Obligated Group, as the Master Trustee may from time to time reasonably request, excluding, specifically, donor records, patient records, personnel records and records subject to attorney client privilege and (ii) provide access to the Facilities, the Pledged Assets and the Mortgaged Property for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Unless required to be delivered at an earlier time, within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of the Master Indenture requires to be prepared by a Management Consultant or an Insurance Consultant.

(e) Notwithstanding any other provision of the Master Indenture to the contrary, if the Obligated Group fails to file the Financial Statements for any Fiscal Year with the Master Trustee within the time period specified in subsection (a), no Liens may be created pursuant to paragraphs (b)(viii), (b)(ix) or (b)(xx) set forth under the caption "SUMMARY OF THE MASTER INDENTURE – Limitations on Creation of Liens" herein, no Indebtedness may be incurred pursuant to paragraphs (a)(i), (a)(ii), (a)(iv), (d) or (e) set forth under the caption "SUMMARY OF THE MASTER INDENTURE - Indebtedness, Authorization, Issuance and Terms of Obligations" herein, and no Property may be transferred pursuant to paragraphs (a)(iii) or (b)(ii) set forth under the caption "SUMMARY OF THE MASTER INDENTURE - Section 3.08 Transfers of Property, Plant and Equipment; Transfers of Cash and Investments" herein until the Obligated Group has cured such default by filing the Financial Statements for the most recently ended Fiscal Year with the Master Trustee.

(f) The Master Trustee shall have no duty to review or analyze any financial statements delivered to it pursuant to the Master Indenture and shall hold such financial statements solely as a repository for the benefit of the Holders of the Obligations; the Master Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

Parties Becoming Members of the Obligated Group. The Master Indenture provides that Persons which are not Members of the Obligated Group may, with the prior written consent of the current Members of the Obligated Group, become Members of the Obligated Group, if:

(a) The Person which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such Person (i) to become a Member of the Obligated Group under the Master Indenture and thereby become subject to compliance with all provisions of the Master Indenture pertaining to a Member of the Obligated Group, including the security interest provided for in the Master Indenture and the performance and observance of all covenants and obligations of a Member of the Obligated Group under the Master Indenture, and (ii) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding under the Master Indenture will be paid in accordance with the terms thereof and of the Master Indenture when due.

(b) The Obligated Group Representative shall have delivered to the Master Trustee an Officer's Certificate which shall state that (i) such admission and such instrument comply with the Master Indenture and that all conditions precedent provided in the Master Indenture relating to such admission have been complied with and (ii) immediately after giving effect to such admission, no Event of Default under the Master Indenture shall have occurred and be continuing.

(c) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and reasonably satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Person and constitutes a valid and binding obligation of such Person enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(d) There shall be filed with the Master Trustee (i) a report of a Management Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) Fiscal Years immediately succeeding the date of such action is greater than 1.20 or greater than it would have been if such action had not taken place and that such action will not reduce by more than twenty five percent (25%) the forecasted Long-Term Debt Service Coverage Ratio for each of such periods assuming that such action had not taken place; provided, however, that if capital improvements consisting, in whole or in part, of independent or assisted living units or health care beds are under construction or available for initial occupancy on the date of such action, such forecast shall be for the earlier to occur of (x) the first full Fiscal Year next succeeding the Fiscal Year in which the occupancy of such independent or assisted living units or health care beds is forecasted to reach 90% or (y) the first full Fiscal Year following the Fiscal Year in which occurs that date which is 18 months from the date set forth in the forecast upon which substantially all of such independent or assisted living units or health care beds are forecasted to be placed in service or (ii) an Officer's Certificate certifying that (1) the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which Financial Statements have been reported upon by independent certified public accountants preceding the proposed date of such action, assuming such action actually occurred at the beginning of such period, would not have been reduced to

less than 1.35 or (2) if such Long-Term Debt Service Coverage Ratio would be less than 1.35, (A) the Long-Term Debt Service Coverage Ratio was at least 1.20, and (B) the inclusion of the new Member in the Obligated Group would raise the Long-Term Debt Service Coverage Ratio.

(e) If all amounts due or to become due on any Tax-Exempt Related Bond have not been fully paid to the holder thereof, there shall be filed with the Master Trustee, an Opinion of Bond Counsel, in form and substance reasonably satisfactory to the Master Trustee, to the effect that the admission of such Person to the Obligated Group would not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on any such Tax-Exempt Related Bond.

Withdrawal from the Obligated Group.

(a) The Master Indenture provides that no Member of the Obligated Group may withdraw from the Obligated Group unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) (A) An Officer's Certificate demonstrating that (I) all Obligations issued by such Member are no longer Outstanding, (II) an amount of cash or Defeasance Obligations, which together with the interest earned thereon, will be sufficient to accomplish the requirement of clause (A) (I) above has been transferred by such Member to the Master Trustee or (III) all Outstanding Obligations issued by such Member have been assumed by another Member of the Obligated Group, and (B) in either case, if all amounts due or to become due on any Tax-Exempt Related Bond, have not been fully paid to the holder thereof, an Opinion of Bond Counsel, in form and substance reasonably satisfactory to the Master Trustee, to the effect that such Member's withdrawal from the Obligated Group would not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on any such Tax-Exempt Related Bond;

(ii) The report of a Management Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) Fiscal Years immediately succeeding the date of such action is greater than 1.20 or greater than it would have been if such action had not taken place and that such action will not reduce by more than twenty five percent (25%) the forecasted Long-Term Debt Service Coverage Ratio for each of such periods assuming that such action had not taken place; and

(iii) An Officer's Certificate which shall state that (A) all conditions precedent provided in the Master Indenture relating to such withdrawal have been complied with and (B) immediately after giving effect to such withdrawal, no Event of Default under the Master Indenture shall have occurred and be continuing.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under the Master Indenture shall cease, any guaranty by such Member of the Obligated Group pursuant to Section 3.11 shall be released and discharged in full, the Master Trustee shall execute and deliver to such Member of the Obligated Group a release of any Mortgage or Collateral Assignments given by such Member of the Obligated Group, and such Member of the Obligated Group shall file all UCC termination statements necessary to terminate or confirm the termination of the security interest in the Pledged Assets of such Member of the Obligated Group. Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee shall not be responsible for filing or recording any release, UCC termination statement or any other document or agreement contemplated by this Section.

After Acquired, Replacement or Substituted Real Property.

In the event any Obligation is issued pursuant to the Master Indenture to acquire or finance real property or improvements to real property, the Member of the Obligated Group acquiring or financing such real property or improvements covenants and agrees that it shall cause to be recorded in the county in which such real property is located either a Mortgage containing a description of the real property or improvements being acquired or financed or a notice of extension containing a description of the property covered thereby relating to a Mortgage previously executed and delivered by such Member of the Obligated Group to the Master Trustee that is recorded in such county.

Any Member of the Obligated Group executing and delivering such Mortgage or notice of extension pursuant to this Section shall

(a) in the case of a Mortgage, (i) cause a mortgagee title insurance policy, together with a tie in endorsement to such policy and each other mortgagee title insurance policy previously issued to the Master Trustee under the terms of the Master Indenture, to be issued and delivered to the Master Trustee in an amount equal to the principal amount of any Obligation to be issued in connection with acquiring or financing the real property or improvements to the real property described in such Mortgage (less any amount required to be deposited initially into a debt service reserve fund for such Obligation or any Related Bonds related to such Obligation), insuring that such Mortgage is a first priority Lien, subject to Permitted Liens, on the Mortgaged Property described therein or (ii) cause an endorsement to a mortgagee title insurance policy previously issued to the Master Trustee under the terms of the Master Indenture to be issued to the Master Trustee, that (A) amends the effective date and time of such policy to be the date and time of the recording of such Mortgage, (B) amends the description of the land insured by such policy to include the real property described in such Mortgage, (C) increases the amount of such policy by an amount equal to the principal amount of any Obligation issued in connection with acquiring or financing the real property or improvements to the real property described in such Mortgage (less any amount to be deposited into a debt service reserve fund for such Obligation or any Related Bonds related to such Obligation) and (D) continues to insure that the Mortgage initially secured by such policy and the new Mortgage are first priority Liens on the Mortgaged Property described therein, subject to Permitted Liens, or

(b) in the case of a notice of extension, cause an endorsement to the mortgagee title insurance policy previously issued to the Master Trustee insuring the priority of the Mortgage to which such notice of extension relates to be issued and delivered to the Master Trustee that (i) amends the effective date and time of such policy to be the date and time of the recording of the notice of extension, (ii) amends the description of the land insured by such policy to include the real property described in the notice of extension, (iii) increases the amount of such policy by an amount equal to the principal amount of any Obligation issued in connection with acquiring or financing the real property or improvements to the real property described in such Mortgage (less any amount to be deposited into a debt service reserve fund for such Obligation or any Related Bonds related to such Obligation) and (iv) continues to insure that such deed of trust, giving effect to the notice of extension, is a first priority Lien on the Mortgaged Property described therein, subject to Permitted Liens.

Debt Service Reserve Funds.

(a) The Master Trustee shall establish and maintain one or more Debt Service Reserve Funds as security for one or more Obligations issued under the Master Indenture and any Supplement directing that a Debt Service Reserve Fund be established or maintained as security for the Obligations issued thereunder.

(b) Each Debt Service Reserve Fund may serve as security for only one Obligation issued under the Master Indenture or may serve as security for more than one Obligation issued under the Master Indenture, in which case all Obligations secured by such Debt Service Reserve Fund shall be secured equally and ratably by the amounts on deposit in such Debt Service Reserve Fund; provided, however, that no Debt Service Reserve Fund shall serve as security for one or more Obligations that secure Tax-Exempt Related Bonds and one or more Obligations that evidence or secure taxable Indebtedness or Related Bonds. Each Supplement providing for the issuance of an Obligation secured by a Debt Service Reserve Fund shall confirm the calculation of the Debt Service Reserve Fund Requirement for such Obligation.

(c) Upon establishment of a Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, money in an amount equal to the Debt Service Reserve Fund Requirement to the Master Trustee for deposit into such Debt Service Reserve Fund. After the establishment of a Debt Service Reserve Fund, if a Supplement provides that the Obligation(s) issued thereunder shall be secured by such Debt Service Reserve Fund, the Members of the Obligated Group shall transfer, or cause to be transferred, to the Master Trustee for deposit into such Debt Service Reserve Fund money in an amount equal to the difference between the Debt Service Reserve Fund Requirement (after giving effect to the issuance of such Obligation(s)) and the amount then on deposit in such Debt Service Reserve Fund.

(d) If the Holder of an Obligation secured by a Debt Service Reserve Fund delivers a written notice to the Master Trustee to the effect that the amount of principal or interest paid by the Obligated Group or the amount otherwise available to the Holder of such Obligation is less than the amount of principal or interest then due on such Obligation and specifying the amount of such deficiency of principal, interest or both, the Master Trustee, without further direction, shall immediately withdraw moneys from such Debt Service Reserve Fund in the amount of such deficiency and transfer such moneys to such Holder. If such Debt Service Reserve Fund secures more than one Obligation, the Master Trustee shall withdraw the amount of such deficiency from such Debt Service Reserve Fund on a pro rata basis based on the amounts then on deposit in such Debt Service Reserve Fund. In no case shall the Holder of an Obligation be entitled to more than its pro rata share of a Debt Service Reserve Fund that secures more than one Obligation. Amounts on deposit in any Debt Service Reserve Fund shall not be applied to pay principal of or interest on any Obligation other than the Obligation or Obligations secured thereby. The Master Trustee shall promptly provide written notice to the Members of the Obligated Group of any such withdrawal from any Debt Service Reserve Fund.

(e) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month following a month in which money is withdrawn from a Debt Service Reserve Fund, the Members of the Obligated Group jointly and severally covenant promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one twelfth (1/12) of the amount or amounts so withdrawn until the amount then on deposit in such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement.

(f) If on any date of valuation pursuant to subsection (l) below the money held in a Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement, including any excess created in whole or in part by the interest earnings on such Debt Service Reserve Fund, an amount equal to such excess shall be transferred by the Master Trustee to the Holder of the Obligation secured by such Debt Service Reserve Fund or, if more than one Obligation is secured by such Debt Service Reserve Fund, such excess shall be withdrawn from such Debt Service Reserve Fund on a pro rata basis based on the Outstanding principal balances of the Obligations secured by such Debt Service Reserve Fund and the amount withdrawn shall be paid to the Holders of the Obligations secured thereby accordingly; provided, however, that any excess created by a refunding (or other payment or defeasance) of a portion of any Tax-

Exempt Related Bonds may be applied in any manner which, in an Opinion of Bond Counsel, will not cause the interest on such Tax-Exempt Related Bonds to be includable in the gross income of the owners thereof under the Code. In each such instance, the Obligated Group shall provide written direction to the Master Trustee to transfer such funds. Any such excess transferred to a Holder shall be credited against future amounts payable to such Holder by the Members of the Obligated Group, unless transferred to cure deficiencies therein.

(g) All money deposited with the Master Trustee under the Master Indenture in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Holders, in the manner directed by the Obligated Group Representative, either (a) by lodging with a bank or trust company chosen by the Master Trustee or custodian at the written direction of the Obligated Group Representative or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Master Trustee to give security for any money that shall be represented by obligations purchased under the provisions of this Section as an investment of such money.

(h) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, money held for the credit of a Debt Service Reserve Fund shall be continuously invested and reinvested by the Master Trustee in Investment Obligations to the extent practicable in accordance with the written instructions of an Obligated Group Representative or, if no such instruction is given, in the Federated Government Obligations Fund No. 395. Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, Investment Obligations deposited in a Debt Service Reserve Fund shall mature not later than ten (10) years from the date on which such Investment Obligations were deposited therein. Notwithstanding the foregoing, no Investment Obligations in a Debt Service Reserve Fund may mature beyond the latest maturity date of any Obligation that is secured by such Debt Service Reserve Fund at the time such Investment Obligations are deposited unless irrevocable instructions shall have been given to redeem such Investment Obligations on a date or dates not later than the latest maturity date of any Obligation that is secured by such Debt Service Reserve Fund. For the purposes of this Section, the maturity date of repurchase agreements for Government Obligations or other obligations is the maturity date of such repurchase agreements and not the maturity date of the underlying Government Obligations or other obligations. The Master Trustee may conclusively rely upon the Obligated Group Representative's written instructions as to both the suitability and legality of the directed investments. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Master Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. Confirmations of investments are not required to be issued by the Master Trustee for each month in which a monthly statement is rendered.

(i) An Obligated Group Representative shall give to the Master Trustee written directions respecting the investment of any money required to be invested under this Section, subject, however, to the provisions of this Section, and the Master Trustee shall then invest such money as so directed in writing by such Obligated Group Representative. The Master Trustee may request, in writing, direction or authorization of an Obligated Group Representative with respect to the proposed investment of money under the provisions of this Section. Upon receipt of such request, accompanied by a

memorandum setting forth the details of any proposed investment, an Obligated Group Representative will give written directions to the Master Trustee respecting the investment of such money and, in the case of such directions, the Master Trustee shall then, subject to the provisions of this Section, invest such money in accordance with such directions.

(j) Investment Obligations credited to any Debt Service Reserve Fund established under this Section shall be held by or under the control of the Master Trustee and while so held shall be deemed at all times to be part of such fund in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund. The Master Trustee shall sell at the market price available or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such fund. The Master Trustee shall not be liable or responsible for any loss resulting from any such investment.

(k) For the purpose of determining the amount on deposit in any Debt Service Reserve Fund, Investment Obligations in which money in such fund is invested shall be valued (a) at face value if such Investment Obligations mature within six months from the date of valuation thereof, and (b) if such Investment Obligations mature more than six months after the date of valuation thereof at the price at which such Investment Obligations are redeemable by the holder at such holder's option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Investment Obligations.

(l) The Master Trustee shall value the Investment Obligations in each Debt Service Reserve Fund established under this Section and held by the Master Trustee three (3) Business Days prior to each January 1 and July 1 and at such times as shall be required in order for the Members of the Obligated Group to comply with federal income tax law applicable to any Tax-Exempt Related Bonds. In addition, the Investment Obligations shall be valued by the Master Trustee at any time requested by an Obligated Group Representative on reasonable notice to the Master Trustee (which period of notice may be waived or reduced by the Master Trustee); provided, however, that the Master Trustee shall not be required to value the Investment Obligations more than once in any calendar month other than as provided in the Master Indenture.

(m) If upon valuation of a Debt Service Reserve Fund, the balance in such fund, including accrued interest to the date of valuation, is less than 90% of the Debt Service Reserve Fund Requirement, the Master Trustee shall compute the amount by which the Debt Service Reserve Fund Requirement exceeds such balance and shall immediately give the Members of the Obligated Group notice of such deficiency and the amount necessary to cure the same.

(n) Unless otherwise provided in the Supplement directing that a Debt Service Reserve Fund be established and maintained, beginning on the 25th day of the month (and on the 25th day of each month thereafter) following a valuation made in accordance with this Section in which the amount on deposit in such Debt Service Reserve Fund is less than ninety percent (90%) of the Debt Service Reserve Fund Requirement due to a loss resulting from a decline in the value of Investment Obligations held for the credit of such Debt Service Reserve Fund, each Member of the Obligated Group covenants promptly to pay or cause to be paid to the Master Trustee for deposit into such Debt Service Reserve Fund, one sixth (1/6) of the amount by which the Debt Service Reserve Fund Requirement exceeds such balance until the amount on deposit to the credit of such Debt Service Reserve Fund is equal to the Debt Service Reserve Fund Requirement.

(o) The Members of the Obligated Group covenant and agree that money on deposit in any Debt Service Reserve Fund, whether or not such money was derived from the proceeds of the sale of any Tax-Exempt Related Bonds or from any other sources, and whether or not any Tax-Exempt Related Bonds are Outstanding, will not be used in a manner that would cause any Tax-Exempt Related Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code; provided, however, that the Master Trustee shall have no obligation to pay any amounts necessary to comply with this covenant other than from money received by the Master Trustee from the Members of the Obligated Group. The Master Trustee shall not knowingly violate the requirements of Section 148 of the Code. The Master Trustee shall be fully protected in conclusively relying upon any written investment instruction given by an Obligated Group Representative. In the event the Obligated Group Representative is of the opinion that it is necessary to restrict or limit the yield on the investment of money held by the Master Trustee pursuant to this Section, or to use such money in certain manners, in order to avoid any Tax-Exempt Related Bonds being considered “arbitrage bonds” within the meaning of Section 148 of the Code as such may be applicable to such Tax-Exempt Related Bonds at such time, the Obligated Group Representative may issue to the Master Trustee a written certificate to such effect and appropriate instructions, in which event the Master Trustee shall take such action as is set forth in such certificate and instructions, irrespective of whether the Master Trustee shares such opinion.

Defaults and Remedies

Events of Default. The following are listed as an Event of Default under the Master Indenture:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the redemption premium, if any, or interest on any Obligation issued and Outstanding under the Master Indenture, and any other payments, including the purchase or redemption price of Put Indebtedness, required to be made under the Supplements creating such Obligations and under such Obligations, when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of the Master Indenture or of any Supplement; provided that a failure to make any payments under the Master Indenture (other than any payment with respect to Indebtedness of any Member of the Obligated Group), shall have occurred at least ten (10) days after the date on which written notice of such failure to make payment shall have been given to the Members of the Obligated Group by the Master Trustee;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any material covenant or agreement on its part under the Master Indenture, other than as described in subparagraph (a) above, for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least twenty five percent (25%) in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such thirty (30) day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under the Mortgage or a Related Bond Indenture or upon a Related Bond;

(d) Any Member of the Obligated Group shall fail to pay promptly or otherwise satisfy and discharge any Outstanding Indebtedness (other than Obligations issued and Outstanding under the Master Indenture and Related Bonds), the principal amount of which as of the date of such default is in excess of one half of one percent (½%) of Income Available for Debt Service for the most recent Fiscal

Year for which Financial Statements are available, whether such Indebtedness now exists or shall hereafter be created, as and when the same becomes due and payable and any period of grace with respect thereto shall have expired, or another event of default as defined in any instrument, indenture or mortgage evidencing or securing such Indebtedness shall occur, which event of default shall not have been waived by the holder of such instrument, indenture or mortgage, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default if the validity, amount or collectability of such Indebtedness is being contested in good faith and the applicable Member of the Obligated Group establishes and maintains reserves satisfactory to the Master Trustee for the payment of such Indebtedness pending the outcome of such contest;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by any Member of the Obligated Group in furtherance of any such action.

Acceleration; Annulment of Acceleration.

(a) The Master Indenture provides that upon the occurrence and during the continuation of an Event of Default under the Master Indenture, the Master Trustee may and, upon the written request of (i) the Holders of not less than twenty five percent (25%) in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplement to require acceleration of the Obligations issued pursuant to such Supplement, shall, by notice to the Members of the Obligated Group, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of the Master Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to said Supplement, the Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event the Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued on such principal amount to the date of payment of such principal (or in the case of an Obligation that evidences and secures Derivative Obligations, an amount equal to the amount due upon termination of the Derivative Agreement).

(b) At any time after the Obligations shall have been declared to be immediately due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such Event of Default, if (i) the Obligated Group has paid or caused to be paid or deposited

with the Master Trustee moneys sufficient to pay all matured installments of interest or other payments and all principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group under the Master Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee may, and upon the written request of Holders of not less than a majority in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies and Enforcement of Remedies.

(a) The Master Indenture provides that upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than twenty five percent (25%) in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders under the Master Indenture by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights of the Master Trustee as a secured party under the Uniform Commercial Code of the Commonwealth of Pennsylvania;

(vi) Enforcement of any other right of the Holders conferred by law or by the Master Indenture; and

(vi) Enforcement of any of the rights of the Master Trustee as beneficiary under the Mortgage.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than twenty five percent (25%) in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (ii) to preserve or protect the interests of the Holders, provided that

such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions of the Master Indenture and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of the Holders not making such request.

Application of Gross Receipts and Other Moneys after Default. The Master Indenture provides that during the continuance of an Event of Default all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture shall be deposited to a special fund which shall be created by the Master Trustee and designated the "Revenue Fund". Moneys on deposit in the Revenue Fund shall first be applied to pay (i) the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under the Master Indenture and (ii) in the sole discretion of the Master Trustee, the payment of the expenses of operating any Member of the Obligated Group. After payment of the costs and expenses described in the immediately preceding sentence, moneys on deposit in the Revenue Fund shall be applied as follows:

(a) Unless the principal of all Outstanding Obligations 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 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 thereon to the Persons entitled thereto, without any discrimination or preference;

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference, except Contract Obligations and Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations;

Third: To the payment to the Persons entitled thereto of any unpaid Contract Obligations evidenced and secured by Obligations, which shall have become due, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all such unpaid Contract Obligations due on any date, then to the payment thereof ratably, according to the amounts of unpaid Contract Obligations due on such date, to the Persons entitled thereto, without any discrimination or preference, except Derivative Obligations evidenced and secured by an Obligation that are subordinate to other Obligations; and

Fourth: To the payment to the Persons entitled thereto of any unpaid Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations which shall have become due, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all such unpaid Derivative Obligations due on any date, then to the payment thereof ratably, according to the amounts of unpaid Derivative Obligations due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable:

First: To the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference, except Contract Obligations and Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations;

Second: To the payment of Contract Obligations evidenced and secured by Obligations to the Persons entitled thereto without any discrimination or preference, except Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations; and

Third: To the payment of Derivative Obligations evidenced and secured by Obligations that are subordinate to other Obligations.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Master Indenture, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys on deposit in the Revenue Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid or provided for, any balance remaining in the Revenue Fund shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Notwithstanding any provision of the Master Indenture to the contrary, for the purpose of determining the amount of unpaid principal of and interest on any Outstanding Obligation, the amount paid or available to be paid to the Holder of such Obligation from a Debt Service Reserve Fund securing such Obligation shall be deducted.

Notwithstanding any provision of this Section to the contrary, for purposes of this Section, “interest” on Obligations that evidence and secure Derivative Obligations shall mean regularly scheduled payments under the applicable Derivative Agreement and “principal” of such Obligations shall mean termination payments and any other payment except regularly scheduled payments under the applicable Derivative Agreement. Unless otherwise provided in the Supplement creating an Obligation that evidences and secures Derivative Obligations, payment of the portion of such Obligation that evidences and secures termination payments and any other payments except regularly scheduled payments under a Derivative Agreement shall be subordinate to payment of other Obligations.

Pending disbursements of the amounts on Deposit in the Revenue Fund, the Master Trustee shall promptly invest and reinvest such amounts in the Defeasance Obligations specified in writing by the Obligated Group Representative. All such investments shall have a maturity not greater than 91 days from the date of purchase.

Holdings' Control of Proceedings. The Master Indenture provides that if an Event of Default shall have occurred and be continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of the Master Indenture or for the appointment of a receiver or any other proceedings under the Master Indenture, provided that such direction is not in conflict with any applicable law or the provisions of the Master Indenture, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of any Holders not joining in such direction and provided further that nothing shall impair the right of the Master Trustee in its discretion to take any other action under the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Waiver of Event of Default.

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default 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. Every power and remedy given under the Master Indenture to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) Under the Master Indenture, the Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture.

(c) Notwithstanding anything contained in the Master Indenture to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, is required to waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except, as may otherwise be provided under the Master Indenture, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default under the Master Indenture, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights under the Master Indenture, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Appointment of Receiver. Upon the occurrence of any Event of Default unless the same shall have been waived as provided in the Master Indenture, the Master Trustee shall be entitled as a matter of right if it shall so elect, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action

to enforce the specific performance of the Master Indenture or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Upon the occurrence of an Event of Default, each Member of the Obligated Group hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as such Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Notice of Default. Promptly after obtaining knowledge of any Event of Default, each Member of the Obligated Group shall deliver to the Master Trustee, a written notice specifying the nature and period of existence of such Event of Default and the action the Obligated Group is taking and proposes to take with respect thereto.

The Master Trustee shall, within thirty (30) days after it has knowledge of the occurrence of an Event of Default, send to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, 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 case of default in the payment of the principal of, redemption premium, if any, or interest or any other payment on any of the Obligations and the Events of Default specified in subsections (e) and (f) under the caption “Events of Default” above, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders (which such determination may be based upon an Opinion of Counsel).

For purposes of the Master Indenture, the Master Trustee shall not be deemed to have knowledge of an Event of Default under the Master Indenture unless an officer of the Master Trustee has actual knowledge thereof or unless written notice of any event which is an Event of Default is received by the Master Trustee and such notice references the Master Indenture.

The Master Trustee

Certain Duties and Responsibilities. (a) The Master Indenture provides that except during the continuance of an Event of Default, the Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture, and no implied covenants or obligations shall be read into the Master Indenture against the Master Trustee.

(b) In the absence of bad faith on its part, the Master 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 Master Trustee and conforming to the requirements of the Master Indenture; but in the case of any such certificates or opinions which by any provision of the Master Indenture are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Master Indenture.

(c) In case an Event of Default has occurred and is continuing under the Master Indenture, the Master Trustee is required to exercise such of the rights and powers vested in it by the Master 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 such person’s own affairs.

(d) No provision of the Master 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, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) immediately above;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice chairman of the board of directors, the chairman or vice chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was grossly negligent in ascertaining the pertinent facts;

(iii) 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 principal amount of the 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 the Master Indenture, except under the circumstances set forth in subsection (c) under the caption “Waiver of Event of Default” above requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of the Master Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other liability, directly or indirectly, in the performance of any of its duties under the Master Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Certain Rights of Master Trustee. Except as otherwise provided in the above the caption entitled “Certain Duties and Responsibilities” the Master Indenture provides that:

(a) The Master Trustee may rely conclusively and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction or statement of any Member of the Obligated Group mentioned in the Master Indenture shall be sufficiently evidenced by an Officer’s Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member of the Obligated Group to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of the Master Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Master Indenture, the Master Trustee (unless other evidence be specifically prescribed in the Master Indenture) may, in the absence of bad faith on its part, rely upon an Officer’s Certificate.

(d) The Master Trustee may consult with counsel or an independent auditor and the written advice of such counsel or independent auditor or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it under the Master Indenture in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Master Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to the Master Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for in the Master Indenture, unless one or more Holders or such Holders making such request shall have offered and furnished to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances, which might be incurred by it in compliance with such request or direction or otherwise in connection therewith.

(f) 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, direction, consent, order, bond, note or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Member of the Obligated Group, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers under the Master Indenture or perform any duties under the Master Indenture either directly or by or through agents or attorneys.

(h) No permissive right of the Master Trustee under the Master Indenture, including the authority to enter into Supplements or take other actions, shall be construed as a duty, and the Master Trustee shall be under no obligations to take any such action or exercise any such right.

(i) The Master Trustee shall not be accountable for the use or application by any Member of the Obligated Group of any of the Obligations or Related Bonds or the proceeds thereof or for the use or application of any money paid over by the Master Trustee in accordance with the provisions of the Master Indenture or for the use and application of money received by any paying agent.

(j) Notwithstanding the effective date of the Master Indenture or anything to the contrary in the Master Indenture, the Master Trustee shall have no liability or responsibility for any act or event relating to the Master Indenture which occurs prior to the date the Master Trustee formally executes the Master Indenture and commences acting as Master Trustee under the Master Indenture.

(k) The Master Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Obligations or Related Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Obligations or Related Bonds.

(l) Notwithstanding anything contained in the Master Indenture or in any 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 Master Trustee to liability under any environmental law,

statute, regulation or similar requirement relating to the environment, the Master Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses (including attorney's fees, costs and 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 Master Trustee shall not be required to take such foreclosure action if it reasonably determines that the approval of a governmental regulator that cannot be obtained is necessary for such foreclosure action.

(m) The Master Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under the Master 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; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Master 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.

(n) The Master Trustee agrees to accept and act upon instructions or directions pursuant to the Master Indenture or the Mortgage sent by the any Member of the Obligated Group, as the case may be, by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that each Member of the Obligated Group, respectively, shall provide to the Master Trustee an incumbency certificate listing designated persons with the authority to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. The Master Trustee reserves the right to confirm such instructions via telephone call back or any other reasonable security precautions it deems appropriate. If a Member of the Obligated Group, as applicable, elects to give the Master Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Master Trustee in its discretion elects to act upon such instructions, the Master Trustee's understanding of such instructions shall be deemed controlling. The Master Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Master Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. Each Member of the Obligated Group, as applicable, agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Master Trustee, including without limitation the risk of the Master Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(o) The Master Trustee shall not be responsible or liable for the environmental condition or any contamination of any property secured by any mortgage or deed of trust or for any diminution in value of any such property as a result of any contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant. The Master Trustee shall not be liable for any claims by or on behalf of the Holders or any other person or entity arising from contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant, and shall have no duty or obligation to assess the environmental condition of any such property or with respect to compliance of any such property under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

(p) The Master Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Borrower, or to report, or make or file claims or proof of loss for, any loss or damage insured against

or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made.

(q) The Master Trustee shall not be responsible or liable for, special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Master Trustee has been advised of the likelihood of such loss or damage and regardless of the form of actions.

Right to Deal in Obligations and Related Bonds. Under the provisions of the Master Indenture, the Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Removal and Resignation of the Master Trustee. The Master Indenture provides that the Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding or, if no Event of Default shall have occurred and be continuing, or no event has occurred or is continuing that, after notice or passage of time or both, would become an Event of Default, by an instrument in writing signed by the Obligated Group Representative. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created by the Master Indenture. Written notice of such resignation or removal is required to be given to the Members of the Obligated Group and to each Holder at the address then reflected on the books of the Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or, if no such appointment is made by the Obligated Group Representative within thirty (30) days of the date notice of resignation or removal is given, the Holders at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation or removal is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

The Master Indenture further provides that at all times there shall be a Master Trustee under the Master Indenture, which shall be a bank or trust company organized and doing business under the laws of the United States of America or of any state thereof, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority, and having a combined capital and surplus of at least \$25,000,000, either directly or by a guarantee of a corporation related to the Master Trustee. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Master Trustee ceases to be eligible as above provided, it shall resign immediately in accordance with the terms of this Section.

Every successor Master Trustee howsoever appointed under the Master Indenture is required to execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment under the Master Indenture, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall be required to execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee is required to execute any and all

documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Compensation and Reimbursement. The Master Indenture provides that each Member of the Obligated Group, respectively, agrees jointly and severally:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it under the Master Indenture (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) Except as otherwise expressly provided in the Master Indenture, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of the Master Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be determined to have been directly caused by the Master Trustee's gross negligence or willful misconduct.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties under the Master Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Master Indenture. Such indemnification of the Master Trustee shall survive the termination of the Master Indenture or the sooner resignation or removal of the Master Trustee.

Supplements and Amendments

Supplements Not Requiring Consent of Holders. The Master Indenture provides that each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Master Indenture which shall not materially and adversely affect the interests of the Holders.

(b) To correct or supplement any provision in the Master Indenture which may be inconsistent with any other provision in the Master Indenture, or to make any other provisions with respect to matters or questions arising under the Master Indenture and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of the following section entitled "Supplements Requiring Consent of Holders".

(d) To qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Obligations as permitted under the Master Indenture.

(f) To obligate a successor to any Member of the Obligated Group as provided in the Master Indenture.

(g) To comply with the provisions of any federal or state securities law.

Supplements Requiring Consent of Holders.

(a) The Master Indenture provides that other than Supplements referred to above under “Supplements Not Requiring Consent of Holders” and subject to the terms and provisions and limitations contained in the Master Indenture, and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained in the Master Indenture to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Master Indenture; provided, however, no Supplement shall be permitted which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, and interest or any other payment on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) The Master Indenture provides that if at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement as described above, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or any assistant secretary or if it has no secretary or assistant secretary, its comparable officer, and the proposed Supplement, the Master Trustee shall, at the expense of the Obligated Group, cause notice of the proposed execution of such Supplement to be mailed, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the Corporate Trust Office of the Master Trustee for inspection by all Holders. The Master Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplement when approved and consented to as provided in this Section. If, following such notice, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Under the terms of the Master Indenture, any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation

issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation as permitted under the Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee is required to make and file with each Member of the Obligated Group a written statement to that effect. The Master Indenture provides that such written statement shall be conclusive that such consents have been so filed.

(d) Under the terms of the Master Indenture, if the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as provided in the Master Indenture, no Holder shall have any right to object to the execution thereof, or 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 Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

Concerning the Holders

Evidence of Acts of Holders. (a) The Master Indenture provides that in the event that any request, direction or consent is requested or permitted under the Master Indenture of the Holders, (i) the registered owners of Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding; provided, however, if the Related Bond Indenture so provides, if at any time a letter of credit or bond insurance policy secures payment of the principal of and interest on such Related Bonds, then the provider of such letter of credit or bond insurance policy shall be deemed to be the Holder of such Related Bonds except during any period when such provider has failed to honor its obligations under such letter of credit or bond insurance policy, (ii) the amount of any Obligation that evidences and secures Contract Obligations shall be deemed to be zero and such Obligation shall be disregarded for purposes of any request, direction or consent of the Holders requested or permitted under the Master Indenture, and (iii) the principal amount of any Obligation that evidences and secures Derivative Obligations shall be deemed to be zero and such Obligation shall be disregarded for purposes of any request, direction or consent of the Holders requested or permitted under the Master Indenture unless the related Derivative Agreement has terminated, in which case the principal amount of such Obligation shall be deemed to be the amount of any termination payment owed to the Holder of such Obligation; provided, however, that no Supplement that would alter the priority of such Obligation with respect to the Pledged Assets or application of moneys under the Master Indenture shall be permitted without the consent of the Holder of such Obligation.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing. In connection with the initial offering and sale of Related Bonds, the underwriters (or their representative) of such Related Bonds shall be deemed to be the initial Holders thereof or, if such Related Bonds so provide, may be appointed as attorney in fact by the initial purchasers of such Related Bonds for the purpose of consenting to any request, direction, consent or other instrument to be signed and executed by the Holders.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes of the Master Indenture and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof specified in the Master Indenture, it being intended that the Master Trustee may accept any other evidence of the matters stated in the Master Indenture which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision of the Master Indenture upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

Obligations or Related Bonds Owned by Members of Obligated Group. Under the terms of the Master Indenture, in determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand, direction, request, notice, consent, waiver or other action under the Master Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which a Responsible Officer of the Master Trustee has actual notice or knowledge are so owned shall be so disregarded. Obligations or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Obligations or Related Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with any Member of the Obligated Group. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee. "Responsible Officer" means, when used with respect to the Master Trustee, any vice president, assistant vice president, senior associate or other officer of the Master Trustee within the corporate trust office specified in the Master Indenture (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the corporate trust office specified in the Master Indenture because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Master Indenture.

Instruments Executed by Holders Bind Future Holders. At any time prior to (but not after) the time when the Master Trustee takes action in reliance upon evidence, as provided in the section entitled "Evidence of Acts of Holders" above, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified in connection with such action, any Holder of such

an Obligation or Related Bond that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided under the Master Indenture, revoke such action so far as concerns such Obligation or Related Bond. The Master Indenture further provides that, except upon such revocation any such action taken by the Holder of an Obligation or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Bond which is required or permitted under the Master Indenture to be given, shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Obligation or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified under the Master Indenture in connection with such action shall be conclusively binding upon each Member of the Obligated Group, the Master Trustee and the Holders of all of such Obligations or Related Bonds.

SUMMARY OF THE INDENTURE

The following summarizes certain provisions of the Indenture; however, it is not a comprehensive description, and reference is made to the full text of the Indenture for a complete recital of its terms.

Pledge and Assignment

The Authority pledges to the Bond Trustee all of the right, title and interest (but not the obligations) of the Authority in and to the Loan Agreement and in and to the Obligation No. 7 and in and to all security therefor under the Master Indenture, together with all sums of money due and payable or to become due and payable thereunder by the Borrower (excepting its rights to be paid administrative fees and expenses and its rights to indemnification and amounts required to be rebated to the federal government) and all money, securities and funds at any time held or set aside by the Bond Trustee pursuant to the provisions of the Indenture.

Funds Created by the Indenture

1. Settlement Fund
2. Project Fund
3. Revenue Fund
4. Debt Service Fund
5. Redemption Fund

Money, from time to time, in the various Funds created under the Indenture shall be held by the Bond Trustee, in trust, for the benefit of holders of Bonds and shall be secured, invested and applied as provided in the Indenture; subject, however, to provisions of the Indenture relating to transfer of certain investment income to or for the benefit of the Borrower.

Settlement Fund

All money representing proceeds of sale of the Bonds shall be deposited initially into the Settlement Fund and disbursed by the Bond Trustee to provide for the payment of costs and expenses of issuance of the Bonds.

Project Fund

On the date of issuance of the Bonds, a portion of the proceeds of the Bonds will be deposited into the Project Fund for purposes of acquisition, construction and installation related to the Project. Moneys deposited to the credit of the Project Fund pursuant to the provisions of the Indenture or the Loan Agreement shall be deposited therein with, and held in trust by, the Bond Trustee until withdrawn and disbursed by the Bond Trustee in payment of the Costs of the Project.

Revenue Fund

All money payable by the Borrower to the Authority under the Loan Agreement and Obligation No. 7 shall be paid directly to the Bond Trustee by the Borrower and shall be deposited by the Bond Trustee into the Revenue Fund.

Debt Service Fund

The Bond Trustee shall, on or before each date on which principal of or interest on Bonds comes due, withdraw from the Revenue Fund and deposit to the Debt Service Fund (subject to deposits from other funds made directly to the Debt Service Fund and other available funds on deposit therein) the amounts required to pay the principal or interest, or both, coming due with respect to the Bonds. Any interest or profit from investments or deposits of money in other funds created by the Bond Indenture which have been transferred to the Debt Service Fund shall first reduce the amount required to be transferred from the Revenue Fund, as more fully provided in the Indenture, and the Borrower may receive a corresponding credit against payments due under the Loan Agreement and the Obligation No. 7.

Redemption Fund

Upon the written direction of the Borrower or as otherwise required by the Loan Agreement or the Bond Indenture, the Bond Trustee shall create a special fund to be known as the "Redemption Fund" which shall also be held in trust by the Bond Trustee until applied as directed in the Bond Indenture.

Any amounts that the Borrower elects to provide for optional or extraordinary redemption of the Bonds shall also be deposited in the Redemption Fund.

The payment of the necessary premiums, costs and expenses of any purchases or redemption of Bonds pursuant to the Bond Indenture, including, without limiting the generality of the foregoing, all legal fees, costs of advertisement, printing costs, brokerage charges and charges of the Bond Trustee incident to such purchases or redemptions shall be payable from money in the Redemption Fund. Money in the Redemption Fund that is not required by the Bond Indenture or the Loan Agreement to be applied to retirement of Bonds may be withdrawn by the Borrower or may be used or applied by or at the direction of the Borrower, if there is no deficiency in any of the Funds referred to above.

Reserve Fund No. 2

In addition to the foregoing accounts, Reserve Fund No. 2 has been established under the Supplemental Indenture No. 2 for the further benefit and security of the Holders of the Bonds.

Reserve Fund No. 2 shall be in an amount equal to the Debt Service Reserve Fund Requirement for Reserve Fund No. 2. Reserve Fund No. 2 shall secure any other Obligation securing Tax-Exempt Related Bonds issued under the Master Indenture if so provided in the Supplement pursuant

to which such Obligation is issued. If at any time Reserve Fund No. 2 secures Obligation No. 7 and any other Obligation, the Master Trustee shall establish an account within Reserve Fund No. 2 to be known as the "Series 2021 Account" and deposit all proceeds of the Series 2021 Bonds intended for Reserve Fund No. 2 in such account.

The Debt Service Reserve Fund Requirement for Reserve Fund No. 2 shall be in an amount equal to fifty percent (50%) of the least of (A) one hundred percent (100%) of Maximum Annual Debt Service on Obligation No. 7 and any other Obligations issued after the date hereof which are secured by Reserve Fund No. 2, (B) one hundred twenty five percent (125%) of average annual Long Term Debt Service Requirement on Obligation No. 7 and any other Obligations issued after the date hereof which are secured by Reserve Fund No. 2 and (C) ten percent (10%) of the stated original principal amount of Obligation No. 7 and any other Obligations issued after the date hereof which are secured by Reserve Fund No. 2.

If the Bond Trustee has insufficient funds in the Revenue Fund to make the transfers to the Debt Service Fund required by the Bond Indenture, the Bond Trustee shall, not later than the second Business Day next preceding July 1 or January 1, as applicable, deliver a written notice to the Master Trustee to the effect that the amount available to the Bond Trustee to pay the interest on or the principal (whether by stated maturity or by mandatory redemption) of the Bonds is less than the amount becoming due and payable and specifying the amount of such deficiency. The Bond Trustee shall deposit to the Debt Service Fund all amounts received from Reserve Fund No. 2 to cure such deficiency.

Investment of Funds

Money in each of the Funds created under the Indenture shall, from time to time, at the written direction of a Responsible Officer of the Borrower, hereby designated by the Authority as the agent of the Authority for such purpose, be invested by the Bond Trustee in Authorized Investments and shall mature, or be subject to repurchase, withdrawal without penalty, or redemption at the option of the holder, on or before the dates on which the amounts are reasonably expected to be needed for the purposes of the Indenture.

Accrued interest and premiums, if any, paid at the time of the purchase of such investments shall be paid from available money in the particular Fund for which such investment is being made. Upon the written direction of the Borrower, the Bond Trustee shall sell all or any part of the obligations in which the money in one or more such Funds shall be invested or deposited, and the proceeds of such sale shall be deposited to the credit of the respective Fund or Funds. Obligations purchased as an investment of money in any such Fund and deposits of money in any such Fund shall be deemed at all times to be a part of such Fund and the interest accruing thereon and any profit or loss realized from such investment shall be credited to or charged against such Fund.

All funds under the Indenture shall be invested only in Authorized Investments. Investments on deposit in all funds and accounts established under the Indenture shall be valued at market value at least semi-annually.

Neither the Authority nor the Bond Trustee shall be liable or responsible for any loss resulting from any investment or deposit made in accordance with the provisions of this Section or resulting from any sale by the Bond Trustee of any such investment or deposit. Pursuant to the provisions of the Indenture, the Bond Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or any such affiliate is acting as agent of the Bond Trustee or for any third person or dealing as principal for its own account. The Bond Trustee is not providing investment supervision,

recommendations, or advice. For the purpose of this Section, investments and deposits shall be deemed to constitute unexpended money and shall be valued at the then market value thereof. The Bond Trustee may request an opinion of legal counsel satisfactory to it as to whether an investment or deposit directed under this Section is appropriate and may rely upon such opinion and, if applicable, may refuse to follow or honor any such direction given under this Section.

Defaults and Remedies

Each of the following events is an “event of default” under the Indenture:

(A) failure to pay any interest upon any Bond at any due date expressed therefor; or

(B) failure to pay any part of the principal of, or premium, if any, on any of the Bonds at maturity as therein expressed or when the same shall become due upon call for redemption, or by declaration or otherwise; or

(C) declaration under the Master Indenture that the principal of all Obligations issued thereunder is due and payable; or

(D) there shall be an “Event of Default” as defined in the Loan Agreement; or

(E) the Authority shall default in the due and punctual performance (irrespective of any revenues or other money not being available for such purpose) of any other covenant, condition, agreement or provision contained in the Bonds or in the Indenture on the part of the Authority required to be performed and any such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Bond Trustee, which may give such notice in its discretion and shall give such notice upon written request of Holders of not less than 25% in aggregate principal amount of the Bonds then outstanding.

Upon the occurrence and during the continuance of an event of default, the Bond Trustee shall, at the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding, by notice in writing given to the Authority and the Borrower, declare the principal amount of all Bonds then outstanding to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Bond Indenture or in the Bonds to the contrary notwithstanding. Upon any declaration of acceleration, the Bond Trustee shall: (1) give written notice to the Master Trustee; and (2) give notice to the Bondholders in the same manner as a notice of redemption, stating the date upon which the Bonds shall be payable, and to the extent that the principal of all the Obligations issued under the Master Indenture shall not then have been declared to be immediately due and payable, the Bond Trustee shall request the Master Trustee to declare the principal of all Obligations issued under the Master Indenture to be immediately due and payable, pursuant to the Master Indenture.

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 under the Indenture or now or hereafter existing at law or in equity or by statute.

If any event of default shall have occurred and shall be continuing and if requested in writing by the holders of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, and if indemnified as provided in the Bond Indenture, the Bond Trustee shall be obligated to exercise one or more of the following rights and powers conferred by this Section as it, being advised by counsel, shall deem most expedient in the interests of such Bondholders:

(a) The Bond Trustee may (but is not required to), by mandamus, or other suit, action or proceeding at law or in equity, enforce the right of the Bondholders, and require the Authority or the Borrower 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 Loan Agreement and the Bond Indenture.

(b) The Bond Trustee may (but is not required to), by action or suit in equity, require the Authority to account as if it were the trustee for the Bondholders, but any such judgment against the Authority shall be enforceable only against the funds under the Bond Indenture in the hands of the Bond Trustee.

(c) The Bond Trustee may (but is not required to), by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

(d) The Bond Trustee may (but is not required to), 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 receiver of the trust estate with such powers as the court making such appointment shall confer.

Rights and Remedies of Bondholders

No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for execution of any trust under the Indenture, or for any other remedy under the Indenture, unless such holder previously shall have given to the Bond Trustee written notice of an event of default, and unless also the holders of not less than 25% of the Bonds then outstanding shall have made written request of the Bond Trustee, after the right to exercise such powers or rights of action shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its or their name, nor unless also there shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case at the option of the Bond Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for any other remedy under the Indenture, it being understood and intended that no one or more holders of any Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Bond Indenture, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the ratable benefit (subject to all of the terms, conditions and provisions of the Indenture) of all holders of outstanding Bonds.

Amendments and Modifications

Modifications or amendments of the Indenture and of the rights and obligations of the Authority and of the holders of the Bonds in any particular may be made by supplemental indenture, authorized by Certified Authority Resolution, but without the consent of the Bondholders:

(A) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Indenture that may be inconsistent with any other provision in the Indenture, to make any other provisions with respect to matters or questions arising under the Indenture, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Indenture,

(B) to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee,

(C) to add to the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed,

(D) to add to the covenants and agreements of the Authority in the Indenture other covenants and agreements thereafter to be observed by the Authority or to surrender any right or power in the Indenture reserved to or conferred upon the Authority,

(E) to permit the qualification of the Indenture under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Authority so determines, to add to the Indenture or any supplemental trust indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law,

(F) to provide for the issuance of Bonds in bearer form,

(G) to provide for the maintenance of Bonds under a book-entry system,

(H) to permit the Bond Trustee to comply with any obligations imposed upon it by law,

(I) to make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code, if in the opinion of Bond Counsel selected by the Authority, those amendments would not cause the interest on the Bonds outstanding to become included in the gross income of the Holders thereof for federal income tax purposes, which amendments may, among other things, change the responsibility for making the relevant arbitrage calculations, or

(J) to permit any other amendment which is not materially adverse to the interests of the Bond Trustee or the Holders.

Other modifications and amendments of the Indenture may be made only with the written consent of the Holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding or, in case one or more but less than all of the Bonds then Outstanding are affected by any such modification or amendment, then with the written consent of the Holders of not less than 51% in aggregate principal amount of the Bonds so affected then Outstanding; provided, however, that, without the consent of the Holders of all of the Bonds affected then Outstanding, no such modification or amendment shall be made so as to (a) alter the date fixed in any of the Bonds for the payment of the principal of, or interest on, such Bonds or otherwise modify the terms of payment of the principal at maturity of, or interest on, the Bonds or impose any conditions with respect to such payment or affect the right of any Bondholder to institute suit for the enforcement of any such payment on or after the respective due dates expressed in the Bonds, all of which shall always be unconditional, (b) reduce the

amount of, or extend the time for making, sinking fund payments required for any Bonds, (c) alter the amount of principal of, or the rate of interest or premium (if any) payable on, any of the Bonds, (d) affect the rights of the Holders of less than all the Bonds then Outstanding, (e) permit the creation by the Authority of any lien prior to or on a parity with the lien of the Indenture upon the trust estate thereunder, or (f) reduce the percentages above stated in this paragraph.

It shall not be necessary for the consent of the Bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. Upon the request of the Authority, accompanied by the Certified Authority Resolution and the filing with the Bond Trustee of the evidence of the consent of Bondholders, above provided for, the Bond Trustee shall join with the Authority in the execution of any such supplemental indenture unless the same adversely affects the Bond Trustee's own rights, duties or immunities under the Indenture in which case the Bond Trustee may in its discretion, but shall not be obliged to, enter into such supplemental indenture.

Defeasance

(a) If the Authority deposits with the Bond Trustee money or Defeasance Obligations sufficient to pay the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Bond or Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bond or Bonds shall likewise cease, except as provided in subsection (b) below. Thereafter such Bond or Bonds shall be deemed not to be Outstanding under the Bond Indenture and the holder or holders of such Bond or Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bond or Bonds, and the Bond Trustee shall hold such funds in trust for such holder or holders.

(b) Money deposited with the Bond Trustee which remains unclaimed four (4) years after the date payment of the interest, premium and/or principal of the Bond or Bonds for which such money was deposited becomes due shall, upon request of the Authority, if the Authority is not at the time to the knowledge of the Bond Trustee in default with respect to any covenant in the Indenture or the Bonds contained, be paid to the Borrower; and the holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Borrower; provided, however, that the Bond Trustee, before making payment to the Borrower, shall, at the expense of the Borrower, cause a notice to be mailed by first class mail, postage prepaid, to the registered owners of the Bonds for which such money has been so deposited, stating that the money remaining unclaimed will be paid to the Borrower after a date specified in such notice. In the absence of any such written request from the Authority, the Bond Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Bond Trustee in its sole discretion, pursuant to and in accordance with the applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Bond Trustee and the escheat authority. Any money held by the Bond Trustee pursuant to this Section shall be held uninvested and without any liability for interest.

(c) Whenever money and/or Defeasance Obligations are deposited with the Bond Trustee in accordance with this Section, the Borrower shall provide to the Bond Trustee (i) a verification report from an independent certified public accountant, satisfactory in form and content to the Bond Trustee and the Authority, demonstrating that the money and/or Defeasance Obligations so deposited and the income therefrom shall be sufficient to pay the principal of, premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, premium, if any, and interest become due, and (ii) an opinion of nationally recognized bond

counsel, satisfactory in form and content to the Bond Trustee and the Authority, to the effect that all of the requirements of the Indenture for the defeasance of the Bonds have been complied with.

Immunities -- Limitation of Liability

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

Resignation of Bond Trustee

The Bond Trustee may resign and be discharged of the trusts under the Indenture by executing a written instrument resigning such trusts, filing the same with the Authority and the Borrower and mailing notice of such resignation by first class mail, postage prepaid, to all Holders of the Bonds not less than three (3) weeks prior to the date when the resignation is to take effect. Such resignation shall take effect only after such notices shall have been mailed, the appointment of a successor trustee shall have been made as provided in the Indenture and such successor trustee shall have accepted the duties of the trustee hereunder.

Removal of Bond Trustee

The Bond Trustee may be removed at any time by a written instrument, executed by (i) the holders of at least a majority in aggregate principal amount of the Outstanding Bonds or by their attorneys-in-fact duly authorized and filed with the Bond Trustee, the Authority and the Borrower or (ii) so long as no Event of Default shall have occurred and be continuing, the Borrower, with the consent of the Authority, or the Authority, with the consent of the Borrower, and filed with the Bond Trustee, the Authority and the Borrower, as applicable, not less than three (3) weeks prior to the date when the removal is to take effect.

Appointment of Successor Bond Trustee.

If the Bond Trustee shall resign or be removed as provided in the Indenture or the office of the Bond Trustee shall become vacant for any reason, a successor may be appointed by the Authority, the Borrower, with the consent of the Authority, or the Holders of at least a majority in aggregate principal amount of the Outstanding Bonds by a written instrument signed by such Bondholders or by their attorneys-in-fact duly authorized. Such instrument shall be filed with the Authority and the Borrower and a copy thereof shall be promptly delivered by the Authority or the Borrower, as applicable, to the predecessor Bond Trustee and to the trustee so appointed.

Holders of Bonds Deemed Holders of Obligation No. 7

In the event that any request, direction or consent is requested or permitted by the Master Indenture of the registered owners of Obligations issued thereunder, including Obligation No. 7, the Holders of Bonds then Outstanding shall be deemed to be registered owners of Obligation No. 7 for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Bonds then Outstanding held by each such Holder of Bonds bears to the aggregate principal amount of all

Bonds then Outstanding. The provisions of this section and of the Master Indenture shall govern the execution of any such request, consent or other instrument in writing required or permitted to be signed by Holders and registered owners of Obligation No. 7, respectively.

SUMMARY OF THE LOAN AGREEMENT

The following summarizes certain provisions of the Loan Agreement; however, it is not a comprehensive description, and reference is made to the full text of the Loan Agreement for a complete recital of its terms.

Application of Bond Proceeds

(a) The Authority covenants that it shall issue the Series of 2021 Bonds for the purpose of financing the Project and, upon execution and delivery of the Loan Agreement by the parties hereto and of Obligation No. 7 by the Obligated Group to the Authority, shall make available proceeds of the Series of 2021 Bonds for the financing of the Project.

(b) The Borrower covenants and agrees that, to the extent that proceeds derived from the Series of 2021 Bonds are not sufficient to pay all costs and expenses of the Project, including costs and expenses of issuance of the Series of 2021 Bonds, and to the extent that such costs and expenses of issuance exceed the amount of proceeds of the Series of 2021 Bonds that may be applied to such costs and expenses of issuance under restrictions of Section 147(g) of the Code, the Borrower shall provide such additional funds as may be required for such purposes.

(c) The Borrower further represents and warrants that (i) all property that is to be provided by the proceeds of the Series of 2021 Bonds is to be owned by the Borrower, which is an organization described in Section 501(c)(3) of the Code and exempt from tax under Section 501(a) of the Code, and (ii) not more than 5 percent of the proceeds of the Series of 2021 Bonds are to be used for any purpose that would constitute an unrelated trade or business, determined by applying Section 513(a) of the Code.

(d) The Authority covenants to reimburse the Borrower for all sums paid or costs incurred by the Borrower properly chargeable as costs of the Project out of proceeds derived from sale of the Series of 2021 Bonds and payment of costs and expenses of issuance of the Series of 2021 Bonds and related costs and expenses, but no such reimbursement shall be made if a restriction of the Code relating to tax-exempt obligations would thereby be violated.

Sums Payable by Borrower

The Borrower will pay or cause to be paid to the Authority, or its assignee, as applicable, the following amounts at the following times:

(a) (i) into the Debt Service Fund, beginning on October 15, 2021, November 15, 2021, and on December 15, 2021, an amount equal to one-third (1/3) of the interest payable on the Series of 2021 Bonds due on January 1, 2022, thereafter beginning on January 15, 2022 and continuing on the fifteenth (15th) day of each month thereafter, an amount equal to one-sixth (1/6th) of the interest payable on the Series of 2021 Bonds due on the next ensuing Interest Payment Date; and

(ii) into the Debt Service Fund, on October 15, 2021 and continuing on the fifteenth (15th) day of each month thereafter, an amount equal to one-ninth (1/9th) of the principal of the Series of 2021 Bonds due, whether by maturity or by mandatory redemption, on July 1, 2022 as provided

in the Bond Indenture, and thereafter, commencing on July 15, 2022 and continuing on the fifteenth (15th) day of each month thereafter, an amount equal to one-twelfth (1/12th) of the principal of the Series of 2021 Bonds due, whether by maturity or by mandatory redemption, on the next ensuing July 1 as provided in the Bond Indenture; and

(b) on the dates required by the Master Indenture, the amounts specified in such Master Indenture to provide the full amount of the Debt Service Reserve Fund Requirement in Reserve Fund No. 2, if such fund does not contain the full amount of the Debt Service Reserve Fund Requirement; and

(c) directly to the Bond Trustee, on behalf of the Authority, when due, the fees and expenses of the Bond Trustee as provided in the Bond Indenture.

The Authority shall cause the Bond Trustee, on behalf of the Authority, to advise the Master Trustee of the non-payment of amounts required by this Section to be paid by the Borrower within five (5) business days of the date when due.

Operation, Maintenance and Repair

The Borrower covenants to comply with requirements of the Master Indenture governing operation, maintenance, and repair of the Borrower Premises, including all necessary and reasonable Administrative Expenses of the Authority in connection with the Borrower Premises, the Project and the Series of 2021 Bonds, to the extent such expenses exceed the amount required by the Loan Agreement, incurred as a result of the Borrower's default under the Loan Agreement or as a result of litigation involving the Borrower, the Project, the Series of 2021 Bonds and/or the Borrower Premises.

The Borrower also covenants to comply with all final and legally enforceable acts, rules and regulations, orders and directives of any legislative, executive, administrative or judicial body applicable to and having jurisdiction with respect to the Borrower Premises.

Records and Audits

The Borrower shall keep proper records and accounts of its operations and shall cause a complete annual, certified audit of its operations for each Fiscal Year to be completed, in accordance with generally accepted accounting principles for non-profit skilled nursing, assisted living and independent living facilities, by an Independent Auditor in accordance with the Master Indenture. Such report shall be furnished to the Authority and the Bond Trustee. In addition, the Borrower shall furnish, upon request by the Bond Trustee, any reports of federal, state and voluntary regulatory bodies relating to the Borrower, to the extent that such reports are furnished to the Borrower, except for those reports which are, by law, privileged or confidential.

Insurance

The Borrower shall at its own cost and expense, provide or cause to be provided continuously from the effective date of the Loan Agreement insurance coverage as required by the Master Indenture.

Destruction, Damage and Eminent Domain

Moneys collected under policies of insurance required under the Loan Agreement or on account of condemnation of, or damage or injury to, the Borrower Premises may be applied to the costs of

repair, reconstruction or replacement of the affected property or to other facilities used in connection with or related to the purposes of the Borrower.

Defaults and Remedies

The following are “Events of Default” under the Loan Agreement:

(a) if the Borrower fails to make or fails to provide for any payment in respect of principal of or interest on the Series of 2021 Bonds required by the Loan Agreement or Obligation No. 7, when the same shall become due and payable; or

(b) if the Borrower fails to pay or cause to be paid any other payment required by the Loan Agreement or by the Indenture and such failure continues for thirty (30) days thereafter; or

(c) the Borrower shall fail duly to perform, observe or comply with any covenant, condition or agreement on its part under the Loan Agreement (other than a failure by the Borrower to make any payment as described in the Loan Agreement) and such failure continues for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Borrower by the Bond Trustee, or to the Borrower and the Bond Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, provided, however, that if such performance, observation or compliance requires work to be done, action to be taken, or conditions to be remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Borrower shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion; or

(d) the principal of all Obligations issued under the Master Indenture shall have been declared by the Master Trustee to be immediately due and payable or principal of the Series of 2021 Bonds shall have been accelerated under the Indenture and such acceleration remains and is not rescinded.

Whenever any of the Events of Default shall have happened and is continuing and when it shall have received the prior written consent of the Master Trustee to the taking of any of the steps described in this Section, the Bond Trustee, on behalf of the Authority, may take any one or more of the following remedial steps:

(a) declare all sums payable under the Loan Agreement for the remainder of the term to be immediately due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the sums payable by the Borrower under the Loan Agreement, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement;

(c) withhold any payments, advances or reimbursement from any proceeds to which the Borrower may otherwise be entitled under the Loan Agreement and, in the Bond Trustee’s sole discretion, apply any such proceeds or money to the payment of any obligation of the Borrower under the Loan Agreement; or

(d) withhold any or all further performance under the Loan Agreement.

Notwithstanding the foregoing provisions, until final action shall have been taken that would preclude such action by the Borrower, the Borrower may pay all accrued unpaid sums due pursuant to the Loan Agreement and otherwise initiate and proceed with reasonable dispatch to fully cure all Events of Default. In such event, with the consent of the Master Trustee, the Loan Agreement shall be fully reinstated as if a default had not occurred.

The remedies conferred or reserved in the Loan Agreement are not exclusive and the Bond Trustee shall be free to pursue any and all remedies at law or in equity.

Maintenance of Corporate Existence by Borrower

The Borrower shall maintain and preserve its Articles of Incorporation, By-laws and its corporate existence as required by the Master Indenture, and shall maintain and preserve its authority to do business in the Commonwealth except as otherwise provided in the Master Indenture.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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September __, 2021

Re: \$ _____ Lancaster Industrial Development Authority
Health Center Revenue Refunding Bonds, Series of 2021
(Landis Homes Retirement Community Project) (the “Bonds”)

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED BONDS

We have acted as Bond Counsel in connection with the issuance by the Lancaster Industrial Development Authority (the “Authority”) of the above-captioned Bonds under the Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended (the “Act”). The Bonds are being issued pursuant to the provisions of a Trust Indenture, dated as of September 1, 2021 (the “Bond Indenture”), between the Authority and Manufacturers and Traders Trust Company, as trustee (the “Trustee”) for the purpose of making a loan of the proceeds of the Bonds to Landis Homes Retirement Community, a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania (the “Borrower”).

In order to finance the costs of the Project (as hereinafter defined), the Authority and the Borrower will execute and deliver a Loan Agreement dated as of September 1, 2021 (the “Loan Agreement”) pursuant to which the Authority will lend the proceeds of the Bonds to the Borrower and the Borrower will agree to repay such loan, in installment amounts, and at times, sufficient to, among other things, pay the principal of, and interest on, the Bonds when due. To evidence and secure the Borrower’s obligations under the Loan Agreement, the Borrower and Landis Place on King LLC (together, the “Obligated Group”) will issue its Obligation No. 7 dated the date of the issuance of the Bonds to the Authority (the “Obligation”), under and pursuant to the terms of a Master Trust Indenture dated as of October 1, 2015, as previously amended and supplemented (the “Master Indenture”), and as further amended and supplemented by a Supplemental Indenture for Obligation No. 7 dated as of September 1, 2021 (the “Supplemental Indenture”), between the Obligated Group and Manufacturers and Traders Trust Company, as master trustee (the “Master Trustee”).

Pursuant to an Assignment dated as of September 1, 2021 (the “Assignment”), all of the Authority’s right, title and interest in and to the Loan Agreement (excluding the Authority’s rights to, among other things, payment of its fees and expenses and to indemnification as set forth in the Loan Agreement) and the Obligation are being assigned to the Trustee for the benefit of the holders of the Bonds.

The Bonds are being issued by the Authority for the benefit of the Borrower, to provide funds to finance certain costs of a project (the “Project”) consisting of, among other things: the

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application of proceeds of the Bonds for and toward: (1) the refunding of the outstanding principal amount of the Lancaster County Hospital Authority's (i) Health Center Revenue Bonds, Series B and C of 2015; and (ii) Health Center Revenue Bonds, Series B of 2017; (2) the renovation and improvement of the Borrower's existing retirement community center facilities, independent living areas and housing units; (3) the funding of a debt service reserve fund; and (4) the payment of the costs and expenses of issuing the Bonds. All capitalized terms used in this opinion and not defined herein shall have the meanings assigned to them in the Bond Indenture unless the context clearly requires otherwise.

The Bonds issued this date are dated, mature and bear interest and are subject to purchase and redemption prior to maturity upon the terms and conditions stated therein and in the Bond Indenture. The Bonds are initially issuable as registered bonds in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof.

In our capacity as Bond Counsel, we have reviewed the following:

1. The Act;
2. A certified copy of the Articles of Incorporation of the Authority;
3. Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations and rulings promulgated thereunder;
4. The General Certificate of the Authority and all exhibits thereto;
5. The General Certificate of the Borrower and all exhibits thereto;
6. The opinion of Blakinger Thomas, PC in their capacity as counsel to the Authority;
7. The opinion of Latsha Davis & Marshall, P.C. in their capacity as counsel to the Borrower;
8. The Contract of Purchase dated September __, 2021, from Herbert J. Sims & Co. Inc., accepted by the Authority and approved by the Borrower;
9. A specimen copy of the Bonds;
10. An executed Nonarbitrage Certificate and Compliance Agreement of the Authority delivered this day;
11. An executed Confirmation Certificate of the Borrower delivered this day;
12. An executed Certificate of the Purchaser delivered this day;

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13. An executed Certificate Regarding Information Contained in Form 8038 delivered this day;

14. The information return of the Authority on Form 8038 delivered this day; and

15. Original counterparts or certified copies of the Loan Agreement, the Bond Indenture, the Master Indenture and the other documents, agreements, certificates and opinions delivered at the closing held this day.

Certain agreements, requirements and procedures contained or referred to in the Bond Indenture, the Loan Agreement and other relevant documents, certificates and agreements may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

For purposes of our opinion, we have assumed that the proceeds of the Bonds will be expended as required by and described in the Loan Agreement, the Bond Indenture, the Nonarbitrage Certificate and Compliance Agreement and the other relevant documents, agreements, instruments and certificates executed and delivered in connection with the issuance of the Bonds (collectively, the “Bond Documents”). Finally, we have assumed that each party to the Bond Documents will carry out all obligations imposed on such party by the Bond Documents in accordance with the terms thereof and that all representations and certifications contained in the Bond Documents are accurate, true and complete.

Based and in reliance upon the foregoing, our attendance at the closing held this day and subject to the caveats, qualifications, exceptions and assumptions set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The Authority is a body corporate and politic, validly existing under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”), with full power and authority to execute and deliver the Bond Indenture and the Loan Agreement and to issue and sell the Bonds.

2. The Bond Indenture and the Loan Agreement have each been duly authorized, executed and delivered by the Authority and each such document constitutes the valid and binding obligation of the Authority.

3. The issuance of the Bonds has been duly authorized by the Authority. The Bonds have been duly and validly authorized, executed and delivered by the Authority and, when duly

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authenticated by the Trustee, will constitute valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

4. Under the laws of the Commonwealth, the Bonds and interest on the Bonds are free from taxation for State and local purposes within the Commonwealth, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to State and local taxation within the Commonwealth.

5. Interest on the Bonds is not includable in gross income under Section 103(a) of the Code.

6. Under the Code, interest on the Bonds does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax on individuals for federal income tax purposes.

A. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the Bonds and we disclaim any obligation to update this letter.

B. As to questions of fact material to our opinion, we have relied upon the representations, statements, expectations and certifications contained in the documents and other certified proceedings reviewed by us (including, without limitation, certificates, agreements and representations by the Authority and the Borrower as to the expected use of the proceeds of the Bonds and as to continuing compliance with Section 148 of the Code to assure that the Bonds do not become “arbitrage bonds” and to assure that the Bonds continue to be “qualified 501(c)(3) bonds” within the meaning of Section 145 of the Code), without undertaking to verify the same by independent investigation. We have also relied upon the genuineness, authenticity, truthfulness and completeness of all facts, information, representations, and certifications contained in the agreements, certificates, documents, records and other instruments executed and delivered at or in connection with the closing held this day and have assumed compliance with the state and federal securities laws. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed and delivered at the closing held this day.

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C. In providing the opinions set forth in paragraphs 1, 2 and 3 above, we have relied, without independent investigation, on the opinion of Blakinger Thomas, PC, counsel to the Authority, with respect to the matters stated therein.

D. We have relied, without independent investigation, on the opinion of Latsha Davis & Marshall, P.C., as counsel to the Borrower, with respect to the matters stated therein, including, but not limited to the continuing status of the Borrower as a 501(c)(3) organization.

E. In connection with the opinions set forth in paragraphs 2 and 3 above, we call to your attention that the legality, validity, binding nature and enforceability of the documents referred to therein may be limited by: (a) the availability or unavailability of equitable remedies including, but not limited to, specific performance and injunctive relief; (b) the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or equitable principles generally affecting creditors' rights or remedies; and (c) the effect of certain laws and judicial decisions limiting on constitutional or public policy grounds any provisions set forth in such documents purporting to waive rights of due process and legal procedure.

F. In providing the opinion set forth in paragraph 5 above, we have assumed continuing compliance by the Authority and the Borrower with requirements of the Code and the applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon be and remain excluded from gross income for federal income tax purposes. The Authority and the Borrower have covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of such Bonds. We further advise you that we have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

G. In providing the opinions set forth in paragraph 6 above, we have assumed continuing compliance by the Authority and the Borrower with requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the Bonds.

H. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the Bonds, including, without limitation, the treatment for federal income tax purposes of the gain or loss, if any, upon the sale, redemption or other disposition of the Bonds subject to original issue discount and the effects, if any, of certain other provisions of the Code which could result in collateral federal income tax

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consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

I. The Bonds are special limited obligations of the Authority, payable only out of amounts that may be held by or available to the Trustee under the Bond Indenture, including amounts payable pursuant to the Loan Agreement and the Obligation. The Bonds do not pledge the credit or taxing power of the City of Lancaster, Lancaster County, Pennsylvania, the Commonwealth or any political subdivision thereof. The Authority has no taxing power.

J. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the property described in or as subject to the lien of the Bond Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property.

K. We have not been engaged to verify, nor have we independently verified, nor do we herein express any opinion to the registered owners of the Bonds with respect to, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement dated August __, 2021 (the “Preliminary Official Statement”), or in the Official Statement dated September __, 2021 (the “Official Statement”) or with respect to any other materials used in connection with the offer and sale of the Bonds.

L. We express no opinion to the registered owners of the Bonds with respect to whether the Authority or the Borrower, in connection with the sale of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, not misleading. Further, we have not verified, and express no opinion as to the accuracy of, any “CUSIP” identification number which may be printed on any Bond.

STEVENS & LEE, P.C.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement"), dated as of September 1, 2021, by and between Landis Homes Retirement Community, Inc. ("Landis") and Landis Place on King LLC, LLP ("LPK"; and, together with Landis, the "Obligated Group"), Manufacturers and Traders Trust Company, as trustee under the Bond Indenture described below (the "Bond Trustee") and Digital Assurance Certification, L.L.C. ("DAC"), as Dissemination Agent (the "Dissemination Agent"), is executed and delivered in connection with the issuance by the Lancaster Industrial Development Authority (the "Issuer") of its \$[] Health Center Revenue Refunding Bonds, Series of 2021 (Landis Homes Retirement Community Project) (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture, dated as of September 1, 2021 (the "Bond Indenture"), by and between the Issuer and the Bond Trustee. Pursuant to a Loan Agreement, dated as of September 1, 2021 (the "Loan Agreement") between the Issuer and Landis, the Issuer will lend the proceeds of the Bonds to Landis for the purpose of undertaking the Project (as defined in the Bond Indenture). As security for its obligations under the Loan Agreement, Landis, as the Obligated Group Representative (as defined in the hereinafter defined Master Indenture), will issue its Obligation No. 7 dated the date of issuance of the Bonds (the "Master Note") pursuant to the Master Indenture (as hereinafter defined). The Master Note constitutes an "Obligation" issued under and secured pursuant to a Master Trust Indenture, dated as of October 1, 2015, as previously amended and supplemented and as amended and supplemented by Supplemental Indenture for Obligation No. 7, dated as of September 1, 2021 (collectively, the "Master Indenture") between the Obligated Group and Manufacturers and Traders Trust Company, as master trustee (the "Master Trustee").

The services provided under this Agreement solely relate to the execution of instructions received from the parties hereto through the use of the DAC system and are not intended to constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer, the Obligated Group or anyone on the Issuer's or the Obligated Group's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as such quoted terms are defined in the Act and nothing in this Agreement shall be interpreted to the contrary.

The Obligated Group covenants and agrees as follows for the benefit of the Bondholders (as defined below):

Section 1. Purpose of Agreement. This Agreement is being executed and delivered by the Obligated Group for the benefit of the Bondholders and in order to assist the Underwriter (defined below) in complying with the Rule (defined below). The Obligated Group acknowledges that none of the Issuer, the Bond Trustee and the Dissemination Agent, if any, have undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Agreement (except for the Dissemination Agent's obligation to file with the MSRB reports provided by the Obligated Group pursuant to this Agreement, if applicable), including their accuracy and completeness, and have no liability to any Person, including any Bondholder and the Underwriter, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Bond Indenture and the Master Indenture, which apply to any capitalized term used in this Agreement unless otherwise

defined in the first paragraph of this Agreement or in this Section, the following capitalized terms shall have the meanings indicated below.

"Annual Report" shall mean any Annual Report provided by the Obligated Group pursuant to Section 4(a) of this Agreement.

"Bondholder" or "Holder" of a Bond shall mean any registered owner of any of the Bonds or any Person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including Persons holding through any nominee, securities depository or other intermediary, including any beneficial owner), or (ii) is treated as the holder of any of the Bonds for federal income tax purposes.

"Dissemination Agent" means Digital Assurance Certification, L.L.C. or any person or entity designated from time to time in writing by the Obligated Group and which has filed with the Obligated Group a written acceptance of such designation and of the duties of the Dissemination Agent under this Agreement. References in this Agreement to the Dissemination Agent shall be applicable only if one has been designated pursuant to this Agreement.

"EMMA" means the Electronic Municipal Market Access system of the MSRB as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to or as may be prescribed by the MSRB for purposes of the Rule and approved by the SEC from time to time. A current list of such systems may be obtained from the SEC at <http://www.sec.gov/info/municipal/nrmsir.htm>.

"Fiscal Year" means the fiscal year of the Obligated Group ending on June 30 of each calendar year.

"Listed Events" shall mean any of the events listed in Section 4(d) of this Agreement.

"MSRB" means 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 Official Statement, dated September __, 2021 used in connection with the sale of the Bonds.

"Quarterly Report" shall mean any Quarterly Report provided by the Obligated Group pursuant to Section 4(b) of this Agreement.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"Underwriter" shall mean Herbert J. Sims & Co., Inc.

Section 3. Content of Annual Reports and Quarterly Reports.

(a) Each Annual Report shall contain:

(i) a copy of the audited financial statements with respect to the Obligated Group, including, but not limited to, the Consolidating Schedules (Statement of Operations, Balance Sheet and Statement of Cash Flows), prepared in accordance with generally accepted accounting principles and audited by a certified public accountant;

(ii) Certain financial information and annual operating data, including updates of the information provided in Appendix A to the Official Statement under the captions "HISTORICAL OCCUPANCY – Independent Living", "– Personal Care" and "– Healthcare", "RESIDENCY AGREEMENTS – Historical Residency Rate Increases" and "FINANCIAL INFORMATION – Gross Revenue by Level of Care (\$)", "— Gross Revenue by Level of Care (%)", "—Historical Health Center Payor Mix", "—Summary of Historical Cash Position", "— Historical Pro-Forma Long-Term Debt Service Coverage Ratio", "Summary Historical Statement of Operations", and "Management's Discussion of Financial Performance"; provided, however, that the information regarding the occupancy statistics shall include the number of units available in addition to the occupancy rates; and

(iii) The Long-Term Debt Service Coverage Ratio for such Fiscal Year and the number of Days' Cash on Hand as of the end of such Fiscal Year, to the extent such items are not included in the Obligated Group's audited financial statements.

(b) Each Quarterly Report shall contain:

(i) occupancy statistics any payor mix for each level of care provided at facilities of the Obligated Group (collectively, the "Community") for such fiscal quarter;

(ii) unaudited quarterly financial statements including income statement, balance sheet and cash flow statements, compared to budget, a schedule of rates and charges in effect for the Community for such fiscal quarter, the amount of net entrance fees received during such fiscal quarter and information with respect to the number of new admissions to personal care or nursing units or beds and indicating whether such admissions are transfers of residents from independent living units or new admissions from outside the Community; and

(iii) management's discussion of financial performance for the then ended fiscal quarter.

Section 4. Filing of Annual Reports, Quarterly Reports, Additional Information and Notices of Listed Events.

(a) Within 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2021, the Obligated Group shall file, directly or through the Dissemination Agent, copies of the Annual Report with the MSRB; provided, however, if the Obligated Group's audited financial statements are not available within 180 days after the end of the Fiscal Year, unaudited financial statements shall be filed and subsequently replaced by the audited financial statements within 15 days after such audited financial statements become

available for distribution. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information to the extent permitted by the Rule.

(b) Within 45 days after the end of each of the first three quarters of each Fiscal Year commencing with the fiscal quarter ending on September 30, 2021, the Obligated Group shall file, directly or through the Dissemination Agent, copies of the Quarterly Report with the MSRB.

(c) In addition to the Annual Reports and the Quarterly Reports, the Obligated Group shall file with the MSRB, directly or through the Dissemination Agent: (i) within 60 days after the beginning of each Fiscal Year, a copy of the Obligated Group's annual budget and (ii) within 30 days of completion, any actuarial status report prepared for the Obligated Group.

(d) In a timely manner not in excess of ten Business Days after the occurrence of the event, the Obligated Group shall file with the MSRB or deliver to the Dissemination Agent for filing with the MSRB notice of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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 Bonds;
- (vii) Modifications to rights of the Holders of the Bonds, if material;
- (viii) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;
- (xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the Obligated Group;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Obligated Group or the sale of all or substantially all of the assets 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;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) 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 Bonds, if material; and

(xvi) 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 would reflect financial difficulties.

(e) In the event that the Obligated Group is required to deliver a report of a Management Consultant pursuant to the Master Indenture (the "Management Consultant Report"), no later than thirty (30) days after the issuance of such Management Consultant Report, the Management Consultant Report.

(f) In the event that the Obligated Group receives a rating from the Center for Medicare and Medicaid Services pursuant to its Five Star Rating System (the "CMS Rating"), within thirty (30) days of receipt of such CMS Rating, the CMS Rating.

(g) In a timely manner and to the extent it has actual knowledge of such event, the Dissemination Agent, if any, shall give the MSRB notice of any failure by the Obligated Group to provide any information required pursuant to subsection (a), (b) or (c) above within the time limit specified therein.

(h) At the same time that it provides any report or notice to the MSRB pursuant to this Section 4, the Obligated Group shall provide a copy of such report or notice to the Bond Trustee.

Section 5. Report by Dissemination Agent. If a Dissemination Agent has been designated pursuant to this Agreement, then concurrently with the delivery to the MSRB of any information required pursuant to Section 4 herein, the Dissemination Agent shall confirm to the Obligated Group that it has filed such information with the MSRB.

Section 6. Termination of Agreement. The obligations of the Obligated Group under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. The Obligated Group shall provide the Bond Trustee and the Dissemination Agent with written notice that the obligations of the Obligated Group under this Agreement have terminated

and shall file a copy of such notice with the MSRB or provide a written request to the Dissemination Agent that it file a copy of such notice with the MSRB. If the obligations of the Obligated Group under the Loan Agreement, Obligation No. 7 or the Master Indenture are assumed in full by another obligated person (as defined in the Rule), such Person shall be responsible for compliance with this Agreement in the same manner as if it were the Obligated Group, and the Obligated Group shall have no further responsibility hereunder.

Section 7. Amendment. The obligations of the Obligated Group under this Agreement may be amended, without notice to or consent of the Holders of the Bonds, to the extent required or permitted as a result of a change in the legal requirements, or in connection with a change in the identity, nature, corporate organization, or status of the Obligated Group, or the type of business conducted by the Obligated Group, or in connection with a corporate reorganization of the Obligated Group; provided that any such modification of the obligations of the Obligated Group under this Agreement shall be done in a manner consistent with the Rule and either (i) does not materially impair the interests of Bondholders, in the determination of the Dissemination Agent, if one has been designated under this Agreement, or the Bond Trustee (which determination may be based on an opinion of counsel); or (ii) is approved by the Holders of a majority in aggregate principal amount of the Bonds.

Section 8. Additional Information. Nothing in this Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Obligated Group chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Obligated Group shall have no obligation under this Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Listed Event.

Section 9. Transmission of Information and Notices. Unless otherwise required by law, all documents provided to the MSRB in compliance with Section 4 shall be provided to the MSRB in an electronic format and shall be accompanied by identifying information, in each case as prescribed by the MSRB. As of the date of this Agreement, the MSRB has established EMMA as its continuing disclosure service for purposes of the Rule, and unless and until otherwise prescribed by the MSRB, all documents provided to the MSRB in compliance with Section 4 shall be submitted through EMMA in the format prescribed by the MSRB.

Section 10. Default. Any Bondholder may enforce the obligations of the Obligated Group and the Dissemination Agent, if any, under this Agreement; provided however that (i) any breach of such obligations shall not constitute or give rise to a default or an Event of Default under the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 7, the Bonds or any other document or agreement relating to the Bonds, and (ii) the sole remedy for any such breach shall be to compel specific performance of the obligations of the Obligated Group under this Agreement.

Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, if one has been designated under this Agreement, the Underwriter, the Obligated Group and Bondholders, and shall create no rights in any other Person.

Section 12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and the Rule.

Section 13. Severability. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 14. Dissemination Agent's Rights and Duties. The Obligated Group may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Obligated Group shall cause the Dissemination Agent appointed hereunder and any successors to execute and deliver an acknowledgment of acceptance of the designation and duties of Dissemination Agent under this Agreement. In the event a Dissemination Agent is designated under this Agreement, the Dissemination Agent shall have only such duties as are specifically set forth herein. The Dissemination Agent (i) shall not be liable for any error in judgment or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection therewith, except for its own gross negligence or willful misconduct, (ii) shall not be obligated to take any legal action or other action hereunder, which might in its judgment involve any expense or liability unless it has been furnished with indemnification satisfactory to it, and (iii) shall be entitled to consult with counsel satisfactory to it, and the opinion 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 the opinion of such counsel. The duties and responsibilities of the Dissemination Agent hereunder shall be determined solely by the express provisions of this Agreement, and no further duties or responsibilities shall be implied. The Dissemination Agent shall not have any liability under, or duty to inquire into the terms and provisions of any agreement or instructions, other than as outlined in the 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 incur any liability for following the instructions herein contained or expressly provided for, or written instructions given by the other parties hereto. In the administration of this 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. 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 Agreement without further act. The Obligated Group covenants and agrees to defend, indemnify and hold the Dissemination Agent and its directors, officers, agents and employees (collectively, the "Indemnitees") harmless from and against any and all liabilities, losses, damages, fines, suits, actions, demands, penalties, costs and expenses, including out-of-pocket, incidental expenses, reasonable legal fees and expenses and the costs and expenses of defending or preparing to defend against any claim ("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 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 Agreement provided the Dissemination Agent has not acted with gross negligence or engaged in willful misconduct. Anything in this 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. This Section 14 shall survive termination of this Agreement and the resignation or removal of the Dissemination Agent for any reason.

Section 15. Bond Trustee. The Bond Trustee shall have no duties or obligations under this Agreement other than to retain copies of any reports or notices delivered to it pursuant to Section 4(i) hereof until the Bonds have been paid in full.

Section 16. Execution. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be given by telephone and promptly confirmed in writing and shall be deemed given when addressed as follows:

Obligated Group: Landis Homes Retirement Community
1001 East Oregon Road
Lititz, Pennsylvania 17543
Attention: Chief Financial Officer

Bond Trustee: Manufacturers and Traders Trust Company
P.O. Box 2961
Harrisburg, Pennsylvania 17105-2961
Attention: Institutional Client Services

Dissemination Agent: Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, Florida 32801

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent. In addition, the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

IN WITNESS WHEREOF, the parties hereto have each caused this Continuing Disclosure Agreement to be executed in its name and in its behalf, all as of the date and year first above written.

**LANDIS HOMES RETIREMENT
COMMUNITY**

By: _____
Authorized Representative

LANDIS PLACE ON KING LLC

By: _____
Authorized Representative

**MANUFACTURERS AND TRADERS
TRUST COMPANY, as Bond Trustee**

By: _____
Authorized Representative

**DIGITAL ASSURANCE
CERTIFICATION, L.L.C., as
Dissemination Agent**

By: _____
Authorized Representative

[Signature Page to Continuing Disclosure Agreement]



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